

Organizational aspects of internal control system in budget organizations and relationship with internal audit service

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Abstract. Today, in order to reduce the possible risks of the organization, an internal control system is established in any organization. In order to effectively organize internal control in budget organizations, it is necessary to take into account several factors that affect it. Factors affecting the internal control system are not only internal, but also external. When organizing internal control in the organization, it is necessary to take into account the influence of the external environment on the internal control system. Promotes publicizing the fight against corruption at the country level, implementation of effective measures and procedures in this area by budget organizations, dissemination of widely covered information in mass media and application of measures against offenders. On the other hand, employees of budget organizations also face the above situations, which leads to their punishment. Thus, the external environment also affects the management environment of the organization. Therefore, this article examines the ways of effective organization of internal control in the budget organization, special aspects of the organization of internal audit, different views on the concept of internal audit, the relationship between internal control and internal audit in the organization, approaches to the current state of the internal audit service in budget organizations. **Keywords.** Budget organization, accounting, internal audit, accounting policy, internal control, internal auditor.

1 Introduction

The integration processes developing in the world, the globalization of the economy and the innovation momentum require improvement of any system in accordance with the modern process [1]. Based on the experience of developed countries, it is possible to reduce inconsistencies and unnecessary expenses by organizing an internal audit service in budget organizations regarding the rational and planned spending of budget funds, which make up an important part of the country's economy [2].

Today, almost all developed countries have an internal audit service in budget organizations. Those from foreign countries that have internal audit have established their functions according to specific laws or regulations. Comprehensive organization of the internal audit service in the budget organization requires, in many ways, the wide use of the

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internal audit manual, which is available to the public. In world practice, special attention is paid to scientific research on improving the methodological basis of the internal audit service in budget organizations [3].

Also, the control procedure of the internal audit service of budget organizations, risk assessment and minimization, rational use of budget funds to increase the work efficiency of the organization, prevention of corrupt situations, organization of control based on international internal audit standards are being studied scientifically [4]. In particular, scientific information and publications on this subject have been sufficiently formed in the private sector, but the work carried out in the context of the methodology of centralized internal audit and financial control services in budget organizations still requires a lot of research [5]. It is necessary to further strengthen the control over the purposeful and rational spending of budget funds in Uzbekistan [6]. Another important issue is the strengthening of financial discipline and control [7]. If we pay attention to the conducted scientific research, the tasks of further increasing the transparency of the budget process and strengthening public control over it, financing from the budget, and improving the accounting and reporting mechanism have been seen.

It is determined to increase the responsibility of strengthening budget discipline in subordinate institutions of ministries and agencies, as well as to prevent violations of budget legislation by introducing modern information technologies and internationally recognized financial control standards [8]. In addition, the issue of developing measures aimed at their constant control and ensuring their mutual cooperation with financial control bodies has not been considered.

Distribution of economic resources through proper planning, controlling their effective use based on the plan, and reducing risks to an acceptable level play a key role in the development of the economy [9]. Proper planning and effective use based on the plan depends on several factors, and their continuous monitoring is characterized by the proper organization of the internal control system. The control of this system is entrusted to the internal audit service [10].

When conducting an internal audit in budget organizations, it is necessary not only to compare the received income with expenses, but also to search for active methods of effective use of funds and to exercise strict control over expenses [11]. To date, it has been proven that the budget internal audit service should consist of three main elements: internal control, internal audit, and their coordination is of great importance. In this case, the main task is to ensure the responsibility of the leader for all aspects of the activities of the organization he is leading, to achieve clear results in economic matters and to use budget funds effectively, as well as to fulfill tasks and so on.

2 Materials and methods

In order to improve the internal audit, it is necessary to deeply understand its content. It is in the field of internal audit and internal control of budget organizations that many scientists have conducted research. Uzbek scientists have given their definitions and expressed their views on the concept of internal audit and internal control of budget organizations in scientific research works, articles and educational-methodical developments [1-5].

It is desirable to conduct an internal audit in budget organizations, to pay attention to the study of methodological problems, to improve the activities of the centralized internal audit and financial control service. Also, the change of the current legal documents in accordance with the conditions of modernization of the economy indicates the need to conduct deep research in this area.

However, it is wrong to believe that the creation of an effective internal control system in the organization will completely protect the organization from various risks. Internal control

can provide sufficient assurance, but cannot achieve any results. Therefore, internal control is seen as a facilitator of internal audit. Because any employee of the organization is a component of the internal control system, and its effectiveness depends not only on internal procedures and methods, but also on the organization's employees in all positions. But, unfortunately, we cannot say that the internal control system is effectively organized in budget organizations today. For this, all employees of the organization should fully fulfill their duties and work in harmony with each other.

As an element of the internal control system, the management environment is more dependent on the employees of the organization, because the maximum regulation of procedures, the creation of rules will not be able to prevent mistakes or illegal actions. Therefore, the management of the organization should direct all the main forces to work with employees to improve the control environment [2].

The next component of the internal control system is risk assessment. Risk is the risk of unexpected loss of expected profit, income or property, money, other resources due to accidental changes in the conditions of economic activity, unfavorable situations. The probability of occurrence of one or another level of these losses is measured by frequency. The most dangerous risks are related to the extent of losses exceeding the value of expected profits [3].

Risk assessment requires an in-depth study of the composition of all departments of the organization. Assessing the risks of the organization requires a lot of time and a lot of work. Because this process is complicated. Therefore, this process requires special preparation, and this task is assigned to the internal audit service, not to the internal control service. The internal control service helps to implement measures aimed at reducing risks. At this point, the interaction of internal control and internal audit and their coordination is of particular importance.

3 Results and discussion

The internal audit service is the most basic document and is the information provided by the internal control system. Proper organization of the budget organization's internal control system ensures high performance indicators.

In addition, we believe that the organization of internal control in the budget organization is based on the following conditions (Figure 1).

It should be noted here that there are differences between modern internal audit and internal control. Internal audit helps by applying a consistent and systematic approach in evaluating the effectiveness of internal control and risk management systems to achieve the objective [4].

When conducting an internal audit in budget organizations, it is necessary not only to compare the received income with expenses, but also to search for active methods of effective use of funds and to exercise strict control over expenses. To date, it has been proven that the budget internal audit service should consist of three main elements: internal control, internal audit and their coordination. In this case, the main task is to ensure the leader's responsibility for all aspects of the activities of the organization he leads, to achieve clear results in economic matters and to use the budget funds effectively, as well as to fulfill tasks and so on [4].

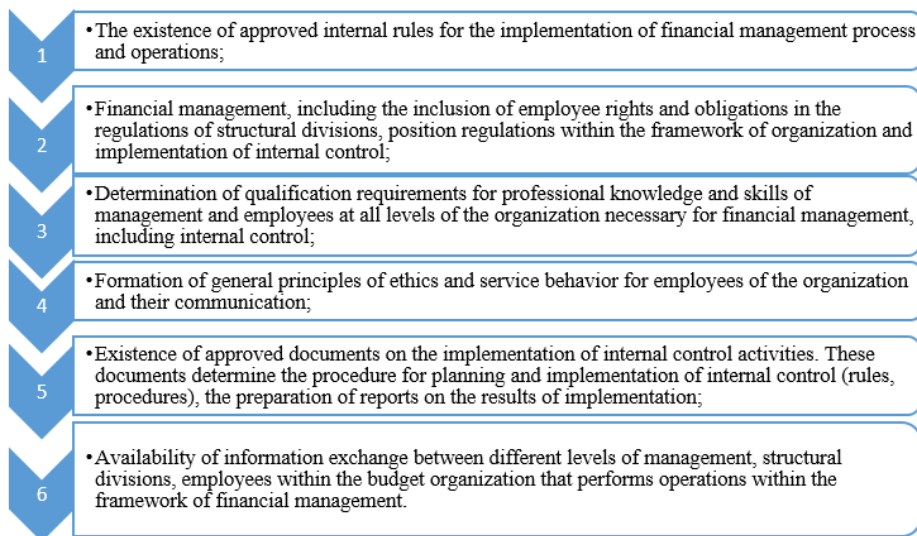


Fig. 1. Conditions for organization of internal audit in budget organizations.

At this point, it is necessary to enumerate the specific aspects of internal audit as well as internal control in budgetary organizations. In the institutions under the jurisdiction of the Internal Audit and Financial Control Department, studies and preventive measures related to financial activities are carried out by three employees of the "Internal Audit and Financial Control Services" established in the designated ministries. In our opinion, the activities of the internal audit service in budget organizations should cover several aspects (Figure 2).

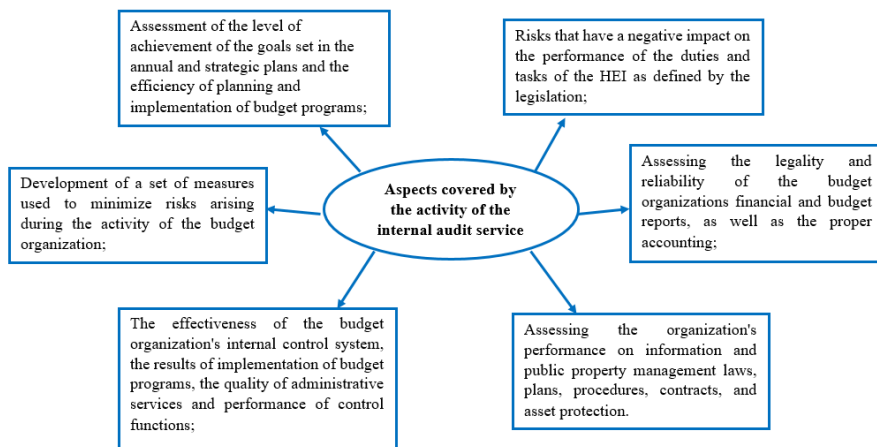


Fig. 2. Covering aspects of the internal audit service.

Studies and preventive measures related to financial activities in institutions under the jurisdiction of the Internal Audit and Financial Control Department are conducted by three employees of the "Internal Audit and Financial Control Service" established in the Ministry of Higher and Secondary Special Education. However, the large number of organizations under management and the lack of internal audit staff (3 people) have a negative impact on the effectiveness of risks current control. As can be seen from the following table, increasing the

number of internal auditors depending on the number of control objects of the internal audit service established in the ministries and agencies will serve to increase the quality and productivity of work.

The large number of objects requires a lot of time and labor, and in some cases, the large number of operations can reduce the efficiency of the work. The internal audit staff established in higher education institutions shows that the internal audit and financial control department established in the Ministry of Higher and Secondary Special Education does not need an additional staff unit. However, we believe that it is appropriate to increase the number of internal auditors in other ministries and agencies.

In Table 1 below, we focus on the number and size of objects to be controlled and their proportions.

Table 1. Distribution of employees of the centralized internal audit and financial control service and control objects among ministries of Uzbekistan (2022).

Line ministries where the internal audit service organized	Number of employees of the internal audit service		Number of control objects		Amount of budget funds allocated by ministries (2022), billion UZS	Amount of deficits (2022), billion UZS
	Ministries	Tashkent and regions	Tashkent	Regions		
Ministry of Public Education	7	24	948	15207	17535.5	18.9
Ministry of Health	3	28	1073	6796	10568.8	10.2
Ministry of Higher and Secondary Specialized Education	5	26	48	79	6657.7	11.1
Off-budget Pension Fund	3	26	12	198	19206.8	32.2
Total	18	104	2069	22281	53968.8	72.4

From the results of the analysis, we can see that the largest amount of state budget funds for a certain period was allocated to the non-budgetary Pension Fund, i.e. 19,206.8 billion UZS, then to the Ministry of Public Education 17,535.5 billion UZS, to the Ministry of Health 10,568, 8 billion UZS and 6657.7 billion UZS corresponds to the Ministry of Higher and Secondary Special Education. They should have enough time and opportunities to carry out constant control over allocated budget funds and budget organizations. For this, the number of internal auditors should be properly distributed according to their qualifications and experience.

We can see a unique approach to these issues by referring to the experience of foreign countries. In international practice, we would not be mistaken if we say that the first manifestations of the formation of the internal audit service in budget organizations appeared in the USA and Great Britain.

INTOSAI is one of the most important structures of foreign countries that are used by most countries. It is an international organization of high governing bodies operating under the aegis of the United Nations. These structures consist of methodologies created for conducting and controlling internal control and internal audit activities of budget

organizations. Currently, there are 194 members of this structure. It has established several regional organizations (Table 2).

Table 2. Regional organizations of the INTOSAI international structure.

Name of regional organizations	Year of establishment	Organized region
EUROSAI	1990	Europe
ASOSAI	1978	Asia
ARABOSAI	1976	Arab countries
AFROSAI	1976	Africa
CAROSAI	1988	Caribbean Community
OLACEFS	1965	South America
SPASAI	1987	Pacific Community

The recognized effective internal management model, which is considered the best basis for developing, implementing and implementing internal control, as well as evaluating its effectiveness, is the model developed by the Committee of Sponsoring Organizations - COSO. We will consider the possibilities of effective organization of internal audit and internal control of COSO model, which is recognized all over the world and is the most well developed.

The COSO model has been recognized by many developed countries and is still being used in practice today. The COSO model was created in 1992 by the sponsoring organizations of the Treadway Commission, which consists of the following 5 participants: Financial Executives International (FEI), Institute of Internal Auditors (IIA), Institute of Management Accountants (IMA), American Institute of Certified Public Accountants (AICPA) and the American Accountants Association (AAA). The main rules of the initial structured concept are presented as principles related to five components. These five components included management environment, risk assessment, management procedures, information and communication, and monitoring.

Despite the recognition of this concept at the international level, over time some of its shortcomings were noticed and there was a need to improve internal control. 20 years later, the COSO model was improved and the number of components in the new concept was increased from 5 to 8 and included: internal environment, goal setting, event detection, risk assessment, risk management, management procedures, information and communication, monitoring. The newly developed model is called COSO ERM, and there is a need for redevelopment in the public sector due to the risks of corruption, management fraud, collusion by officials and deliberate circumvention of controls. The COSO ERM model is presented in the form of a cube, which shows the interrelationship between objectives (upper face of the cube), components (horizontal rows) and organizational units (vertical rows) [5].

The need for an internal audit system provides an opportunity to identify risks and initiate various changes aimed at the effective conduct of activities within the organization. The need for such changes is inextricably linked to the results of an internal audit or an assessment of the internal control system.

According to the COSO concept, the internal audit function is part of monitoring. Internal audit assesses the effectiveness of the management system, internal control system and makes recommendations to improve the effectiveness of current activities. In addition, the internal audit system provides information and consulting services. In this case, it is the competence

of the internal auditor to advise the employees of all structural departments and the head of the organization on relevant issues.

In the COSO model, internal audit and internal control are distinguished. The main point emphasized in it is that the state of internal control is responsible for the management of the organization. The COSO model emphasizes that the internal control system should be a mechanism that helps the organization achieve its goals, not by itself.

Also, in order to develop and improve the activities of budget organizations, it is important to constantly monitor them and eliminate their regular deficiencies. Implementation of this is achieved by developing the relevant laws of the financial and non-financial activities of the organization and putting them into a certain system. That is, through the effective organization of internal control and internal audit in the organization, constant control, effective activity, reliable recommendations and strict rules are created.

At this point, it should be mentioned that the development of the activities of budget organizations cannot be carried out only by the effective organization of internal control or only by the organization of internal audit. Perhaps it is achieved through the effective organization of internal audit and internal control. Because these two activities complement each other, help each other and open up new opportunities when they work together.

The goals and components necessary for mutual cooperation of internal audit and internal control within budget organizations and continuous control of the organization's activities have been adapted to the organization's activities. It can be seen that the internal audit was also a part of internal control in budgetary organizations. Therefore, the internal auditor simultaneously organizes and controls the internal control.

Effective organization of the organization's internal control system is the main task of the head of the organization. At this point, it is necessary to mention the tasks performed by the head of the organization in the organization of internal control:

- setting tasks, quality indicators and developing quarterly and annual plans;
- identification of risks related to performance of tasks and their management;
- planning, monitoring and reporting on the performance of tasks and controlling the rational and efficient use of resources;
- effective personnel management and providing employees with the necessary powers to perform their duties;
- development and approval of the organizational structure of this organization in order to fulfill the tasks set before the organization;
- distribution of responsibilities and obligations among employees of the organization;
- ensuring ethics, accountability, transparency and openness in the organization;
- assigning powers and obligations to other persons without releasing them from responsibility for the performance of the powers and obligations assigned to them;
- to define appropriate measures, take measures and introduce procedures to prevent and detect cases of fraud, robbery, bribery and other violations of the law.

We also use a new method to better measure the quality of internal controls. That is, we create an internal control index, because the current lack of internal control rules provides an interesting control, in which the diversity of internal control quality is preserved. Two specific features distinguish this index from data available in the US. The first is a comprehensive assessment of the organization's internal control based on the COSO system. The latter quantitatively measures an organization's internal control using an analytical hierarchy process developed for complex decision-making. The internal control index has a positive effect on the control of the organization's income and cost estimates, and the improvement of internal control makes financial statements more reliable for investors [6].

Internal audit is primarily an independent assessment of the effectiveness of the internal control system and the quality of performance of the duties of management and administrative and management personnel. Therefore, one of the main principles of internal

audit is independence. A clear list of rights, obligations and responsibilities is determined only by accountability at the general meeting of the organization. Internal audit activities should be in direct contact with the management, operation and accounting of the organization. These employees should participate in the internal audit process, apply the results in their activities, and use advice. Without the active participation of employees, the effectiveness of internal audit will be minimal.

4 Conclusions

1. In conclusion, we can say that in order to effectively organize the internal audit and internal control system in budget organizations and ensure their mutual cooperation, it is necessary to develop a model using the components of the international COSO model. This model, in our opinion, must ensure the efficient operation of the organization within the framework of mutual cooperation of internal audit and internal control in budgetary organizations.

2. Also, in order to organize the internal control system more effectively, it is necessary to ensure the active participation of employees and achieve their conscientious approach to their tasks. If each employee clearly knows his duties and tries to fulfill them completely, the internal control system will be strengthened by itself.

3. The factors affecting the internal control system are studied, the interaction of internal audit and internal control systems is formed, the components of the organization of internal control and internal audit service in budget organizations are developed based on the international SOSO model, and the tasks performed by the head of the organization in the organization of internal control are clear. should be specified.

4. It is appropriate to use the international SOSO model for internal control of budget organizations and internal audit within the organization. This model is not suitable for the centralized internal audit and financial control service organized in ministries and agencies, and cannot be used in this system. As a result of our research, it was concluded that the SOSO model for the centralized internal audit service does not justify itself.

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