

## IMPROVING THE AUDIT EVIDENCE COLLECTION PROCESS

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**Abstract.** This article is devoted to the issues of improving the process of audit evidence collection, including the importance of evidence collection and use, its collection features, the level of study of this topic, evidence evaluation criteria, important audit evidence to be selected for important objects of the account, quantitative and qualitative signs of evidence, the auditor's based on logical approaches (conclusions, opinions), the methods of finding evidence and directions for improving audit evidence collection actions are described based on the researcher's opinions.

**Keywords.** Audit evidence, analysing, sufficiency of evidence, reliable evidence, evidence collection process, inventory, audit conclusion, financial report

### INTRODUCTION

It is known that according to the results of the audit, the results of the audit should be formalized in the documents, regardless of whether or not deficiencies or violations were detected. This requires that the results of the audit should be reflected in officially approved documents in the form and content prescribed by law, and the information contained in the documents should be accompanied by their sources or supporting evidence. The method of collecting, compiling, storing, formalizing and presenting such documents and the evidence attached to them is in accordance with the International Auditing Standard No. 501 entitled "Collection of Audit Evidence in Specific Situations", AXS No. 505 "External Confirmation" and No. 580 "Writing it is determined to be regulated on the basis of regulatory documents such as AXS named "presentations". After all, the auditor will not have information to support the audit conclusion without collecting audit evidence. In this case, it is necessary to pay attention to a number of aspects such as their sufficiency, appropriateness, accuracy, reliability, obtaining audit evidence, sources and actions.

Audit evidence is important in improving the quality of audit work, truthfully reflecting conclusions and reports. Because the auditor can make a perfect audit report and conclusion only when he gathers enough evidence. Sufficiency of audit evidence represents the quantitative size (limit) of audit evidence necessary to give an opinion to the audit organization, adequacy of audit evidence represents the quality of audit evidence, which indicates the importance and reliability (accuracy) of

audit evidence in the opinion of the audit organization, reliability of audit evidence there is a need for consistent learning.

In particular, in the process of planning the audit, the auditor is required to carefully study the information provided for the audit and confirm on the basis of evidence whether the economic transactions carried out are correctly or incorrectly reflected in the financial statements. For this reason, this process is considered an important link in the provision of audit services. Because the auditor's opinion about the financial report or the company's activity is based on the evidence gathered during the audit. After all, the "Audit evidence" standard of the international auditing standards stipulates that the auditor should gather enough documentary evidence to express a well-founded opinion on the financial report. Evidence, on the other hand, is considered to be information that is determined in the course of the audit and has irrefutably corroborative power, which allows the auditor to make clear conclusions about the reliability of the indicators of the audited entity's financial statements. As a result, the auditor receives information that confirms or rejects the indicators of the financial statements and forms an auditor's opinion about its reliability based on this information, that is, this information serves as the basis for the auditor's conclusions. does.

The above points require researching the current state of the audit evidence collection process and developing practical recommendations and scientific proposals for its improvement. This requires the research of scientific and practical aspects of this topic.

## LITERATURE REVIEW

Many foreign economists have conducted scientific research on creating and improving the theoretical and methodological foundations of auditing. There are different opinions on this issue, among them, according to economists A.D. Sheremet and V.P. Suyslar, "Audit evidence is the information obtained by the auditor during the audit, as a result of the analysis of this information, it is the basis for forming the auditor's opinion."<sup>1</sup>

In this regard, the opinions of all scientists cannot be considered unanimous. For example, foreign economists SMBichkova and YYitigilova expressed the following opinion on this issue: "It is important that audit evidence is sufficient and appropriate for the purpose." Because the extent to which these indicators are collected affects the audit plan and the amount of audits. Because the sufficiency of the audit evidence directly depends on what <sup>2</sup>the audit conclusion should be.

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<sup>1</sup>Sheremet A.D., Suits V.P. Audit. M.: INFRA-M, 2006. 448p. S.204.

<sup>2</sup>B y chkova S.M., I tygilova E.Yu. International standard audit. M.: TK Welby, Izd-voProspekt, 2008. p.202

Audit evidence is defined in the standard IAS No. 500-"Audit evidence" as follows: "Audit evidence - information used by the auditor in reaching conclusions that are the basis for the auditor's opinion. Audit evidence consists of accounting records and other information that are the basis for financial statements."<sup>3</sup>

On the other hand, R.D. Dusmuratov, one of the local economists, expressed the following opinion: "Evidence is a fact that confirms or denies the existence of another fact, or a certain fact that allows one to form an opinion about this fact with one or another level of reliability and the process of obtaining information"<sup>4</sup>.

According to the economist I.N. Koziyev, "Audit evidence - accounting data collected by the audit organization during the audit and justifying the audit conclusion, balances of analytical accounts, initial documents and summary registers, collected by another auditor planned information"<sup>5</sup>

Therefore, in our opinion, audit evidence is the basis for the expression of the auditor's conclusion, the organization of accounting, the initial account and summary information, the information and balances of accounts that are the basis for the preparation of financial statements, business plan information, from external information sources. received data and information not related to accounting.

In obtaining audit evidence, primary documents and accounting records, which are the basis of financial statements, as well as supporting information obtained from other sources are used. Audit evidence must be sufficient and appropriate<sup>6</sup>. Therefore, according to this standard, the audit evidence should be sufficient to give an audit opinion and should be reasonable for the conclusion.

## RESEARCH METHODOLOGY

During the research, the methods of theoretical and practical study, systematic approach, grouping, comparative analysis, observation, statistical analysis, and factor analysis were effectively used. Based on the conducted research, it is aimed at developing a system of indicators representing audit evidence, improving the ways of their classification, identification and analysis, collecting and using reliable evidence in the process of audit inspections.

## RESULTS AND DISCUSSION

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<sup>3</sup>International standards of auditing and quality control. 2012 edition. Parts 1-2-3-4. OBAMA. 2014

<sup>4</sup>Dusmuratov R.D. *Audit asoslari*. Toshkent: «O'zbekiston milliy ensiklopediyasi» davlat ilmiy nashriyoti, 2003. 139-bet.

<sup>5</sup>Koziyev I.N. *Compilation of audit reports and their summarization: Theory and methodological issues*. Monograph. - T.: "ECONOMY-FINANCE", 2015. 58 p.

<sup>6</sup>International standards of auditing and quality control. 2012 edition. Part I. Volume 2. O'B A M A . 2014. pp. 620-646


It is known that the results of the audit service and its opinion must be formed based on certain sources and grounds. The auditor's opinion on such sources and bases, as well as the results of the audit, is presented in a practical and scientific language under the name of evidence. 500 Audit Evidence, 501 Audit Evidence - Special Consideration of Certain Matters, 505 External Attestations, 510 Preliminary Audit Agreements - Opening Balances, 520 "Analytical Procedures", No. 530 "Auditing Selection", No. 540 "Calculated Estimates, including Estimates Calculated at Fair Value and Related Disclosures", No. 550 " Related Parties", No. 560 "Subsequent Events", No. 570 "Continuity of Business Assumption" and No. 580 "Written Statements" are collected on the basis of international auditing standards and used in auditing practice. .

In accordance with the above-mentioned standards, in order to form an auditor's opinion on the results of the business entity, it is required that the auditors first collect the evidence based on the data related to the financial and economic activity results of the entity. The content of the term audit evidence has different contents and views in the current regulatory legal documents, educational literature and conducted research, including the international standard of audit called "Audit Evidence" No. 500, the audit evidence is defined as follows: "Audit evidence is the information used by the auditor to form a conclusion that forms the basis for the auditor's opinion. Audit evidence consists of accounting records and other information, which is the basis for financial reporting <sup>7</sup>.

Evidence is collected in the process of providing audit services and is compiled (created) in order to justify the auditor's opinion on the results of the study. Such evidence that must be collected is primary data confirming the indicators of the enterprise's accounting or financial statements, documents confirming accounting transfers (payment orders, statements of electronic money transfers, account formed on the basis of invoices, contracts, accounting books, journals, accounting and summary tables, records, comparative information). According to the requirements of practical experience and auditing standards, audit evidence should meet the requirements of quantity and quality. Quantitative requirements of audit evidence mean that it meets the requirement of sufficiency, while the requirement of appropriateness of evidence determines that it meets quality requirements. The essence of the requirement of conformity of the evidence is that the evidence must be related to the object under study, and must be signed and sealed by the relevant officials or third parties.

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<sup>7</sup>International standards of auditing and quality control. 2012 edition. Parts 1-2-3-4. OBAMA . 2014

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**Table 1**

**Criteria for evaluating audit evidence i<sup>8</sup>**

Demand	Evaluation criteria
<b>Preliminary assessment of audit evidence</b>	
sufficiency	sufficient audit procedures , cycles, segments, audit objects, sources of evidence in the program
	adequacy of sample size and correct application of audit selection methods
	efficiency of selection methods
Compatibility	basis of the tasks reflected in the program
Reliability	reliability of documented sources of evidence
<b>Additional current evaluation of audit evidence</b>	
Sufficiency	volume , specificity , scope of the planned audit activities
	reasonableness of conducting additional actions
	representativeness of selection and reduction of selection risk and selection error
Reliability	reliability of actions
Systematic _	compatibility of working documents, availability of communications with relevant documents
	conclusions on correlative evidencethat they do not contradict each other
<b>Further evaluation of audit evidence</b>	
Sufficiency	sufficient availability of working documents and their compliance with the program
Compatibility	suitability of evidence compiled by working documents
Analytical flexibility	appropriateness of the presentation of audit evidence in working documents
	accuracy and correctness of the information in the documents .
	full details of audit activities (analysis i )

Evidence collected during audits must be analyzed and evaluated for reliability. In our opinion, the implementation of recommendations on the use of special

<sup>8</sup>ZUG'aniev. Improving audit evidence gathering and analytical practices. Doctor of Philosophy (RhD) Dissertation in Economics. Tashkent-2020. 58 pages

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documents and confirmations obtained from external sources will serve to ensure the reliability of audit evidence and create an opportunity to create an impartial and truthful audit conclusion. In the course of the audit, the criteria for collecting, analyzing and evaluating audit evidence should be developed based on the international standards of the audit (Table 1).

The specific features of the process of collecting audit evidence and the formation of an auditor's conclusion on this basis also indicate the need to refer to modern conditions and methods of organizing audit inspections. To manage the process, it is necessary to create a single sequence of audit processes, dividing the sub-processes of quality control and, within them, appropriate procedures for pre-, current and post-assessment of audit evidence. From this point of view, we believe that it is appropriate to develop an algorithm for organizing and conducting audit evidence evaluation during the audit from the point of view of business process and resource approaches .


Therefore, it is important to determine the processes of audit verification when collecting audit evidence, in this regard, this proposed algorithm ensures full compliance of audit evidence with the requirements of international standards. Studies show that the introduction of criteria such as sufficiency, appropriateness and reliability for the evaluation of audit evidence allows to ensure their initial assessment and ongoing control (Table 2).

**Table 2**

**It is important to select the important objects of the account audit evidence<sup>9</sup>**

<b>N</b>	<b>The name of the audit object (issue) to be studied</b>	<b>Selected important documents related to the object of study</b>
<b>1</b>	Fixed assets account	Sales contracts, invoices, write-offs, deeds and other documents relevant to the audit period
<b>2</b>	Bill of materials	
<b>3</b>	Goods account	
<b>4</b>	Accounts Receivable Account	Various letters, documents confirming the debtor's obligation
<b>5</b>	Funds	Bank payment documents
<b>6</b>	Accounts payable	Contracts, documents with counterparties
<b>7</b>	Salary calculation	Employment contracts, documents related to work leave, sick leaves, business travel orders, documents reflecting calculations, incentive and material support orders, staff list, payment documents
<b>8</b>	Calculation of short-term and long-term debt obligations	Various documents confirming the contract, letters and invoices
<b>9</b>	Income (revenues) from the main activity and other income	Contracts, accounts, invoices, documents justifying receipts for products (work, services), etc
<b>10</b>	Calculation of product cost	De-registration documents, applications, contracts, invoices, documents, various supporting documents
<b>11</b>	Period costs	Contract, invoices and other supporting documents

<sup>9</sup>Prepared by the author

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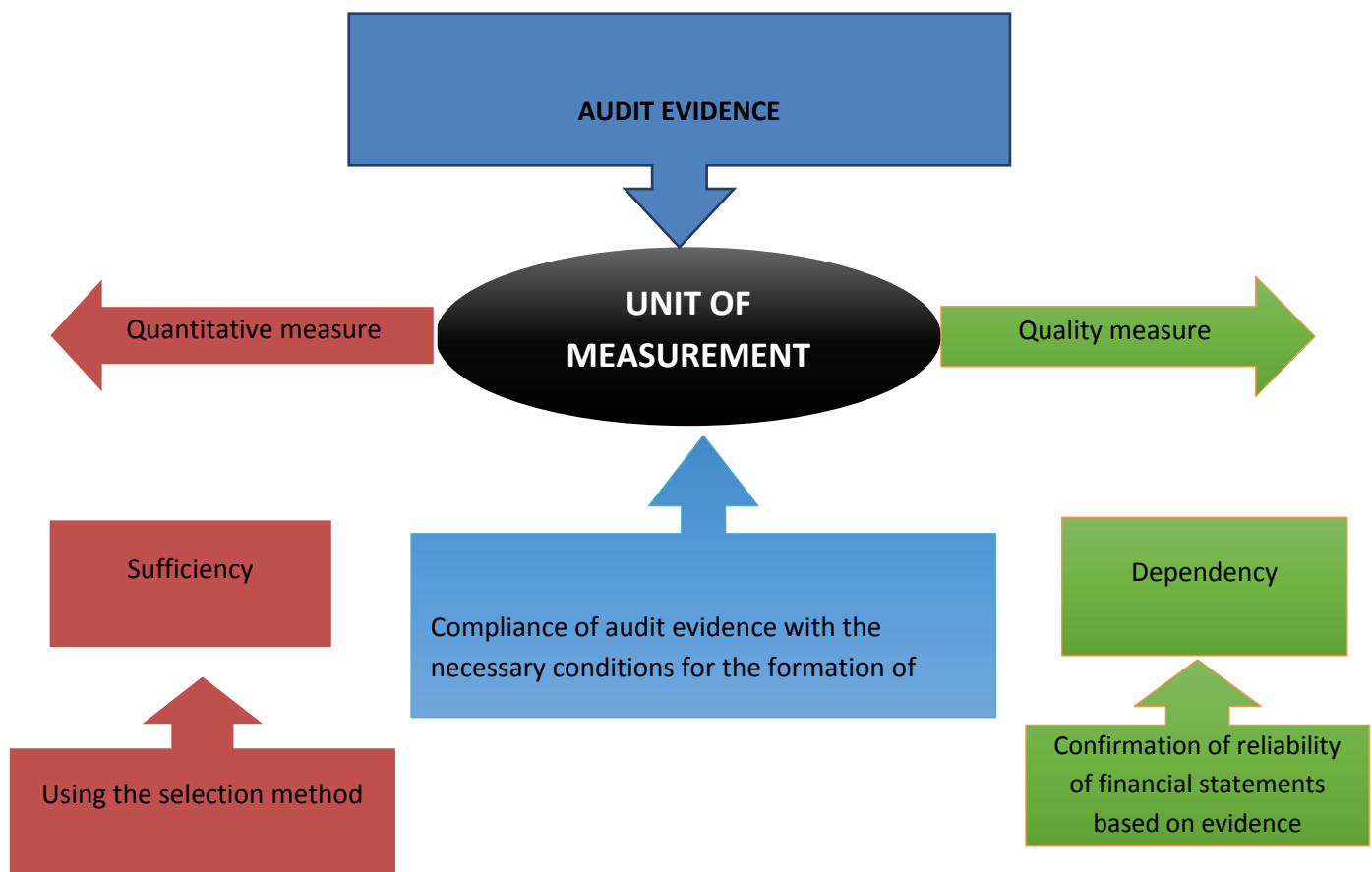
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Our proposals on audit evidence evaluation criteria serve to improve the requirements for obtaining audit evidence in enterprises.


It is required to carry out the process of selection of evidence, depending on the importance of the evidence obtained during the auditing process and its relevance to the issues of the audited object (Table 2).

When collecting evidence, the auditor should pay attention to the fact that it is obtained from reliable sources, the correlation of evidence from different sources, the content of the information obtained as evidence, and the reliability of the sources from which they were obtained. It seems that the evidence is used to practically confirm the reliability of the auditor's opinion and the data of the auditor's conclusion (report) drawn up based on the results of the inspection. It is necessary to pay serious attention to the fact that the audit evidence is obtained from internal and external sources and is reflected in the primary accounting documents and accounts of the enterprise.



**Figure 1. Quantitative and qualitative signs of evidence<sup>10</sup>**

<sup>10</sup>Prepared by the author

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As mentioned above, the evidence is the information collected by the auditors in the course of inspections, which include primary documents of the audited entity, analytical and summary documents of accounting, financial and statistical reports, explanations received from the responsible persons of the enterprise and includes letters, verbal explanations of responsible persons of the subject under investigation, information of third parties having economic relations with the enterprise, etc. In our opinion, the following factors affect the sufficiency and reliability of the evidence:

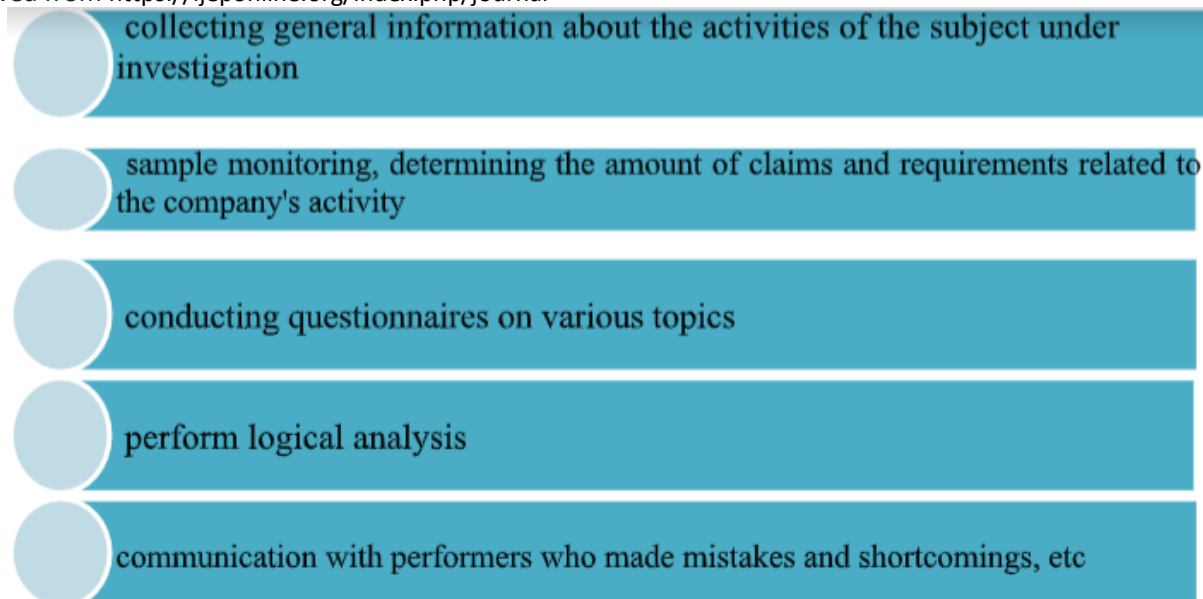
- the level of audit risk regarding the reliability of financial statements and the accuracy of balances in accounting accounts;
- the state of the accounting and internal control system of the enterprise and the level of risk of the use of internal control tools;
- the materiality of the financial statement studied or the business transaction carried out;
- experience and qualification level of auditors (assistant auditor, expert-specialist) participating in the auditing process;
- evidence collection results, including the level of fraud or error detected;
- sources of evidence and their level of reliability.

In the process of investigations, the use of actions such as inspection, observation, inquiry, confirmation, recalculation, re-examination and analysis is considered effective in gathering evidence.

Expert in effective audit methods for gathering evidence in practice use of service, technical laboratory analysis done increase, official request, external receiving confirmation letters, analytical methods such as performing actions and scanning are widely used. Also, in the practice of collecting audit evidence, in addition to the above, the following is based on the independent research of the auditor methods can also be used (Fig.

In conclusion, it should be noted that the use of the above methods and actions by the auditor in the process of gathering evidence, collecting evidence in sufficient quantity, evidence that is relevant and reliable in essence, and minimizing the level of risk affecting the formation of the auditor's opinion allows.





**Figure 2. Methods of collecting evidence based on auditor's logical approach (conclusion, opinion).<sup>11</sup>**

In today's audit practice, the following methods are widely used in the process of obtaining audit evidence:

1. Application of the auditor's direct verification methods and actions (inventory, documentary verification and study of the state of execution of economic transactions);
2. Follow up;
3. Confirmation of the request (verbal and written) and fulfillment (authenticity);
4. Recalculation (alternative balance sheet preparation);
5. Performing analytical operations.


Audit evidence is formed on the basis of relevant supporting sources (auditor's analytical observations, photos, videos, etc.), approved documents, instructions (surveys, expert opinions) and economic-mathematical analysis. When evidence is obtained through the application of the auditor's direct verification methods and actions, the audited object (issue) is characterized by its nature, source and state of the internal control system of the enterprise.

### **CONCLUSION**

In our opinion, summarizing the above suggestions and comments on the improvement of the above audit evidence collection process, the following conclusions were formed:

In order to form information about the process of gathering audit evidence, we believe that it is permissible to clarify the content of concepts related to the subject of evidence. In our opinion, when revealing the content of audit evidence, it is necessary to study the essence of the following concepts from a theoretical and methodological

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point of view. We believe that it is necessary to clarify the content of such concepts as evidence, preservation and return of evidence, evaluation of evidence, study of reliability of evidence, oral evidence, written evidence, mixed evidence, registration of evidence, new evidence, sufficiency and appropriateness of evidence. Because the researches, scientific works, audit standards, regulatory documents developed by the state regarding audit have not revealed the meaning of these concepts;

Evidence is collected in the process of providing audit services and is compiled (created) in order to justify the auditor's opinion on the results of the study. Such evidence that must be collected is primary data confirming the indicators of the enterprise's accounting or financial statements, documents confirming accounting transfers (payment orders, statements of electronic money transfers, account formed on the basis of invoices, contracts, accounting books, journals, calculation and summary tables, records, comparative information). According to the requirements of practical experience and auditing standards, audit evidence should meet the requirements of quantity and quality.

When using information on the activity of the audited entity in the audit process, it is necessary to reflect the content of the transactions actually carried out in this data, and to study their suitability for the purposes of the audited entity in detail. During the investigation, it is advisable to use various questionnaires or testing procedures to ensure that the evidence is obtained reliably and in a short period of time. For this, it is necessary to correctly determine which aspects will be tested and what kind of test or questionnaires should be used ;

The auditor assesses the adequacy of evidence in terms of quantity and quality by applying observation, confirmation, recalculation, analytical procedures, and inquiry methods. It should be noted that the sufficiency and appropriateness of audit evidence are interrelated, and evidence collected from reliable sources and effective methods may be reliable if insufficient in quantity or vice versa to support the reliability of the auditor's opinion. It may be sufficient for the evidence to be sufficient in content rather than in quantity ;

Audit practice shows that the most effective way to gather evidence is to perform analytical procedures. In our opinion, analytical operations mean the process of evaluating the deviations (deviations from the norm) between the financial reporting indicators of the enterprise and determining the reasons for their occurrence using economic-mathematical methods. In turn, this process is carried out by performing economic-mathematical calculations of the collected audit evidence data. In this case, through various economic-mathematical calculations, the indicators evaluating the financial status of the enterprise are determined.

Expanding the creation of educational literature (textbooks and manuals) and scientific articles on the methodology (procedure) of collecting audit evidence allows to increase the efficiency of collecting and using reliable evidence.

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