International Congress on Economics, Management and Business Studies
Hosted Online from New York, USA
Date: 23rd June , 2026
Website: https://econferencia.com

SUMMARIZING AND EVALUATING THE RESULTS OF AUDIT PROCEDURES IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Karamatova Noiba Xusnutdinovna
Senior Lecturer, Department of Audit,
Faculty of Accounting Tashkent State University of Economics
Email: noibakaramatova@gmail.com

Abstract

Summarizing and evaluating the results of internal audit procedures in commercial banks in accordance with International Standards on Auditing is of significant importance. It contributes to increasing the level of confidence in banks' financial statements and financial information, reducing financial risks, and improving the quality of users' decision-making. This article examines these issues and provides proposals and recommendations for summarizing and evaluating the results of audit procedures in accordance with International Standards on Auditing.

Keywords: Commercial banks, internal audit, financial operations, risks, financial settlements, operational efficiency, identification, evaluation, management, proper implementation, analysis, methodology, financial risks.

The primary objective of an audit is to conduct an examination in accordance with an agreement concluded with commercial banks. During this examination, the internal auditor gathers audit evidence, prepares an audit report based on the evidence obtained, and develops an audit opinion on the activities of the branch of the commercial bank. This audit opinion differs from the opinion issued by an external auditor. In particular, an external auditor's opinion confirms whether the information presented in the financial statements corresponds to the underlying accounting records. The internal audit function analyzes the efficiency and condition of branches and internal units and provides appropriate recommendations for improving their activities and eliminating deficiencies identified in their financial operations.

It should be particularly emphasized that foreign investors, banks, and other users may be among the users of commercial banks' financial statements. Therefore, such commercial banks are naturally interested in having their financial statements audited in accordance with International Financial Reporting Standards. Accordingly, external auditors audit the financial statements of commercial banks in accordance with international standards and issue an audit opinion.

To reduce information risk in the activities of commercial bank branches, it is important that internal audit reports prepared on the basis of audit results are objective. Conducting internal audits of commercial bank branches and preparing audit reports is therefore an important and relevant task.

According to the plan developed by the internal audit department of a commercial bank, the reports of its branches should undergo internal audits annually in order to verify the key performance criteria of branch activities. Therefore, when commercial banks prepare consolidated financial statements, particular importance should be attached to the validity and reliability of the reporting indicators prepared by their branches.

In Uzbekistan, the summarization and evaluation of the results of external audits in commercial banks are conducted on the basis of the National Auditing Standard of the Republic of Uzbekistan (NAS No. 70), entitled "Auditor's Report and Auditor's Opinion on Financial Statements." In addition, at the international level, International Standard on Auditing (ISA) 700, “Forming an Opinion and Reporting on Financial Statements,” serves as a key standard for external and internal audit reporting in relation to these matters. It provides detailed guidance on the auditor’s report, its elements, and its content.

During an internal audit of the activities of commercial bank units, the auditor primarily analyzes and evaluates factual information reflected in the primary documents, accounting records, and reports of the branch or unit under examination. Only in certain cases does the internal audit function evaluate financial information based on estimates and calculations.

Along with summarizing audit results, the auditor should, during the completion phase of the audit, verify that all items of the audit program have been performed. Taking into account the objectives and tasks of internal audit, it is appropriate to document the summarized and evaluated audit results in at least two documents:

• a report on the audit of the branch’s financial and economic activities for the period specified in the audit plan;

• an auditor’s opinion on the branch’s balance sheet and financial statements.

The following factors created an objective need for the development of internal audit activities in Uzbekistan and contributed to the emergence of internal audit in commercial banks:

• the emergence of various forms of ownership, the formation of capital, and the emergence of a class of investors;

• the need for internal auditors in accordance with the requirements of the Basel standards;

• the need to make decisions based on objective financial reporting information;

• the need for a special professional opinion to provide assurance regarding the accuracy of reports prepared by various issuers;

• the need for direct communication between owners and the boards and management of joint-stock companies and commercial banks, as well as the provision of impartial information;

• the growing need for an objective assessment of the activities of commercial bank branches and units.

External (independent) auditors rely to a considerable extent on the results of internal audit in their work. In general, internal auditors examine the activities of the organizations in which they work. As a rule, however, they are part of the organization's management structure, including the board of directors. This form of control, or self-control, emerged in the United States in the 1930s and subsequently spread to Western Europe and Japan.

In European and American countries with developed market economies, the auditing profession has centuries of experience. Audit developed as an integral part of an advanced legal economy and modern legal society in Europe, although its history is extensive enough to constitute a separate field of study. International audit theory and practice developed under conditions of competitive economic activity. International practice has subsequently been accompanied by relevant research and broad public discussion. As a result, a strong international legal foundation for auditing has been established, detailed organizational procedures have been developed, and extensive methodological materials for auditors have been published and continuously updated. These materials define and classify the fundamental concepts, terms, and categories of auditing.

Responsibility for the auditor's report and audit opinion. In accordance with the Law of the Republic of Uzbekistan "On Auditing Activities," an auditor's report or audit opinion is considered intentionally false if it was prepared without conducting an audit, or if it was prepared following an audit but does not correspond to the contents of the documents of the entity obtained and examined by the auditor(s) during the audit.

The intentional preparation of a false auditor's report or audit opinion may result in the termination, in accordance with the established procedure, of the license to conduct audit activities, as well as the imposition of liability on the persons responsible, as provided by law.

An audit opinion is an integral part of the accounting (financial) statements and serves as a source of information about the reliability of those statements for their users. Users of financial statements rely on the opinion expressed in the audit report and place confidence in the auditor or audit firm. This confidence is primarily earned and justified by the quality of the work performed by the auditor. Statistical sampling methods in auditing can be effective when applied to populations or subpopulations whose individual elements have similar characteristics. For example, such methods may be applied when examining invoices issued to customers in the sale of products, works, or services. Invoices generally have a standardized form, are stored in a single file, and are assigned sequential identification numbers. However, difficulties may arise when examining invoices received from suppliers because supplier-assigned invoice numbers may not correspond to the chronological order in which the invoices were received. In such cases, if the auditor intends to use statistical sampling methods, the auditor may assign numbers to all invoices in the population solely for audit purposes. In many cases, however, the structure of the client's document flow may adversely affect the proper application of statistical sampling because the uniformity necessary for stratification may be lost when documents are transferred to the archive.

In conclusion, internal audit procedures are highly important for the objective and professional evaluation of the activities of commercial banks. These procedures include the examination of the bank's financial settlements, financial operations, risk management system, and compliance with applicable legislation.

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