

IMPORTANCE OF AUDIT EVIDENCE IN IMPLEMENTATION OF INTERNAL AUDIT ACTIVITIES IN THE PUBLIC SECTOR

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Abstract:

This article describes the role and importance of audit evidence during the implementation of internal audit activities in the public sector. Also, the explanatory aspects that should be taken into account when obtaining audit evidence, the selection of audit evidence, and the methods of obtaining evidence are described.

Key words: audit evidence, selection of audit evidence, internal audit activities, selection risk, types of evidence, selection form, selection types.

INTRODUCTION

Allocation of funds to ministries and agencies is determined by legislative documents on the state budget. It was considered that the implementation of the tasks assigned to it by the ministries and agencies directly depended on the efficiency and effectiveness of using their financial resources. Therefore, the head of the ministry and department tries to establish effective financial management in his system. In this regard, the internal audit service of the ministry and office provides advice, suggestions and recommendations to the head of the ministry and office on organizing effective financial activities.

MATERIALS AND METHODS

It is important to determine the responsibility of the head of the state body in establishing financial management in the use of state budget funds, because the responsibility obliges the head of the ministry and department to properly establish internal control, analyze risks and take measures to eliminate them. In the event that internal audit activities are established in the ministry and office, the internal audit service evaluates and analyzes internal control for the head and provides the



management with truthful information on internal control, while giving him the necessary recommendations for improving internal control.

In most cases, the internal audit service does not check all the available information, because this is not a common method, and when conducting an audit, a reliable conclusion can be made using the audit sampling method.

Sampling is a data test that can be used in both consistency and validity testing.

RESULTS AND DISCUSSION

Sample testing is often used as a reasonableness test and provides audit evidence about the accuracy of accounting records. However, this is a time-consuming process (unless the object consists of large tools that can be 100% verified).

Sampling can also be used as a compliance test.

Effectiveness of the audit is increased by controlling the existing system through testing, which is well designed and relevant.

Selective inspection in the audit provides an opportunity to select a certain part of the 100% audited elements of the audit process and fully inspect the selected part.

This allows the auditor to obtain audit evidence about some characteristics of the selected elements and to evaluate them, based on which the auditor will be able to draw a conclusion about the whole situation.

Some related comments:

Total data set: It is the whole data set from which the relevant part is selected and the auditor draws the relevant conclusion from this sample.

Sampling risk: refers to the risk that the auditor's conclusions based on sampling may differ when the same audit process is applied to the entire data set.

Sampling unit: The individual parts that make up the total data set. This can be in the form of a tangible asset (loans on the bank balance, sales invoices, receivables) or a monetary unit.

Statistical Sampling: The use of probability theory to estimate the results of a sample, which involves randomly choosing the elements of the sample and measuring the risk of the sample. A sampling method that does not have these characteristics is a non-statistical sampling method.

Stratification: The process of dividing aggregate data sets into smaller data sets that are considered to be sampling groups with similar characteristics, usually monetary value.



Satisfactory errors and differences. The total amount of errors/differences detected during sampling and accepted after reasonable assurance by the auditor. Satisfactory errors are of low significance and allow the auditor to evaluate the results of individual audit processes, then combine those results and arrive at an audit result.

There are different types of selection in the selection of audit evidence during audit events. Depending on the size of the evidence, the type of selection is used. Audit evidence is divided into types depending on the period and importance. The amount of evidence selected by the internal auditor should be equal to the amount of evidence found to be important.

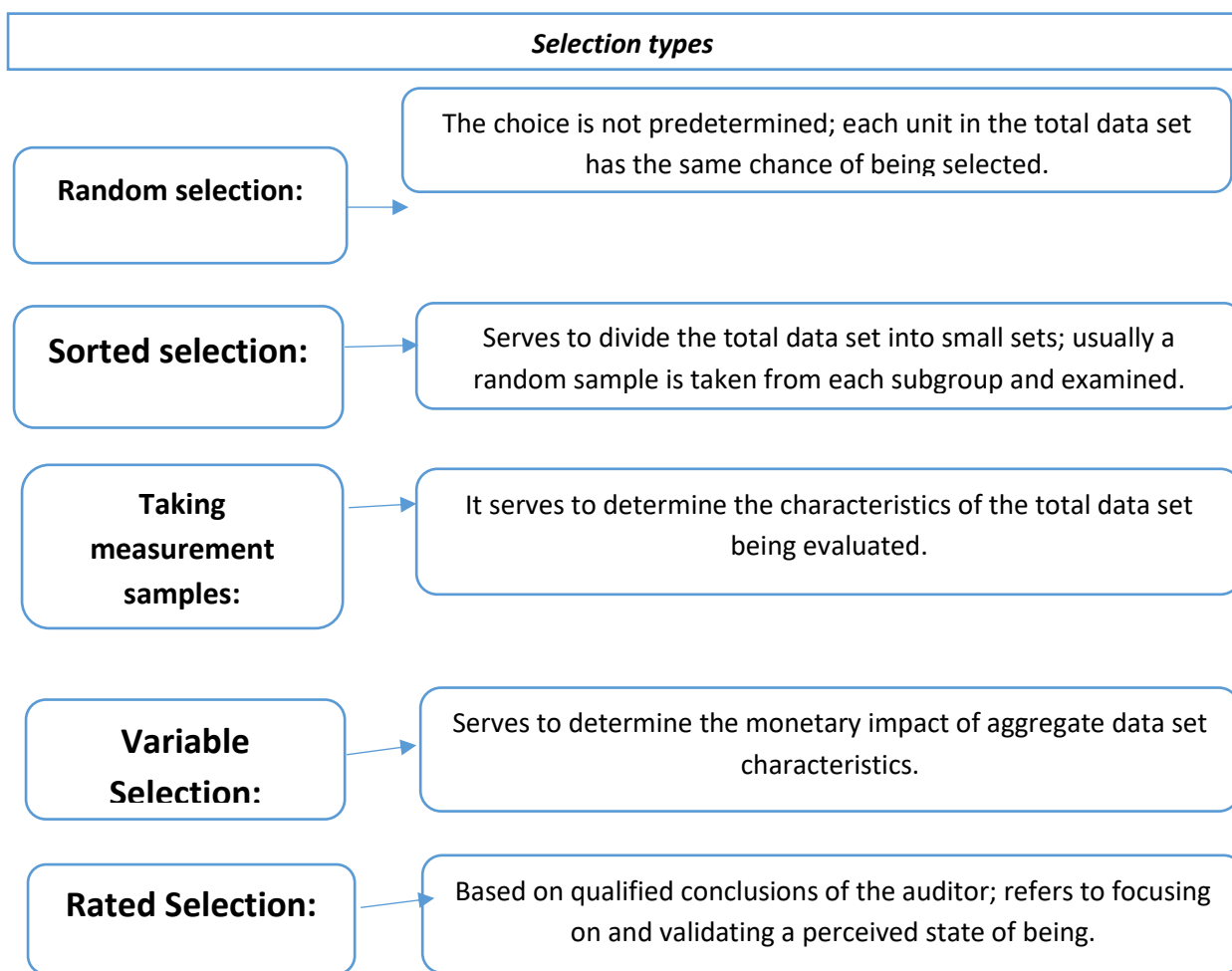


Figure 1. Selection types.



The method of selection depends on the purpose of the selection. Adequacy testing of controls typically involves measurement sampling, where the sampling method takes the form of an event or transaction (for example, a control such as invoicing). A variety of sampling methods are used for substantive testing, and in most cases the sampling unit is monetary in nature.

In developing the structure and size of the audit sample, the Internal Audit Service considers the specific audit objectives of the staff, the nature of the aggregate data set, and the sampling and selection methods.

Selection form

The internal audit service develops and selects audit samples to obtain sufficient, reliable, relevant and useful audit evidence.

Points to consider when developing a sample:

The risk of material misstatements and misstatements.

Objectives of the audit process and aspects of the total data set to be sampled.

The size of the sample that reduces the sampling risk to the lowest possible level.

The results of the selection, the nature and cause of any errors identified, and their potential impact on the audit objectives and other areas of the audit.

For the review of details, the impact of the forecasted error on the audit objectives and other areas of the audit.

Whether the appropriateness of the aggregate data collection has been confirmed or a revision is required.

CONCLUSION

Given a set of total data from which the auditor must draw an appropriate conclusion, this set must be verified as accurate and complete for the purpose of the audit. .

It may be appropriate to use a stratification method to ensure efficient sample design. Stratification is the process of dividing a total set of data into subsets based on their similarity, such that each sample unit can belong to only one subset based on the criteria used for stratification.



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