

Theoretical Basis of the Organization of External Audit in Commercial Banks

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Abstract: in this article, commercial banks, first of all, began to appear as specialized credit institutions, which attract temporary free funds of farms, and on the other hand, enterprises, private firms of urgent importance as it meets the financial needs of the companies and the population, and the sum of the actions of the Internal Control Service in cooperation with other departments of the commercial bank is covered.

Keywords: Market, commercial banks, financial system, development, management, entrepreneurship, audit, internal control, sustainable operation, financial information.

INTRODUCTION

The main ultimate goal of the economic reforms implemented in the Republic of Uzbekistan is to fully establish the principles of market relations in the country's economy. The role of commercial banks in the country's economy is increasing at the current stage, when consistent reforms are being carried out in order to form an economy based on market relations.

Commercial banks of Uzbekistan began to appear, first of all, as specialized credit institutions. On the one hand, it has gained urgent importance due to the fact that it attracts temporarily free funds of farms, and on the other hand, it meets the financial needs of enterprises, private entrepreneurs and the population at the expense of the attracted funds.

External audit control is an important and necessary mechanism for evaluating the performance of commercial banks, which are leaders in the financial sector of the economy. At the stage of modernization of the economy, the development, introduction and improvement of new, modern methods of conducting external audits in banks is an urgent and scientific-practical problem.

Due to the fact that the internal audit theory lags behind practice in the banking system at the stage of economic liberalization, the tasks assigned to the internal audit service in commercial banks are not being implemented. At the stage of deepening economic reforms, there are tasks such as turning the internal audit service into an active participant in the management of banks, ensuring its control and analysis through the means of information, planning organizational and economic decisions, and evaluating the results of activities. Therefore, regular improvement of the control forms that are consistent and fully compatible with the business conditions and reduce the risks that may occur in the activities of

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commercial banks, including the organization of the specific work methods and techniques of the internal audit service is required.

As the President of the Republic of Uzbekistan Sh.M. Mirziyoyev noted, "... In the past years, the normative legal and methodological basis of auditing was formed in our country, as well as a simplified and unlimited system of licensing of auditing activities was introduced, which contributed to the formation of the market of auditing 4 services and enabled local audit organizations to enter large international networks of audit firms.

At the same time, a number of problems and shortcomings prevent the further development of audit activities, increasing the importance of audit services for making management decisions and improving the quality of corporate governance¹.

LITERATURE REVIEW

Only strong banking supervision ensures the stable operation of the banking and financial system, which is the lifeblood of the economy, prevents economic crises, and increases the confidence of foreign investors in the banking and financial system of our country. The complex of measures of the President of the Republic of Uzbekistan Sh.M. Mirziyoyev on "...introduction of modern principles and mechanisms of banking activity regulation" defined the prospects for the future development of the banking system².

At the present time, a unique system of analyzing the financial condition of commercial banks by external audit has been established in Uzbekistan. Also, commercial banks submit to the Central Bank monthly information, balance sheet, calculation of economic regulations, profit and loss reports, including many areas of their activity. In the conditions of modernization of the economy, commercial banks are faced with the tasks of overcoming financial and economic complexities and further developing their activities, adapting to the requirements of the changing market conditions. In the implementation of these tasks, it is necessary to analyze the financial results of commercial banks, to further improve and improve the effectiveness of external audit, and to skillfully manage the banking and financial system in general. A commercial bank is a commercial bank that is a resident of the Republic of Uzbekistan and has a license to carry out the relevant type of activity. The internal control system of the commercial bank is aimed at achieving the goals and fulfilling the tasks set by these Rules and internal documents. It is the sum of the actions of the internal control service in cooperation with other departments of the commercial bank.

RESEARCH METHODOLOGY

If we take a look at the history of mankind, along with the development of society, a number of natural, economic and humanitarian sciences began to be formed, which study the causes of the phenomena and events occurring in society, and the changes that can be expected. Together with these sciences, the science of economics began to study the economic phenomena occurring in society, their analysis, and the creation of material goods in society, as well as the problems related to their consumption. Along with the development of the society, it gradually began to take shape as a study of economic relations in it, a summary of the completed works, clarification of the results, analysis of the possibilities to be implemented in advance, and planning of future works. One of such types of activity is audit activity.

B.A.Hasanov in his book "Fundamentals of Internal Audit Automation" "Auditing activity is a business activity that is engaged in independent expert examination of accounting reports, which in accordance

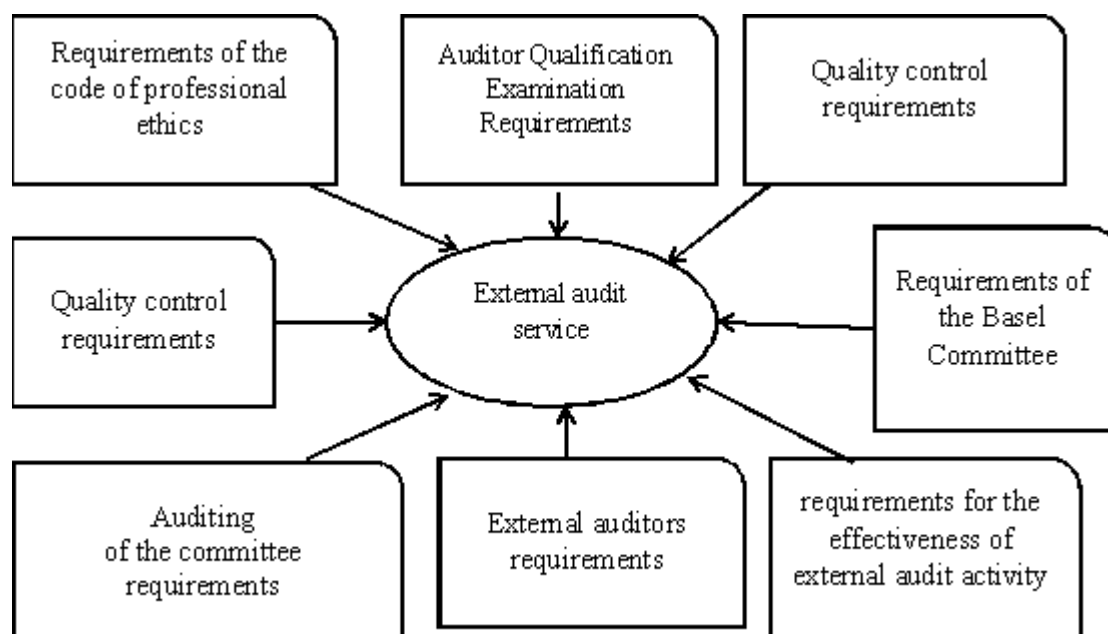
¹ www.lex.uz - Resolution No. PQ-3946 of the President of the Republic of Uzbekistan dated September 19, 2018 "On measures to further develop audit activities in the Republic of Uzbekistan"

² www.lex.uz - Decree No. 4947 of the President of the Republic of Uzbekistan Sh.M. Mirziyoyev dated February 7, 2017 "On the strategy of actions for the further development of the Republic of Uzbekistan"

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with the requirements of legislation and regulatory documents, the reliability of the activity of the economic entity is correct. It is held in order to issue an audit opinion on the company, as well as to express an opinion on its financial stability.

In her research, the Russian scientist J.A. Kevorkova³ mentioned the factors influencing the effective conduct of the external audit service and their importance. Internal auditing standards, requirements of the Basel Committee, requirements of qualification exams, etc. are mentioned as regulatory factors of the audit service.



Drawing 1. The main factors regulating the audit service

The activity of the audit service is important in making a realistic assessment of the activity of commercial banks and in providing depositors, creditors and investors with accurate information about the bank's activity. The main activity of the audit is the collection and evaluation of facts related to the economic situation of the entity. Taking into account the above, we can see the following main types of audit activities.

First of all, it is a mandatory condition for conducting any auditing activity. Such limits are determined by the size of a specific economic entity or by checking the information system in a network audit.

Secondly, the auditor tries to fill the "information gap" between the object of the audit and those interested in its implementation. This is mainly reflected in the lack of some information in the reports or in the assessment of the reliability of the information in the report and its use for decision-making.

Thirdly, the qualification of the persons conducting the audit is one of the main conditions. An auditor must be good at evaluating data by gathering the necessary data and understanding the metrics. In addition, the auditor is required to comply with the standards of conduct.

The purpose of the audit is to determine the correctness of the presented reports, the reflection of the actual state of economic activity, its legality and compliance with the requirements of financial reporting and accounting. A significant difference between external and internal audit is distinguished by their

³ B.A. Hasanov, M.Sh.Zokirov, 3.A.Alibaev. Fundamentals of internal audit improvement, Tashkent, "Fan", 2003.-162 pages

status, main tasks and time of audit. Internal audit mainly serves the interests of the owners, and its main task is to prepare information about the financial stability of the bank for its 12 shareholders.

Internal control is the activity of a commercial bank to determine transactions that must be reported to a specially authorized state body;

Internal control service is a special department of a commercial bank responsible for internal control;

The formation of audit science dates back to the middle of the 18th century. The historical homeland of audit is England, and during this period a number of laws on audit organizations were adopted. In accordance with the laws on audit activity, enterprises and organizations were tasked with inviting a special person to check accounting accounts and report to shareholders at least once a year. The Audit Act was enacted in England in 1862, and a similar law was adopted in France in 1867. In the United States of America, the necessity of auditing for the economy was recognized by 1937 and relevant legislation was adopted.

Commercial banks choose an audit organization before the end of the financial year and submit a copy of the contract with the audit organization on conducting an audit to the Central Bank within 2 months of the year following the reporting year.

The audit must be carried out in accordance with the legislation of the Republic of Uzbekistan and the Central Bank's "Regulation on conducting audits in banks of the Republic of Uzbekistan".

Auditing organizations are liable to audit clients, shareholders, creditors and other users of financial statements for the damage caused to them as a result of drawing up an incorrect conclusion of an audit opinion on financial statements and other financial information of the bank.

In the documents of the second level of the system of regulatory documents regulating audit activities in Uzbekistan, the general issues that must be fulfilled by market subjects of the regulation of audit activities are defined in the form of regulations.

The correct organization and effectiveness of the bank audit directly depends on its legal basis.

The legal basis of a bank audit is defined as a set of regulatory documents that serve as the basis for organizing, conducting and formalizing the results of an audit or that give the right to carry out these processes.

CONCLUSIONS AND OFFERS

In order to regulate the external audit of commercial banks and in order to ensure a certain degree of impartiality, to select and designate an external audit organization, to determine and designate an organization conducting an external audit of each commercial bank, and to pay for its services should also be assigned to the Association of Banks of Uzbekistan. We believe that this procedure eliminates the economic dependence of external audit service organizations conducted in commercial banks and ensures the impartiality and truthfulness of inspections.

We believe that in the reports submitted as a result of the external audit, the internal control and internal audit organization system of the bank and the performance of the bank should be evaluated, and the opinions and comments should be covered in a separate section, and their economic efficiency should be calculated. For this, it is necessary to develop methods and recommendations for determining the effectiveness of the internal audit service.

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