

Procedures for Conducting Internal Audits in Budget Organizations

Yuldashev Botirali Toshbaevich

Independent researcher, senior lecturer at the Andijan Institute of Agriculture and Agro technology

Azizbekova Farzona Azizbek Kizi

Cargo and Agro technological Institute 2-required courses Andijan, Uzbekistan

Abstract: *The article contains scientific proposals and practical recommendations on the application of foreign experience in the organization of the internal audit system in budget organizations of the Republic of Uzbekistan, the procedure for conducting internal audits in budget organizations, the stages and procedures of the internal audit department in higher education.*

Keywords: *internal audit, internal audit in budget organizations, internal audit planning, internal audit procedures.*

Introduction

Currently, Uzbekistan is growing interest in the organization of internal audit in budgetary organizations, but there are a number of problems hindering its development. The main difficulty lies in the fact that the conceptual framework of internal control and internal audit has not been created, and this is mainly due to its adaptation to foreign, in particular, European experience.

Effective organization and management of the internal audit system in budget organizations allows solving issues in the field of risk management. The formation of internal audit departments and the inclusion in the structure of the main structure of higher education institutions for higher education institutions received as an object of research is an innovation, it is necessary to formulate the basic principles of the formation of an internal audit system in accordance with international standards in higher education institutions.

The Internal Audit Service carries out its activities on the basis of planning, which, as a rule, includes a calendar year. However, it is also possible to formulate long-term strategic plans that will last from 3 to 5 years. The existence of an internal audit service plan is a prerequisite for the successful operation of the internal audit service. In a market economy, a plan can be drawn up and changed during the period under review. From time to time, changes in activities and higher education should be considered in accordance with the needs of the educational institution.

Material and Methods

The work plan of the Internal Audit Service, in our opinion, should contain the following components::

- a list of planned audits, including subsidiaries;
- to advise and train employees of the organization in order to ensure the quality and efficiency of the provision of public services for the implementation of targeted measures;
- time and procedure for preparing reports and recommendations on the results of inspections;

- mechanism for approval and approval of internal audit results;
- development and approval of regulatory documents, methods, guidelines, etc.;
- work with regulatory and methodological documents on the implementation of public services and monitor the changes made to them;
- regular review of internal procedures and improvement of internal audit services in accordance with changes in regulatory and methodological documents;
- prepare reports on the results of monitoring the effectiveness of the Internal Audit Service and develop recommendations for improving the internal audit system;
- ensure continuous training of Internal Audit Service personnel.

In our opinion, internal audit in budgetary organizations is an understanding of compliance by budgetary organizations with budget execution and discipline, behavior of budgetary and extra-budgetary funds, their intended use, budget accounting and reporting in accordance with legislation, financial and economic activities of the organization and turnover of regulatory documents to identify errors and omissions. This implies an independent activity that provides fast, accurate and reliable information to the Supervisory Board or the Board of Trustees and controls the activities of the executive body.

In accordance with the international professional standards of internal audit, the Charter "On Internal Audit" is an internal document defining the goals, powers and responsibilities of the Internal Audit Department. The Internal Audit Regulation defines the state of internal audit in the organization, including the functional responsibility of the head of internal audit to the Board, as well as the scope and content of internal audit activities, the right to use documents, personnel and material resources are established when performing the relevant tasks [1].

Discussion

A.G.Lukin noted that "state regulation of internal financial audit is necessary, first of all, for the preparation of high-quality audit data based on a single methodology and combining requirements for its content. A real help in creating a unified methodology can be provided by the general consensus of auditors, which is the basis of international and national auditing standards. However, the development of internal financial audit in the public sector as a whole is hindered by strong traditions of internal control. Until recently, the only aspects of the construction and implementation of internal control in the field of public administration were not regulated by anything" [4].

A.L. According to Kolesnik, "the formation of the methodology of internal audit in the public sector is influenced by the importance of internal audit in the study of management systems and the ability of management to manage operational risks. The purpose of the internal audit is to assess the adequacy of risk management by the management of the logical entity being audited, which is responsible for risk management. Today, there is not enough practical experience to confirm the existence of a system algorithm for conducting internal audit in the public finance management sector" [3].

According to N.I. Danilenko, the audit of the effectiveness of the use of public funds includes the following elements::

- to study the use of saved public funds spent on achieving accurate results;
- to check the efficiency of the use of labor, financial and other resources during operation, as well as the effectiveness of the use of Information systems and technologies;

- It is advisable to check the effectiveness of the measures taken to achieve real results in comparison with the planned indicators, taking into account the increased number of tasks assigned to the Federal Treasury, the amount of funds allocated for this.[2]

D.A.Semenov acknowledged that "in the international theory and practice of internal audit, two directions of its development can be distinguished. The first of these areas involves the introduction of quality indicators into the audit system that reflect the efficiency of resource use and the achievement of goals. This direction is often presented in terms of "good governance" and "effective audit". The second direction is aimed at monitoring compliance with regulatory documents, improving accounting and preparing financial statements" [6].

Yu.N.Silkovich, V.V.Silkovich state that "the planning of internal audit at the university includes its scope, goals and criteria, a list of officials, departments and processes that need to be checked, they should be reflected in the relevant regulatory documents of the university." [1]

A Supervisory Board and an Internal Audit Department subordinate to it have been established at the Canadian Reirson University (Table 1). In general, in most higher educational institutions of foreign countries, the Internal Audit Department or Department functions separately and is effectively organized. In particular, each foreign higher education institution has its own separate regulations on internal audit or resolutions regulating the activities of the Internal Audit Department, and is carried out in an appropriate manner.

In Uzbekistan, in order to apply international experience, it was necessary to give a special status (in the form of a department or department) to the internal audit system in budgetary organizations, that is, for example, in higher educational institutions, it is desirable to form a Supervisory Board of a higher educational institution, primarily subordinate to the Internal Audit Department.

Table 1 Stages of internal audit at the Canadian Ryerson University [12]

Composition and powers of the Council	Internal Audit Service of the University
<p>Article two. Management structure.</p> <p>2.1. It consists of the Chairman of the Council, the Chancellor, appointees and alumni, faculty, administrative staff and students appointed or elected in accordance with the Law on the University of Reyrson.</p> <p>2.3. Members of the Council do not receive remuneration, they may be allowed to pay for official travel and other expenses.</p> <p>Article 13. President of the University.</p> <p>13.1. The President. The President is appointed by the</p>	<p>Internal Audit Service.</p> <p>Internal audit consists of the following stages:</p> <ol style="list-style-type: none"> 1. Planning. Internal audit the internal audit plan and program must be drawn up and approved by the Board in accordance with the procedure of the process, deadlines and conduct. Determine the composition of the shortcomings and problems identified in the internal audit process. Employees of the Internal Audit Service may require the provision of all documents that will help in the formation of procedures that must be performed during the internal audit. 2. The order of work. The work procedure includes the analysis of the data collected at the planning stage. Internal audits: <ul style="list-style-type: none"> ➤ learn more about the activity, system or process;

<p>Council and is considered a member of the Council and the Chief Executive Officer and reports to the Council. The President is responsible and authorized for the implementation, control and management of the university's educational policy, general management and ownership, policy, including:</p> <ul style="list-style-type: none"> ➤ to make changes to educational programs approved by the University Senate, to create new programs and courses recommended by the University Senate and approved by the Council, and other issues, in his opinion; ➤ implement administrative policy and use resources; ➤ recruitment of employees, appointment to positions, dismissal, provision of vacations, assignment of days off and the amount of wages; ➤ The President is obliged to provide the Council or individual members of the Council with all information about the activities of the university and all materials related to them. <p>13.2. Term of office. The President is appointed for five years and may be reappointed by the Council for another five years.</p>	<ul style="list-style-type: none"> ➤ assess compliance with risk management policies and procedures; ➤ monitoring of operations related to an activity, system or process; ✓ meeting with key employees who are responsible or involved in management; ✓ verification or approval of assets (inventory); ✓ analysis of financial and other operational data; ✓ analysis of internal management systems and identification of deficiencies; ✓ draw conclusions about the compliance, reliability and effectiveness of internal control; ✓ conduct tests for compliance with requirements and topics; ✓ Evaluate the validity of the plans set by management, and so on. <p>3. Report. An internal audit report is compiled, which details the results of the audit and makes appropriate proposals. There are various stages of preparation of the internal audit report:</p> <ul style="list-style-type: none"> ➤ Make a report on suggestions and recommendations. The draft report is issued only to the heads of departments and is only being discussed. ➤ a meeting will be held between the heads of departments and internal audit services to discuss the chapters and recommendations and begin the process of assisting management in developing an action plan for the implementation of audit recommendations. ➤ The heads of each department give an official written response to the recommendations of the internal audit. ➤ The final audit report will be handed over to the head of the department, and copies will be handed over to the President of the university, vice-presidents, financial director
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	<p>and external auditors of the university.</p> <p>➤ A high-level conclusion is submitted to the inspection commission on a three-year basis.</p>
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Service should not be created in each individual municipal institution, it is necessary to organize these structures within the municipal administration, to grant them the right to exercise control over In addition, in small municipalities, the functions of internal audit can be performed not by a service, but by a competent or at the same time one specialist. The advantages of this form of organization of the Internal Audit Service are manifested in cases related to the possibility of implementing uniform standards of internal audit within the authorities and reducing the costs of organizing and maintaining the internal audit service" [8].

Internal audit is the activity of the Internal Audit Department in a budget institution aimed at improving the management system, illegal, inefficient use of budget funds, preventing errors or omissions in the activities of a budget institution and budget organizations subordinate to it, and improving internal control.

T.A.Pankratova explained that "the presence of financial control in a budgetary institution is a prerequisite for effective activities in the field of education in order to prevent, detect and prevent financial violations. The organization of internal audit of financial and economic activities at the university should be carried out by a separate department" [5].

N.I.Danilenko, however, referred to the fact that the compliance of transactions and their reflection in the budget account and report is a check of compliance with the requirements of legislative and regulatory acts in the field of cash management of the budget system of the Russian Federation and the performance of the functions of the general manager and recipient of federal budget funds [2].

Currently, the law on the organization of the internal audit system in foreign universities has developed relevant documents, one of which is the Charter of the University on Internal Audit. This regulation defines the general activities of the Internal Audit Department or the Department of a foreign university. According to him, the Charter of the Internal Audit Department of a foreign university provides:

- ✓ the purpose of internal audit;
- ✓ description of the internal audit;
- ✓ general information about the internal audit function;
- ✓ types of internal audit;
- ✓ introductory part;
- ✓ internal audit objectives and procedures;
- ✓ organizational stage;
- ✓ the order of the meeting;
- ✓ reporting period;
- ✓ audit evidence;
- ✓ final internal audit report.

The following table 2 describes the procedure for creating and maintaining an internal audit service at the University of Kansas, USA.

Table 2 Procedures for organizing the Internal Audit Service at the University of Kansas [12]

Stages of internal audit					Internal audit report	Internal audit efficiency
Selection	Planning	Performance	Report	Control		
The Internal Audit Service assesses university-scale risks at the end of each calendar year. Based on the results of these evaluations and the available resources of the department, it will develop an audit plan for the next year. The Chancellor's Council and the University of Kansas will review the internal audit	At the planning stage of each project, employees of the Internal Audit Service collect relevant information. The auditors will determine the purpose and scope of the audit based on a risk assessment and assessment with the university management and clients.	As soon as an inspection is planned, employees of the Internal Audit Department carry out inspection work. The Board is constantly getting acquainted with information about the internal audit process. The results of the internal audit audits and their respective recommendations will be discussed by the Board.	The results, conclusions and specific recommendations of the audit will be officially brought to the attention of the Board in the draft report. The Council may respond to the report and submit a plan for further action and deadlines.	The Internal Audit Service should monitor and evaluate the implementation of all audit findings and recommendations within one year after the report is compiled. The Internal Audit Service is obliged to establish control over the results of the audit and the proper implementation of its recommendations.	Upon completion of the audit, the Head of the Internal Audit Department will prepare an internal audit report and submit it to the Management Board. If an internal audit reveals financial vulnerabilities or fraud at the University, the University of Kansas Board submits an internal audit report to the President of the University and makes appropriate management	In accordance with the proposals and recommendations of the internal audit, as a result of the cold-blooded performance of their functions by employees, disciplinary measures may be taken against them in an appropriate manner, which may even lead to dismissal. The university management may take appropriate corrective measures, including, but not limited to disciplinary measures against an employee.

plan.					nt decisions to eliminate the problems that have arisen.	
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In accordance with the application of the Decree of the President of the Republic of Uzbekistan dated February 10, 2020 No. PP-4593, the structure of the central office of the Ministry of Higher and Secondary Special Education of the Republic of Uzbekistan was approved [10], according to which the subordinate "Department of Internal Audit and Financial Control" and the following are mentioned:

- identification, profiling and prevention of cases of illegal spending and extortion of budgetary and extra-budgetary funds in institutions and organizations of the Ministry;
- proper planning and execution of cost estimates of institutions and organizations in the system, as well as estimates of income and expenses, budget accounting, tender (qualifying) sales and control over the structure of contracts;
- to make reports on cases of violations of the established legislation, the reasons for creating opportunities for their occurrence and eliminating the conditions required for its implementation to the institutions and organizations of the system.

The Ministry has not clearly defined the activities of the Internal Audit Department of each higher education institution and its responsibilities to the Board of Trustees. In addition, employees of the Department of Internal Audit and Financial Control of the Ministry work only in five states. Therefore, it is necessary to expand the scope of activities of this department and pay special attention to management and formulate its organizational structure in an improved version. To this end, it is desirable for our part to develop an improved structural structure of the "Department of Internal Audit and Financial Control" of the Ministry.

Results

In the course of our research, we found that it is necessary to change the status of the position of an internal auditor operating in higher education institutions and emphasize that employees of the internal auditor service operating in a higher education institution should remain on the staff of the "Department of Internal Audit and Financial Control" of the Ministry of Higher and Secondary Special Education, and not in a state in which there are certain aspects, that is, they are::

- an employee of the Internal Audit Service acting in a higher educational institution is subordinate to the Board of Trustees of the higher educational institution and reports directly to them, and not to the executive body of the higher educational institution;
- approval by the Board of Trustees of the higher educational institution of the annual program and plan of internal audit, as well as cost estimates for the annual internal audit;
- the condition that the internal audit should be independent before the management of the higher educational institution;
- the activities of the management of the higher educational institution on internal audit and their compliance with the requirements and requirements of the executive discipline, the need to assess

the financial and economic activities of the higher educational institution in the academic year, etc.

Acknowledgement

Therefore, it is desirable to create an internal audit department consisting of high-ranking ministries of budgetary organizations and ensure that the employees of the Internal Audit Service of this department remain on its staff. But the employees of the Internal Audit Service are obliged to perform their work at the facility, that is, at the budget organization itself, since in accordance with international industry standards, internal auditors are provided for the permanent conduct of their business activities directly at this facility.

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In a number of universities in foreign countries, the internal audit system is recognized as a service of a separate unit, it is included in the structural composition of the subject and procedures for organizing the internal audit system have been developed.

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