

ASSESSMENT OF THE ACCOUNTING SYSTEM AND COLLECTION OF EVIDENCE DURING AUDITS OF LEASING COMPANIES

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Abstract: This article deals with assessments and internal control systems when verifying leasing companies. Recommendations were given in audit of leasing companies to improve audit procedures, carried out at the substantive verification stage and the final stage of audit.

Key words: subjects of leasing, the internal control system, the process of audit, a final stage of the audit, audit procedures, audit documentation.

The peculiarities of leasing companies determine the conduct of an audit at all its stages. The audit company should organize its actions in such a way that, given the existing differences in the leasing industry, it can conduct the most effective audit.

During the evidence-gathering phase, the auditor needs to collect, record and evaluate a number of facts to confirm the accuracy of the data contained in the individual accounts and the financial statement as a whole. This stage is closely interconnected with the previous one. The results of audits of a client's internal control structure are the basis for assessing the risk that account balances may contain material errors, and the collection and evaluation of evidence regarding account balances may reveal problems in the client's internal control structure. In the course of collecting and evaluating evidence regarding account balances and the effectiveness of the internal control structure, the auditor may discover that its strategy needs to be revised.¹

When studying the accounting system, the auditor, along with checking the compliance of the elements of accounting policies with regulatory documents, checks and evaluates the accounting system of leasing operations, as set out in Table 8.

Table 1

Test questionnaire for assessing the accounting system LC LLC “O’zavtosanoat-Leasing”

№	Question	Answer option
1.	Are the chosen methods and methods of accounting followed in practice?	yes
2.	Is analytical accounting of the property received/transferred for leasing carried out in the context of counterparties and leased items?	yes
3.	Do accounting employees who record leasing operations have job descriptions approved by the manager?	yes

¹ Хашимова А. «Организация и проблемы учета лизинговой деятельности» - автореферат диссертационной работы 2011год.

4.	Are the primary documents for accounting for leasing operations, not included in the unified forms, approved by the head of the organization?	yes
5.	Does the organization have an approved document flow schedule for leasing operations?	yes
6.	Is the document flow schedule for leasing operations followed by accounting employees in accordance with their job descriptions?	yes
7.	Is summary (final) information provided to the organization's management for evaluation and analysis?	yes
8.	In the auditor's opinion, is the relationship between leasing transactions between accounting, tax and management accounting carried out at the proper level?	yes
9.	Is accounting automated in the organization?	yes
10.	Is accounting in the organization automated at the proper level?	yes
11.	Are there any concluded leasing agreements with individuals?	no
12.	Is there a division of responsibilities among accounting employees for drawing up and signing leasing agreements, after their approval by management?	no
13.	Is there a division of responsibilities among accounting employees regarding accounting and safety of leased property?	yes
14.	Are leasing agreements approved by the management of the organization?	yes
15.	Are leasing transactions carried out on the basis of appropriate documentation approved by authorized persons?	yes
16.	Have the organization (lessor or lessee) created and maintained inventory cards for each fixed asset item leased (received)?	yes
17.	Is the completeness of the document flow and the presence of the necessary details of documents received from the counterparty checked?	yes
18.	Before leasing transactions are reflected in the accounting records, is the presence, correctness of registration, presence of necessary details, etc. in the documents for the transfer/acceptance of property under lease checked?	no
19.	Are lease payments invoiced on time and in the correct amounts?	yes
20.	Does the lessee also reconcile the amounts of lease payments indicated in the invoice with the amounts specified in the schedule of lease payments (leasing agreement)?	no
21.	Does the lessor's organization create registers of concluded leasing agreements?	yes
22.	Are financial liability stipulated in the job descriptions of employees responsible for the safety of leased items?	yes
23.	Is the safety of leasing agreements and other documents regarding leasing operations ensured?	yes
24.	Are there effective means of protecting information systems containing information on leasing operations?	yes
25.	Is there a safety copy of the records of leasing transactions in electronic form or on paper?	no
26.	Does the lessor often carry out an inventory of the property intended for leasing?	no
27.	How often does the lessee perform an inventory of leased property?	no

28.	Are reconciliation reports drawn up with counterparties for leasing transactions?	yes
29.	Is the identity of the amounts of primary documents with analytical accounting data checked?	yes
30.	Answers "yes"	21
31.	Answers "no"	7
32.	Proportion of positive answers $21/28*100$	75%
33.	Assessing the reliability of the internal control system	middle

Before the collection of evidence begins, a meeting of the audit team is held.²

The audit evidence gathering stage consists of two parts, namely the auditor's application of tests of controls and substantive procedures.

Tests of controls include:

- testing of the internal control system,
- testing of the accounting system,
- analysis of accounting policies for accounting purposes,
- analysis of accounting policies for tax accounting purposes,
- analysis of the working chart of accounts,
- checking the identity of indicators in accounting registers and balance sheet data,
- calculation of volume and construction of a sample.

It should be noted that the more the auditor relies on the internal control system, the fewer substantive procedures he needs to perform.

Using the example of LC O'zavtosanoat-Leasing LLC, it can be noted that the internal control system of this company is good, and therefore auditors do not have to increase the number of substantive procedures. This is due to the level of responsibility of management and accounting employees; the shortcomings are not significant in the structure of document flow.

The collection of evidence during the audit of O'zavtosanoat-Leasing LLC was based on checking the accounting sections corresponding to the financial reporting items.

International practice shows that the process of obtaining audit evidence can be optimized if, as audit segments, the relationships between individual accounting objects formed during the implementation of business transactions are identified - the so-called cycles of business transactions.

The relationship between business cycles in a leasing company is shown in picture 1.



² Газибеков Д.Г., Сабиров О.Ш. Лизинг и его развитие в Узбекистане.- Т.: Молия, 2001г.

Picture 1. Interrelation of cycles of leasing operations³

The effectiveness of an audit at the evidence-gathering stage largely depends on the analysis of financial information. The need to analyze accounting data is also due to the use of the sampling method in auditing. In addition, analysis of the company's financial and economic activities allows us to determine the most significant deviations in accounting data and identify the consequences of their impact on the financial statements.

The main source of financing the company's expenses is revenue from the sale of services; a small share is made up of income from financial activities. This indicator is also the main source of profit for the leasing company.

Analyzing the financial statements and accounting registers of the audited company, the auditor determines a sample for collecting evidence and conducts audit procedures in accordance with the audit program for each section of the accounting or cycle of business operations. All procedures performed and audit evidence collected are documented. As a result of the inspection, working documents of auditors and reports on noted deviations and inconsistencies are generated, which are subject to verification by inspection managers and partners.

Based on the results of the evidence collection stage, a draft information letter (audit report) is generated for approval with the client.

Thus, when conducting an audit of leasing companies at all stages, the audit organization carries out quality control of the audit procedures performed in accordance with the requirements of the law and the internal standards of the audit organization. Quality control of services provided is a necessary requirement for an audit and consists of constant checking of auditor assistants by audit managers, as well as company partners. The implementation of quality control is mandatory documented by the audit organization.

The principles of internal audit quality control, the nature, time frame, goals and specific procedures used by the audit firm depend on the volume and nature of the audited entity's activities, its territorial location, organizational structure, cost-benefit ratio. In this regard, methods and procedures, as well as the scope of documentation, will change.

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³ Официальный сайт ЛК ООО «O'zavtosanoat-Leasing».

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