

DEVELOPMENT OF INTERNAL AUDIT PLAN, PROGRAM IN BANKS AND ITS IMPROVEMENT ON THE BASIS OF INTERNATIONAL STANDARDS

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Abstract. *This article describes the creation of an internal audit plan and program in commercial banks and its improvement based on international standards. In particular, taking into account that the internal audit system has been implemented in commercial banks in different ways, it is important to prepare optimal plans and programs for commercial banks based on interpretive research and requires deep research. Issues such as planning of internal audit activities, planning of audits of branches and Head Office activities, development of working programs during audits, and adaptation of plans and programs to international standards are covered.*

Keywords: *internal audit plan; internal audit program; rating system; audit competition; materiality in the audit; residual risks; internal control system.*

РАЗРАБОТКА ПЛАНА, ПРОГРАММЫ ВНУТРЕННЕГО АУДИТА В БАНКАХ И ЕГО СОВЕРШЕНСТВОВАНИЕ НА ОСНОВЕ МЕЖДУНАРОДНЫХ СТАНДАРТОВ

Аннотация. *В данной статье описано создание плана и программы внутреннего аудита в коммерческих банках и его совершенствование на основе международных стандартов. В частности, учитывая, что система внутреннего аудита была реализована в коммерческих банках по-разному, подготовка оптимальных планов и программ для коммерческих банков важна на основе интерпретативных исследований и требует глубоких исследований. Освещены такие вопросы, как планирование деятельности внутреннего аудита, планирование проверок деятельности филиалов и головного офиса, разработка рабочих программ при проверках, адаптация планов и программ к международным стандартам.*

Ключевые слова: *план внутреннего аудита; программа внутреннего аудита; фактор риска; план, основанный на рисках; стратегический план; оценка риска; управление рисками; система оценок; аудиторский конкурс; существенность в аудите; остаточные риски; система внутреннего контроля.*

Today, in the process of consistent development of our country, the economic and social contribution of banks to the development of the country is high. Banks face difficulties, risks and shortcomings in the process of achieving their goals and protecting the interests of shareholders.

Of course, it would not be a mistake to say that the great responsibility of revealing the true map of the bank's activity is assigned to the internal audit organized in banks. In order for the internal audit to fulfill its tasks fully and qualitatively, it is necessary to carefully develop its plans and programs, to meet the requirements of international standards at the time of globalization.

The main problem facing all internal auditors is the efficient allocation of limited resources, that is, how to choose the direction of the audit. for this, it is necessary to assess the risks at the scope of the audit.

The purpose of the risk-based plan is to examine the major risks that may arise in the bank's achievement of its objectives.

A strategic and annual audit plan should be developed in the process of prioritizing the audit focus. The entire scope of work of the audit direction is called audit scope. A decision must be made taking into account the risk level for each audit scope feature and other factors affecting the priority level.

Strategic and annual plans are important documents presented to management. The strategic plan provides options for conducting internal audit work and defining the advantages that arise during the audit process. It is a showcase of what internal audit can do for management. A strategic and annual plan should be well-structured, well-articulated, and provide management with a solid rationale for evaluating the merits of particular areas.

A formal documented audit plan serves to achieve the following goals:

- facilitates analysis and helps the Chairman of the Board to prioritize audit areas;
- Provides the internal audit service with an effective methodology that achieves planning and understanding of the audit approach to the analysis of risks faced in the field of activity of the audited bank;
- eases the next audit planning process;
- assists in explaining, documenting and justifying changes to the annual plan.

In the process of drawing up the annual strategic plan of audits, the internal audit methodology in the bank should be based on the principle of risk assessment. Thus, the Internal Audit Service should focus on the following audited banking activities:

- there are more internal (inherent) risks (in terms of activity);
- exposed to higher risks (due to low-quality control system).

Bank activity is always subject to various changes: new types of services appear, disruptions occur in the bank's corporate structure, bank management issues new orders, new banking technologies appear, the Central Bank publishes new regulatory documents. All these factors should be taken into account in the strategic plan of annual audits.

When creating an internal audit plan, a risk-based, 1-year plan is recommended in most banks, and it is included in the internal audit regulation of banks as a mandatory content. However, in the current trend of development, the emergence of new types of risks and the formation of new types of operations in the financial market require the creation of a long-term strategic plan. Due to the fact that it takes a lot of time to make changes to the one-year plan, and there is little opportunity to counter various risks in time, the structure of a strategic plan is recommended in the literature.

International standards do not elaborate on planning and programming, they are of a recommendatory nature. It is necessary for each country to enrich its plans and programs without going beyond the limits of the standards based on its economic mentality. Banks have established internal audit services at different levels. In Uzbekistan, there is a great need for the development of recommended plans and programs by banks to regulate the activities of the internal audit system after carrying out scientific research.

There are methods of testing audit processes that are the basis for creating an internal audit plan and program:

- tests that help confirm the functioning of the internal control system (compliance audit);
- tests confirming the reliability of the balance sheet and accounting data (detailed tests (substantive audit)).

Many Internal Audit Service audits will be in the nature of compliance audits. If the Internal Audit Service works with an external audit, it will participate in conducting a detailed audit.

Compliance testing method

The task of these tests is to confirm the existence of internal control tools, their effective and regular implementation by employees.

- the following audit methods are used to confirm the existence of the internal control system:

- request information and receive explanations;
- monitoring;
- checking of attached and other documents;
- checking the current control system.

Detailed testing methods

Detailed testing allows for direct confirmation of the legality of transactions or balance reliability.

An example of such a method is a check from the order to enter transactions into the system to the execution of transfers on the client's account.

Detailed audit methods:

- information request and clarification;
- analytical processes;
- in-depth checking of the operation and balance in the following form:
- verification of application documents and other documents, as well as account information;

- check material availability;
- third party verification;
- inspection of the current control system;

Inspection procedures

When developing a control audit plan, the Internal Audit Service should use the following basic audit methods:

Questionnaire and receiving clarifications

Request for information is understood as asking for necessary information or explanations in written or oral form from the management and employee of the department. The request for information is made for the following purpose:

- getting to know the nature of the activity of the unit under audit;
- getting a confirmation about the reliability of system work;
- obtaining disclosures on issues considered the subject of audit, for example, decision-making processes and the like.

The reliability and accuracy of the information obtained during the determination process and provided by employees depends on several factors:

- form of providing information - written or oral;

- professional competence, work experience, independence and orderliness of the employee who gave the explanation;

- the request depends on general and specific information and the level of confirmation of information obtained from other sources.

- as a rule, the information explained by the employees of the investigated department requires confirmation from other sources.

Tracking

An effective way to audit is to observe various aspects of the controls in place during system operation. This allows you to:

- evidence of the existence of existing control types that cannot be confirmed by a document;

- evidence that other forms of control work in the experiment. The reliability of such a form of evidence requires auditors not only to observe the operation of the system, but also to interview each employee based on the job description;

- confirmation of availability, quality and condition of bank assets.

Although evidence of the existence and operation of internal controls obtained through the observation method is considered objective, the existence and application of the internal control system is confirmed only when the auditors are physically present. Therefore, according to the rule, additional verification of the evidence obtained on the basis of the observation method, which confirms that the internal control system worked continuously and regularly during the entire audit period, is carried out.

Analytical methods

Analytical processes mean studying and evaluating data by comparing it with other information related to the audit object. Analytical methods are used only when it is expected that there is a correlation between individual indicators. For example, if the margin percentage remains the same regardless of the volatility of the margin percentage, it is a prerequisite for the use of analytical processes.

Analytical methods are used to study and compare financial and non-financial data, as well as compare plan and actual figures. Different forms of analysis can be grouped as follows.

General testing for correctness and accuracy – using information from external and internal sources to evaluate a balance or amount for reliability. For example, the interest charged on a customer's account balance can be roughly calculated based on the average monthly balance and the average monthly interest rate, and then the theoretical and practical accrued interest can be compared.

Trend analysis is the analysis of comparable data over a period of time to identify periods that do not follow a common trend.

Ratio analysis is an analysis of the relationship between two or three financial indicators.

For example, the analysis of wage costs depending on the number of employees. The coefficient analysis loses its significance if it is compared for a certain period of time (for example, by the method of trend analysis).

Business analysis is an assessment of the level of reliability and validity of certain financial information based on personal knowledge of business characteristics and banking products.

The success of the application of analytical methods during the audit and the usefulness of the obtained results depend on several factors:

- the possibility to get clarifications about exceptions and trends from the general rule;
- internal auditors have a deep and sufficient understanding of the features of this department's work in order to be able to understand the future and give an independent assessment of the coefficient, trend and other information with a deep enough understanding;
- the reliability of the data used as a preliminary in conducting the audit.

Analytical methods lose their effectiveness under conditions of high inflation, except for cases where the basic inflation index is used as one of the variables in the calculations.

In general, the internal audit plan and programs of commercial banks are considered commercial secrets. In particular, the internal audit plan is known only to the Chairman of the Board and the chief auditor of the bank. The main reason is that branch cash registers are suddenly checked during internal audits. This action is carried out to assess the real state of the branch office. Since the internal audit plan is considered a secret, the data and figures were used in this dissertation in a modified form without breaking their proportions. About a thousand indicators were taken in all areas to form an internal audit plan. Since these indicators were formed almost two years ago, it was not possible to obtain data from previous years. Based on these indicators, a rating is determined for a branch or a specific bank line, and their risk is assessed, and the sequence of checks is determined.

In addition, unaccounted income and excess expenses for the bank branch are also important for determining the branch rating. In addition to the fact that they are detected, attention is paid to whether they were recovered or covered during the monitoring process.

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