

### IMPROVING THE AUDIT OF COMMODITY MATERIAL RESERVES IN COMMERCIAL BANKS

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**Abstract:** Effective auditing of commodity material reserves is essential for operational efficiency and compliance in commercial banks. This article addresses the key challenges in auditing such reserves and offers practical solutions for improvement. By adopting advanced technologies and risk-based approaches, banks can ensure greater transparency, accuracy, and efficiency in their audit processes.

#### Introduction

Commodity material reserves, encompassing office supplies, IT equipment, and security materials, are critical for the daily operations of commercial banks. Proper auditing of these reserves ensures compliance with accounting standards, reduces operational risks, and enhances transparency in financial reporting. However, traditional audit practices often fall short due to the growing complexity of inventory management and regulatory requirements, necessitating innovative strategies for improvement.

#### Literature review

Auditing commodity material reserves in commercial banks is a specialized area of financial oversight that has garnered increasing attention in recent years. This literature review explores key themes, including the role of audits in inventory management, challenges in auditing material reserves, and contemporary solutions involving technology and risk-based auditing frameworks.

Arens, Elder, and Beasley (2018) emphasized the importance of auditing in ensuring the accuracy of financial records and internal controls over inventory. They argued that for commercial banks, commodity material reserves, though not a direct contributor to revenue, play a significant role in supporting operational efficiency and compliance. Gelinias, Dull, and Wheeler (2020) further elaborated on how effective auditing of reserves helps prevent operational disruptions by maintaining accurate and traceable records of essential supplies.

Auditing commodity material reserves presents several challenges, particularly in complex organizational structures like commercial banks. Hayes et al. (2014) identified the difficulties associated with managing diverse inventories across multiple branches, including valuation inconsistencies and discrepancies in reporting. Simnett, Carson, and Vanstraelen (2016) highlighted that regulatory compliance with standards such as IFRS often adds a layer of complexity to audits, especially for banks operating in multiple jurisdictions.

The literature strongly advocates for the adoption of technology to address challenges in auditing material reserves. Blockchain technology, as discussed by Deloitte (2020), has emerged as a transformative tool for ensuring transparency and immutability in inventory records. AI and machine learning technologies, according to PwC (2021), are being increasingly used to detect anomalies and automate data reconciliations.

### Challenges in Auditing Commodity Material Reserves

Auditing commodity material reserves presents several challenges for commercial banks. These include the complexity of managing diverse inventories across multiple locations, inconsistencies in valuation methods, and risks of fraud or misappropriation. Additionally, compliance with international accounting standards such as IFRS requires accurate documentation and frequent audits, which are difficult to achieve with outdated inventory management systems.

**Adoption of Technology.** Modern technologies play a pivotal role in improving audit practices. ERP systems enable real-time tracking and reporting of inventory, while AI and data analytics automate the detection of anomalies and streamline reconciliations. Blockchain technology, with its secure and tamper-proof records, adds an additional layer of transparency and fraud prevention in inventory management.

**Risk-Based Auditing.** A risk-based approach to auditing focuses on high-risk areas, such as high-value items or branches with a history of discrepancies. Regular risk assessments allow auditors to dynamically update their priorities, ensuring resources are allocated where they are most needed. This targeted approach enhances audit efficiency and effectiveness.

**Standardized Valuation Methods.** Standardizing valuation methods, such as adopting FIFO or weighted average cost principles across the organization, improves consistency in financial reporting. Training inventory managers on these principles ensures accurate and comparable valuations, reducing errors and discrepancies in audits.

**Strengthening Internal Controls.** Robust internal controls are essential for mitigating risks in inventory management. Periodic inventory counts, restricted access to storage areas, and clear policies for procurement, usage, and disposal of reserves help prevent fraud and mismanagement. These measures also provide auditors with reliable data for their assessments.

**Enhancing Auditor Skills.** Auditors must be equipped with advanced skills to handle the complexities of modern auditing processes. Training in data analytics, IT auditing, and the use of ERP systems enables auditors to identify trends and anomalies efficiently. Certifications like Certified Internal Auditor (CIA) and Certified Information Systems Auditor (CISA) further enhance their expertise.

**Key Metrics for Success.** To measure the success of improved auditing processes, banks can track metrics such as the reduction in discrepancies between reported and actual inventories, faster completion of audits, higher fraud detection rates, and improved compliance scores from regulatory evaluations. These indicators reflect the efficiency and reliability of the new audit frameworks.

### Conclusion

The audit of commodity material reserves in commercial banks is an integral part of financial management and operational control. By leveraging modern technologies, implementing risk-based strategies, and strengthening internal controls, banks can enhance the accuracy, transparency, and efficiency of their audits. These improvements contribute to greater operational excellence, reduced risks, and enhanced stakeholder confidence in the organization.

# **ILM FAN XABARNOMASI**

## **Ilmiy elektron jurnali**

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