

IMPROVEMENT OF INTERNAL AUDIT TECHNIQUE

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Abstract

This research paper is devoted to the study of the issues on improving the technique of internal audit of budget expenditures. In addition, it studies the opinions of economists and in reliance upon the economic considerations the author has developed his point of view.

Key words: budget, funds, expenditures, income, audit, internal audit, financing.

Efficient management and distribution of budget expenditures is essential for any state or public institution to ensure transparency, accountability and efficient use of public funds. To achieve this goal, the internal audit plays a crucial role in independent and objective evaluation of financial processes, controls and expenditures. However, there is a growing need for continuous improvement of the internal audit methodology of budget expenditures to adapt to the changing financial framework and evolving management requirements.

Improving the internal audit methodology is aimed at enhancing effectiveness and relevance of audit processes within the framework of budget management. It involves reconsidering and updating existing audit practices, frameworks and approaches to meet emerging trends, best practices and regulatory requirements. This evolution enables internal audit functions to proactively address potential risks, identify areas for improvement, and provide valuable insights and recommendations to improve budget control and financial management.

By focusing on the internal audit methodology of budget expenditures, entities can increase their ability to prevent, detect, and mitigate financial irregularities, errors, and inefficiencies. This includes assessing the adequacy of internal controls, compliance with budget regulations, the accuracy of financial reporting, and overall fiscal responsibility. In addition, improvement of the internal audit methodology includes the use of advanced data analysis, technological tools and risk assessment methods. These advances enable auditors to analyze large

amounts of financial data, identify anomalies and trends, and provide more timely and accurate information on budget performance and risk management.

Working out the new approaches to the organization of internal and external audit in the public sector and introducing advanced technologies and methods, raising the level and quality of financial and banking information, bringing it in compliance with the international standards and the requirements of leading international rating organizations, and ensuring its wide use are considered urgent issues. The existence of these issues raises the relevance of the topic and the need of its research.

How is the internal audit organized in the public sector in international practice? To answer this question, we consider the experience of some foreign countries. The results of studies show that in most countries, the Ministry of Finance occupies the main place in the organization and methodological support of internal audit in the public sector. In particular, in order to enhance the role of internal audit in performing public financial supervision, the “Central Harmonization Internal Audit Committee (CHAI)” was established in France, and the Department of State Audit Service was established in Ukraine. Internal audit committees operate in ministries financed from the state budget in France, and internal audit departments operate in Ukraine [15].

In Great Britain internal auditing in publicly funded organizations is developed by the Internal Auditing Standards Advisory Board. A special feature of the development of these standards is that they are based on the requirements set by Relevant internal audit standard setters. Internal audit standard setters include the Institute of Public Finance and Accountancy (CIPFA), HM Treasury, the Department of Health and the Treasury [16].

In 2014, the “Rules for conducting internal financial audits” [17], and in 2016 “Methodological recommendations for conducting internal financial audits” [18] and several similar documents were developed by the Finance Department for organizing internal audits according to the Budget Code of the Russian Federation.

“National Standards of Internal Audit” was approved according to the order of the Minister of Finance of the Republic of Uzbekistan № 52 dated October 3, 2022. The national standards of internal audit stipulate that internal audit activities are conducted for the following purposes: strengthening budget discipline; prevention of cases of violation of budget legislation; assessment of the effectiveness of the use of budget funds.

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In conclusion, it should be noted that it is possible to enhance the culture of transparency, accountability and fiscal responsibility in Uzbekistan by investing in improving the methodology of internal audit of budget expenditures. This not only ensures the confidence of the population in the management of public funds, but also serves the comprehensive development and growth of the country.

Continuous review and updating of internal audit methodology in Uzbekistan should focus on adaptation to best international practices, regulatory requirements and technological advances. This includes the use of advanced data analytics, risk assessment techniques and technology tools to enhance audit capabilities and provide timely, accurate insights into budget performance.

By incorporating risk-based approaches, auditors can identify areas of high risk, prioritize resources, and assess internal controls, budget compliance, and financial reporting accuracy. This fact gives them an opportunity to actively eliminate possible irregularities, errors and inefficiencies in budget expenditures, resulting in improved financial management and better allocation of public funds.

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