



THE PROCEDURE FOR DRAWING UP AUDIT REPORTS BASED ON INTERNATIONAL STANDARDS

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Article history:	Abstract:
Received: 8 th February 2026 Accepted: 7 th March 2026	This article describes the importance and types of the audit report. As a result of the study, proposals were developed to improve the preparation of audit reports based on the requirements of international standards.
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INTRODUCTION

In Uzbekistan, as in all spheres of the economy, consistent reforms in audit activities are being carried out. The audit activity abandoned national standards, international standards were introduced. Audits by auditing organizations based on the requirements of international standards contribute to the preparation of a reliable audit report. International audit standards provide the types of audit reports, the choice of one of which will depend on many factors. This article covers the types of audit reports and the requirements for their preparation.

LITERATURE REVIEW

The essence of the audit reports and the issues of its compilation are investigated in regulatory legal acts and works of scientists-economists.

According to ISA 700 "Forming an opinion and reporting on financial statements", "unmodified opinion – The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework" [1].

According to Romanian economists, "the auditor's report provides an impartial and independent opinion on the reliability of financial statements prepared in accordance with the accounting concept" [2].

Danie Botez also conducted research on the preparation of audit conclusions and said, "the audit conclusion is the main document drawn up by auditors and determines their responsibility. A description of the auditor's responsibility for financial reporting can be included as an appendix to the audit report" [3].

Another economist, researching the changes in international standards on auditor's conclusions, expressed the following opinion: "new types of auditor's conclusions include the disclosure of significant issues in the company's financial statements and its audit. This disclosure further increases auditors' responsibility to provide information to the public" [4].

According to Irish economists, "it is necessary to pay attention to the level of importance when drawing up an audit opinion. The complexity of determining the level of materiality may not provide transparency in audit conclusions. Therefore, it is necessary to choose the optimal level of significance when drawing up an audit opinion" [5].

The essence of the auditor's conclusion is revealed in the above-mentioned points. However, the types of audit conclusions and aspects influencing their selection have not been sufficiently studied.

ANALYSIS AND RESULTS

The results of the audit are completed by drawing up an audit report. Although there is no special requirement for the preparation of an audit report in the international standards of auditing, it is recommended that auditors prepare an audit report from the point of view of ensuring the legality and truthfulness of their activities.

The audit report is an open document prepared by the audit organization and presented to interested parties. In the international standards of auditing, 6 standards on the preparation of the auditor's report have been developed, and these standards include methodological issues related to the formalization of the auditor's report.

ISA No. 700 entitled "Forming an opinion and reporting on financial statements" is not modified, that is, it embodies the requirements for drawing up a positive auditor's opinion. In order to draw up a positive audit opinion, it is necessary to assess whether the following requirements have been met:

that the financial statements presented to external users are reliable and understandable;

that the information important for the activity of the economic entity is disclosed in the financial report.

ISA No. 700 entitled "Forming an opinion and reporting on financial statements" also mentions the requirements for the structural structure of the auditor's



opinion. In particular, the naming of the audit report, the formation of the addressee and the auditor's opinion, and the aspects that should be reflected in these sections of the audit report are also defined. Also, the issues of responsibility for the audit report drawn up by the auditing organization are mentioned in this standard.

When drawing up a positive audit opinion on the results of an audit, it is necessary to comply with the requirements of ISA No. 701 entitled "Communicating key audit matters in the independent auditor's report". This standard covers the requirements for providing information about important events that occurred during the reporting period in the activities of the business entity to the persons responsible for corporate governance. Significant events include events that lead to the risk of material misstatement of the entity's operations and estimated values. Therefore, it is necessary to pay attention to these aspects in the audit. If a positive opinion is not formed on the results of the audit, the auditor may draw modified audit conclusions,

that is, the form has changed. Methodological recommendations for preparing modified auditor's reports are given in ISA No. 705, "Modifications to the opinion in the independent auditor's report" and ISA No. 706, "Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report". A modified audit opinion includes types of opinions such as an adverse opinion, a qualified audit opinion, and a disclaimer of opinion.

If the above-mentioned aspects are reflected in the report prepared by the economic entity, a positive audit conclusion will be drawn up by the auditing organization. Also, an unmodified audit opinion is drawn up in the following cases (Figure 1).

if the financial report complies with the standards set by the current regulatory legal documents and the conceptual basis for the preparation of the financial report

if the rules defined and selected in the accounting policy are reflected in the financial statement

if the values estimated by the economic entity are correctly defined

financial statements presented to external users are reliable and understandable

if the information important for the activity of the business entity is disclosed in the financial report

Figure 1. Requirements for drawing up an unmodified audit opinion¹

If there are serious violations in the financial statements prepared by the auditor based on the results of the audit, a negative audit opinion is drawn up. Therefore, if the financial report does not meet the requirements defined on the conceptual basis and the

information reflected in it is not reliable, the auditor will make a decision to draw up a negative conclusion.

The most complex form of modified audit report is an audit report with comments. An audit opinion expressed in comments will depend on aspects related to the collection of evidence. If, on the basis of the

¹ Made by author.



evidence gathered during the audit, certain misstatements affect a specific element of the financial statements, but do not have a significant effect on the financial statements as a whole, an audit opinion with comments can be drawn up. Also, in order to obtain evidence, a request is sent to the entity's management, materially responsible and third parties, and an audit opinion with comments can be drawn up even in cases where a timely or complete response to this request is not received.

The next type of modified audit opinion is a disclaimer of opinion. If during the audit, insufficient audit evidence is not collected as a result of the management of the audited business entity preventing the audit, and the principle of independence is not observed during the audit, a conclusion in the form of a refusal to issue a conclusion may be drawn up.

During the activity of any entity, there are cases where it enters into conflict situations with other entities regarding product sales or supply process. In order to prevent losses in these conflicting situations, the international standards of financial reporting stipulate the formation of reserves for estimated liabilities. But in practice, reserves are not formed for all transactions. As a result, there may be situations that seriously affect the activity of business entities due to court disputes. These circumstances must be described in the explanatory paragraph of the auditor's report.

Changes to the legal documents in force in the accounting, tax, banking and other economic sectors of the country also affect the activity of the entity. Changes in regulatory legal documents should be included in the accounting policy in a timely manner. These changes may affect the operational, financial and investment activities of the entity, change the indicators representing the financial position and financial results.

Internal and external factors affect the activities of economic entities. External factors may not depend on the activity of the entity, but these factors may cause serious distortions in the financial statements. For example, the coronavirus pandemic, energy crisis, problems in logistics can not only affect the activity of the entity, but also lead to the cessation of activity. These cases should also be mentioned in the explanatory paragraph of the auditor's report.

When drawing up the auditor's opinion, the requirements of ISA No. 710 entitled "Comparative information-corresponding figures and comparative financial statements" and ISA No. 720 entitled "The auditor's responsibilities relating to other information" should also be followed.

Comparable information includes information related to several reporting periods included in the

financial statements of an economic entity. Comparative indicators include the indicators of previous reporting periods reflected in the financial statements of the current year. Comparative financial statements mean financial statements of previous reporting periods for comparing financial statements of the current reporting period.

ISA No. 720 entitled "The auditor's responsibilities relating to other information" defines the concepts of other information, conflict and misrepresentations related to the auditor's responsibility, and their essence is revealed. Other information includes key performance indicators of the business entity for the current reporting period, etc.

CONCLUSION

1. In our country, special attention is paid to the improvement of auditing activities and the improvement of the quality of audit inspections. It is necessary to comply with the requirements of international standards in improving the quality of audits conducted by audit organizations.

2. High-quality audits serve to create a truthful and transparent audit report. Compilation of the audit opinion directly depends on many aspects, in particular, the level of importance and the correct determination of the audit risk. The optimal determination of materiality and audit risk leads to the assurance of the quality of the audit opinion.

3. According to the requirements of the international auditing standards, there are forms of unmodified audit opinion, audit opinion with comments, audit opinion with a negative opinion, and refusal to issue an opinion. The choice of which of these types of audit conclusions depends on the continuity of operations and events after the reporting date.

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