

COMMERCIAL BANKS OF THE REPUBLIC OF UZBEKISTAN ANALYSIS OF THE AUDIT PROCEDURE

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Abstract: This article analyzes the economic essence, classification and assessment of the procedure for auditing commercial banks in the Republic of Uzbekistan . was discussed.

Key words: audit service, economic activities, direct and indirect control, internal audit, chief auditor.

Introduction

Deepening reforms in the banking system require a wider use of methods and tools for rational management of financial resources, and the widespread use of direct and indirect control tools in coordinating the activities of commercial banks. Therefore, the Central Bank pays great attention to periodic and systematic monitoring of the financial and economic activities of commercial banks and their branches. As world experience shows, external and internal audit play a significant role in maintaining the stability of commercial banks. The Central Bank's strict requirements for strengthening internal and external audit create conditions for the qualitative and timely fulfillment of the tasks assigned to them by supervisory bodies and financial and credit institutions.

The main purpose of internal and external audits, as previously noted, is largely similar and is to monitor. However, there are certain differences between them, which depend on the nature of the auditor. External audit involves evaluating the reporting system, evaluating and verifying the assets and liabilities of the bank, and testing the existing internal control system. External audit involves assessing whether the reports and balance sheets presented by the bank being audited are true or not, its financial condition, and the results of its activities for a certain period. The conclusions prepared by external, independent auditing firms are intended for higher organizations, shareholders, creditors, etc., and are also used by internal auditors.

Internal audit has a different nature and content depending on its definition and organization compared to external audit. Internal audit, as an independent unit within the bank, conducts daily inspections of the bank's activities. According to generally accepted rules, internal audit serves the bank to effectively fulfill its obligations, that is, it is primarily aimed at identifying problems at an early stage. Internal audit is a management tool, an opportunity to closely monitor bank operations using internal forces, and is a guarantee of achieving management goals. To this end, the internal audit service provides management with information on the results of the analysis performed, analyzes the activities of departments, various directions, and gives them recommendations on eliminating emerging problems. Internal audit staff work in cooperation with external auditors.

The results of internal audit are used by bank managers to manage current affairs, taking into account available resources within the framework of current legislation. Thus, internal audit serves the organization to achieve its goals. The tasks of internal audit in banking activities do not differ from those listed above, but are unique due to the specifics of banking activities, banking products, accounting, the process of organizing work, and the abundance of risk factors.

The implementation of tasks in the internal audit process is diverse and depends on its purpose and the nature of the organization's activities. The tasks can be solved in different ways, with different depth and details, based on different criteria. Standards play a large role in this.

In countries with developed state apparatuses, much attention is paid to audit issues, including internal audit. In this regard, the international organization of supreme audit institutions is The International Organization of Supreme Audit Institutions (INTOSAI), which has dozens of countries as members, including the USA, England, and Japan. There is also the International Institute of Internal Auditors, The Institution of Internal Auditors, (IIA). Special government organizations, for example, in the USA (General Accounting Offis), work in this direction. Each of these agencies has special departments that develop audit standards. The expected goal of these standards is to explain the importance and responsibility of internal audit, create a basis for internal audit management and standardize work, and improve the experience of conducting internal audits. The main principles of the standards include independence and objectivity, professionalism, scope of work, fulfillment of audit assignments, and management of the internal audit department. The requirements for internal audit in commercial banks in Uzbekistan are set out in the Central Bank's regulations of June 24, 2000 "On Corporate Governance in Commercial Banks" and November 25, 2000 "On Requirements for Internal Audit of Commercial Banks by the Central Bank." On this basis, an independent internal audit service was established in each commercial bank and they organized their activities in accordance with the requirements of the Central Bank.

Audit services conduct their activities in accordance with the laws of the Republic of Uzbekistan, regulatory documents of the Central Bank, internal regulatory documents of the bank, and its own regulations.

The Audit Service, today, it can be said that by auditing the activities of a commercial bank and all its branches and other structural units, it is a real assistant to the Bank Council in achieving the prospects and goals of the bank's activities. The Audit Service, being an independent structural unit, carries out its activities in cooperation with other independent departments of the bank. The Audit Service is directly subordinate to the Bank Council and its Audit Committee. The structural structure and staffing of the Audit Service are also approved by the Bank Council.

The Chief Auditor (Head of the Audit Service) is appointed and dismissed by the decision of the Bank Council. Other employees of the Audit Service are approved by the Chairman of the Bank Council based on the recommendation of the Chief Auditor. The Audit Service has a cost estimate approved by the Bank Council. The cost estimate is developed annually by the Chief Auditor and submitted to the Bank Council for approval. Only the Bank Council has the exclusive right to make changes to the cost estimate of the Audit Service. The salaries of the Audit Service employees are established by the Bank Council.

The expected goal of establishing an internal audit service is to establish control over the internal control system, including the preparation of financial statements. The objective assessment and advice provided by internal audit aimed at improving the quality of banking activities, management processes, and further improving the bank's performance will lead to the strengthening of the bank's position in the financial market. The organization of internal audit in commercial banks is entrusted to the Bank's Board, which periodically reviews issues related to the effectiveness of internal control, discusses the state of internal control in the bank with bank managers, internal and external auditors, ensures that the bank's management implements the proposals of internal and external auditors and supervisory institutions to eliminate the shortcomings identified in the bank, and monitors the compliance of existing risks and limits with the bank's strategy. The bank's management should clearly define the powers and responsibilities of employees to ensure that they perform their duties without deviation. Since bank managers are primarily responsible for controlling and monitoring bank risks.

To achieve the goals of its activities, internal audit mainly performs the following tasks: Provides the Bank's Board with accurate and independent (objective) information on the actual financial condition of the bank and the effectiveness of the bank's internal control system based on audit audits; Evaluates and analyzes the effectiveness of the internal audit system and the procedures and measures adopted for conducting audit audits; Analyzes the effectiveness of administrative and operational measures used to achieve the goals set in the bank's activities; Analyzes the application and effectiveness of procedures for risk management and methods for assessing them; Analyzes the financial information system, including electronic information systems and electronic banking services; Analyzes the reliability and accuracy of accounting and financial statements; Evaluates the compliance of the bank's activities with the requirements of current legislation and regulatory documents of the Central Bank; Checks compliance with internal policies adopted by the Bank's Board and the bank's internal regulatory documents; checks the completeness, reliability and timeliness of regular reports; examines the accuracy and truthfulness of the accounting books and financial statements; analyzes the formation of reserves based on the composition and adequacy of capital, asset quality and classification of the loan portfolio, the movement and aspects of changes in the composition of balance and off-balance sheet items, the implementation of the financial plan approved by the Central Bank, the main aspects of the balance sheet in the income structure, the economic efficiency of management; conducts special audits or assists in conducting special audits at the request of the Bank Council; assists bank employees in the effective performance of their duties; conducts current audits of monthly, quarterly and annual financial statements; assists in assessing the adequacy of the accounting, operational and administrative control system.

Literature review.

The audit service is headed by the Chief Auditor, appointed by the Bank's Board of Directors. He plans audits, establishes policies and procedures, takes measures to improve the skills and training of staff, and is responsible for quality.

The main tasks of the chief auditor are as follows: general management of the activity of the audit service; develops the composition of the structural departments of the audit service, their duties, the charter of the audit service, procedures for audit inspections, the annual budget of the audit service and ensures compliance of these documents with internal audit standards; attracts qualified employees to the audit service and directly manages their activities; takes measures to improve the skills of audit service employees; Provides regular reports on the activities of the audit service to the bank board and the audit committee; The chief auditor performs other duties specified in the job description.

A clear definition of the rights and powers of the audit service employees ensures the qualitative and effective performance of their activities. During the audit, they should have the right and authority to: have unhindered access to all buildings and premises of the Main Bank and bank branches, including the cash network, currency exchange offices, and savings banks, for the purpose of conducting an audit; to request from the heads and employees of the bank and bank branches all necessary documents related to the activities of the bank and that are the subject of the audit; to receive explanations from the heads and employees of the bank and its branches on questions arising during the audit, and, if necessary, to receive written explanations from them; to obtain copies of documents; to seize, if necessary, in accordance with the established procedure, original copies of documents (which are likely to be stored in the future); to request the necessary information, confirmations, and documents from bank customers through an official request when checking individual bank operations and documents. In addition, it is necessary to make suggestions to the Bank Council about taking appropriate measures against the branches for the errors and deficiencies found during the inspection.

The right to audit all aspects of the bank's activities, in turn, imposes certain obligations on them, and they have a great responsibility for the correct and truthful preparation of reports. In this regard, they must: have an order to conduct an audit in a banking institution and a service certificate; ensure the confidentiality of banking and commercial secrets revealed during the audit in the bank and its branches; conduct audit audits completely independently; conduct audit audits in a timely and high-quality manner; prepare and submit impartial audit reports on the results of the audit in a timely manner; comply with the regulatory documents of the Central Bank and the bank's internal regulatory documents on conducting an audit.

At the same time, employees of the internal audit service shall be liable in accordance with the current legislation of the Republic of Uzbekistan and the relevant internal regulatory documents of the bank for: distorting the results of the audit, failing to provide an objective assessment of the financial condition of the bank and its branches; failing to ensure the confidentiality of banking and commercial secrets revealed during the audit; failing to ensure the integrity and return of documents obtained during the audit.

Research methodology.

In this research , Analysis of the economic essence of the procedure for auditing commercial banks in the Republic of Uzbekistan, classification and assessment are covered in detail.

Analysis and discussion of results.

The professional qualifications of the internal audit service staff determine the responsibilities of the internal audit service and each auditor. Each auditor must have thorough knowledge in the fields of accounting, economics, financial affairs, statistics, data processing, technology, taxation and law, and have an understanding of internal audit standards, procedures and methods, accounting principles and methods, management principles, and information systems embedded in ICT during their work.

In this case, they must: have higher education and relevant professional skills and qualifications appropriate to the nature of the tasks they perform; be familiar with banking legislation and the instructions and regulatory documents of the Central Bank regulating banking activities; be well-versed in generally accepted international accounting and auditing standards; constantly improve their qualifications; and have no restrictions when planning audit programs regarding the scope and duration of tasks.

Inspections are carried out in accordance with the procedure "On auditing the activities of banks" by the Audit Service.

The audit service's work program should meet the following requirements: the audit should have a clear objective; the scope of the program should be sufficient to achieve the audit objectives; and it should include a plan of work to be performed and a description of the necessary principles for each area to be examined.

The principles included in the program may change depending on the volume and complexity of the operations being carried out or changes in regulatory documents in force.

The audit report is prepared shortly after the audit is completed. It must include the purpose and object of the audit, problems and shortcomings identified during the audit, and proposals for eliminating each identified problem.

Conclusions and suggestions.

Analyzing and summarizing the above definitions, we can conclude that profound changes,

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consistent reform and liberalization of all aspects of political and socio-economic life, and the processes of democratic renewal and modernization of our society are developing rapidly in our country.

Proposals prepared for eliminating problems should include a brief description of identified problems, measures to be taken to correct these problems, responsible personnel assigned to them, and deadlines for the implementation of measures.

The reports of the employees of the audit service are submitted directly to the Bank's board and the audit committee. Copies of these reports are submitted to the Bank's management, and the part related to identified deficiencies is submitted to specific departments. The audit service should monitor the development and implementation of measures by branches to eliminate errors and deficiencies identified during the audit.

The purpose of conducting audits is to audit the activities of the Main Bank and all its branches, to monitor compliance with the legislation and regulatory documents regulating the activities of banks, to assess the consistency of accounting, operational and administrative control systems, to assist the Bank Council and the Bank's management in achieving the set perspectives and goals of the bank's activities by analyzing and controlling the activities of the branches.

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