



ORGANIZATION OF INTERNAL AUDIT SERVICE IN BUDGET ORGANIZATIONS BASED ON FOREIGN EXPERIENCE

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Abstract:

in the article Application of foreign experience in the organization of the internal audit system in budget organizations of the Republic of Uzbekistan, the orders of the conducting internal audits in budget organizations, theoretical and methodological bases of the organization of the internal audit department in higher education institutions, which are budget organizations, Scientific proposals and practical recommendations for the application of foreign experience in solving existing problems in practice are widely covered.

Key words: internal audit, internal audit in budget organizations, composition structure, stages of internal audit, Regulation "On the organization of internal audit in budget organizations".

DOI Number: 10.14704/NQ.2022.20.12.NQ77239

NeuroQuantology2022;20(12): 2585-2594

Introduction. Currently, the introduction and reform of the internal audit system is improving at the same piece, because the desire of business entities to have a fast, reliable and accurate database on their financial and economic activities is associated with the fact that the entity has an internal audit unit, that is, the organization's use of accounting consulting services or outsourcing services increases the risk in a certain sense.

How important is it to establish and reform the internal audit system in budget organizations, because, unlike the private sector, the activities of budget organizations, in particular financial and economic activities, are fully regulated by the public sector and its control is vested in the highest state departments.

In turn, the organization of internal audit in budget organizations is explained by the assessment of the effectiveness of the



internal control system and the assessment of the level of implementation of management decisions. In fact, internal audit is part of the organization's internal control system, and its inclusion in the management system increases the efficiency of the organization.

In budget organizations, the internal audit service should not be only a partial inspection of the organization's activities, In addition, internal auditors working in budget organizations must ensure that there are no irregularities in the activities of the budget institution. The internal audit is also responsible for checking the effectiveness of the organization's internal financial control system, providing practical assistance to accounting and related services. Therefore, the management or governing bodies of the budget organization must provide all the necessary conditions for conducting an internal audit in the organization. In view of the above, it should be noted that the effective organization of the internal audit system in budget organizations is one of the most important, necessary and key measures today.

Theoretical framework and empirical literature.

Establishment and effective functioning of the internal audit service in budget organizations requires the solution of the following organizational and methodological issues:

- determine the compliance of the goals and objectives of the internal audit service with the characteristics and objectives of the financial and economic activities of the organization;
- formation of the structure of the internal audit service in accordance with the characteristics of budget organizations;
- creating conditions for the use of modern information and analytical technologies in the internal audit of budget organizations;
- development and formation of the necessary methodological framework for the organization of internal audit services in budget organizations;
- Improving the organizational aspects of engaging qualified specialists to the internal audit service in budget organizations;

- Development of criteria, indicators and methods for assessing the effectiveness of internal audit services in budget organizations.

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 form long-term strategic plans lasting 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, the plan can be changed during the period in which it is made and considered. It should be reviewed from time to time in accordance with changes in activities and the needs of higher education institutions.

The action plan of the internal audit service, in our opinion, should include the following components:

- a list of subordinate organizations, including scheduled inspections;
- advising and training the staff of the organization to ensure the quality and efficiency of public services for the implementation of targeted measures;
- time and procedure for preparation of reports and recommendations on the results of inspections;
- mechanism for coordination and approval of internal audit results;
- development and approval of regulatory documents, methods, guidelines, etc;
- work with normative and methodological documents on the implementation of public services and monitor changes in them;
- regular review of internal procedures in accordance with changes in normative and methodological documents and improvement of internal audit service;
- preparation of reports on the results of monitoring the effectiveness of the internal audit service and the development of recommendations for improving the internal audit system;
- ensuring continuous training of internal audit service staff.

The above list can be supplemented depending on the specifics of the financial and economic activities of the higher education



institution and the tasks facing the internal audit service.

In general, it is expedient to study the theoretical and methodological aspects of the organization of the internal audit service in budget organizations.

In the course of our research, when analyzing a number of scientific publications and literature, we found that economists have different approaches to the concept of internal audit in budget organizations.

According to experts of the International Institute of Internal Auditors, "Internal audit is an independent and objective guarantee and advice aimed at improving the organization's performance." [10]

According to Article 270.1 of the Budget Code of the Russian Federation, "Internal financial audit - the executive has the right to establish internal financial audit units that develop and monitor the preparation and execution of the budget, budget reporting and budget accounting, as well as compliance with internal standards and procedures for the preparation and organization of events. [1].

According to V.S. Suxix, "Internal audit at a federal university is an internal audit that is regulated by internal documents and carried out in the interests of the Supervisory Board and the federal university administration to monitor and analyze all evidence of economic activity in order to comply with applicable laws. evaluation of the control system. development of various recommendations aimed at minimizing risks and consultation with employees on various issues of economic life." (2016) [9].

According to EV Anfyorova and VA Grekova, "Internal audit is an activity aimed at improving the management system of one of the divisions of the budget organization, the prevention of illegal, inefficient use of budget funds, errors or other shortcomings in the activities of budgetary institutions." (2017) [2].

According to DR Giniyatullina, "In the budget legislation it is expedient to define internal financial audit as an activity of the General Manager of Budget Funds to provide independent and objective information on the quality of the budget management system." (2019) [4].

According to NI Danilenko, "Internal audit is an additional independent source of information for managers about the situation in the organization, which allows them to make management decisions aimed at improving the organization and its efficiency. Internal financial audit in the general public sector has its own characteristics and includes an analysis of the performance of public functions, as well as an analysis of the activities of public sector institutions" (2012) [6].

According to Yu.A. Kuttyrev, "Internal audit is the activity of providing management departments with independent and objective information on the activities of the Federal Treasury, the tasks and powers, including the reliability of the internal control system." (2016) [7].

According to NV Vasina, AN Danilov and NG Ivanova, "Internal audit in public sector organizations is the effectiveness and reliability of internal financial control in the public body (local government) and subordinate public sector organizations. is an independent assessment of the level of achievement of programs and the reliability of accounting (budget) reporting " (2018) [3].

According to the Uzbek scientist SU Mehmonov, "Internal audit is the control over the preparation and implementation of estimates by the organization through verification and monitoring of compliance with the legislation, ensuring the reliability of financial statements, compliance with budgetary discipline, targeted allocation of funds. and rational spending." (2019) [8].

In our opinion, the internal audit of budgetary organizations is the observance of budgetary execution and discipline of budgetary organizations, the movement of budgetary and extra-budgetary funds, their intended use, budget accounting and reporting in accordance with the law, identification of errors and omissions that occurred before the preparation of financial statements of the financial and economic activities of the organization and the circulation of regulatory documents, Provides the Supervisory Board or the Board of Trustees with fast, accurate and reliable information and is an independent activity that oversees the activities of the executive body.



In Uzbekistan, there is a growing interest in the organization of the internal audit system in budget organizations, but there are a number of problems that hinder its development. The main challenge is the lack of a conceptual framework for internal control and internal audit, which is largely due to adaptation to foreign, especially European, practices.

Effective organization and management of the internal audit system in budget organizations allows to address issues in the field of various risk management. For research institutions, the formation of internal audit departments and their inclusion in the basic structure of the higher education institution is a novelty, it is necessary to form the basic principles of the internal audit system in higher education institutions in accordance with international standards.

Results and discussion. In order to apply international experience in Uzbekistan, it is necessary to give a special status to the internal audit system in budget organizations (in the form of departments or divisions), ie, for example, in higher education institutions, it is expedient to form the Supervisory Board of higher education institutions.

A supervisory board and a subordinate internal audit department have been established at Reyrson University in Canada. In general, in most foreign universities, the internal audit department or division operates separately and is effectively organized. In particular, each foreign higher education institution has developed and implemented its own separate Internal Audit Regulations or Instructions governing the activities of the internal audit department.

Conducting an internal audit at Reyrson University consists of the following steps:

1. Planning.

An internal audit plan and program for the internal audit process, deadlines and procedures shall be developed and approved by the Board. Identify the content of deficiencies and problems identified during the internal audit process. Internal Audit Service staff may require the submission of all documents that will help to formulate the procedures to be performed during the internal audit. Identify

the content of deficiencies and problems identified during the internal audit.

2. Work schedule. The workflow involves analyzing the data collected during the planning phase.

Internal audits: obtain detailed information about an activity, system, or process; assess compliance with risk management policies and procedures; activity, monitoring operations related to the system or process; meeting with key personnel responsible or involved in management; study or approval of assets (inventory); analysis of financial and other operational data; review and identify gaps in internal management systems; provide conclusions on the adequacy, reliability and effectiveness of internal control; testing for compliance and topics; assessing compliance with management plans, etc.

3. Report. An internal audit report will be prepared, in which the results of the audit will be described in detail and appropriate recommendations will be made.

There are various steps in preparing an internal audit report: reporting on suggestions and recommendations. The draft report is given only to the heads of departments and is discussed only. A meeting will be held between the heads of departments and internal audit services to discuss the recommendations and start the process of assisting management in developing an action plan to implement the audit recommendations. Heads of each department respond formally in writing to internal audit recommendations. The final audit report is delivered to the heads of departments and copies are handed over to the president, vice-presidents, the director of finance and external auditors of the university. A high-level report is submitted to the Audit Commission on a three-year basis [15].

In a number of foreign universities, the internal audit system is recognized as a service of a separate department, included in the structural structure of the subject and developed procedures for the organization of the internal audit system.

The staff of the Department of Internal Audit of the University of Kansas, USA includes: Chief Internal Auditor, Executive Director of the Internal Audit Department, Internal Audit Manager, Senior Internal Auditor for



Information Security (2 people), Assistant Internal Auditor for Administrative Affairs, Assistant Internal Auditor positions are defined [12]. The internal audit department of this university has a total of 7 employees.

An internal audit activity at Marquette University in Wisconsin, USA, helps the organization achieve its goals through a systematic, disciplined approach to risk management, assessment of university management processes, and efficiency. In accordance with its mission, the Internal Audit Department provides management with information, assessments, recommendations on the activities under study, conducts inspections on the basis of the approved audit plan and performs the following tasks in accordance with its overall strategy: inspecting assets and taking appropriate measures to protect them; assess the adequacy of the internal control system; make recommendations for improving governance; assessment of university policies and procedures and business suitability; assess compliance of general performance with state and federal laws and contractual obligations; the results are in line with the goals of the university, operate in accordance with the curriculum and programs; check for reports of fraud, theft, error, and shortages.

Internal audit independence is necessary to increase the efficiency of the internal audit function. Internal Auditors In the performance of their duties, the Vice-Presidents and the General Adviser of the University shall submit an internal audit report on the internal audit function. The Head of the Internal Audit Department meets with the University Council from time to time to provide audit plans and results, necessary information. The head of the Internal Audit Department has the right to apply directly to the President and the Council of the University in case of problems. " [14].

According to Articles 7.1 and 7.2 of the Charter of the University of Lancaster in the United Kingdom, "The University Supervisory Board appoints the Chief Internal Auditor and other internal auditors. Each such auditor shall be a member of the Council of Public Accountants established in the United Kingdom and recognized by the Secretary of State, but one or the other of the partners who is a member of the Supervisory Board of the

university or a university employee may not be appointed as an internal auditor. The chief internal auditor or internal auditors report to the university's Supervisory Board at least once a year. " [13].

The Cornell University Audit Office serves as the university's internal audit. The audit office of the University is an independent and objective support and consulting activity aimed at enhancing and protecting the organizational significance of the risk-based and providing objective guarantees, recommendations and concepts, as well as improving the activities of the University. The University Audit Office assists the University in achieving its objectives and goals through a systematic and disciplined approach to the assessment and effectiveness of management, risk management and internal control processes. In accordance with Article 9 of the University Charter, the university auditor acts as the chief auditor and manages the audit office of the university. The responsibilities of the University Audit Office are determined and approved by the Audit, Risk and Conformity Committee within the scope of control and management functions of the Charter and the Board of Trustees [11].

Conclusions and recommendations.

The objectives of the organization and improvement of the internal audit service in budget organizations of the Republic of Uzbekistan should be as follows:

1. The government has allowed budget organizations to be self-financing;
2. Emergence of the need to provide some sectors of the state with extra-budgetary funds;
3. Establish control over the receipt and expenditure of the state budget and extra-budgetary funds;
4. Creating the opportunity for constant and uninterrupted control over the financial and economic activities of budget organizations;
5. There is a need for budget organizations to thoroughly study their financial condition and use the available opportunities and manage cash flows;
6. The need to eliminate in advance the errors in the accounting and reporting of budget organizations;



7. Improving the necessary exchange of information between the management and executive bodies of budget organizations;

8. Full implementation of executive discipline in budget organizations;

9. In order to prevent various economic crimes in budget organizations, including overstatement, fraud, deficits, etc.

At present, the organization and complete reform of the internal audit system in budget organizations in Uzbekistan is still a major problem, in particular, it is worthwhile to list the following problems that arise in its formation:

1. Lack of conceptual basis for the organization of the internal audit system in budget organizations;

2. Lack of methodological support for internal audit services in budget organizations;

3. Incomplete definition of goals, tasks, rights, duties and responsibilities of employees of the internal audit service;

4. Lack of development of internal audit department and order of activity in budget organizations, model program and plan based on foreign experience;

5. Lack of special standards for the organization of internal audit services in budget organizations;

6. Lack of introduction of standard regulations, instructions and procedures for regulating the activities of the internal audit department in budget organizations;

7. Lack of development of standard forms of internal regulations of the internal audit service in budget organizations;

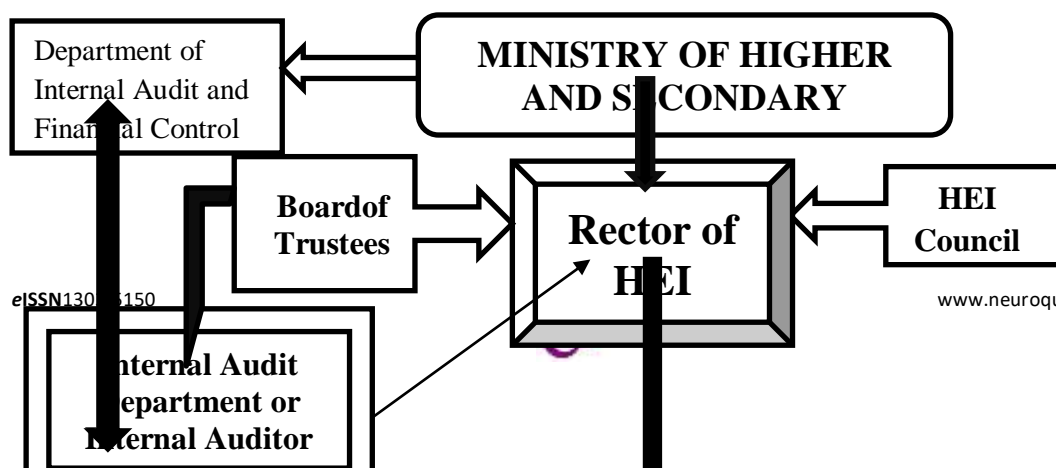
8. Lack of a special place for the internal audit department in the management structure of budget organizations;

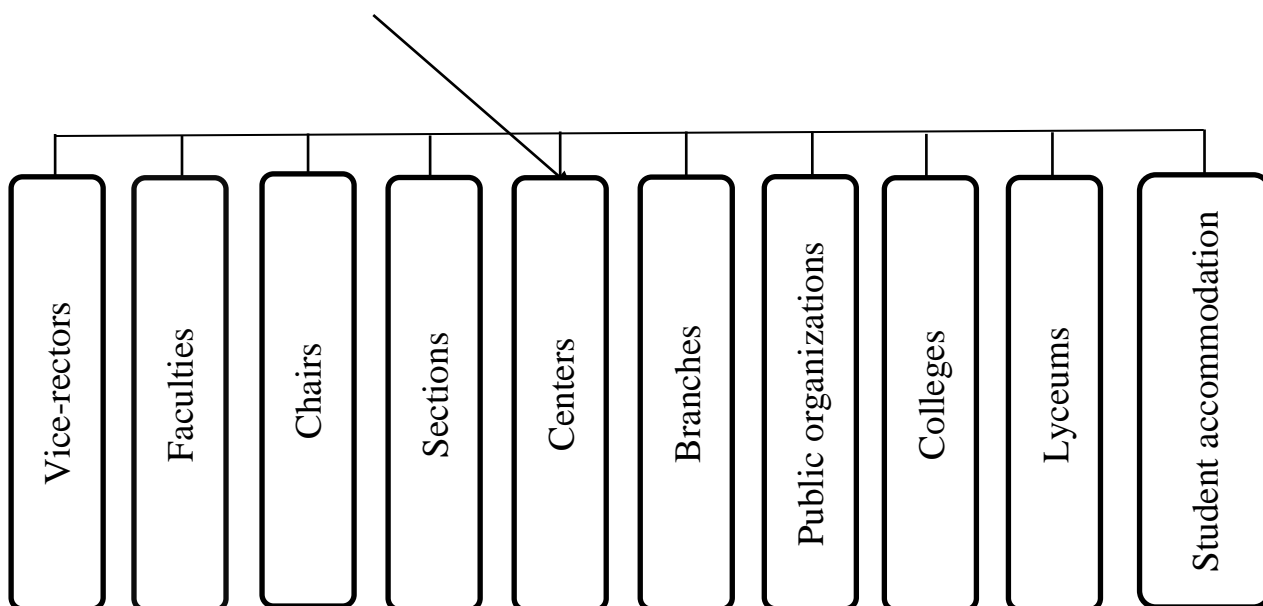
9. Non-submission of quarterly reports of the internal audit department to the governing bodies of budget organizations

10. Lack of development of standard forms of internal audit department reports in budget organizations, etc.

The charters of most higher education institutions in Uzbekistan do not contain any provisions on internal audit, and in some higher education institutions, in particular, Tashkent State Agrarian University [16], Tashkent Financial Institute [17] and Tashkent Institute of Irrigation and Agricultural Mechanization Engineers [18] The relevant paragraph of the section "Management of higher education institutions" states that "within the powers of the institute, the rector appoints and dismisses the deputy chief accountant - auditor in consultation with the Ministry of Higher and Secondary Special Education of the Republic of Uzbekistan".

This situation is absolutely impossible, firstly, the fact that the internal auditor of the higher education institution is the deputy chief accountant is completely contrary to the international rules of the industry, secondly, the appointment and dismissal of the internal auditor of the higher education institution should not be delegated to the rector of the higher education institution, because the staff of the internal audit department of the higher education institution must establish internal audit control over the general and private activities of the head of the executive body - the Rector (the first financially responsible person), which is the executor. Only then will all activities of higher education institutions, violations of laws and regulations, such as internal violations, employee violations, be prevented, and budget execution and discipline should be carried out as required. Therefore, it is expedient to include a separate internal audit department in the Charter and structure of higher education institutions. Accordingly, in our opinion, the structure of higher education institutions should be as follows, this proposal is presented in Figure 1.





1-drawing. Standard structure of higher education institution

It is advisable to take into account the following when organizing the internal audit department on the proposed structural form:

1. The internal audit department or internal auditor is subordinate only to the Board of Trustees;

2. The annual program and plan of the internal audit department or internal auditor shall be approved only by the Board of Trustees;

3. The annual cost estimates of the internal audit department or internal auditor shall be approved only by the Board of Trustees;

4. The internal audit department or internal auditor is not accountable to the executive management of the higher education institution, but must submit a copy of the annual program and plan of internal audit and internal audit reports to the management of the higher education institution.

5. The inspections of the internal audit department should be conducted independently and the executive management of the higher education institution should ensure that there are no objections or obstacles to them;

Depending on the size of the higher education institution or the scope of financial and economic activities, the number of employees of the internal audit department and

the number of staff should be determined by the Board of Trustees;

6. As higher education institutions are budgetary organizations, although the main party interested in the internal audit report is the Board of Trustees of the higher education institution, the internal audit report must be submitted to the Internal Audit and Financial Control Department of the Ministry of Higher and Secondary Special Education;

7. When appointing internal auditors by the Board of Trustees of a higher education institution, it is necessary to take into account the employee's knowledge of the broad outlook, compliance with the principles of the Code of Ethics, rights, duties, responsibilities and responsibilities of the internal auditor.

According to our analysis, in order to effectively organize the system of internal audit in budgetary organizations of Uzbekistan, it is necessary to develop and implement its legal regulations, therefore, in our opinion, the Regulation "On internal audit of budgetary organizations" In order to determine, we propose to pay attention to the following when developing the Statute or guidelines of the internal audit:

1. General rules of internal audit: the order of organization of the internal audit system in the higher education institution; internal audit department at the higher

education institution; internal auditor of a higher education institution.

2. Principles of internal audit: independence; objectivity; accuracy; efficiency; impartiality.

3. Ethics of internal audit: types of ethics; terms and requirements for internal auditors to comply with ethical rules.

4. Objectives, tasks and functions of the internal audit: the purpose of the internal audit; tasks of internal audit; functions of internal audit.

5. Rights, obligations and responsibilities of internal audit: rights of internal audit; internal audit obligations; internal audit responsibility.

6. Requirements for internal auditors;

7. Procedure for drawing up the internal audit program and plan: internal audit program and the order of its creation; internal audit planning;

8. Stages of internal audit: internal audit follow-up;

9. Procedures and procedures for conducting internal audit:

10. Evidence and facts of internal audit:

11. Procedure for preparation of the internal audit report: structure of the internal audit report; procedure for conducting internal audit.

12. Procedure for submission of internal audit report.

It should be noted that a number of countries of the Commonwealth of Independent States have regulations governing the field of internal audit. These are countries such as Azerbaijan, Kyrgyzstan and Tajikistan, which have developed a law on internal audit, and even the Republic of Tajikistan has implemented the Law on Internal Audit in Public Sector Organizations.

The subjects of this law are all business entities operating in the territory of the state established by the legislation of the Republic of Azerbaijan and subject to mandatory inspection, regardless of the form of ownership or legal form. Also, these rules can be applied voluntarily by business entities. In turn, the laws of the Kyrgyz Republic and Tajikistan on internal audit apply only to organizations financed from the state budget.

In accordance with the requirements of Articles 13-14 of the Law of the Republic of Tajikistan "On Internal Audit in the Public Sector", internal audit is organized by business entities in the interests of its owners and internal documents developed in accordance with the laws of the Republic of Tajikistan regulated according to the list (2015) [5].

The internal audit legislation of Kyrgyzstan and Tajikistan stipulates that in terms of organizational subordination of internal audit, the structural subdivision of internal audit should be subordinated to the head of the organization. The legislation of the Republic of Azerbaijan stipulates that the internal audit service is subordinated to the relevant governing body of the business entity, which is the supreme governing body of the organization - the Board of Directors or the Supervisory Board. Thus, the unit carrying out activities in the field of internal audit is subordinated not to the executive management, but to the founders of the organization, which are relevant in terms of factors such as the independence and objectivity of auditors. These laws also set certain requirements in the field of information, internships for internal auditors.

Because these laws apply to different types of organizations, they differ depending on the annual reporting forms of the internal audit. Laws regulating internal audit in Kyrgyzstan and Tajikistan apply to the public sector, so internal audit departments report to the competent state body on the implementation of last year's internal audit plan. In accordance with the laws of the Republic of Azerbaijan, the internal audit service submits an annual report on the activities of the business entity to the relevant management body. It should be noted that in all three countries, internal auditors are required to report on the results of regular inspections to the management of the business entity or the relevant governing body. However, neither the private sector nor the public (budget) sector in Uzbekistan has developed or implemented a law or regulation governing the internal audit system. In order to solve the above problems, we recommend the following:

1. "Development of the Law of the Republic of Uzbekistan "On Internal Audit";



2. "According to the Resolution of the Cabinet of Ministers "On the organization of internal audit in budget organizations" and its annex, the development of the Regulation;
3. Development of a Model Regulation "On the regulation of the internal audit department in higher education institutions" at the Ministry of Higher and Secondary Special Education;
4. Development of a standard structural form of the department or department of internal audit and financial control within the ministries;
5. Development of the Regulation "On the procedure for certification of internal auditors of budget organizations" by the Ministry of Finance;
6. Amendments and additions to the Regulations on the Board of Trustees of budget organizations to establish the procedure for internal audit.

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