

## **Issues of Improving Internal Audit and Financial Control in Budgetary Organizations**

**Djaydakbayev Murat Turgunovich <sup>1</sup>**

### ***Annotation***

*This article presents proposals and recommendations on the methodological and practical organization of the activities of internal audit and financial control in budgetary organizations and improving the regulatory framework.*

**Keywords:** *Audit, financial control, budget, estimate, financial statements, accounting, budget organization, income, expenses.*

---

<sup>1</sup> independent researcher University of Public Safety of the Republic of Uzbekistan,  
djaydakbaev@mail.ru

**Introduction.**

In recent years, when audit activity has been steadily developing in the Republic of Uzbekistan, special attention is paid to reforms of the strategic development of the economy. The Decree of the President of the Republic of Uzbekistan “On the Development Strategy of New Uzbekistan for 2022-2026” provides for the implementation of ensuring transparency by adapting information on the funds of the budget system to international accounting standards in the public sector [1].

As a result of phased reforms in the budget system, perfect normative legal documents and organizational foundations related to the execution of the State budget were formed. To increase the efficiency of expenditures of the State Budget of the Republic of Uzbekistan, strengthen the prevention of violations of budget legislation and expand remote financial control, as well as improve the activities of state financial control bodies, the Decree of the President of the Republic of Uzbekistan “On further increasing the efficiency of expenditures of the State budget of the Republic of Uzbekistan and improving the activities of state financial control” [2]. The execution of the state budget based on these normative documents ensures the mutual compatibility of budget revenues and expenditures.

Analysis of identified thefts, shortages of funds and material assets, violations in the preparation, approval, and execution of estimates and staffing tables, additional tasks have been identified, such as the development of specific measures to eliminate the conditions that created them, increasing the efficiency of auditing budgetary organizations, etc., at the same time, additional tasks, such as remote control with ineffective checks, determination of objects and goals of checks using information technology.

The need for audit services is growing every year. In addition, the relevance of this issue is determined by the fact that instructions have been given to transform national auditing standards with international auditing standards.

**Literature review.**

The correct implementation of budgetary accounting with targeted and efficient spending of budgetary and extrabudgetary funds by budgetary organizations is the essence of the ongoing reforms. Improving the process of organizing and implementing budgetary accounting in budgetary organizations is regulated by a number of laws and by-laws.

Issues such as theoretical and practical aspects of the organization of accounting, internal audit, and financial control in budgetary organizations were studied in the scientific works of foreign and Uzbek economists.

Anferova et al. (2017) defined the essence of internal audit as “Conducting internal audit in budgetary organizations requires not only comparing expenses with income received but also performing strict control over finding active ways to effectively use funds and expenses. To date, it has been proven that the internal audit of the budget should consist of three main elements: internal control, internal audit, and their combination. At the same time, the main task is to ensure the responsibility of the head for all areas of activity of the organization he leads, the achievement of specific results in economic issues and the efficient use of budgetary funds, as well as the fulfillment of tasks, etc” [3].

Podolsky et al. (2010) believed that an “Internal audit is a control system in an economic entity that monitors compliance with the established accounting procedure organized in the interests of

its owners and regulated by its internal documents, and the reliability of the control system” [4].

Danilenko (2010) believes that "internal audit is a confirmation of the reliability of accounting and a report on the execution of the budget at the expense of funds from income-generating activities" [5].

According to Kolesnik (2017), the main task of an internal audit is to study the processes of managing public finances and managing non-financial assets, identifying factors and conditions that hurt decision-making, identifying decisions that ensure illegal, incorrect, inefficient use of financial and non-financial assets, negatively directs the process of studying control and risk management systems with recommendations aimed at eliminating or minimizing factors [6].

According to Andreeva (2008): “Internal audit in budgetary organizations is defined as an activity that helps the manager achieve the organization’s goal through the application of a consistent and systematic approach aimed at assessing the internal control system and improving its effectiveness. Internal audit helps management, but cannot replace management and internal control” [7].

According to Amirkhanov (2012), the internal audit and financial control service is a new subject of internal financial control. In his article, he fully substantiated the need to create an internal audit service in budgetary organizations. Also, the establishment of internal financial control in budgetary institutions requires a systematic approach to solving current problems, that is, based on the “Result-oriented budgeting” model. The bulk of these are efficiency and effectiveness audits. Thus, the state will create the necessary conditions to ensure the efficient use of budgetary funds for the work carried out in the performance of its functions [8].

The approach of Ibragimov and Sugirbaev (2010) is as follows, i.e. “Internal audit is an objective activity aimed at the effective implementation of internal control, aimed at providing reports and recommendations to improve the efficiency and effectiveness of a budgetary organization” [9].

Mekhmonov (2018) stated that the activities of the internal audit and financial control service in budgetary organizations are carried out based on the principles of independence, impartiality, freedom, professional competence, and confidentiality [10].

From the above definitions, it can be seen that there is no single approach to internal audit and financial control in budgetary organizations. Therefore, it is advisable to conduct a study on this issue and draw reasonable conclusions.

### **Research methodology.**

In the course of the study, various methods of scientific knowledge of economic reality and processes were used - generalization, grouping, logical and comparative methods of analysis, abstract-logical thinking, comparative analysis, etc.

### **Analysis and discussion of results.**

Based on the above studies, we consider it appropriate to expand the functions (powers) of the internal audit and financial control service, and also define them accordingly to further increase the responsibility of the internal audit and financial control services in budgetary organizations:

monitoring the correctness of the structure of the budget request by the law using information technology remotely (departure to the site if necessary);

study of the structure of the estimate of income and expenses and staffing tables based on the

requirements of the law;  
conducting remote monitoring using information technology regarding the proper maintenance of budget accounts;  
study and analyze the reliability, validity, and completeness of prepared and presented financial statements;  
to study the validity of receivables and payables;  
control over the safety and condition of funds, goods, and other property;  
control over the correct calculation and timely financing of wages and equivalent payments, as well as the targeted use of funds;  
control over tender (competitive) sales and conclusion of contracts;  
identification of funds that can be saved by monitoring the quality of public services in all areas of activity;  
collection and reduction of overdue debts, a study of the effectiveness of the use of budgetary funds based on the analysis of compliance with payment discipline;  
analysis and evaluation of the results achieved within the budget allocated for the goals, activities, and tasks defined in the programs (state, sectoral, regional) and other regulatory legal documents;  
check the fulfillment of established criteria and performance indicators, establish continuous monitoring and analysis;  
carry out preventive work aimed at preventing corruption in institutions and organizations of the system;  
considers appeals of individuals and legal entities within its powers and takes measures to eliminate existing problems, exercises control over ensuring labor and performance discipline;  
performance of other functions under the legislation aimed at ensuring targeted spending of budgetary and extrabudgetary funds.

It would also be advisable to establish specific interest rates (the amount of identified financial errors and shortcomings, not exceeding ten percent of the funds realized within the estimated costs) when assessing the effectiveness of organized internal audit and financial control services, in connection with the reduction of financial irregularities.

### **Conclusions and offers.**

In our opinion, “Internal audit and financial control consist in studying the correctness of constructing estimates of income and expenses of budgetary organizations and staffing tables based on the requirements of regulatory documents and ensuring the reliability of financial reports prepared for their implementation, and this is an activity aimed at controlling the target and effective spending of budgetary funds remotely using information technology, when necessary.

Based on international experience, we offer the following proposals for the implementation of this activity:

- According to international experience, the system of internal audit and financial control must be certified regardless of its direction (private or public). Therefore, based on the qualification requirements for employees of the internal audit and financial control service in our republic, the introduction of a certificate for an employee of the internal audit and financial control service;
- When organizing an internal audit and financial control service, special attention should be paid to independence, which is considered one of the generally recognized principles of the audit. After all, if we do not ensure the independence of the employees of the internal audit and financial control service, we will not be able to achieve high efficiency as a result of their activities. To do this, it is necessary to subordinate the internal audit and financial control service of ministries and departments only to the head of the relevant ministry.

**List of used literature**

1. Указ Президента Республики Узбекистан, от 28.01.2022 г. № УП-60. О стратегии развития Нового Узбекистана на 2022-2026 годы. <https://lex.uz/ru/docs/5841077>;
2. Постановления Президента Республики Узбекистан, от 14.02.2022 г. № ПП-128. О дальнейшем повышении эффективности расходов Государственного бюджета Республики Узбекистан и совершенствовании деятельности органов государственного финансового контроля. <https://lex.uz/ru/docs/5858714>;
3. Анфёрова В.Е., Грекова В.А., “Внедрение внутреннего аудита в бюджетных учреждениях”//Nauka-rastudent.ru, №5 (041). 2017.;
4. Подольский В.И., Савина А.А., Сотникова Л.В., (2010) Международные и внутрифирменные стандарты аудиторской деятельности: учеб.пособие М.: Вузовский учебник: ИНФРА-М;
5. Даниленко Н.И. Статья: «Методика проведения внешнего аудита бюджетного учреждения Бухгалтерский учет в бюджетных и некоммерческих организациях», №4, 2010.
6. Колесник А.Л. Организация и методика проведения внутреннего аудита распорядителями средств федерального бюджета /Диссертация, Москва -2017, стр 14.;
7. Андреев П.П. Внутренний контроль и аудит в секторе государственного управления и европейский опыт/ П.П. Андреев. - Киев: Кафедра, с.120, 2011.;
8. Амирханов Ш.Э.,(2012) Развитие внутреннего финансового контроля в государственных учреждениях тема диссертации и автореферат по ВАК 08.00.10, Махачкала,-С-151.
9. Ибрагимов А.К., Сугирбаев Б.Б., (2010) Бюджетный контроль и аудит. Методическое пособие. ООО infoCOM.Uz. Т.;
10. Мехмонов С.У. Совершенствование методического обеспечения внутреннего аудита в бюджетных организациях, «Международные финансы и бухгалтерский учет» №1, 2018.