

## Risk Elimination Guidelines in the Accounting Policy Audit

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***Abstract.** Methodological aspects of organizing and conducting an accounting policy audit are studied in the article. As a result of the research, proposals were developed to eliminate risks in the accounting policy audit.*

***Key words:** accounting policy, financial reporting, audit, accounting policy audit, audit risk, control risk, level of importance.*

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### INTRODUCTION

In the Republic of Uzbekistan, as in all areas, large-scale changes are being implemented in the field of audit. In particular, a lot of attention is being paid to conducting audits based on international standards and improving quality control. One of the main issues in audits is the formation of a reliable opinion about the correctness of accounting policies. That is why it is important to organize an accounting policy audit based on international standards.

### LITERATURE REVIEW

In the economic literature, there are many views on revealing the essence of the accounting policy audit.

According to A.Pinello, L.Pushaver and A.Volkan, “accounting assumptions are an important part that should be reflected in the accounting policy, and it is necessary to pay special attention to this aspect in audits” [1].

A group of economists stated that “the accounting policy is an important document in accounting and should serve to ensure full disclosure of the financial reporting process. Therefore, it is necessary to carefully check the accounting policies in the audit of financial statements” [2].

According to the KPMG audit report, “it is important to distinguish between accounting policies and accounting estimates in audits, because changes in accounting policies are generally applied retrospectively, while changes in accounting are applied prospectively” [3].

A group of economists stated that “the auditor must review not only the financial statements, but also the accounting policy during the audit. This ensures that assets and liabilities are correctly recognized and valued” [4].

According to M.Meza “the new generation of advanced audit reports includes the disclosure of important issues in the company's financial statements and its audit. This disclosure, first of all, must cover all elements of the accounting policy applicable in the company” [5].

As can be seen from the above-mentioned points, the studies focused mainly on the nature of accounting policy and its role in audits. However, the accounting policy audit did not pay enough attention to the issues of risk elimination.

## **RESEARCH METHODOLOGY**

The procedure for organizing and conducting an accounting policy audit is reflected in regulatory legal documents. The organization of the audit of accounting policy in economic entities on the basis of international standards is of great importance in improving the scientific and methodological apparatus of the audit.

## **ANALYSIS AND RESULTS**

The main task of the accounting policy audit is to form an auditor's opinion about the level of reliability of the financial statements of the economic entity. When providing such services, the audit must begin with an examination of the accounting policies of the economic entity. When conducting an accounting policy audit, the auditor must ensure a certain level of confidence that there are no material misstatements in the accounting, as well as that it is formed in accordance with the requirements of the current legislation. In the auditor's opinion, the auditor expresses this as reasonable assurance.

It is necessary for the auditor to formulate the application of audit procedures in the verification of the accounting policy in agreement with the client. During the audit, the auditor must analyze the rules of the accounting policy and evaluate the results.

Based on the actions used during the audit and the circumstances identified in it, the users of the financial report are given the opportunity to independently evaluate and form conclusions based on all the information collected by the auditor.

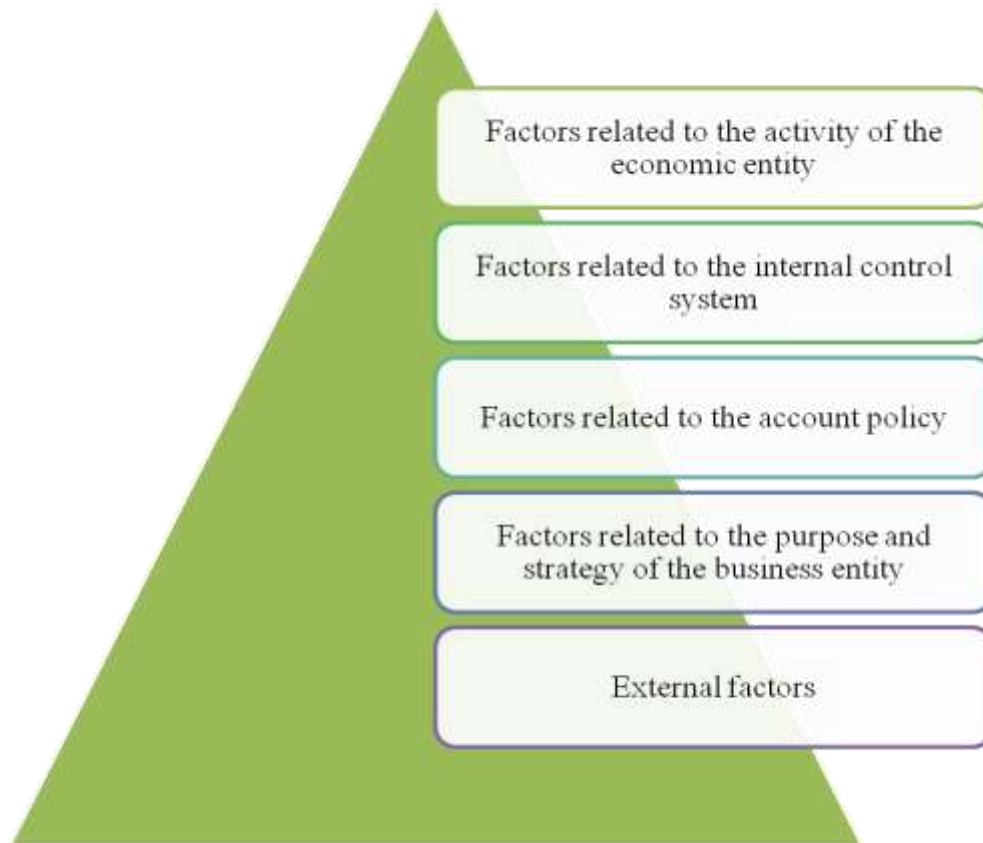
In the compilation of financial data, that is, in the process of collecting, classifying and summarizing all financial data, as well as in the process of its transformation, effective decisions are made for the business entity, as well as a transparent and attractive report for the owner is formed, in which accounting policy audit operations can be used.

The purpose of compiling financial information for an auditor is to apply the knowledge of an accounting professional. All this implies the systematization of account information in a form that is convenient for understanding and management. It should be noted that the financial data of the economic entity within the framework of the compilation are not considered evidence in the process of forming an opinion by the auditor. The primary users of the compiled information receive specific information from the work performed by the auditor, as this type of service, like any other service, is performed with professional skill and integrity. When compiling financial data, accounting policy is analyzed and its results can be reflected in the audit.

Some other types of services provided by auditors to clients related to auditing activities are not regulated by auditing standards.

Recently, as a result of the increase in conflict situations in corporate structures, special attention is being paid to detecting cases of fraud in audits. Cases of fraud have a negative impact on the activities of economic entities. Therefore, it is necessary to clarify the composition of the

factors affecting the occurrence of risks in the financial report and to develop suggestions for reducing the audit risk. As a result of the research, the composition of factors affecting the occurrence of risks in the financial report was considered during the audit (Figure 1).



**Figure 1. Factors affecting the emergence of risks in financial reporting<sup>1</sup>**

In our opinion, paying attention to the factors affecting the occurrence of risks in financial reporting and their timely elimination will lead to the quality of the financial reporting audit and the formation of a reliable auditor's opinion.

Auditing organizations can use audit operations as part of the accounting policy within the framework of the financial statement audit, as well as in the process of providing audit-related services, compilation, analytical review, agreed actions, and other services related to audit activities. The type of services depends on the audit assignment agreed with the business entity. All this together requires consideration of methodological approaches to the formation of the accounting policy of the economic entity.

Accounting policy audit is carried out in the provision of a set of audit services, which includes the audit of financial statements and their separate parts, related services (analytical review, agreed procedures, compilation of financial data), as well as other services related to audit activity. possible For example, the audit of accounting policies for taxation purposes can be used in the audit of tax reports carried out in accordance with IAS 800 entitled "Special considerations - audits of financial statements prepared in accordance with special purpose frameworks".

<sup>1</sup> Made by author

Establishing the audit procedure, organizing the activities of audit organizations and the requirements for their relations with the audited persons identified organizational and methodological issues as the main problem.

In our opinion, the audit distinguishes the development of audit methodology based on integration with corporate management, as well as with financial analysis, this situation ensures the use of audit conclusions recommended for making management decisions.

It is appropriate to consider the methodological approaches to the formation of the accounting policy, taking into account the specific characteristics of the activity of the economic entity.

The main object of the audit is the accounting policy, because the accounting policy drawn up in a non-optimal way or its shortcomings or its incorrect implementation causes a decrease in the quality of accounting and reporting, the accounting policy affects the formation of financial statement items. All this explains the inclusion in the audit plan and program of any sections of accounting of the clause devoted to checking and evaluating the optimality and effectiveness of accounting policy rules.

All problems of development and implementation of accounting policies are among the main sections of the audit that affect the audit results.

Accounting policy is the basis of the entire accounting system of the economic entity. But it is not only the internal accounting rules of the business entity that reflect the optimal method of accounting, but also one of the tools for creating information aimed at making effective management decisions. Accounting policy allows to achieve the maximum possible results of the activity of an economic entity: collection of information, systematization and summarization of received data, influence on production cost indicators, financial results, optimal taxation. Accounting policy is a means of managing the costs of the economic entity, as well as the results obtained during the activity, planning, optimizing taxation, reducing labor capacity, using the principles and approaches of IFRS.

## CONCLUSION

1. The quality of financial reporting information provided to external users by business entities directly depends on the accounting policy developed by these entities. Accounting policy is a document that determines the correct formation of assets, equity, liabilities, income and expenses in financial statements based on the requirements of regulatory legal documents.

2. According to the conducted scientific researches, it is necessary to pay special attention to its technical, organizational and methodological aspects when drawing up the accounting policy. It is desirable that these aspects of the accounting policy do not conflict with the requirements of national accounting and international standards of financial reporting. In addition, the formulation of the accounting policy in terms of financial, management and tax accounting is one of the tasks that should be given special attention by the management of each economic entity.

3. It is expedient to organize relations between the business entity and the audit organization in a specific manner. In addition to mandatory audits by auditing organizations, the effectiveness of accounting policy is checked in the process of rendering similar services. The relationship between

the business entity and the audit organization must be regulated by a letter of agreement. This letter of agreement covers the purpose and tasks of the audit of the accounting policy, the rights and obligations of the auditing organization and the client, and other aspects, and serves the quality of the audit of the accounting policy.

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