APPLICATION OF ANALYTICAL PROCEDURES IN REDUCING AUDIT RISK

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ABSTRACT

The use of international standards in auditing activities leads to an increase in the quality of audit inspections. In order to improve the quality of audits, it is necessary to pay attention to the use of reducing the level of risk in the audit of assets. In this article,proposals for reducing the level of risk in the audit of assets have been developed.

Keywords: audit, audit activity, audit organization, audit conclusion, audit evidence, audit risk, control risk, significance.

INTRODUCTION. Audit risk plays an important role in ensuring the reliability of the audit conclusion of the audit of assets. Audit organizations are interested in reducing audit risk. In carrying out these actions, the assessment of many factors is the main issue before the auditor during the inspection process. Determining acceptable importance and risk levels for such factors and assigning audit actions in accordance with them is effective.

LITERATURE REVIEW. Many opinions have been expressed by economists regarding assets and audit risk. Avlokulov A.Z. says that "fixed assets are an important part of assets. Depending on their amount and condition, the activity of subjects is evaluated. The more efficiently fixed assets are used, the better the return on assets" [1].

According to Levan Sabauri “the audit risk is one of the most complex categories of the audit, which determines the auditor’s opinion regarding the reliability of reporting. The assessment of the auditrisk is one of the mandatory requirements of the International Standards on Auditing”[2].

Another economist came to the following conclusion about audit risk “the concept of risk is considered one of the main indicators in auditing activities, and paying serious attention to it leads to an increase in the quality of audit work” [3].

M.Khayitboyev and F.Ochilov says that “the is necessary to pay attention to the level of risk when conducting audits. Because the level of risk affects the overall plan and program of the audit, as well as the responsibility of the audit organization. Audit risk components include non-separable and undetectable risk, the amount of which will directly affect the final audit risk level” [4].

I.Sherimbetov came to the following conclusion about audit risk “it is important to determine the level of risk in audits. Because the audit risk determines which of the audit conclusions to choose” [5].

According to a group of economists “the audit risk is considered as a unity of these two components: risk assessment - risk during collecting and evaluating audit evidence; and business risk -economic impact of the audit assessment. The auditor always plans sufficient procedures that will minimize the audit risk and maximizes the detection of errors, fraud and other irregularities in the financial statements” [6].

However, insufficient research has been conducted on risk mitigation in asset audits.

ANALYSIS AND RESULTS. Quality preparation of audit reports and conclusions is also important in confirming the reliability of information on assets. Proper assessment of audit risk is important in forming a reliable and unbiased auditor’s opinion on the audit of financial statements. Complexity and complexity of business processes require the auditor to study their activities in depth and reduce audit risk [7].

It is known that two types of audit risk may occur during an audit - business and audit risk. Business risk is the risk that the auditor may suffer losses in the performance of his activities, even if he complies with all the rules of conducting an audit. Business risk depends on the competitiveness of the audit organization, the reputation of the auditors, the possibility of lawsuits that may arise against the audit organization, the accuracy of the organization of the audit and the deadlines.

Audit risk is the risk of expressing an incorrect opinion when conducting an audit of financial statements. The auditor should use professional judgment to assess audit risk and design audit procedures that reduce the risk to a satisfactorily low level. These limitations are inevitable and are considered specific to the audit, affecting the ability of the auditor to detect serious errors in the report, which is why it is considered impossible to equalize this type of risk to zero [7,8].

First, the use of selective methods and tests in the audit process, and the fact that the client's accounting and internal control systems are not perfect, cannot guarantee the complete absence of errors. Also, a significant part of the audit evidence is presented only to confirm a certain conclusion and will not have a perfect character, etc.

Secondly, the abstractness of the environment in which the client joint-stock company operates (especially this applies to the external environment). This abstraction and its impossibility to eliminate in principle occurs due to the following reasons: the auditor's limitations on obtaining complete and reliable information about the entity being audited and the environment in which it operates; auditor's limited ability to receive and process incoming information; random occurrence of unusual events in the course of the audited person's business activity; market conditions in which the audited entity is operating; conflicts in labor relations within the client enterprise; the complexity of the processes under investigation [9,10].

Third, the assessment of the level of audit risk depends on the professional qualifications and competence of the auditor performing this assessment and is based on his professional judgment. The reasons for this are manifested in the fact that all auditors have different levels of knowledge and skills, skills and experience, and different competences and requirements regarding the level of audit risk. Control risk is the risk that errors that may be serious separately or in combination with other errors are not detected or corrected in time using the company's internal control system. Control risk is influenced by the following factors (Figure 1).

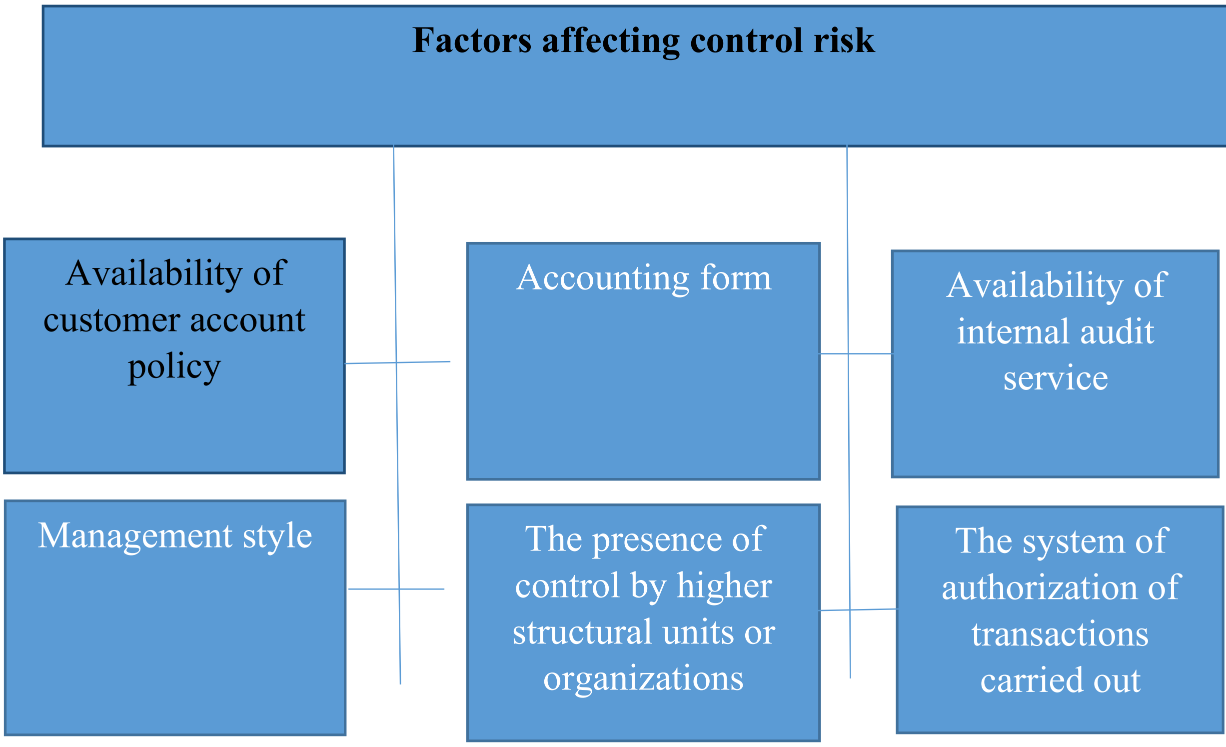

Figure 1. Factors affecting control risk[4]

It is the internal control system that is the limiting factor that prevents financial reporting errors from occurring. During audits, auditors pay particular attention to the assessment of control risk, and the process of assessing the control system itself is often called testing of control systems. In the process of testing (usually conducted in the form of a survey, questionnaire, observation, etc.), the auditor evaluates the ability of this system to prevent, detect, and correct material errors in financial statements.

[4] Made by authors

Thus, in the audit of assets, risk is considered an objectively inevitable phenomenon, and the probability of its occurrence is inversely proportional to the level of audit confidence. However, even if the audit organization takes into account all the above-mentioned limitations and their consequences, in practice, it is impossible to guarantee 100% detection of all material errors in the client's accounting report.

CONCLUSION. 1. The reliability, comprehensibility and sufficient information supply of the auditor's report serves to provide the information necessary for the users of the financial report. To achieve this goal, it is important to refer to advanced foreign experience in the process of understanding the nature of the audit report.

2. Special attention should be paid to the evaluation of the internal control system in the effective organization of the audit of assets. Research shows that if the audited entity has an effective internal control system, the quality of the audit will increase, and at the same time, the audit risk will decrease.

3. Audit activity is business activity, which is always closely related to risk. Audit risk isconsidered the most important category in audit activity, and any audit organization aims to reduce this risk. In this process, the auditor has to evaluate many factors. Such factors include the optimal determination of the level of materiality, the appropriate exercise of the auditor's selection, and the appropriate application of the audit procedures. Based on these factors, the auditor should determine the directions for reducing the audit risk.

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