SSUES OF USE OF INTERNAL AUDIT IN ENSURING THE STABILITY OF FINANCIAL ACTIVITIES OF BUSINESS SUBJECTS

Sobirjonova Nodira Rustamjon qizi
Assistant of Namangan Institute of Engineering and Technology
nodirasobirjonova1@gmail.com
https://doi.org/10.5281/zenodo.11395319

In the conditions of the current globalization, the development of the country's economy and rapid recovery of the economy in any emergency situation is reflected in the business activity of small business entities. Financial stability is important for the success of any business. It means the organization's ability to earn enough income to meet its financial obligations, invest in its activities, and maintain a positive reputation in the market.

Internal audit is a process that helps to achieve financial stability through an independent, objective and systematic assessment of the activities of organizations. By identifying risks, making recommendations for improvement, and ensuring compliance with regulations and industry standards, internal auditing helps organizations improve financial stability.

"The main purpose of the internal audit is to help the managers of the company to carry out the tasks assigned to them effectively, to make sure that the assets are being used in the most effective way to achieve the goals and objectives of the company and its divisions."

The purpose of the study is to develop methodological tools for analyzing and checking the financial stability of business entities, which will increase the quality of the audit on reasonable labor costs. Achieving this goal includes defining and solving the following tasks:

- development of a model of financial stability of industrial business entities, which allows auditors to assess the actually achieved and predicted level of stability or instability of the audited business entities;

- to determine the place and role of riskology methods in the development of methods for checking the financial stability of business entities, as well as to study the content of analytical procedures for checking the financial stability based on the working conditions of the organization being checked;

The study shows that the public associations of the auditors are actively methodological in strengthening the cooperation between the public associations of the republic and the International Federation of Accountants, including the use of auditing organizations in the application of KAS documents, and the organization of popularization of the world's best practice in the application of these standards. support measures should be taken.

In order to introduce advanced methods of training specialists in the field of accounting and auditing and improving the qualifications of auditors, in order for business entities and organizations to have stable operational efficiency, organizational efficiency and organizational indicators, the management of business entities with experience and qualified auditors must ensure that a fully functional internal audit department is in place. Also, in order to increase the work efficiency of employees in business entities, the management of business entities should ensure that the internal audit department is completely independent in its activities. As internal audit duties are constantly increasing according to the needs and preferences of the organization, auditors need to know how strong the internal audit function is in every organization, especially in improving the performance of the organization. Thus, the study shows how the internal audit function can improve organizational performance.

In conclusion, it should be mentioned that the effective use of resources, the organization of accounting and the level of reliability of financial reports are much higher in business entities with an internal audit service organized and operating efficiently in audit practice. Because economic entities work productively only when the internal audit is effectively organized, which is one of the conditions for the efficiency of the entire public production. Of course, the establishment of an internal audit service reduces the expenses of business entities compared to the lack of establishment of an internal audit service, avoids possible errors and shortcomings, as well as various fines and unforeseen expenses that may arise as a result of this. is taken.

Only then will the effectiveness of the organization of internal audit in business entities be evident.

Scientific novelty of the research

- development of methodological tools aimed at determining the risk of loss for the analysis and audit of the financial stability of business entities;

- expanding the scope of analytical procedures for risk assessment when planning and conducting inspections;

- formation of predictive assessments of expected changes in the financial stability of organizations.

An efficient internal audit service is primarily useful for the business entities themselves, because:

• controlling the activities of management and structural divisions, their compliance with legal documents, founding documents and internal documents and procedures for the implementation of economic operations;

• check whether the completeness and reliability of the information reflected in the accounting and financial statements are ensured, and the preservation of assets;

• allows to assess compliance with internal control system and corporate management principles.

Therefore, it is advisable for business entities that do not necessarily have such a service to organize it on a voluntary basis or to have at least one internal auditor working in their state. The benefits of internal auditors' work are much higher than the costs of keeping them.

The methodological basis of organizing the work of internal auditors is defined in the "Regulation on the internal audit service of business entities". Internal auditors can also use international professional standards of internal auditing issued by the International Institute of Internal Auditors (The IIA) in their work.

The number of employees of the internal audit service is determined by the supervisory board of business entities. It should be sufficient to effectively achieve internal audit goals and tasks.

Employees of the internal audit service:

• at least 2 years of the last ten years in the field of accounting, auditing, finance or tax control, including practical work experience, including substitute work experience;

• must meet one of the following requirements:

- to have an auditor qualification certificate;

- Having a higher economic education obtained in higher educational institutions of Uzbekistan or in a foreign state educational institution. In the last case, it should be recognized as equal to education in Uzbekistan.

In ensuring the financial stability of business entities, the use of internal audit is important in identifying and managing financial risks, ensuring the accuracy and reliability of financial reporting. Internal audit plays a critical role in detecting and preventing fraud and financial irregularities, mitigating financial stress and maintaining stability during economic downturns. However, internal audit faces a number of problems in ensuring the financial stability of business entities. These challenges include insufficient resources, lack of independence, management resistance, and limited attention to risk management. In addition, internal audit effectiveness can be influenced by the quality and professionalism of internal auditors and the level of support provided by senior management. In order to solve these problems, business entities should adopt the best practices of internal audit, such as developing a risk-based audit plan, ensuring the independence and objectivity of internal auditors, providing adequate resources and training, increasing the culture of risk management and using resources. can accept and implement. Technology and data analysis also play an important role in improving the effectiveness of internal audit. In general, the use of internal audit is crucial in ensuring the financial stability of business entities. By identifying financial risks, mitigating financial stress, and improving the reliability and accuracy of financial reporting, internal auditing supports the long-term prosperity and stability of an organization.

Organization of a voluntary internal audit service in business entities creates the following opportunities:

- more efficient use of material and labor resources;
- attracting foreign investments in effective ways by improving the quality of financial reports;
- reducing costs;
- reduction of many financial losses faced by business entities.

In the effective operation of the internal audit service, its independence from other departments plays a big role, in which the internal audit service is directly subordinated to the management of business entities. In order for the internal audit service to fulfill its tasks and functions, it is required that experienced specialists work in it. The requirements for this are also included in the regulation of the Republic of Uzbekistan "On the procedure for certification of employees of the internal audit service". According to this regulation, the internal audit service mainly ensures the reduction of risk in the financial activity of the organization, as well as in accounting, when the following three elements are used together:

- control environment;
- accounting system;
- control processes;

Effective use of resources, organization of accounting and the level of reliability of financial reports are much higher in business entities with an internal audit service organized and operating efficiently in audit practice. Because economic entities work productively only when the internal audit is effectively organized, which is one of the conditions for the efficiency of the entire public production. Of course, the establishment of an internal audit service reduces the expenses of business entities compared to the lack of establishment of an internal audit service, avoids possible errors and shortcomings, as well as various fines and unforeseen expenses that may arise as a result of this. is taken.

The audit is limited in terms of time. Therefore, to ensure a high-quality examination, it is necessary to prepare well for it. An important tool for such preparation is a well-thought-out plan that gives executors confidence that they are conducting an effective and proactive audit process. Choosing predefined methods in clear planning, as well as in achieving the objectives of the audit; execution and control of work; it is also necessary to make sure that the focus is on the key aspects of the work that are complete. The national standard of audit activity No. 3 "Audit planning" was developed for the above-mentioned issues. It states that the requirements of this standard are mandatory for all audit organizations in the implementation of audit activities, and it provides for the preparation of official audit conclusions.

Some of the economic performance indicators analyzed during a business audit include revenue growth, profitability, return on investment, and cash flow. By analyzing these metrics, organizations can identify areas where they need to improve their performance and take corrective action to address identified issues. In general, monitoring the internal control model and analyzing economic efficiency indicators through the audit of business entities is an important process that helps organizations to ensure their effective and efficient operation.

Both the auditors and the management of the audited business entity should not forget that for the occurrence of intentional or unintentional violations of accounting reports; for not taking measures to prevent such errors; the employees of the economic entity are responsible for not eliminating them or correcting them late.

The auditor should analyze the following during the audit of economic activity:

- implementation of the chartered activity and economic program of business entities;
- the correctness of the organization of the authorized capital and its use in accordance with the goals of its activity;
- organization of reliable and quick accounting of the fulfillment of contractual obligations for the delivery of products in business entities, compliance with the procedure established by the employees of business entities taking into account the fulfillment of obligations for the delivery of finished products;

- losses incurred as a result of non-delivery of products in full and on time (fines, penalties, damages, etc.);
- implementation of planned measures to update the released products; product quality indicators, damages incurred for delivery of broken and low-quality products;
- product release rhythm, causes of non-rhythmic work, damages caused by non-fulfillment of daily schedules;
- rational use of raw materials, materials and production waste;
- the system of goals of the team of business entities, the rational distribution of tasks to each employee;
- a labor remuneration system that ensures the economic interests of all employees (from the worker to the CEO) in achieving both economic and social goals;
- compliance of the report data on production and sale with the data of accounting and preliminary documents;
- that products that were not completed during the reporting period are not included in the product report, and other additions and confusions are not allowed in the reports.
- the organization of accounting and control ensures the prevention of shortages, shortages and illegal spending of funds and material assets and other deficiencies and abuses, establishing thorough control over the high-quality preparation of preliminary documents and their reliability; periodic inventory of economic transactions, availability and storage of funds and property, material valuables and results of sudden inspections, etc.;
- the correspondence of the data of periodic and annual reports with the data of accounting and statistical reports.

The audit process usually includes the following steps:

1. Selection of audit firms: Regulatory bodies select a sample of audit firms to audit based on various factors, such as firm size, number of public companies audited, and the risk profile of the audit work.
2. Review of audit work: Inspectors review a sample of audit work performed by audit organizations, including audit files, working papers and other documents. The review typically focuses on key areas of risk such as revenue recognition, inventory valuation, and related party transactions.
3. Assess compliance with standards: Inspectors assess audit firms' compliance with professional standards and regulations, such as International Standards on Auditing (ISA) or Generally Accepted Auditing Standards (GAAS). The

assessment may include an assessment of the audit organization's quality control system, the competence, independence and impartiality of its staff.

4. Report: Inspectors prepare a report summarizing their findings and making recommendations for improvement. The report can be shared with the audit organization, regulatory body and other interested parties.

5. Follow-up: Regulatory bodies may work with audit firms to ensure that recommendations are implemented and that any issues identified during the audit are addressed.

Audits are an important means of maintaining audit quality and ensuring that auditors meet the required standards. They help promote transparency and accountability in the audit profession and provide stakeholders with confidence that audits are being carried out to a high standard.

We can achieve the following promising results by ensuring the performance of the tasks set before us in order to improve the internal audit report:

- organization of internal audit activities and bringing the structure of the report to the level of being able to meet global requirements;
- increasing the importance of internal audit in the activity of business entities;
- increasing the scope of voluntary organization of internal audit inspections;
- raising the essence of internal audit to the level of external audit;
- prevention of possible damages;
- to further expand the activities of business entities with the help of internal audits;
- to make the external audit somewhat easier;
- easy control over the activities of branches even in the case of corporate management;
- increasing the contribution of internal audit in attracting foreign investors.

"At the same time, among the conclusions and suggestions of the internal audit, it also gives guidance to business entities on increasing their financial resources by investing."

Thus, in the modern economic environment, the effective management of various resources and processes of the company should anticipate the risks that may affect the level of development of the region, its territorial divisions, as well as its structural structures, and create a basis for stable work. In conclusion, we can say that it is possible that the internal audit is a special "tool" that allows the head of the organization to have information to confirm decisions for the purpose of quality and efficient management of the business, and is able to ensure the financial stability of the company.

References:

1. O‘zbekiston Respublikasining 2020 yil 10 noyabrdagi “Auditorlik faoliyati to‘g‘risida” Qonuni

2.O‘zbekiston Respublikasi Vazirlar Mahkamasi 2021 yil 5 maydagi 280-sonli “Ichki audit xizmati xodimlarini tayyorlash tizimini takomillashtirish chora-tadbirlari to‘g‘risida” qarori

3. Abbott, L. J., Daugherty, B., Parker, S., & Peters, G. F. (2016). Internal Audit Quality and Financial Reporting Quality: The Joint Importance of Independence and Competence.Journal of Accounting Research, 54(1), 3–40.

4. Макаренко Е.Н. Внутренний аудит в системе управления предприятием. - М.: Управленческий учет, №2, 2011 г.

5. Hutchinson, M., & Zain, M. (2009). Internal audit quality, audit committee independence, growth opportunities and firm performance. Corporate Ownership & Control, 7(2), 50-65.Available at: https://doi.org/10.22495/cocv7i2p4.

6. Sayar, H. (2018). The effect of audit quality on firm performance: Evidence from Malaysia. European Accounting Review, 16(4), 72-88.