



# FEATURES OF OBTAINING AUDIT EVIDENCE IN ACCORDANCE WITH INTERNATIONAL AUDIT STANDARDS

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## ABSTRACT

*The complexity of the system of laws and regulations governing the activities of audit organizations leads to an acute need for consultations and methodological assistance in organizing audit reporting. During the audit, the auditor collects evidence that will later become the basis for him in the process of writing his opinion on the reliability accounting (financial) statements. The author studies the idea of the notion 'auditor's proofs', systematizes the list of documents that can be included into auditor's proofs, identifies parameters describing specific features of getting auditor's proofs on the basis of international standards of audit. The article provides the analysis of potential use of international standards by Uzbek auditors, which could promote their integration into international auditors' community.*

**KEYWORDS-** *audit, audit evidence, international standards of audit, types of audit evidences, specific features of auditor's evidences.*

## INTRODUCTION

The main purpose of the audit is to express an opinion on the reliability of the financial statements of the financial and economic activities of the audited entities to the current legislation. The external auditor collects sufficient appropriate audit evidence by resorting to the development and implementation of a number of audit procedures. L. A. Yuditseva in her article "Audit evidence as objective the content of the concept of "audit evidence" of various authors gave its definition, and also concluded that "a general assessment of audit evidence as an objective basis for the opinion of the auditor is the prerogative of his professional judgment" [1]. Given this, in the opinion of L.A. Yuditseva, audit evidence should be understood as a set of information having certain qualitative characteristics obtained by evaluating and analyzing the accounting system of the audited entity so that the auditor can express a reasonable opinion on the reliability of the statements. The author also notes that for a reasonable expression of opinion, the auditor needs to carry out an audit, considering accounting as an information system.

In addition to accounting data, L. A. Yuditseva also includes legal, statistical, analytical, evaluative and other information that meets certain qualitative characteristics. As a result, the auditor receives information confirming or refuting the prerequisites for the preparation of financial statements, and on the basis of these data forms an

audit opinion on its reliability, i.e., this information acts as the basis for the auditor's conclusions (it is audit evidence).

## DISCUSSIONS

In accordance with International Auditing Standards (IAS) 500 "Audit Evidence", when developing and conducting audit procedures, the auditor must take into account the relevance and reliability of the information that will be used as audit evidence. If the information to be used as audit evidence has been prepared with the assistance of a management expert, the auditor should, taking into account the need and significance of the work of this expert, perform the following steps: - evaluate the competence, abilities and objectivity of this expert;

- assess whether the expert's work is appropriate as an audit evidence of the relevant premise. When using the information prepared by the organization, the auditor must make sure that it is reliable enough for the purpose of the audit, and if necessary:

- collect audit evidence about the accuracy and completeness of the information;

- evaluate whether this information is sufficiently accurate and detailed for audit purposes.

Yu. Yu. Kochinev by audit evidence means the results of the analysis of information obtained during the audit from various sources (from the accounting records of the audited organization, from its employees and third parties), on the basis of which



the auditor forms an audit report on the reliability of the reported data [2]. Features Of Obtaining Audit Evidence in Accordance With International Audit Standards Thus, we can draw the following conclusions:

1) Justification is needed for the auditor to express an opinion on the reliability of the reports on the

results of the audit; audit evidence is precisely the means of such justification;

2) Audit evidence is a kind of fact that either confirms the truth of the opinion of the auditor, or is evidence of the falsity of his judgment;

3) Audit evidence - this is various kinds of information about the activities of the audited company, collected by the auditor during the audit.

Audit evidence ensures that the specific statement of the auditor is true by providing convincing arguments in support of a particular fact.

Let's try to make a generalized list of documents that can be attributed to audit evidence: these are various types of primary documents, administrative documents, card accounts, balance sheets, sales and purchase books, balance sheets, statement of financial results and other accounting registers; explanatory, service notes, acts and other written explanations of the facts of the economic activity of the company received from the employees of the organization by the auditor; other information received by the auditor from other sources, for example, from suppliers, buyers, i.e. from third parties.

It should also be noted that all audit evidence collected before the audit (in the process of getting acquainted with the audited company) and in the process, must be reflected in the working documents of the auditor.

The value of any evidence increases if it is obtained in writing, and not verbally. Also, more trustworthy is the information received from independent sources with the provision of original documents, and not copies thereof.

The audit evidence collection process should meet criteria such as relevance, reliability and validity. Audit evidence may be presented in the following forms:

- Material evidence (observations of the auditor, photo, video, etc.);

- Documentary evidence (documentary files);

- Testimony (surveys, expert reports, etc.);

- Analytical evidence (statistical analysis, cost-benefit analysis, etc.).

It is not surprising that the evidence that the auditor collected himself through observation, analysis, arithmetic checks, is the most reliable. During the audit process, information can be obtained in various ways.

For this, the auditor uses such means as a request, inventory, observation, survey, inspection, analysis, etc. Most often, the auditor does not know anything about the company, so the first day he usually learns about it the most basic thing - what kind of activity is it engaged in. And already further in the course of its work,

awareness of the audited subject is radically changing. All this happens in the process of collecting audit evidence. G. Ya. Ostaev in his article "Features of the collection of audit evidence" identifies the following sources of audit evidence: - internal evidence obtained through information provided directly by the audited entity;

- External evidence obtained from third parties, usually at the request of the audit company;

- Mixed evidence, formed on the basis of information received from the audited company and confirmed by a third party [3].

The same classification of audit evidence is proposed in their works by V.I. Podolskyand A.A.Savin [4], M.I. Terentyev[5], M.A. Menshikov[6] and others. Another approach to the division of evidence, which is based on the proximity of evidence to a real fact, is proposed by R.P. Bulga[7]. He highlights:

- Natural evidence (evidence obtained from a real event, a real fact by the auditor himself; for example, the fact of a cash register inventory conducted and recorded);

- artificial evidence (events and facts of economic activity that were committed before the audit, confirmed by relevant documents; for example, the fact of the availability of materials is confirmed by supply contracts, invoices, form M-4, etc.);

- rational evidence (explanations; for example, the chief accountant on the basis of laws, orders of the tax authorities can explain the basis and procedure for calculating tax) in order to obtain audit evidence. When developing tests of controls and detailed tests, the auditor should determine such methods for selecting test objects that will be effective to achieve the purpose of the audit procedure. Inconsistency in the audit evidence or doubts about their reliability arise when the audit evidence obtained from one source does not correspond to the audit evidence obtained from another source. By first review David Cannon, there are two primary types of evidence, according to legal definition: Direct Evidence This proves existence of a fact without inference or presumption. Inference is when you draw a logical and reasonable proposition from another that is supposed to be true. Direct evidence includes the unaltered testimony of an eyewitness and written documents.

An auditor should always strive to obtain the best possible evidence during an audit. Using direct evidence is preferable whenever it can be obtained.



Indirect evidence represents a much lower value because of its subjective nature. An auditor may find it difficult to justify using indirect evidence unless the audit objective is to gather data after detecting an illegal activity. An audit without direct evidence is typically unacceptable.[8] Audit evidence may be classified as:

- Sufficient. Factual, adequate and convincing such that a prudent person would reach the same conclusions as the auditor

- Competent. Reliable and the best attainable through the use of appropriate audit techniques

- Relevant. Supports audit findings and recommendations and is consistent with the objectives for the audit

- Useful. Helps the organization meet its goals

Evidence, for the IS Auditor, is frequently thought of as being obtained by direct interrogation of computer data files. Although this is a common technique, evidence may also be obtained by observing conditions, interviewing people, and examining records. Such evidence is typically classified as:

- Physical evidence. Generally obtained by observation of people, property, or events, and may be in the form of photographs, maps, and so on. Where the evidence is from observation, it should be supported by documented examples or, if not possible, by corroborating observation.

- Testimonial evidence. May take the form of letters, statements in response to inquiries, or interviews, and are not conclusive in themselves because they are only another person's opinion. They should be supported by documentation where possible.

- Documentary evidence. The most common form of audit evidence and includes letters, agreements, contracts, directives, memoranda, and other business documents. Such documented evidence may also be derived from computerized records using the appropriate audit tools and techniques. The source of the document will affect its reliability and the trust we place on it. The quality of internal control procedures will also be taken into account.

- Analytical evidence. Commonly derived from computations, comparisons to standards, past operations, and similar operations. Once again, in this area, computerized tools will normally prove a highly effective aid to the auditor. Regulations and common reasoning will also produce such evidence.[9]

If the auditor doubts the reliability of the information used as audit evidence, he must determine what changes or additions to the audit procedures are necessary to resolve this issue, and also analyze the impact of this issue, if any, on other aspects of the audit. In accordance with IAS 501, "Audit evidence—

additional considerations for specific items", the purpose of the auditor is to collect sufficient appropriate audit evidence regarding:

- The existence and condition of stocks;
- Completeness of information about claims and litigation involving the organization;
- Presentation and disclosure of information by segment in accordance with the applicable financial reporting framework.

## RESULTS

The main requirement for specific audit evidence is that the auditor must gather sufficient appropriate audit evidence regarding the availability and condition of the stock by:

1. Presence during the inventory of stocks, with the exception of cases when it is practically impossible to:

- a) Evaluate the guidelines and procedures for accounting and monitoring the results of inventory of the organization;
- b) Monitor the implementation of the counting procedures established by management;
- c) Check stocks;
- d) Perform control recounts.

2. Carrying out audit procedures in relation to the total inventory data in the organization to determine whether the actual results of the calculation during the inventory are accurately reflected.

If an inventory of stocks is performed on a date that is not a reporting date, the auditor must, in addition to the procedures required by IAS 501, conduct audit procedures to obtain audit evidence that the changes in inventory between the date of the inventory and the reporting date are properly accounted for. If the auditor is not able to attend the inventory due to unforeseen circumstances, he must recount a certain amount of stocks or observe its conduct on another day, as well as conduct audit procedures regarding operations for this period of time. If the presence of the inventory is impracticable, the auditor should conduct alternative audit procedures to gather sufficient appropriate audit evidence regarding the availability and condition of the inventory.

If this is not possible, the auditor should modify his opinion in the audit report in accordance with IAS 705 "Modifications to the opinion in the independent auditor's report". Features Of Obtaining Audit Evidence in Accordance With International Audit Standards If the reserves held in custody and under the control of a third party are material to the financial statements of the organization, the auditor should collect sufficient appropriate audit evidence regarding the existence and condition of such reserves by performing one or both of the following:



- a) Request confirmation from this third party regarding the quantity and condition of the organization's reserves held by it;
- b) Carry out inspections or other audit procedures appropriate in such circumstances.

## CONCLUSION

In conclusion, it should be noted that according to the result of each audit, the auditor must express his opinion based on two points: professional understanding and audit evidence collected by him during the audit. Therefore, audit evidence plays an important role in the audit. Knowing the audit evidence about what requirements they must meet is useful and necessary for all the managers and chief accountants of the company, regardless of whether the company is mandatory or conducts it on a voluntary basis.

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