



DIRECTIONS IMPROVING THE AUDIT OF INVENTORIES: EVIDENCE FROM UZBEKISTAN

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Abstract

The current article describes the nature of inventories, the issues of their audit. The article identifies areas for organizing the audit of inventories on the basis of international standards. The article further explores the various stages of the audit of inventories and describes the actions to be performed by the auditor at these stages. Research shows that inventories have a significant share in the structure of assets of economic entities in sectors of the economy

Keywords: Inventory, audit, international standards of auditing, fraud, materiality, audit risk, overall audit plan, audit program

INTRODUCTION

In increasing the competitiveness of the economy in the world market, the main focus is on the rational use of raw materials and resources, saving inefficient costs and reducing the cost of production. In the context of modernization of the economy, any business entity will need to properly organize the accounting and audit of inventories and increase the efficiency of their use.

By effectively organizing the audit of inventories, it is possible to reduce the cost of production, increase profits and improve financial stability in business entities. Therefore, it is important to improve the methodology of audit of inventories on the basis of international standards. The purpose of the study is to check the significance of inventories on structure of assets and determining the directions improving the audit of inventories.

LITERATURE REVIEW

Many economists have been involved in the audit of inventories. According to a group of economists, inventories are an important part of cost items and have a significant impact on financial results. Therefore, it is advisable to use advanced audit methods to obtain reliable information about the reserves in the balance sheet [7].

According to Romanian economist Cristina Iovu, inventories will have a large share in the balance sheet. Therefore, the audit of inventories is a complex process and it is necessary to focus on determining the physical condition of inventories in audits, as the operations related to inventories are prone to fraud [5].

A group of U.S. economists point out that many methods are used to audit inventories. However, the most effective method of inventory audit is inventory, which should be conducted with the direct participation of the auditor [1].

According to Chinese economists H.Vi, H.Wang and Yu.Yang, inventories are the most important component of current assets and are a key factor in determining the auditor's remuneration as the main object of audit [9].

However, the works of the above-mentioned scientists do not pay much attention to the methodological aspects of the organization of the audit of inventories.

ANALYSIS AND RESULTS

Inventories begin with the planning process for the audit. Inventory planning allows you to identify important areas of audit. The conceptual approach to conducting an audit allows you to select a sequence of key approaches and steps for conducting an inventory audit. In our opinion, the most important stages of the audit of inventories are:

- Audit planning.
- Evaluation of the internal control system (INT).
- Formulation of audit plan and program.
- Perform audit procedures.
- Registration of results.

Inventory audit planning involves the development of an overall plan and audit program. In planning and conducting the audit, the auditor should not state that the management of the audited entity is questionable, but should not assume that management is absolutely dishonest. An audit is usually limited in time. Therefore, it is necessary to prepare well for it to give a positive result. Proper preparation is an important means of such preparation that ensures that sufficiently effective and efficient audit methods are applied.

Once the auditor has completed all the steps of the initial planning phase, he or she should develop an audit plan and program. The stages of planning the audit of inventories are shown in Figure 1.

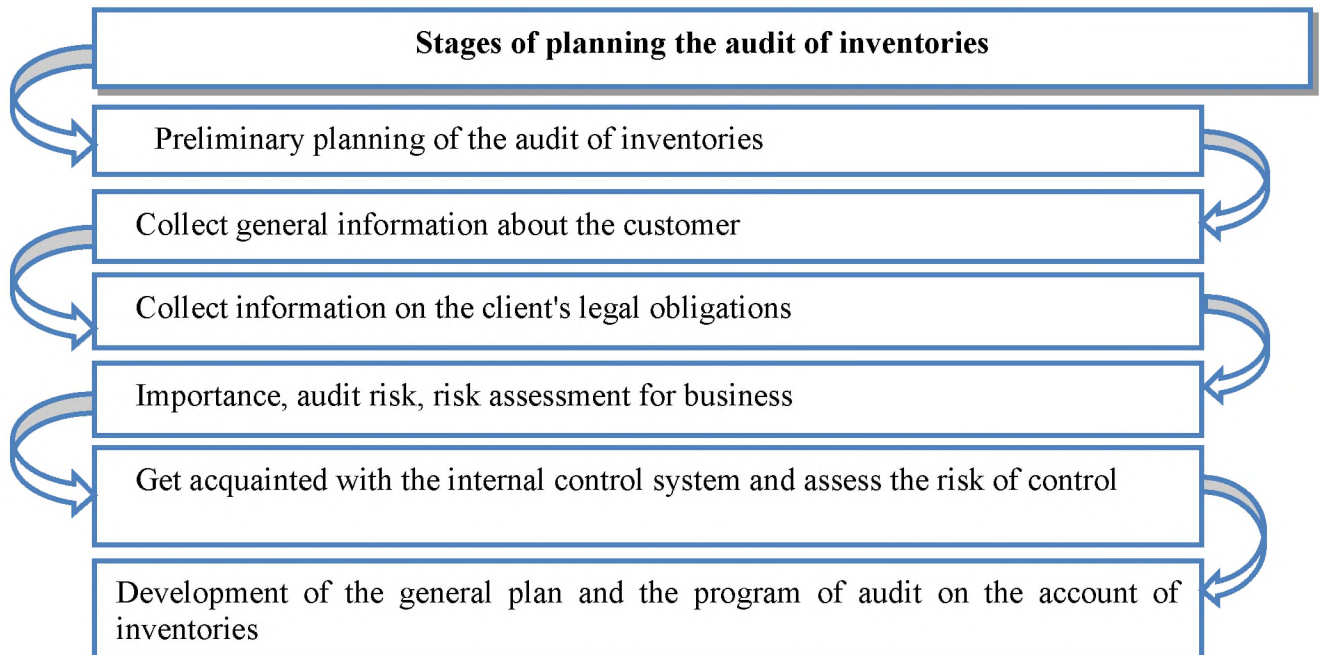


Figure 1. Stages of planning the audit of inventories

International auditing standards should be widely used in the organization of audits. According to economist A. Avlokulov, it is the application of international auditing standards that serves to improve the quality of audit and the application of a unified approach between different countries [2].

At the planning stage, auditors calculate the level of materiality in accordance with ISA 320, "Importance in Planning and Implementing an Audit".

In this context, let us consider the approaches of economists to the concept of "importance". Professor S.M. According to Bychkova, the concept of "materiality" is important in the audit, because the level of materiality determines the amount of inaccuracies or errors, as well as the scope of the audit and the form of the audit report [2]. In turn, Professor V.I. Podolsky notes that the auditor independently calculates the probability level of materiality based on his or her professional judgment [3].

According to TM Rogulenko and SV Ponomareva, in terms of quality, the auditor should decide whether the deviations identified by the audited entity in compliance with applicable law are significant [6].