

THEORETICAL ASPECTS OF INTERNAL AUDIT IN PUBLIC SECTOR SUBJECTS

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Abstract

The purpose of the state financial control event in public sector entities is to reveal the organization's financial indicators and status, and to ensure the rational use of funds allocated from the state budget. Currently, the internal audit activity in budget organizations is expanding. This consists in making recommendations based on the cost estimates in the organization, and is aimed at timely elimination of errors and deficiencies that occur in the organization. Also, this article highlights the differences and common aspects of both types of control.

Keywords: state financial control, internal audit, internal audit event, financial report, report.

Introduction

According to the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 416 dated 01.08.2022, the model regulation on "Internal audit service of ministries and agencies" was approved. Accordingly, the basis and procedure for the organization of internal audit services in ministries and agencies, tasks and functions of the internal audit service, qualification requirements for internal audit service employees and restrictions on participation in internal audit activities, analysis and assessment of compliance with budget legislation by internal audit services and studying the formation of financial reports, the rights and obligations of the internal audit service, as well as the preparation of reports on the activities of the internal audit service, keeping records of cases of violations of the legislative requirements on the budget and informing the heads of ministries and agencies about them.

According to the Decree of the President of the Republic of Uzbekistan No. 6300 dated 27.08.2021, the decision "On measures to further improve the state financial control system" was approved. Discussing the work carried out by the ministries and agencies in connection with the prevention and prevention of budget legislation violations based on the results of state financial control activities, considering proposals for the introduction of internationally recognized methods and tools for the organization and implementation of state financial control and internal audit activities. given

The development and expansion of internal audit in public sector entities is important for the organization and its financial growth. And this is the main task of internal audit. Internal audit checks the organization's financial situation, the correct direction of money transactions, and also analyzes the documents defining the organization's financial situation. Internal audit performs current control in the organization.



State financial control is the study and elimination of errors and deficiencies in the budget legislation with the implementation of the final control, checking that the accounting schemes are kept correctly and are carried out in accordance with the legislation. This is the main task of state financial control.

Review of literature on the subject

He described the scientific research conducted by foreign and domestic scientists on this topic and their importance.

According to Clive Walker: "Internal audit plays a critical role in ensuring the success of projects and the delivery of defined benefits on time, on specification and on budget"¹.

According to Alistair Smith: "One of the key steps to success with a risk-based approach is for internal audit to provide feedback to senior management or senior management, i.e. a 'top-down' view of senior management's response to major risks, while internal audit provides a 'bottom-up' view of identified risks. is to talk to the board and senior management to ensure compliance."²

In the opinion of Professor S.U.Mehmanov about internal audit, "Internal audit in budget organizations is the control of the preparation and implementation of estimates by the organization by means of checking and monitoring compliance with legislative documents, ensuring the reliability of financial reporting data, observing budget-estimate discipline. , is an activity aimed at purposeful and rational spending of funds."³

Ostanokulov A. according to his opinion, "the internal audit service in budget organizations serves to ensure the accounting of budgetary and extra-budgetary funds, to ensure the prevention of cases of illegal spending and looting of budget funds, to monitor the conclusion of contracts, to prevent unjustified debtor and creditor debts, to strengthen budget discipline"⁴. According to Z. Khamidova, "the internal audit service constantly monitors the proper organization and proper conduct of the activities of budget organizations, gives its advice and recommendations to prevent inconsistencies, and takes measures to correct deficiencies."⁵

If we clarify the concepts of internal audit and financial control, in our opinion, financial control is the final control, checking whether the money allocated from the budget is properly spent or the execution of estimates is ensured, studying the basis of financial and economic operations, drawing up a report on the results, identifying errors, shortcomings and violations of the law. internal audit is to identify and take action in this regard, internal audit - performs current control, examines and evaluates the organization's records, work flows, systems and

¹ Chartered Institute of Internal Auditor-Internal audit in Practice. April 2019. <https://www.nao.org.uk/wp-content/uploads/2019/04/Internal-audit-in-practice-case-studies.pdf>

² Chartered Institute of Internal Auditor-Internal audit in Practice. April 2019. <https://www.nao.org.uk/wp-content/uploads/2019/04/Internal-audit-in-practice-case-studies.pdf>

³ Меҳмонов С.У., Бюджет ташкилотларида ички аудит хизмати фаолиятини такомиллаштириш. "Молия ва банк иши" Электрон илмий журнали, 2-сон, март-апрель, 2019 й.

⁴ Остонокулов А. А., Абдурахмонов И. Бюджет ташкилотларида ички аудит хизматини такомиллаштириш масалалари //XXI аср: фан ва таълим масалалари" илмий электрон журнали. – 2019. – Т. 1.

⁵ Masharipov, O., Khamidova, Z., Tursunkulova, G., & Azizov, O. (2023). Organizational aspects of internal control system in budget organizations and relationship with internal audit service. In BIO Web of Conferences (Vol. 65, p. 08010). EDP Sciences.



processes, and, to prevent expected risks, analyzes the organization's records and financial documents and forecasts the organization's financial position for a certain period.

Ички аудит ва молиявий назорат тушунчаларини ёритадиган бўлсак, бизнингча, молиявий назорат – якуний назоратни амалга ошириб, бюджетдан ажратилган пул маблағларини тўғри сарфланганлиги ёки сметалар ижросини таъминланганлигини текшириш, молиявий ва хўжалик операцияларни асосини ўрганиш, натижаларга оид далолатнома расмийлаштириш, аниқланган-хато камчиликлар ва қонун бузилиш ҳолатларини аниқлаш ва шу юзасидан чора кўришдир, ички адит – жорий назоратни амалга ошириб, ташкилот ёзувларини, иш оқимларини, тизимларни ва жараёнларни текширади ва баҳолайди ҳамда, кутиладиган рискларни олдини олиш, ташкилотнинг ёзувлари ва молиявий ҳужжатларни таҳлил қилади ва ташкилотнинг молиявий ҳолатини маълум муддат учун прогнозлайди.

Research Methods

In the course of the research, methods such as abstract logical thinking, induction and deduction, monographic observation, systematic analysis, comparison, and economic analysis were used based on the specific features of state financial control and internal audit.

Analysis and Results

The first table describes the purpose and tasks of internal audit and financial control, the documents to be submitted, the work content of both types of control and the forms of presentation of results.

Table 1 Main aspects of state financial control and internal audit service⁶

Basic aspects	State financial control	Internal audit
Purpose and mission	Identifying, eliminating and preventing violations of budget legislation, preventing corruption-related offenses	Helping work efficiency in ministries and agencies, identifying and eliminating deficiencies in time
Documents to be submitted	Report on the results of the inspection Summary document summarizing the results of state financial control The results of the inspection in the study and control procedure are a reference or summary	A quarterly report and an annual report on the results of the internal audit service are submitted to the Ministry of Economy and Finance.
The content of the work	Inspection, study	Giving recommendations, preventing mistakes
Forms of presentation of results	Reference, summary, document	Quarterly and annual report

Analyzing the table, it should be noted that the tasks and objectives of state financial control and internal audit are different, that is, the main goal and task of state financial control is to

⁶ Formed by the author

identify, eliminate and prevent violations of budget legislation. The main goal and task of the internal audit service is to help work efficiency in the ministries and agencies, identify deficiencies in time and eliminate them. The documents to be submitted differ from each other: in the case of state financial control, a document is submitted, and in the internal audit service, an annual report is submitted. The content of the work in the state financial control of inspection and audit work is that, and the internal audit service provides recommendations and prevents errors and omissions. Forms of presentation of results in the state financial control consist of reference, summary and report, while in the internal audit service, quarterly and annual reports are presented. Table 2 summarizes the common and different aspects of public financial control and internal audit.

Table 2 Common and different aspects of the state financial control and internal audit service⁷

Type of control	General aspects	Different aspects
State financial control	Controls, to have a national qualification certificate There is a department in the Ministry of Economy and Finance Providing information to the Ministry of Economy and Finance	Performs final controls, identifying, eliminating and preventing violations of the legislation on the budget of the state financial control by state financial control objects, prevention of violations related to corruption in the budget sphere. The official who carries out state financial control shall have a copy of the decision of the state financial control body and a service certificate, and shall carry out control of objects of state financial control no more than once a year according to the control plan. implementation of state financial control should not exceed thirty calendar days.
Internal audit	Controls, to have a national qualification certificate. There is a department in the Ministry of Economy and Finance Providing information to the Ministry of Economy and Finance	Performs current control, Accounts Chamber and preparation of proposals for future prevention and prevention of violations of budget legislation determined by financial control and external audit conducted by state financial control bodies.

In the second table, the differences and common aspects of the state financial control and internal audit service are highlighted in this table. To clarify the general aspects, the State Financial Control and Internal Audit Service performs control, has a national qualification certificate, has an office in the Ministry of Economy and Finance, and provides information. The type of control, the tasks and functions performed, the period of control and the organization of work of the employees differ. Correct and accurate recommendations given by qualified auditors to improve the financial condition of the budget organization will lead to an increase in the future financial indicators of the organization. The auditor prepares a report on the financial activity of budget organizations and makes recommendations based on these reports. It is desirable to expand the internal audit service, that is, to cover all areas. First of all, it is necessary to organize an internal audit service in the areas that are lagging. The expansion

⁷ Formed by the author

of the internal audit staff leads to the improvement of the organization's financial situation, and errors and deficiencies are eliminated in time.

Conclusion

In this article, the main indicators of state financial control and internal audit, i.e. different, common aspects were highlighted. The main difference between the state financial control and the internal audit is that: it performs final controls, is subordinate to the Ministry of Economy and Finance, state financial control identifies, eliminates and prevents violations of the legislation on the budget by the objects of state financial control, prevention of corruption offenses in the budget sphere receives, the official carrying out state financial control shall have a copy of the decision of the state financial control body and a service certificate, he shall carry out state financial control objects no more than once a year according to the control plan, the implementation of state financial control shall not exceed thirty calendar days.

It is necessary to establish a criterion for evaluating the effectiveness of the internal audit service in budget organizations. The financial indicators of the organization do not depend only on the internal auditor, that is, it also depends on the activities of the head of the organization. To analyze the effectiveness of the internal auditor, it is necessary to pay attention to quantitative and qualitative indicators. Internal auditor's work: must make the right recommendations, provide clear solutions to the errors and deficiencies identified in the current control, determine whether the plan has been fulfilled in the quarterly and annual reports. Other employees of the organization should evaluate the work of the internal auditor and evaluate the level of satisfaction with the work performed.

It is appropriate to adopt the following criteria for determining the effectiveness of the internal audit service:

- the number and completion of audits;
- the level of participation of the auditor in organizing the audit;
- the percentage of compliance with the auditor's recommendations;
- cost savings following implementation of audit recommendations;
- satisfaction with the inspections conducted by the external audit.

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