



The Role of the Internal Control System in Enterprises with State Participation in Uzbekistan

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Abstract: The article discusses the issues of organizing the activities of the internal control organization system, its role and importance in the activities of enterprises with state participation, as well as the internal control system in joint-stock companies (JSC) and limited liability companies (LLC), offers are made to improve their activities.

Key words: internal control system, supervisory board, audit commission, internal audit, corporate consultant, state unitary enterprise (SUE), audit committee, founder.

In the Republic of Uzbekistan in 2017-2022, much attention was paid to the development of corporate governance, including the improvement of the internal control system in business entities.

Thus, in order to effectively organize the internal control system in corporate governance and ensure the staffing of the internal audit service with qualified specialists, the Cabinet of Ministers of the Republic adopted Resolution No. 280 dated May 5, 2021 “On measures to improve the training system for employees of the internal audit service”, which determines the procedure for obtaining qualification certificates, training and requirements for future specialists of the internal audit service.

Internal control is a permanent process built into the activities of an enterprise and aimed at improving the efficiency of production processes, accounting, control and corporate governance in order to obtain a reasonable achievement of goals in the following areas:

- efficiency and productivity of enterprises, making profits and protecting assets;
- reliability and reliability of financial reporting and accounting;
- compliance with the laws and regulations that govern the activities of the enterprise.

Internal control procedures in enterprises with state participation are a set of measures carried out by the supervisory board of the company, in particular by the audit committee of the supervisory board of the enterprise, as well as by units authorized to exercise internal control, and aimed at identifying violations of the law and internal documents. The main purpose of internal control in joint-stock companies is to ensure the protection of the rights and legitimate interests of all shareholders, including minority ones.

Internal control is an objectively necessary system of the economic mechanism of enterprises, regardless of the form of ownership. At the microeconomic level, internal control is carried out by the subjects of the organization itself, and the stable functioning of economic entities, and, consequently, the entire social production, depends on its effectiveness.

Properly organized internal control allows not only timely detection of flaws in the activities of the enterprise, but also take measures to eliminate them and prevent their manifestation in further.

It is believed that internal control should perform the following tasks.

Ensuring business efficiency. The organization must implement controls that can ensure the smooth operation of its processes and operations. Taken together, such tools should reduce the risk of inefficient performance and minimize the risk that the organization will not be able to achieve its objectives.

Ensuring the safety of assets. The controls used by the organization must also ensure that its assets are used for their proper purposes and are not at risk of theft or misuse. Such controls should be applied equally to both tangible and intangible assets of the organization.

Prevention and detection of fraud and other illegal activities. Such offenses can occur even in small organizations with simple organizational structures, and as the size and complexity of the organization increase, the variety of fraudulent practices only grows. It is obvious that the control mechanisms must meet these challenges.

Ensuring the completeness and correctness of accounting information.

An organization is unable to prepare reliable financial information if its primary accounting systems are unreliable. These systems should capture primary transactions so that all of their required characteristics are properly reflected in the financial statements.

Ensuring timely preparation of financial statements. Timely and accurate reporting is one of the legal responsibilities of any organization. In addition, many organizations are also required to prepare separate reports for shareholders. Internal control is also necessary for management accounting processes, without which strategic planning, management decision-making and monitoring of the parameters of the organization's activities are impossible.

By generally accepted approaches, the internal control system in joint-stock companies is a set of organizational structure, control measures, procedures and methods of internal control, as well as regulated by internal documents, organized by the internal audit service, the supervisory board, the audit commission, corporate consultant, accounting and other employees on at all levels and for all functions. The qualifications of members of the internal control bodies of a joint-stock company may be established in the regulations on their activities.

In accordance with the Law on Limited and Additional Liability Companies, limited liability companies are responsible for the establishment and operation of an adequate internal control system by the founders. Therefore, in certain cases, the founders may consider it necessary to create a specialized functional unit within the organization responsible for internal control, for example, a supervisory board, an internal audit service, an audit commission (auditor) of the company. The decision to create such units will depend on how much the expected benefits outweigh the associated costs.

The founders should pay due attention to the internal control system. In order for internal control to achieve its goals, an appropriate culture is needed that allows control mechanisms to be implemented throughout the organization.

In accordance with Appendix No. 1 to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated October 16, 2006 No. 215, the "Regulation on State Enterprises" was approved, where control over the activities of a state enterprise as an economic body is carried out by the founder and other authorized bodies in the manner prescribed by law.

The internal audit service is a structural subdivision of an enterprise that carries out internal audit, which can be created taking into account the requirements established by the decision of the founder or the supervisory board of the enterprise (if it is provided for by the enterprise charter).

The organization of the internal control system is of great importance not only in enterprises with state participation, but also in joint-stock companies and limited liability companies.

At the same time, the system of internal control that has been formed in all these organizations does not always ensure reliability and efficiency. The level of efficiency of the internal control system for each enterprise is different. The internal control system requires constant improvement and optimization.

It should be noted that the system of internal control in enterprises with state participation largely depends on what place does it occupy in the enterprise management system and on what principles is it carried out.

The efficiency of the enterprise in the region production and financial activities mainly depends on the correct organization of the internal control system at the enterprise and the continuous improvement of its structure.¹

To achieve this goal, we offer the following directions for improving the internal control system of the enterprise:

1. To ensure the effective development of the internal control system, the owners or authorized bodies need to ensure the balance of the work of all elements of the enterprise's internal control system in such a way as to most productively use the potential of the enterprise and increase its competitiveness.

To achieve the above, it is necessary to develop a business plan for the enterprise, where the specific tasks of each department are clearly defined and they are held responsible for achieving the final result.

2. In addition, the internal control of the enterprise, as a rule, is based on the control functions of the head of each unit. It is the responsibility of each leader to constantly monitor the results of the work of his subordinates. Therefore, the role, place and the functions of internal control should be determined by the organization itself (the owner), depending on the specifics and content of the organization's activities, the volume of indicators of financial and economic activity, the system for managing the state of internal control.

3. For the most effective implementation of internal control, enterprises should use not only control methods such as control over prices, targets, operating hours, asset movements, but also methods such as planning, monitoring. It is necessary to pay great attention to the most important processes and indicators (production, supply, sales, etc.), internal reporting, internal audit, etc. The most important tool is a roadmap, the essence of which is planning and forecasting the activities of the enterprise. It is designed to control the main indicators of the production process.

4. To eliminate a possible violation in the field of enterprise management, it would be considered expedient to create an internal audit, as an independent unit, management apparatus, directly subordinate to the founder. The purpose of creating such a management apparatus is to ensure the most efficient operation of all services to protect the legitimate property interests of the owners of the enterprise.

5. Recruitment is also of great importance for improving the efficiency of control in the enterprise. It is the personnel that is an important aspect of the control system. If employees are highly competent, honest, trustworthy, and fully satisfied with existing pay systems, incentives and rewards for their performance, then even if there are other weaknesses in the control system, in any case, there will be a relatively low probability of misstatements in the financial reporting. In the opposite situation, incompetent, dishonest employees can nullify the effectiveness of any control system.

6. The use of advanced computer technologies significantly affects the state of internal control. To improve the quality of internal control, it is necessary to introduce a complete automated system for the following blocks: accounting, economic analysis, internal reporting, budgeting, financial

¹ Burtsev, V.V. Internal control: basic concepts and organization of conduct / V.V. Burtsev // Management in Russia and abroad, 2002. No. 4. With.

resource management. Automation of each block significantly improves the quality of internal control.

In conclusion, we can conclude that in order for an enterprise with state participation to function successfully, constantly increase the level of profitability, maintain and increase its assets, a well-functioning management mechanism is needed, the most important tool of which is the internal control system, which includes a supervisory board, an audit commission, internal audit and corporate consultant.

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