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PECULIARITIES OF AUDIT IN COMMERCIAL BANKS

Jurayev Uktam Panji ugli* ; Abdullayev Muhammadsodiq Isroil ugli**

*Teacher of Tashkent institute of Finance,
 UZBEKITAN

**Bank Specialist,
 UZBEKISTAN

ABSTRACT

The article examines in detail the audit of commercial banks and its specific aspects, analyzing the views of economists. The author has also developed proposals and recommendations for the development of auditing in banks. According to ancient Chinese records, in 700 BC, there was a position of Auditor General to oversee government officials who had the right to use public money and property. The responsibilities, rights, and forms of government auditors varied from dynasty to dynasty. External auditors of banks can play an important role in promoting financial stability when they provide quality bank audits that contribute to market confidence in banks' financial statements. We believe that at present it is necessary to pay attention to the following methods of audit: oral interviews with employees, alternative (alternative) balance sheet for the audited enterprise, tests on audited objects, questionnaires, methods such as the widespread use of computer information technology.

KEYWORDS: *Banks, Audit, Internal Control, Internal Audit, External Audit.*

INTRODUCTION

The main goal of the ongoing economic reforms in the Republic of Uzbekistan is to fully establish the principles of market relations in the country's economy. At the current stage of gradual reforms aimed at building a market economy, the role of commercial banks in the country's economy is growing.

The banking system of the Republic of Uzbekistan is gradually going through the stages of decision-making. Its activities are recognized by the international banking community. Because the banking system of Uzbekistan is actively involved in the reform and development of the

country's economy.

"Further strengthening of macroeconomic stability and maintaining high rates of economic growth, including ensuring that the state budget is balanced at all levels, the national currency and the price level in the domestic market is the most important priority"[1] - said the President of the Republic of Uzbekistan, which also confirms our opinion.

At present, Uzbekistan has a unique system of bank audit to analyze the financial condition of commercial banks. Commercial banks also provide the Central Bank on a monthly basis with information covering many areas of activity, balance sheet, calculation of economic standards, profit and loss statements. In the context of modernization of the economy, commercial banks are faced with the task of overcoming financial and economic difficulties, adapting to the interbank competition and further development of their activities in accordance with the changing market conditions.

LITERATURE REVIEW

The audit has a long history to this day. The first independent auditors appeared in European joint stock companies as early as the 19th century. The word "audit" means "to hear" in various translations.

Individuals who could be trusted by shareholders were invited to verify the accuracy of the financial information and approve the financial statements. The main requirements for an auditor are his unconditional honesty and independence. The complexity of accounting requires that auditors have serious training.

Economist B.Q. Khamdamov comments on the emergence of audit: If we look at audit as a financial control, China was the first to create an audit system. According to ancient Chinese records, in 700 BC, there was a position of Auditor General to oversee government officials who had the right to use public money and property. The responsibilities, rights, and forms of government auditors varied from dynasty to dynasty. In accordance with Article 91 of the new Chinese Constitution of 1983, the State Audit Office was established[2].

In many countries, joint stock companies are emerging in the economy. Of course, such conditions have not bypassed the financial crisis, and the demand for accounting experiments that can protect the interests of investors has increased. The British Parliament has passed a package of laws to control the option. All of this has led auditors to monitor the accuracy of accounting and reporting.

In this regard, R.D. Dusmuratov in his textbook "Fundamentals of Auditing" provides the following information: "According to some sources, the profession of accountant-auditor in the mid-seventeenth century in European joint-stock companies began to take shape due to the need to resolve contentious issues. At that time, there was a growing need for specialists who could work independently and give clear conclusions about the production and financial activities of the enterprise[3].

As a result, the Compulsory Audit Act was passed in England in 1862, in France in 1867, and in the United States in 1937. Currently, in developed market economies, there are audit institutes with their own organizational legal infrastructure.

Observers are primarily concerned with maintaining the stability of the banking system and enhancing the safety and reliability of individual banks in order to maintain market confidence and protect the interests of depositors. One of the main sources of financial resources for a commercial bank are deposits. This is a group of passive operations used for lending to individuals and legal entities. A wide range of deposits offered to potential investors allows the bank to pursue a flexible policy in the field of active operations, increasing the level of competitiveness[4]. Consequently, to improve the effectiveness of supervision, supervisors have shown a strong interest in the quality with which external auditors conduct bank audits. Building effective relationships with external auditors can also strengthen banking supervision.

Analysis and results

Strong internal controls, including an internal audit function and independent external audit, are part of sound corporate governance. In banks, they are also important to the security and reliability of transactions and can facilitate effective and constructive communication between bank management and banking supervisors. Appropriate communication between banking supervisors and banks' internal and external auditors will enhance the effectiveness of inspections and supervision[5].

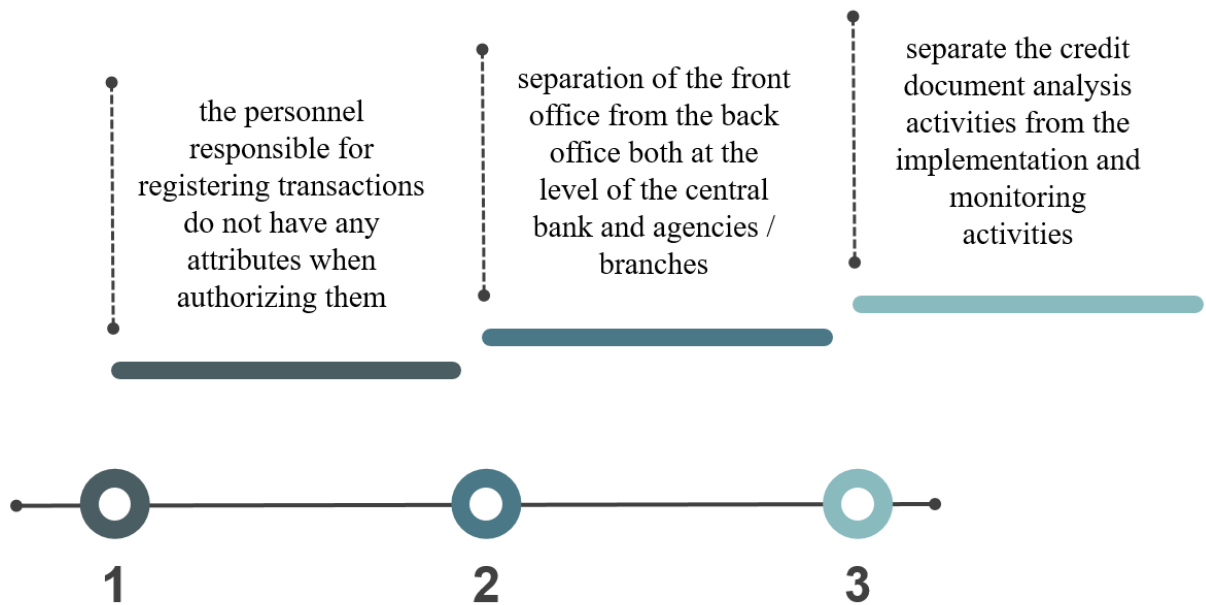
The external auditor plans and conducts an audit of a bank's financial statements to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and are prepared, in all material respects, in accordance with the applicable financial reporting framework[6].

The recent financial crisis not only exposed weaknesses in the risk management, control and governance processes in banks, but also highlighted the need to improve the quality of external audits of banks. External auditors of banks can play an important role in promoting financial stability when they provide quality bank audits that contribute to market confidence in banks' financial statements. Quality bank audits are also a valuable contribution to the supervision process. The Basel Committee on Banking Supervision is releasing this document on external audits of banks to improve the quality of external audits of banks and enhance the effectiveness of prudential supervision, which contributes to financial stability.

Our study confirms the inclusion of internal audit in internal banking control based on the complementarity between these management banking tools. We intend to explore the first two mentioned concepts that contribute to sound corporate governance of the bank and their interdependencies - internal banking control and internal banking audit. The nature of the problem is primarily due to the characteristics that distinguish internal control from internal audit in the banking industry.

Internal banking controls are a very delicate topic in a context where banks must be able to fulfill their responsibilities, even in the event of major shocks that could affect the economy. The current reality of the financial crisis has forced banks to rethink the way they should do business to include their concern for healthy internal controls. And effective internal banking control facilitates communication between all management structures of the bank and its operational staff. The characteristics of effective banking control facilitate communication between bank management and financial auditors, as well as between bank management and national banking supervisors.

The analysis does not attach sufficient importance to the human factor that is implied in domestic banking. We consider it necessary to further clarify the method of control by bank employees, since internal control activities should be part of the day-to-day activities of credit institutions. The specificity of banking activities imposes on the fact that the bank staff will not have exclusive control over one or more operations, summarizing two or more of the following functions: decision functions, value functions and goods management, while retaining the recording function and the management function. Activities that need to be clearly separated include: trading and clearing; managing valuables and keeping records of their records; authorization of transactions and their registration. It is absolutely essential to separate incompatible activities such as:



CONCLUSIONS

The auditor also uses standardization, evaluation, and grouping methods in the audit process. Audit methods should help to determine the causes of each event, their consequences, the compliance of business processes with the law. Due to the development of auditing, its style and methods are improving. We believe that at present it is necessary to pay attention to the following methods of audit: oral interviews with employees, alternative (alternative) balance sheet for the audited enterprise, tests on audited objects, questionnaires, methods such as the widespread use of computer information technology. It should also be noted that auditors should use non-traditional methods in addition to the general (traditional) methods adopted in the audit process. Thus, the methods used in an audit are directly related to its type, purpose, and objectives.

We have found that the relationship between internal banking audit and internal banking control is very complex and intimate, created, in particular, by legal requirements in their area. They impose on banks the organization of audit functions as an integral part of the internal control system and lead to the interdependence of the studied concepts.

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