

INTERNAL CONTROL AND AUDIT IN CONDITIONS OF THE WORLD CRISIS IS A NEED FOR THE COMPANY

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ABSTRACT

The article says that the economic crisis has increased the need for the services of auditors. In this time of sharply tightened requirements to the quality of the audit and its mandatory, growing market need for the services of audit. Proposals on the establishment of the internal audit service of the enterprises, as it audit is needed to prevent the loss of resources and the implementation of the necessary changes within the enterprise.

Keywords: *audit, auditor, audit organizations, audit risk, internal control, world crisis.*

АННОТАЦИЯ

Экономический кризис увеличил потребность в услугах аудиторов. В это время резко ужесточились требования к качеству аудита и его обязательности, растёт потребность рынка в аудиторских услугах. Предложения по созданию службы внутреннего аудита предприятий, так как аудит необходим для предотвращения потери ресурсов и осуществления необходимых изменений внутри предприятия.

Ключевые слова: *аудит, аудитор, аудиторские организации, аудиторский риск, внутренний контроль, мировой кризис.*

INTRODUCTION

It is obvious that the integration of Uzbekistan into the world economy is an irreversible process. Therefore, in the future, the consequences of world economic crises, such as the current one, may be more significant for this country. In this regard, Uzbekistan needs a new look at the accounting and auditing system. The internal control system is a set of organizational measures, methods and procedures adopted by the management of the organization for the orderly and efficient conduct of the economic activities of the enterprise, which, among other things, includes supervision and control over compliance with the requirements of the legislation of Kazakhstan; accuracy and completeness of accounting documentation; timely preparation of reliable financial statements; prevention of errors and distortions; execution of orders and instructions of the management; ensuring the safety of the subject's assets.

Around the world, many companies suffer from the inefficient use of various kinds of resources - human, financial, material, from the lack of information necessary for making the right decisions, unintentional and deliberate distortion of reporting, direct fraud on the part of staff and managers. Such problems, according to the author of the article, can be avoided by creating an effective internal control system at the enterprises themselves¹.

Any activity within the organization takes place within the framework of two systems - the operating system and the control system. The operating (organizational) system is needed to achieve the set goals. The control system permeates the operating (organizational) system and generally consists of policies, procedures, rules, instructions, budgets, accounting and reporting procedures. This system is ultimately aimed at creating the necessary prerequisites and increasing the likelihood that the company as a whole and its managers in particular will achieve their goals.

DISCUSSION AND RESULTS

The concept of internal control is by no means new. Appearing in the lexicon at the beginning of the 18th century, it evolved over time. At the beginning of the 20th century, the system for controlling the activities of an enterprise was a combination of three elements - separation of powers, rotation of personnel, use and analysis of accounts. Later, the functions of internal control expanded significantly and began to include the organization and coordination of actions aimed at ensuring the safety of assets, checking the reliability of accounting information, improving the efficiency of operations, following the prescribed policies and procedures of the company. Thus, the concept of internal control has gone far beyond the range of issues related to ordinary accounting. Developing and expanding the scope of its application, internal control by the end of the 20th century. turned into a risk control tool, and its functions are closely intertwined with the risk management function - risk management².

Internal control is a process aimed at achieving the goals of the enterprise. It is the result of the actions of the management in planning, organizing, monitoring the activities of the entire company and its individual divisions³. Managers of the enterprise must first of all set goals, define the tasks of the entire company and its individual divisions and build an organization structure corresponding to this, and

¹ Крутоус А.И. Аудит эффективности и финансовый аудит // Научный журнал. 2018. №11 (34). URL: <https://cyberleninka.ru/article/n/audit-effektivnosti-i-finansovyy-audit> (дата обращения: 07.06.2022).

² Арнс А., Лоббек Дж. Аудит / Пер. с англ. М., 1995.

³ Хусаин А. Б. Важность аудита эффективности в государственном аудите // Вестник науки и образования. 2019. №23-2 (77). URL: <https://cyberleninka.ru/article/n/vazhnost-audita-effektivnosti-v-gosudarstvennom-audite> (дата обращения: 07.06.2022).

then ensure the functioning of an effective system of documentation and reporting, separation of powers, authorization, monitoring to achieve these goals and objectives.

From the point of view of accounting understanding, internal control corresponds to the following definition: internal control is a structure, policies, rules, procedures for ensuring the safety of company assets and the reliability of accounting records, which gives sufficient confidence that

- 1) transactions are properly authorized;
- 2) transactions are reported in a timely and accurate manner in accordance with accounting standards;
- 3) access to the company's assets is carried out on the basis of appropriate authorization;
- 4) the physical presence of assets is periodically checked against accounting records.

The concept of internal control includes several components:

- firstly, it is the internal environment of the company, i.e. ethical values, management style, decision-making process, delegation of authority and acceptance of responsibility, personnel policy, employee competence and, most importantly, the attitude of the company's management apparatus to internal control;
- secondly, the definition, analysis and management of risks facing the company on the way to achieve its goals;
- thirdly, the daily exercise of control: accounting and reporting, separation of powers, access rights to assets, monitoring;
- fourthly, a system of authorized access to relevant information - it should be available to those who need it due to the functions / duties assigned to it;
- Fifthly, monitoring the internal control system itself, which is necessary to determine its effectiveness.

It is important to note that a company should not strive to create a control system that would completely guarantee the absence of deviations, errors and inefficiencies in work. It is necessary to organize a system that would help to identify and eliminate them in a timely manner, contributing to an increase in the efficiency of activities⁴. The resources directed by the company to excessive control can be used for other purposes and tasks. However, even a well-built and organized internal

⁴ Басова А. В. Операционный аудит эффективности - направление внутреннего аудита // Baikal Research Journal. 2012. №6. URL: <https://cyberleninka.ru/article/n/operatsionnyy-audit-effektivnosti-napravlenie-vnutrennego-audita> (дата обращения: 07.06.2022).

control system needs to be assessed for its effectiveness both in terms of achieving its goals and in terms of economy. This is, as already mentioned, internal audit.

Internal audit in Western countries originated at the beginning of the 20th century. and received a strong momentum after World War II in response to the increased volume of operations and the decentralization of companies. In 1941, the Institute of Internal Auditors (hereinafter referred to as the Institute) was established in the United States - a professional association of internal auditors, the main task of which is to develop and popularize the internal auditor profession and develop professional standards. Now the Institute has about 72 thousand members and is represented in 120 countries. In total, there are about one million people in the world who, to one degree or another, are engaged in internal audit⁵.

Internal audit is an assessment of the reliability and effectiveness of the existing internal control system, and internal auditors are people called upon to conduct such an assessment in an unbiased and professional manner. In other words, internal audit is a function of an independent assessment of all aspects of the organization's activities, carried out from within the organization and aimed at creating the company's managers' conviction that the existing control system is reliable and effective.

It is important to note that not internal auditors, but the company's management is responsible for creating and maintaining a reliable and efficient system of internal control. The main purpose of internal audit is to help the company's managers perform their duties productively, to give them sufficient confidence that the company's assets are used in the most efficient way to achieve the goals and objectives of the company and its individual divisions.

The main method of internal audit is to conduct a quality audit, develop effective and feasible recommendations and further monitor their implementation. The audit cannot be considered completed until the audit recommendations are implemented and the identified deviations are eliminated.

One of the most important aspects of the activity of internal audit, according to the author of the article, is the identification and analysis of possible external and internal risks in the development and implementation of new projects, as well as the development of proposals to minimize possible losses. Internal auditors also monitor the expenditure of funds for various projects or programs (for example, a capital construction project or a product promotion program), analyze the financial and management reports of the company, their reliability and timeliness, assess the

⁵ Сонин А. Внутренний контроль и аудит // Евразийский вестник аудитора. 2007. № 2 (62).

contracts being developed and the fulfillment by the parties of their contractual obligations. Internal auditors are involved in the assessment of control systems within existing and newly implemented information systems.

Not all enterprises are yet ready to use such a service as internal audit, since the attitude towards it is ambiguous. Internal audit must prove its necessity and usefulness. Much depends on the internal culture of the firm and the willingness of managers to cooperate with auditors. Unfortunately, the company's staff does not always realize that the auditor controls not the performers, but the workflow, identifying its shortcomings and thereby helping the organization to achieve better results.

Briefly dwelling on the Kazakhstani model of internal audit, it should be noted that it is far from the Western version and consists of two main areas. The first is documentary control, which focuses on checking the safety and efficient use of assets, identifying and eliminating debts and shortages. The second is the internal audit itself, the purpose of which is to ensure the reliability of financial statements, minimize taxation and contribute to the safety of the company's assets. In this case, internal audit actually performs the function of external audit and largely duplicates it, thereby reducing its effectiveness. However, as the experience of some Kazakhstani companies shows, there is a comprehension of Western practice and convergence of Kazakhstani and Western understanding of the goals and methods of internal audit. It develops from a procedure originally focused on auditing financial statements and minimizing taxes, into a procedure that covers all aspects of a company's activities.

CONCLUSION

Internal audit is aimed at assessing the existing control system of the company and the effectiveness of its production, marketing, sales, finance, etc. External audit serves primarily the interests of the company's clients in the broadest sense of the term - suppliers, consumers, creditors, tax authorities, and internal audit - the interests of the company's managers. An effective internal audit system can reduce the cost of external audit to enterprises, although it cannot completely replace it.

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