



FEATURES OF THE INTERNAL AUDIT OF MATERIAL VALUES IN HIGHER EDUCATION INSTITUTIONS

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ABSTRACT

In this article, the auditing methods and procedures used in the internal audit of tangible assets in higher education institutions, in particular, the content of the inventory method used in this process, the characteristics of the inventory method, and the relevance of conducting research in this field are revealed. In the "discussion" part of the article, the opinions expressed by the economists who conducted scientific research on this topic, their scientific views, and the aspects of their opinions different from the author's scientific ideas are highlighted on the basis of theoretical opinions. In this, the sources reflecting the ideas of each economist who conducted research on the topic of the article are reflected in detail.

Also, in the article, the characteristics of the internal audit of tangible assets are described on the basis of the author's scientific research on the example of higher education institutions. The article describes the important tasks of the internal audit of tangible assets in higher educational institutions, the tasks of the inventory commission on tangible assets, the inventory stages in the internal audit process, and the issues of improving the inventory process in the internal audit.

At the end of the article, the researcher summarized the scientific and practical conclusions within the topic, and formulated relevant scientific and practical recommendations. The list of literature used in the formation of the content of the article is reflected based on the established order.

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Introduction. It is known that the decision of the President of the Republic of Uzbekistan dated August 21, 2017 "On further improvement of the financing mechanism of educational and medical institutions and the state financial control system"¹ adopted, and in accordance with the decision of the President, the financing of these institutions and the system of state financial control were further improved in order to ensure the effective operation of the employees of educational and medical institutions, the purposeful use of allocated budget funds.

Also, in accordance with this document, from September 1, 2017, accounting services were terminated and financial and accounting services were established in the lower institutions of the Ministry of Higher and Secondary Special Education of the Republic of Uzbekistan. The main tasks of these accounting services are to prepare and implement cost estimates of subordinate institutions, to control the calculation and payment of wages, to purchase the necessary material assets, as well as to monitor the accounting of budget and extra-budgetary funds of institutions, that is, their income and expenses, based on economic analysis. In accordance with this decision, new structural divisions of internal audit and financial control services were established in the field of education. Prevention of illegal spending of budget funds, i.e., elimination of the reasons for violations of the law, is prescribed for these services. Another of the opportunities created by this decision in higher education institutions is the exploitation of buildings and structures in the system of higher education institutions, effective use of gas, water, and electricity, and monitoring of the condition of equipment, as well as the establishment of specialized repair and exploitation departments. This system provides effective results in the maintenance of buildings and structures. It should be noted that as a result of the conducted analysis, it became known that some of the problems in higher education institutions are caused by their financial and economic deficiencies. As a result of the implementation of this decision, the relevant responsible leaders of the education sector have been freed from non-professional work, allowing them to focus more on improving the quality of education and medical services by engaging in core activities.

Discussion. As it is known, "On measures to further improve the state financial control system"² In accordance with the Presidential Decree, the Accounts Chamber, together with the Ministry of Finance and the Ministries of Information Technology and Communications Development, launched the "State Audit" program. Since January of this year, the results of the audit activities conducted by the internal audit services, that is, the official report on the audit results, the identified cases copies of relevant supporting documents are included in this program. In our opinion, in order to improve internal audit in institutions, it is necessary to deeply understand its content. It is in the field of internal audits of budget organizations that many scientists have conducted scientific research. Based on the opinions of foreign and local scientists, the author's definition can be formulated as follows: internal audit service in budget organizations is an internal control activity carried out in order to ensure the legality of the transactions carried out in the institution and to assess the reliability of the institution's financial indicators. He conducted scientific research on the topic "Improving the activities of the internal audit and financial control service in budget organizations".

As a result of the research, it became known that until today the activities of internal audit and financial control services in higher education institutions were thoroughly studied by the researcher Z. Hamidova. The researcher touched upon the financial control system of educational institutions and paid attention to aspects such as the fact that studies and preventive measures related to financial activities in the system of higher education institutions are conducted by three employees of the

¹ Resolution No. 3231 of the President of the Republic of Uzbekistan dated August 21, 2017 "On further improvement of the financing mechanism of educational and medical institutions and the state financial control system". www.lex.uz

² Decree of the President of the Republic of Uzbekistan dated August 27, 2021 No. PF-6300 "On measures to further improve the state financial control system". www.lex.uz

"Internal Audit and Financial Control Service" of the Ministry.

In Uzbekistan, it is necessary to strengthen control over targeted and rational spending of budget funds³. If we pay attention to the scientific research carried out on this topic, "to further increase the transparency of the budget process and to strengthen public control over it, to improve budget financing, accounting and reporting mechanism, to increase the responsibility of strengthening budget discipline in institutions under the authority of ministries and agencies, as well as modern information technologies and prevention of violations of budget legislation by introducing internationally recognized financial control standards"⁴ and the issue of improving the methodology of accounting and financial control in higher education institutions has not been considered in detail as a whole scientific work. The widening of understandings on this topic and the lack of research in this field determine the relevance and importance of the topic in the context of modernization of the economy, and it is necessary to carry out scientifically based research on the improvement of the methodology of financial control of tangible assets in higher education institutions. According to economist S. Mehmonov, "Internal audit is aimed at verifying the compliance with the legislation and monitoring the preparation and implementation of estimates by the organization, ensuring the reliability of financial reporting data, observing the discipline of budget estimates, targeting and rational spending of funds. is an activity"⁵.

"Many scientific research centers and institutes are conducting research on improving the internal audit service in the public sector abroad. These include the American institute of certified public accountants (AICPA), Center for accounting research and technology (USA), International financial reporting standards of board (IFRSB), The institute of internal auditors (IIA) and the financial university under the government of the Russian Federation (Russia). includes"⁶.

Today, conducting internal audits in educational institutions, paying wide attention to the study of methodological problems, the expediency of improving the activities of the centralized internal audit and financial control service, and the changes in the current regulatory and legal documents in accordance with the conditions of modernization of the economy indicate the need to conduct deep scientific research in this field.

Materials and methods. In the course of research on the topic of the article, scientific methods of studying the processes of economic reality - generalization, grouping, logical and comparative methods of analysis, abstract-logical thinking, comparative analysis, statistics, perspective forecasting, grouping, and the data obtained as a result of personal observations of the author were widely used.

Results. In recent years, a lot of attention has been paid to the field of education in our country. In particular, expansion of the material and technical base of higher education institutions, proper promotion of the activity of professors and teachers, and application of innovative approaches in education are among the priority tasks. In the reforms for the development of higher education, not only state higher education institutions but also non-state higher education institutions are given wide attention. As a result, the coverage level of young people with higher education is increasing.

According to the requirements of the current regulatory documents, the financial control of material assets in higher education institutions is carried out in the following forms:

1. Planned inspections of the State Financial Control Department;
2. Planned inspections and studies of the Internal Audit and Financial Control Department of the Ministry of Higher Education;

³ Address of the President of the Republic of Uzbekistan dated January 23, 2020, "Pravda Vostoka" publication of the Cabinet of Ministers of the Republic of Uzbekistan, January 28, 2020. www.lex.uz

⁴ Decision No. PQ-3231 of the President of the Republic of Uzbekistan dated August 21, 2017 "On further improvement of the financing mechanism of educational and medical institutions and the system of state financial control". www.lex.uz

⁵ Mehmanov S.U. Improvement of accounting and internal audit methodology in budget organizations. i.f.d. diss., written for a degree. autoref. - T.: 2018. - 74 p.

⁶ www.mf.uz – Official website of the Ministry of Finance of the Republic of Uzbekistan

3. Inventory inspections conducted by the management of the higher education institution within the time limits specified in National Standard Accounting No. 19.

In order to ensure the effectiveness of higher education institutions, proper organization of the internal audit service in these institutions is considered urgent. The internal audit service plays an important role in the rational and effective use of material assets available in the institution, and in establishing control over them. The management of higher education institutions should accept the internal audit service as a link that contributes to its significant contribution in the development of activities. It is important to effectively organize the internal control system and internal audit service in order to prevent deficiencies in the operation of higher education institutions and their occurrence.

Aspects that should be paid attention to by the internal auditor during the implementation of the internal audit of material assets are the study of the availability and storage condition of material assets.

checking whether the transactions carried out on the movement of material values are correctly, completely and timely reflected in the accounting accounts

to determine whether the tangible assets available in the institution are the property of the enterprise, i.e. they have property rights, whether the tangible assets taken on loan are reflected as liabilities

checking whether liabilities related to material values are correctly and legally assessed

to study whether the accounting principles of tangible assets are correctly selected and applied

1-figure. Important tasks of the internal audit of material values in higher education institutions⁷

The tasks of the internal audit service include providing managers not only with accounting, but also with other economic information, and other accounting system information of the institution, including information about existing risks (fig. 1). The purpose of conducting an internal audit of tangible assets is to ensure the legality of transactions related to the movement, storage, and use of tangible assets in the institution, and to assess the reliability of the indicators in the reports on them. During the internal audit of tangible assets, the internal auditor must determine the following. In our opinion, it is appropriate to carry out an internal audit of transactions related to tangible assets in the following sequence:

- to study the rules of accounting policy on material values;
- study and assessment of the level of reliability of the internal control system for material values;
- inspection of the warehouse and the condition of the warehouse building;
- to study the state of financial responsibility for the storage and use of material valuables and the reports of materially responsible persons;
- analysis of the composition of material values as of the date of the audited report;
- analysis of the state of input and output of material assets;
- checking whether material values are correctly and legally assessed;
- the study of the correct organization of synthetic and analytical accounting for material values;
- to study the reliability or truthfulness of the reporting indicators on material values.

⁷ Author development.

In our opinion, the risk level may increase during the audit of tangible assets in the following cases:

- a high probability of theft of material values;
- lack of evidence proving identified deficiencies;
- failure to reflect and confirm mandatory requisites in the documents on the write-off of tangible assets;
- loss of documents on material values;
- the possibility of an unjustified write-off of material assets.

Various methods are used by auditors in internal audit processes, in particular, inventory of material assets, recalculation, and other methods are widely used during the audit. According to the instructions for carrying out an inventory of tangible assets, the inventory is carried out in several stages. At each stage, relevant primary documents are created. First of all, an inventory transfer order (decision, order) is issued, which is recorded in the control journal over the execution of the inventory transfer orders (decision, order). Then an inventory list and a document are filled out, which provides information about the account of material values that are actually available. At the next stage of the inventory, the results reflected in the accounting accounts are compared with the results of the inspection.

It is envisaged that internal audit specialists will participate in the inventory of material assets as part of the inventory commission, along with representatives of the institution's management, accounting, technological and other services. Before the start of the inventory process, the internal audit specialist must verify the existence of an inventory procedure in the accounting policy of the non-state higher education institution and whether the content of this procedure complies with the requirements of the methodological instruction. In accordance with these instructions, a working and permanent inventory commission is established in the institution based on the order or order of the head.

The internal auditor must be aware that illegal transactions may exist even in properly prepared external documents. Therefore, during the inspection, it is recommended to call the signatories to confirm the authenticity of the signatures on the acceptance of material values. It is recommended to view documents in good lighting conditions (daylight). The front and back sides of the document are taken into account during the review. The results of the inventory should be reflected in the month of completion of the inventory and in the annual report.

The tasks of the working inventory commission on tangible assets are as follows (Fig. 2):

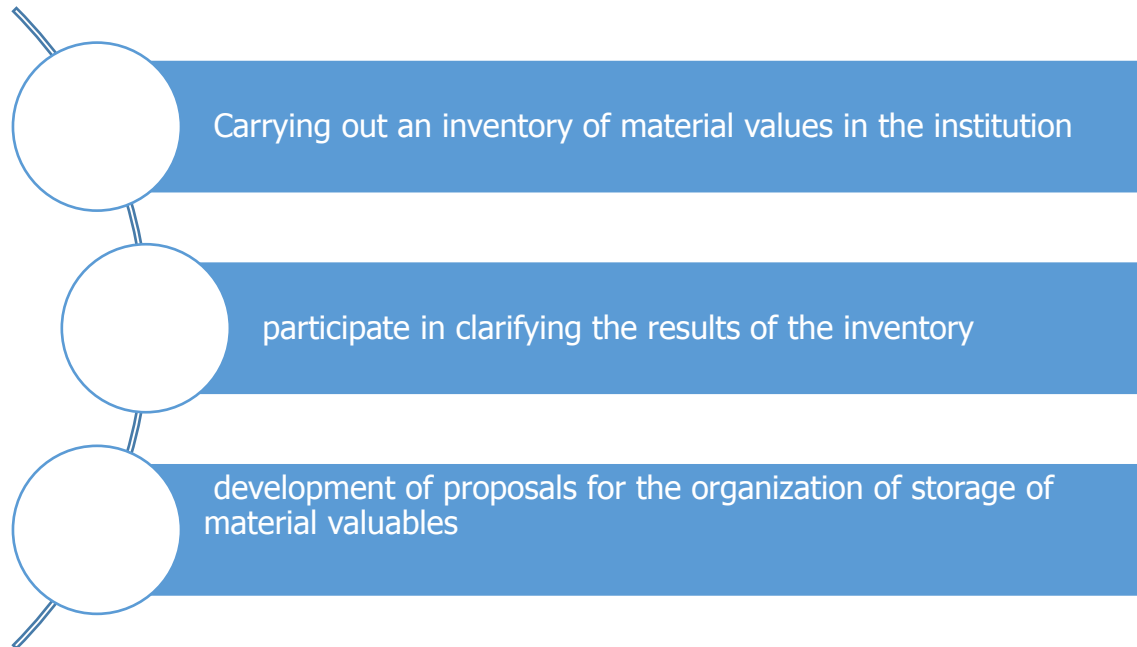


Figure 2. Tasks of the inventory commission on tangible assets⁸

Before starting the inventory of tangible assets, the internal auditor must determine the following:

- to determine the time interval in which the inventory was carried out at this facility;
- verification of accounting documents on the previously conducted inventory at this object;
- getting acquainted with the nomenclature and size of material assets;
- determination of expensive material values;
- analysis of the existing system of accounting for material values;
- to determine the strengths and weaknesses of the accounting system of material values.

In order to ensure the continuous control of the availability and preservation of tangible assets, a selective inventory may be conducted in non-state higher education institutions at intervals of the inventory period. Their transfer does not differ from the transfer of a gross inventory, but the inspection is carried out by separate names of tangible assets. Control inspection, which is a form of selective observation, is carried out after the gross inventory in order to determine its quality.

In our opinion, unlike other researchers, in order to improve the efficiency of the financial control process in higher education institutions, we consider it permissible to implement the following recommendations (Table 1).

Recommendations on the effective organization of the financial control system of higher education institutions⁹ **1-table**

| № | Content of the recommendation | Recommendation implementation mechanism |
|---|--|--|
| 1 | Changing the name of the Department of internal audit and control of the Ministry of higher and secondary special education of Uzbekistan to the Department of financial control | Management naming is grammatically incorrect based on words that repeat each other or are mutually synonymous. Because the content of the term "internal audit" is a concept included in the term "financial control". Grammatical repetition concepts are |

⁸ Author development.

⁹ Prepared by the author

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|---|---|--|
| | | used in naming. Legal and linguist experts consulted and the Ministry of Higher and Secondary Special Education of Uzbekistan consulted with the public to change the name of the department to the name of the "Financial Control" Department. |
| 2 | A separate "internal audit service" in the institutions within the system of "States of exemplary management, technical, service and educational support staff of higher education institutions" registered in the Ministry of Justice on 21.02.2017 with No. 2859 to establish a department and ensure that at least 3 specialists work in this department | In the Ministry of justice on 21.02.2017, in a document entitled model States of Management, Technical, Service and technical, training and auxiliary personnel of higher education institutions No. 2859, 3 employees in the Department under the ministry and 1 employee in the system institutions. The activity of the (internal auditor-deputy chief accountant) is determined. This does not give an opportunity to fully control the financial activity of the institution (many labor, insufficient work, low productivity of 1 employee). Recruitment of qualified specialists, consisting of a chief, one chief specialist and one leading specialist, to the newly proposed department. |
| 3 | Development of a model Charter and other Normative-Organizational and Documents of the new proposed department | Model forms of department regulations, work regulations and other organizational documents were developed and recommended for use. |
| 4 | Incorporating the new proposed department into the department directly under the rector, hiring or changing the workplace in agreement with the head of the department and the Ministry of Higher and Secondary Special Education of Uzbekistan, equalizing the status of the head of the department with the status of the rector's advisor on financial affairs | To include the department in the structural structure of the institute as a department directly under the rector, to hire the head of the department and employees in agreement with the Ministry of Higher and Secondary Special Education of Uzbekistan or to change the place of work, to make the head of the department the advisor on financial affairs of the rector , equalization to the status of the Ministry of Higher and Secondary Special Education of Uzbekistan, the supervisory board of the institute and the decisions of the board of the institute and the preparation of the orders of the rector of the institute and others |

In our opinion, the main attention of internal auditors should be focused on inventory results. In accounting, the results of the inventory are reflected in the month in which it is completed. The results of the annual inventory are included in the annual financial report. Reflecting the results of the inventory in accounting is carried out as follows:

- the excess of material values is taken into account at the market prices on the date of the inventory

and included in the financial results;

- the deficit of material values and its excess over the norms of natural deterioration are included in expenses. The deficit of material values exceeding the natural norm is charged to the guilty persons. If the guilty persons are not identified or the court refuses to demand the deficit from them, the deficit is transferred from the deficit of material values to the financial results. In the implementation of mutual calculations, general conditions and one type of material values are carried out by a specified person at a specified time. When a deficiency is detected, this deficiency is assigned to the guilty persons.

In our opinion, it is appropriate to carry out the inventory in the following stages during the internal audit process:

1. Preparation stage. At this stage, a decision is made to conduct an inventory, and documents are prepared. In particular, the leader issues an order to conduct an inventory (according to the form of Appendix 1 to the national standards of accounting report No. 19), which includes information such as the names of officials who are members of the inventory commission, the period of conducting the inventory, and the types of account objects being inventoried.

2. Inventory transfer stage. The following assets and liabilities (debt) of the enterprise are inventoried:

- fixed assets (AV), intangible assets (NMA), and inventories (TMZ);
- costs of work-in-progress and future periods;
- financial investments;
- funds (in the cash register, in the bank settlement and currency accounts, on the way), monetary documents, and fixed report forms;
- receivables and payables (accounts with banks, the budget, buyers and suppliers, employees, accountants, etc.);
- property that is not considered the property of the enterprise (rented fixed assets, goods received under a loan agreement, goods in custody, goods accepted for commission).

Inventory transfer consists of a visual inspection and calculation of fixed assets, inventories, cash, and fixed reporting forms, as well as documents confirming the rights to intangible assets, securities, debts, etc.

3. Analytical stage. The data obtained according to the results of the inventory is analyzed, that is, the data determined in reality is compared with the accounting data. When differences in accounting data (surplus, deficit) are identified, reconciliation records are drawn up based on the inventory list (documents), which reflect the differences between the accounting data and the data of the inventory lists (documents) (clause 4 of the national accounting standards No. 19).

4. The stage of summarizing and formalizing inventory results. The final stage of the inventory is documenting the results of the inspection. The results of the inspection determined during the inventory are summarized in the report. At the end of the inventory, it is advisable to conduct a control check on its correctness. In the last stage, the results of the inventory carried out on material values in the reporting year are summarized on the basis of the comparison-comparison report and the inventory report.

It should be taken into account that in order to hide deficiencies and violations in organizing the use of material assets, in many cases, the investigated persons agree with other employees in advance or they themselves try to change one or another important conditions of the experiment and thus distort the results. In this regard, it is appropriate to involve non-interested persons or conduct the experiment with the participation of a group of internal auditors to improve control and monitoring of the implementation of the conditions of the experiment. The progress of this investigation is recorded from beginning to end with the necessary details in one or more documents signed by its participants. The results presented in the report will be used in the subsequent audit and will be reflected in the internal

audit report.

Conclusion. As a conclusion, it is worth noting that in improving the internal audit process in non-state higher education institutions, it is necessary to pay more attention to the inspection methods. Therefore, we consider it appropriate to use such methods as inventory, measurement, and laboratory analysis in the internal audit of material values. The use of these methods serves to effectively control material values and prevent fraud.

In our opinion, in order to ensure the effective use of the property and funds of the higher education institution, it is appropriate to widely establish the activities of the internal audit department in the higher education institution. Today, in the practice of higher education institutions, the work of internal auditors consisting of one state has been established, and in practice, they are facing problems such as insufficient time and lack of manpower in establishing internal control of the financial and economic processes of higher education institutions. In our opinion, in order to establish the activities of this department, we consider it appropriate to develop a statute (charter) for the department in accordance with the requirements of the current regulatory documents. Because the Charter serves as the main regulatory legal framework that determines the status, main tasks and functions, rights and obligations, and the procedure for organizing the activities of the internal audit department of the higher education institution.

The composition and types of tangible assets are wide, they occupy the largest share of the total assets of higher education institutions, and they are used by many employees. This, in turn, requires the organization and conduct of control and audit measures to ensure the entry, storage, and targeted use of technical means and commodity stocks in higher education institutions. Since higher education institutions are public sector organizations, they are subject to budget control and audit procedures. At the same time, the granting of financial independence to higher education institutions creates new theoretical and methodological directions in terms of control and audit of material values.

In world practice, special attention is paid to scientific research on improving the methodological basis of the internal audit service in budget organizations. Also, the control procedure in the internal audit service of budget organizations, risk assessment and minimization, rational use of budget funds to increase the organization's work efficiency, and organization of control based on international internal audit standards are being studied scientifically. 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.

In our opinion, it is appropriate to use modern information technologies for the activities of internal audit and financial control service in institutions, including the use of programs such as AuditNET, IT AUDIT: Auditor and AUDIT XP complex audit, and use of camera control in internal audit processes. The use of camera control procedure saves the time of the internal audit staff, increases their productivity and creates an opportunity for continuous monitoring.

Scientific proposals and practical recommendations formed as a result of research serve to improve internal audit processes in higher education institutions.

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