

## ANALYSIS OF PROBLEMS IN ORGANIZING INTERNAL AUDIT IN JOINT STOCK COMPANIES

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### ABSTRACT

This article describes the existing problems in the organization of internal audit in joint-stock companies, their analysis and the scientific basis of analytical approaches.

**Keywords:** Joint stock companies, internal audit, risk-based audit, compliance audit, independence, objectivity, transparency, reporting, integrated reporting, international audit standard, data analysis.

### INTRODUCTION

In the current period, the excessive globalization of human society leads not only to the strengthening of scientific and technical progress and economic integration, but also to the acceleration of various global problems, man-made phenomena, and climate changes. However, these circumstances require the expansion of the scale of production and the improvement of the quality of products (work, services) in the world economy. From this point of view, consistent reforms are being carried out to improve production efficiency in developing countries, like all countries. In particular, economic growth is being achieved in the economy of Uzbekistan. As stated in the Address of the President of the Republic of Uzbekistan Sh. Mirziyoyev for 2023, "As a result of our large-scale and effective reforms, the volume of the gross domestic product exceeded 80 billion dollars for the first time. 8 billion dollars of direct foreign investments entered our economy this year, and our exports reached 19 billion dollars. Targeted and effective organization of internal audit processes in enterprises and organizations, in particular, in enterprises with a corporate management system, is an urgent issue in the continuous continuation of the reforms implemented in our country. Because the main task of the internal audit system in enterprises under the corporate management system is to find ways to increase production and reduce costs.

## LITERATURE REVIEW

A number of foreign and domestic economists have published textbooks and training manuals, as well as scientific research results and scientific articles on the issue. For example, in the textbook "Analysis of the financial situation of economic entities" by M. Y. Rakhimov, in the textbook "Audit" by M. Tolakhodjayeva, Sh. Ilhomov and others, K.R. Subramanyam's "Financial statement analysis" textbook, justified modern management and the need to organize accounting, analysis and auditing based on international requirements.

However, our research shows that there are insufficient resources dedicated to the scientific and theoretical foundations of the organization of internal audit based on international standards in the corporate management system, and conducting research is of particular importance.

Also, today's relevance and importance of studying and researching the organization of internal audit in enterprises in the corporate management system based on international requirements and standards is based on the President of the Republic of Uzbekistan's "Additional measures to transition to international standards of financial reporting" is also based on the adoption of Decision No. PQ-4611 dated February 24, 2020. In particular, "by accelerating the transition to international standards of financial reporting (hereinafter referred to as "IFS"), providing foreign investors with the necessary information environment and expanding access to international financial markets, as well as training accounting and auditing specialists according to international standards improvement of the system" is the demand of the time.

## METHODOLOGY

The theoretical and methodological foundations of internal audit in the corporate management system are studied using monographic observation, analysis and synthesis, calculation and logical thinking methods.

## RESULTS

Ensuring growth rates in the national economy and improving the investment environment in increasing export potential and becoming an active participant in international stock markets require the establishment of a settlement and audit system based on international standards. It is precisely the works being carried out in this direction that are bearing their initial results. One of the current tasks is to organize the internal audit in enterprises of the corporate management system based on international standards and requirements. Because the function of the internal audit is performed by the management link (a specially created internal structural unit), which consists in giving recommendations to the management on the effective functioning of the internal control system and the effective use of economic resources. After all, the purpose of

the internal audit is to make recommendations, which is a mandatory event that is taken into account by the management. For this reason, the theoretical and methodological foundations of internal audit play a decisive role in the practice of corporate management. It is known that the theoretical and methodological foundations that provide effective internal audit practice in corporate management allow to manage risks, create value for stakeholders, and ensure compliance with legal and ethical requirements. Internal audit is also a positive advantage for potential investors and serves to increase the investment attractiveness of the enterprise. In addition, the establishment of an internal audit system in enterprises with a corporate governance system helps to protect the interests and safety of shareholders (owners) and management, warns against mistakes and thefts, allows to eliminate the biggest mistakes and risks that can be expected for the enterprise in the future. provides, serves to identify the weaknesses of the enterprise and develop management principles.

Our research shows that a number of general problems are observed in the organization of internal audit in enterprises with a corporate management system:

firstly, the level of trust in internal audit services is low, and internal audit is considered as a redundant and burdensome administrative procedure rather than a guarantee of ensuring the accuracy of accounting and reports;

secondly, the low level of consideration of the quality and conclusions of the internal audit service in the external audit;

thirdly, the insufficiency of theoretical and methodological bases for special training of internal auditors and adaptation of the current system of their qualification to international requirements;

fourthly, that the procedures for organizing internal audit activities do not fully comply with generally recognized international audit standards.

In order to find a solution to the above-mentioned problems, it is of particular importance to clarify the existing problems and provide their solutions according to the theoretical and methodological foundations of the internal audit in the corporate management system.

Because internal audit is an independent, impartial, confirmation and advice on this activity, it creates an opportunity to find ways to increase shareholder value and improve the economic activity of the enterprise, to develop a program of measures. As a result, the internal audit helps the internal control and corporate management by increasing the effectiveness of risk management processes, using a systematic and coherent approach to audit and evaluation of the organizational, economic and financial activities of the enterprise in order to achieve the set goal.

According to the results of the analysis, the existence of the practice of entrusting management to managers in the corporate management system substantiates the

possibility of a specific "principal-agent" problem. In particular, there is a possibility that managers act in their personal interests rather than the interests of shareholders. This situation makes it necessary to take into account the concept of "agency theory" in the theoretical foundations of internal audit. In this case, internal audit is considered as a means of mitigating this problem by independent and impartial assessment of the activities and processes of enterprises. Because one of the priority results in the theoretical foundations of internal audit is the importance of independence and objectivity, these concepts ensure that internal auditors are free from bias and conflict of interest, and their work is impartial and reliable. For this reason, when the concepts of "independence" and "impartiality" are correctly interpreted in the internal audit, the conclusions and recommendations made in practice are taken seriously by the management and the board, it will be possible to correctly assess the activities, various risks and control of enterprises in the corporate management system.

Another important importance of improving the theoretical foundations of internal audit is the need to ensure consistency with the "stakeholder theory". Because, recognizing the importance of taking into account the needs and interests of not only shareholders, but also wider stakeholders in this harmony, companies will be able to create a culture of transparency, accountability and responsibility in internal audit. This situation helps to further strengthen trust among stakeholders, increase the company's reputation and image, and create long-term value.

From a methodological point of view, the conclusions show that it is necessary to correctly define the approach in the internal audit of enterprises in the corporate management system. In particular, in the process of internal audit, it is appropriate to focus on the issue of prioritizing resources in the areas of greatest risk during the risk assessment, on the issue of evaluating the effectiveness of the company's management decisions in the control audit, and on ensuring that the company meets legal and ethical requirements in the compliance audit.

The theoretical and methodological foundations of internal audit are important not only for ensuring effective corporate management, but also for solving emerging risks and problems. In the modern economy, the possibility that enterprises will face new threats from cyber attacks, climate change, geopolitical instability and other factors requires internal auditors to adapt their approach to these areas in order to effectively identify, assess and manage these risks. One of the new approaches in this process is the need to use integrated reporting. Because the integrated report allows to provide a broader and more comprehensive view of the results of the financial and economic activity of enterprises in the corporate management system and the factors affecting it. In particular, integrated reporting that takes into account a wider range of

environmental, social and governance factors can help businesses better understand and communicate their value creation processes and their impact on society.

The analysis shows that another developing direction in improving the theoretical and methodological foundations of internal audit is the use of audit approaches based on data analysis and technology. Because, in the conditions of the digital economy, large-scale indicators and databases in the financial and economic activities of enterprises in the corporate management system are implemented in computer technologies, so it is appropriate for internal auditors to use these tools to improve the efficiency of their work. Using data analysis, developing automated tests to evaluate the impact of management decisions on the efficiency of the company's financial and economic activities, or developing computer programs and algorithms to predict future risks or risks. it is necessary to. Also, the importance of the need to improve the theoretical and methodological foundations of internal audit in enterprises in the corporate management system can be seen in the growing demand for internal auditors with comprehensive practical skills and high qualifications. In addition to technical auditing skills, internal auditors are required to demonstrate effective communication, relationship-building leadership, and strategic thinking. This requires a commitment to continuous professional development and a willingness to adapt to the changing business environment and risks that may arise.

### **CONCLUSION**

In conclusion, it can be noted that the theoretical and methodological foundations of internal audit are not static, but must continue to develop over time. Because new theoretical frameworks and methodological approaches that reflect the changing business environment, technological development and regulatory requirements continue to be created. It is therefore recommended that internal auditors stay abreast of the latest developments to ensure their practice is up-to-date and effective.

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