

The Necessity and Distinctive Characteristics of Audit in the Internal Control System

Jumayeva Gulrukh Juraqulovna

Professor of the Department of Accounting and Auditing at KEEI

Tulkinova Laylo Anvar kizi

2nd-year master's student in "Audit" at KEEI

Abstract: This article presents insights on the necessity of auditing in internal control systems and its distinctive characteristics. It outlines the definition of the concept of "audit", its goals and objectives, and elaborates on the scientific and theoretical foundations of its significance in organizing and enhancing the effectiveness of internal control systems.

Keywords: subject, control, system, audit, economy, finance, information, inspection.

Introduction. The further expansion of entrepreneurial activity and enhancement of financial potential in our national economy necessitates the organization of internal control over the activities of business entities on a targeted and scientifically grounded basis. In particular, according to the "Development Strategy of New Uzbekistan for 2022-2026", one of the main goals is defined as "creating conditions for organizing entrepreneurial activity and forming permanent sources of income, increasing the share of the private sector in GDP(Gross domestic product) to 80 percent and in exports to 60 percent"¹. To achieve these goals, the use of an internal control system in the accounting processes of business entities is an objective necessity. However, our research shows that there are various methods and forms of organizing an internal control system, in which the use of audit is of particular importance.

Literature review. In our country, the concept of "audit" is characterized by its broad scope. Specifically, an audit is an independent examination and analysis conducted by authorized individuals - auditors (audit organizations) - to determine the reliability of financial statements of economic entities and to verify the compliance of financial and economic operations with the current legislation and other regulatory documents of the Republic of Uzbekistan. It also involves checking the conformity of accounting and other financial reports with established requirements, as well as their completeness and accuracy. Additionally, auditing encompasses consulting services, which involve providing contractual services to clients.

It is known that any concept, especially a scientific term, must have a definition that expresses its essence. Our studies indicate that the definition of the concept of audit has been presented differently in various sources throughout its historical development. For example, according to Professor M.M. Tulakhodjaeva's definition, "audit is the examination of a company's financial statements or related

¹ Annex 1 to the Decree of the President of the Republic of Uzbekistan №. DP-60 dated January 28, 2022. Development Strategy of New Uzbekistan for 2022-2026. www.lex.uz.

financial information by independent qualified specialists with the aim of drawing conclusions about the degree of compliance of this report or information with laws and other regulatory documents”.²

According to Professor H.N. Musaev, “The meaning of the word “audit” is interpreted differently in economic literature”. Some say that the meaning of the word “audit” is derived from Latin and means “he listens”, while others argue that this word is derived from English and means “he helps”. There are also opinions that audit is “verification”, “investigation”. “Audit” (auditing), taught in prestigious economic universities in the United States, is the process of collecting and evaluating information about the economic system by an untouchable employee in order to determine the correspondence of information to established criteria and provide an objective conclusion. In our view, an audit is an assessment and the issuance of objective conclusions by persons with specific powers, that is, auditors, by checking the compliance of the activities of economic entities with the laws and regulations adopted in the republic³.

Research methodology. The research processes are investigated using heuristic methods, analysis and synthesis techniques, and a systematic approach, all based on the theory of knowledge.

Results and discussion.

In our country, the concept of “audit” is distinguished by its broad scope. Specifically, an audit is an independent examination and analysis conducted by authorized individuals - auditors (audit organizations) - to determine the reliability of financial statements of business entities and the compliance of financial and economic operations with the current legislation and other regulatory documents of the Republic of Uzbekistan. It also involves verifying the adherence to requirements for accounting and other financial reports, as well as their completeness and accuracy. Furthermore, auditing includes consulting services, which entail providing contracted services to clients.

Based on the definitions and interpretations of the concept of audit provided by our scholars, it can be emphasized that utilizing audit within the internal control system is advisable for economic entities to enhance production efficiency, reduce product costs, ensure the speed and accuracy of accounting operations, and make the most effective management decisions. The necessity and uniqueness of audit are clearly manifested in its purpose and objectives.

Specifically, the purpose of an audit is to address a particular issue determined by current legislation, the regulatory system governing auditing activities, and the contractual obligations between the auditor and the client. The objective of auditing activities is to verify the reliability of accounting (financial) reports of business entities and to determine the compliance of financial and economic operations with regulatory documents.

The main task of an audit is to examine financial statements to achieve the following objectives:

confirm the reliability and identify potential unreliability of reports;

verify that expenses, income, and financial results are fully, reliably, and accurately reflected in the accounting and reporting as a result of the enterprise's activities during the period under review;

monitor compliance with current legislation and regulatory documents governing accounting and reporting practices, as well as rules on the methodology for valuing assets, liabilities, and equity;

identify opportunities for the rational use of equity and working capital, financial reserves, and resources.

² M.M. Tulahodjaeva. Financial Control System in the Republic of Uzbekistan. Textbook. Tashkent: 1996, 19 pages.

³ H.N. Musayev. Audit. Textbook. -Tashkent: 2003, 17-18 pages.

The goals and objectives of auditing demonstrate that within the internal control system, it is possible not only to utilize auditing but also to evaluate its uniqueness and scientific foundations by examining its developmental history. This understanding will help determine ways to more fully leverage auditing capabilities in improving internal control systems for economic entities in the future. Our ongoing research indicates that at each stage of auditing's development, the goals and objectives set before it exhibit distinct characteristics.

Analysis of theoretical sources shows that over the past 25 years, auditing activities have gone through three stages of development:

1. Confirmatory audit - in this stage, primarily accounting registers and documents are examined.
2. Targeted systematic audit - at this stage, the ability to monitor the control system of transactions (operations) was created.
3. Risk-based audit - evaluation of management decisions made by individuals controlling the system began.

Currently, at this stage of development, the scope and scale of auditing within the internal control system are expanding on a scientific basis.

Conclusion. The audit process determines the level of organization and conduct of accounting, the qualifications and professional discipline of accountants, the quality of preliminary document processing, and the accuracy of accounting and reporting records reflecting the financial and economic activities of the enterprise and its results. Therefore, the organization of audit in the internal control system and its use on a scientific basis creates the possibility of effective management of financial and economic activities of entities.

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