
Interconnection and Cooperation of Internal Audit and State Financial Control Services in State Organizations

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Abstract: In the article, the theoretical and practical aspects of the activities of the centralized internal audit and financial control service organized in budgetary organizations in cooperation with the state financial control and accounting chamber, and the issues of increasing efficiency, were studied. In addition, the main tasks of the internal audit service and other control bodies in budget organizations have been clarified and the opinions on them have been extensively analyzed, as well as aspects that should be taken into account, methodological recommendations for system development and increasing efficiency, methods of special approach by internal auditors, and internal audit in budget organizations today. based on the necessity of the day.

Key words: Budget organizations, internal audit, financial control, internal control, risk, financial audit, budget funds, centralized internal audit service, efficiency, cooperation, single integrated system.

VALUE AND SIGNIFICANCE OF THE SUBJECT

As the implementation of the budget process is a complex process, it is necessary to improve the control of the effectiveness of the use of budget funds.

Article 171 of the "Budget Code" of the Republic of Uzbekistan states the following about "State financial bodies": "The Accounts Chamber of the Republic of Uzbekistan, the Ministry of Finance of the Republic of Uzbekistan and authorized bodies under its jurisdiction are state financial control bodies."

The internal audit service cooperates with the state financial control bodies and exchanges information, including electronic information, in order to fulfill the tasks assigned to it. The established internal audit and financial control department should be supervised by state financial control bodies and work in cooperation. The Internal Audit and Financial Control Department is supervised by the "Department of Internal Audit Methodology", the Chamber of Accounts, and the financial control bodies of the Ministry of Finance, established in the Ministry of Finance.

LITERATURE REVIEW

In the field of financial control and internal audit of budgetary organizations in our country there has been conducted scientific researches by S.Usmanov (2007), and in the field of IT-audit in the country there are no researches. This is a new system that has not yet been explored and needs to be established for our country. A number of scientific researches and experiments on IT-audit system have been conducted in Russian Federation, USA and European countries and several programs on IT-audit system are created. In the study of foreign experience, several scientists have done research in this area.

In order to improve the internal audit, it is necessary to deeply understand its content. It is in the field of internal audit and internal control of budget organizations that many scientists have conducted research. S.U. Mekhmonov, B.J. Jumamuratov, B.B. Sugirbaev, A.K. Ibragimov from our country's scientists and N.I. Danilenko, S.L. Optner, Jan Van Tynen, P.P. Andreev from foreign scientists. A.L. Kolesniks gave their definitions and expressed their views on the concept of internal audit and internal control of budget organizations in scientific research works, articles and educational methodological developments.

METHODOLOGY

Interaction and regulation of internal audit services in budget organizations is carried out through an authorized body. These competent bodies are the Ministry of Finance of the Republic of Uzbekistan, the Accounts Chamber of the Republic of Uzbekistan, the General Directorate of State Financial Control. As determined by the Department of Internal Audit Methodology of the Ministry of Finance of the Republic of Uzbekistan, the authorized body within its powers:

develops and approves standards, methodology, model documents, qualification requirements for internal audit services based on internationally recognized standards of internal audit and state legislation;

controls the maintenance of a single integrated information system on internal audit;

carries out control of compliance with the law when conducting internal audit tasks of internal audit services;

a single account in the implementation of the internal audit service

and ensures that reports are maintained;

ensures the implementation of a uniform practice of internal audit service;

annually analyzes the activities of the internal audit service in all ministries, committees and agencies and organizations under their control;

provides advisory support to internal audit services in accordance with their requests;

coordinates activities on training of internal auditors, issuance of qualification certificates and retraining;

determines the procedure and method of attestation for internal auditors to obtain a qualification certificate;

maintains a list of auditors who have successfully passed the exam to obtain a certificate of competence;

performs other powers that do not conflict with the law.

Decisions of the authorized body related to internal audit activities are binding for internal audit services.

Heads of ministries, committees or departments and organizations under their jurisdiction are responsible for providing the authorized body with access to all documents and information related to internal audit and internal control monitoring.

DISCUSSION OF RESEARCH RESULTS

In many cases, the internal audit service of budget organizations and state financial control are similar or confused with each other. However, they actually have different functions and tasks.

The internal audit service is characterized by identifying inconsistencies in the organization's activities, eliminating them, providing necessary advice and recommendations, and conducting continuous monitoring. State financial control - studies, analyzes and compares accounting, finance, statistics, bank documents and other documents of financial control objects in order to

identify violations of regulatory legal documents on the budget. Internal audit and financial control service and state financial control differ from each other in several aspects.

Table 1 Different aspects of state financial control and internal audit and financial control services¹

№	Differences	State financial control	Internal audit and financial control services
1	According to the control period	controls for the completed period	conducts monitoring for the current period
2	On the control of estimated costs	supervises the correct expenditure of the estimated costs of budget organizations	makes recommendations on the correct structure of budget organizations' cost estimates, helps to draw up cost estimates and supervises their intended use
3	Regarding the study of internal control	verifies the proper functioning of the internal control system based on established guidelines	helps the effective organization of the internal control system, constantly monitors
4	Regarding the report and conclusion	identifies errors and violations in budget organizations and draws up a document and warns the head of the organization	in addition to conducting work within the framework of laws in budgetary organizations, it provides its advice and recommendations to prevent possible risks and eliminate shortcomings, helps to correct errors
5	Regarding the risks	identifies and evaluates risks in the activities of budget organizations	evaluates risks, studies their causes, and determines ways to reduce them

At this point, we can list the differences in terms of tasks, control duration, and methods, the main purpose of listing these differences is to show how necessary and important the internal audit service is for budget organizations.

Another important point is that more than half of the funds allocated by the state budget are spent on the social sector, and the purposeful spending of budget funds and prevention of embezzlement are the main tasks of the internal audit service. It should be noted that in 2019, 21694 billion was allocated from the state budget for the social sector. funds were allocated in the amount of soums, of which 12712.3 bln. soums, that is, 58.6 percent was spent on education. For Uzbekistan, which has a social sector, which is considered the basis for the development of the economy in the medium and long term, and where a significant part of the state budget expenses corresponds, the successful solution of the issues of the targeted use of these funds is important.

Financial control bodies work in relation to each other. This interdependence is seen in determining the performance of subordinate departments under the jurisdiction of control bodies, mutual information exchange, control, analysis, and providing methodology. In this case, the main data is the information of the single integrated information system of the internal audit service, through which the general situation of budget institutions is determined.

Therefore, in the Republic of Uzbekistan, an internal audit service was introduced in budget organizations to check the effectiveness of the use of budget funds, which is one of the most important types of control over the implementation of the state budget, and to continuously monitor the organization's activities.

¹ Compiled by the author.

In order to improve state financial control, identify and develop measures to prevent systemic violations identified by state financial control bodies and internal audit services, it is necessary to establish an Inter-Departmental Council on State Financial Control.

The head of the internal audit service at the republic level is equal to the heads of the department of the ministry of social-household and medical service conditions, and the heads of the internal audit financial control service at the regional level are equal to the department heads of the regional administration. The head of the internal audit service at the republican level ensures the performance of the functions and tasks assigned to the internal audit service.

The most important of these tasks and functions is the structure of annual work plans. Annual work plans are drawn up every year at the beginning of the year, and annual work plans at the republic level are approved by the ministry, and annual work plans at the regional level are approved by the head of the internal audit service of the ministry. Unscheduled inspections may also be conducted. An unscheduled audit is conducted when the head of the organization changes, when the accounting policy of the organization changes, based on the assignments of the heads of ministries, committees, and departments, and on the basis of appeals from individuals and legal entities about the facts of violations of legal documents.

The conducted internal audit inspection, monitoring or study is formalized on the basis of the orders of the ministries and agencies, and the period of up to 30 days is set for conducting the control activities based on its tasks and scope of work.

Within this specified period, the sequence of work, the execution of the audit task, the analyzes conducted, the methods used, and the process carried out all constitute the methodology of conducting the audit. The audit methodology should be developed based on the structure of the organized service. As we know, the established internal audit and financial control service is centralized in ministries, committees and offices. Before creating a methodology for conducting a centralized internal audit and financial control service, it is necessary to study its advantages and disadvantages.

In our opinion, the advantages of a centralized internal audit and financial control service are:

administrative costs in the organization are reduced: training, training materials, software, secretarial services;

provides a unified approach to current controls, risk analysis and identified violations;

ensures independence;

a single plan ensures the distribution of resources in terms of full coverage of risks, as well as reduces duplication of work;

provides an acceptable approach to employees in accordance with their experience;

performs inspections that require large labor costs.

We also mention the disadvantages of the centralized internal audit and financial control service as follows:

decrease in decision-making efficiency;

an increase in the workload of internal audit staff, that is, the integration of the function increases the workload in proportion to the number of audits required in management planning, administrative support and control of reports;

the decentralized function of internal audit quickly adjusts the audit plan to change the portfolio of risks;

lack of a reserve of high-level specialists. The limited number of highly experienced experts required for certain types of inspections leads to a shortage of staff.

As the centralized and decentralized system are very different from each other, the methodology of centralized internal audit service and decentralized internal audit service are also fundamentally different from each other.

Budget organizations, ministries and agencies are regularly controlled mainly through the following three systems:

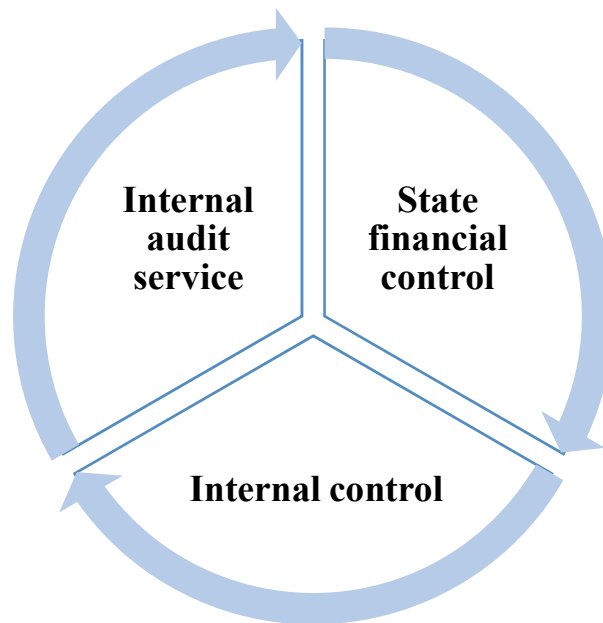


Figure 1. Cooperation of internal and external controls in budget organizations²

This system works by exchanging information with each other in regular interaction. Each of them has a separate function and tasks. Without deviating from the legislation of the Republic of Uzbekistan, within the scope of its powers, it controls budget organizations, identifies its shortcomings, gives its advice and recommendations on preventing violations of the law, and gives conclusions based on the results.

In our opinion, the following results will be achieved as a result of the selective exchange of information in mutual cooperation:

reduces inefficient inspections;

increases the effectiveness of the audit of budget organizations;

saves time during the inspection process;

mutual information exchange increases the level of reliability of information and reduces the level of risk.

The work results of internal auditors help to assess the effectiveness of the internal control system and assess and manage existing risks.

Also, in our opinion, the interaction between the internal audit service and state financial control bodies should be implemented through:

² Compiled by the author.

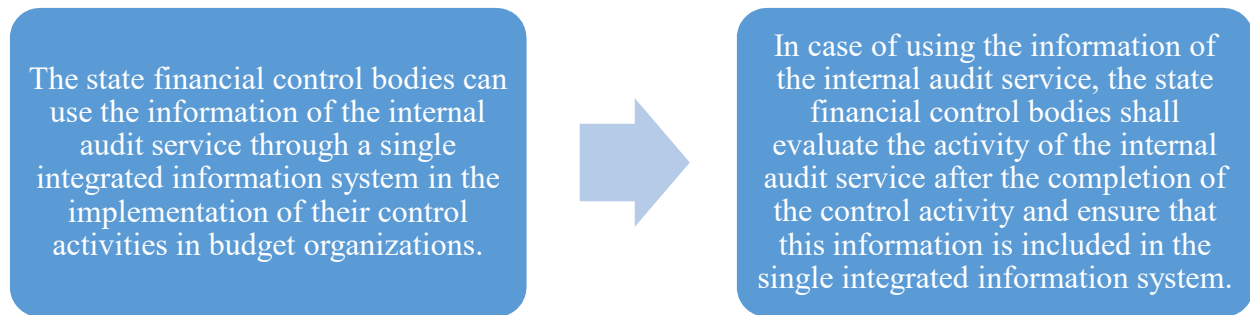


Figure 2. Interrelationship between internal audit service and state financial control bodies³

The assessment of the internal audit service is carried out by the Accounts Chamber. In our opinion, evaluation is often used in internal audit reports and its objectives should be:

- improving information about individual audit results;
- assisting the client's governing body in planning and prioritizing remedial work;
- evaluating changes in results between successive examinations of the same client;
- help to compare audit results between internal departments of the organization;
- help to summarize the results of various audits within the organization;
- assisting with the risk assessment process, which is a key element of the annual audit planning process.

CONCLUSIONS

In conclusion, we can say that today it is necessary to develop a control methodology for internal audit and external audit in order to properly organize control in the public sector. Wide use of international experience and international internal audit standards in the development of the control methodology is desirable. Reasonable use of budget funds is one of the urgent issues of today.

In addition, it is necessary to develop and implement national standards based on international standards of internal audit for effective organization and conduct of internal audit controls in the public sector. It is necessary to consider the formation of international internal audit standards in the public sector in accordance with the provisions of the internal audit law.

In order to effectively organize internal and external audits in the public sector and organize control based on international requirements, first of all, there is a need for qualified specialists. In order to control the quality of work, it is necessary to develop a certification system for internal auditors and financial controllers in the public sector and organize work through certified personnel.

In order to effectively and qualitatively organize the work of internal and external audit in the public sector, it is desirable for supervisors to work together. The specific characteristics of each

³Compiled by the author.

control are determined and it is necessary to ensure that their activities do not repeat each other and are organized within the framework of checks that complement each other.

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