

IMPROVEMENT OF INTERNAL CONTROL IN JOINT-STOCK COMPANIES OF UZBEKISTAN

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In the conditions of liberalization of the economy, several works were carried out to develop the industry of the Republic of Uzbekistan and equip the production areas with modern equipment based on high technologies. Therefore, the main focus in the implementation of these works is the importance of Joint-Stock Companies in the production of exportable competitive products. Therefore, great attention is paid to the issue of their development and practical work is being done to further raise the level of demand for authorized capital. The current requirements for the optimization of the activities of joint-stock companies, including the organization of an internal control system, dictate the revision and improvement of existing regulatory documents.

Table 1.

Change in the dynamics of the number and composition of Joint-Stock Companies in the Republic of Uzbekistan(as of January 1)ⁱ

№	Indicators	2020y.	2021y.	2022y.	2023y.	Change in 2020 compared to the year of bazis	
						+;-	%
1.	Number of JSC by Republic, total	597	599	607	628	+31	5,19
2.	including, public stock holders	258	254	234	223	-35	13,6
3.	Foreign capital participation	308	309	321	329	+21	6,1

As can be seen from this table, the total number of shares increased to 31, or 5.19 percent. Including we can see that the number of Joint-Stock Companies with a state share increased to 35 or 13.6 percent. In the following years, much attention was paid to the issue of attracting foreign investment. Including we can see that their number has increased to 21, or their number has increased by 6.1 percent.

The current requirements for the optimization of the activities of joint-stock companies, including the organization of the internal control system, dictate the revision

¹ Муаллиф томонидан статистик маълумотлар асосида ҳисоблаб чиқилган.

and improvement of existing regulatory documents. In particular, taking into account the fact that the main part of the production facilities operating in our country is organized on the principle of Joint-Stock Companies, in the Republic of Uzbekistan it is necessary to critically review the law on the protection of the rights «of Joint-Stock Companies and shareholders» and develop and adopt in a new edition, and in It was the same provision in this law to increase the role and importance of supervisory boards, general meetings, audit commissions of Joint-Stock Companies, to provide more guarantees for minor, that is, shareholders with little stock in their hands, to expand the possibilities of all shareholders and future investors to obtain information about the activities of joint-stock companies. From this point of view, it remains an urgent task to diversify the types of activities of economic entities of various activities, that is, in joint-stock companies, consisting of Integrated Capital emerging in our country in the conditions of the development of a market economy, to improve strong control of the management system and cash flows, constant analysis and assessment of its financial situation.

One such problem is the issue of the Audit Commission in joint-stock companies. As we know, the instruction on the inspection commission in Joint-Stock Companies was specified in the law of the Republic of Uzbekistan "on the protection of the rights of Joint-Stock Companies and shareholders", adopted in 1996, since then there have been no serious amendments to the article of the law related to the activities of the inspection commission. Currently, we think that we have several grounds for making changes in accordance with the relevant part of the activities of the Audit Commission of the legislation of Joint-Stock Companies, the principles of corporate governance.

According to Article 110 of the law "on the protection of the rights of Joint-Stock Companies and shareholders" of the Republic of Uzbekistan, the general meeting of shareholders in accordance with the Charter of the Society for the control of financial and economic activities of the society elects the Audit Commission. The main task of the Audit Commission is to carry out an audit on the results of activities within a year or another period of financial and economic activity of the society, as well as prepare a report on the results of verification for the general meeting of shareholders. At the same time, under the initiative of the Audit Commission, shareholders have the right to carry out audit work on the decision of the general meeting, the Supervisory Board, or at the request of the shareholder (shareholders), who owns at least ten percent of the voting shares of the society. The law does not limit the rights and powers of the Audit Commission, the society sets out the functions of the commission in its charter.

It should be noted that the Audit Commission is given a lot of powers by shareholders in the legislation and legislation as a means of controlling the activities of society. The Audit Commission may require an extraordinary meeting of shareholders, while the executive officers in the governing bodies of the society are obliged to provide documents related to the financial and economic activities of the society at the request of the Audit Commission. The shareholders themselves determine the duties of the Audit Commission on issues not provided for by the law "on the protection of the rights of Joint-Stock Companies and shareholders". So, the document regulating the activities of the Audit Commission, that is, the regulation "on the Audit Commission of the Joint-Stock

Company", is considered an internal document of the society and approved at the general meeting of shareholders.

The legislation of Joint-Stock Companies did not specify the independence of the members of the commission from the executive, in addition to allowing the Audit Commission to operate independently as a supervisory body. Of course, the law establishes restrictions on employees of the inspection commission, according to which members of the society inspection commission cannot simultaneously become members of the society's supervisory board, as well as Occupy other positions in the society's governing bodies(Article 110 paragraph 7), but members of the commission can be elected from the composition of other employees of the society. This will keep the staff subordinate to the executive body.

Another of the problems associated with the Audit Commission is that there is no mechanism of current control over the activities of the commission, madomiki says that the Audit Commission is prescribed to report only at general meetings of shareholders, while it is known that general meetings of shareholders are not frequent. In addition to the fact that this situation limits to some extent the possibilities of influence on the activities of the society by the Audit Commission, it remains tousled to carry out current control over the activities of the commission.

Under the legislation of many countries, the obligations of internal control officers are also supplemented by the control of the movement of funds for the legalization of income and financing of terrorism and the provision of information to the relevant authorities, which is not included in the requirements of the Basel Committee. In the organization of internal control in modern banks, we think that control over each amount of the client is not so correct in our opinion, which does not give the expected result. But the issue of applying these indicators in Joint-Stock Companies has not found its solution. Internal control is therefore also said to be internal, in which it is understood to control rehash, following legislation to the objectives set by Joint-Stock companies, without establishing control over the activities of customers. The concepts of internal control and control should not be confused.

We proceed to computerizing the internal control system of the Joint-Stock Company and its assessment, taking into account that internal control is continuous, then the necessary software must be created for the organization of effective internal control. It will also be possible to evaluate the internal control system based on the level of availability of this software. A simple example in some joint-stock companies, the leader directly controls each account sheet, connected to the internal information base of the Joint-Stock Company, of course, such cases indicate that the internal control of the Joint-Stock Company is effectively established. In addition, analyzing what programs are used, it makes it possible to evaluate the maintenance of the internal control system, even based on the possibility of these programs on each operation. An internal control base must be established, that is, it is necessary to organize the inclusion in the base based on a specific example, even if the shortcomings identified by the internal control personnel are not in a specific position. This allows, first of all, a new generation of employees to pass as an internship, and secondly, to form an effective internal control program based on these shortcomings. For example, if it is noted that" the software of a joint - stock company in

the electronic reports department, the correspondence Department of accounts, when funds transferred from a customer account directly to a plastic card account in a Debit Turnover are seen, unreasonable funds are transferred from a customer account", then on the basis of this information, the next time the investigating employee These cases may go unnoticed when viewing accounting documents on a sample basis, so if seen as in the case above, the quality of the review results will increase. As practice shows, in some joint-stock companies, audit commissions are organized only to comply with the requirements of joint-stock legislation, representing in itself a form specific to formality. Such commissions do not carry out appointed work, the main task of the members of the commission will be to confirm the conclusions of the reports prepared by the finance and accounting departments for general meetings of shareholders. This in depends on several objective factors.

1. In accordance with the law, the Audit Commission should be the instrument of control of shareholders over the activities of the Joint-Stock Company, above all, over the activities of the executive body. But practice shows that the shareholders themselves do not feel the need for an audit commission. Proof of this is that all or most members of the Audit Commission are made up of society employees. This makes them subordinate to the executive body on their own. The meaning of the functioning of the Audit Commission, organized in this way, remains incomprehensible.

2. Currently, many enterprises have integrated business ownership and management functions, which we can see on the example of owner-managers. During the management of the society, the owner will be able to control activities as the head of the society, while not needing an inspection commission. Cases of owners giving up operational management of the company and switching to the management of the board of directors have been prominent over the last years. means argues that while Strategic Management and control are exercised by the board of directors, these owners may also be disinterested by the Audit Commission as a control tool for the functioning of the society.

3. In relation to the employees of the inspection commission, no professional requirements are established in the regulatory documents. This results in the quality of the work being far from the expected results, while the lack of professional expertise of the commissioners prevents the audit work from being done sufficiently. 4. So, since the Audit Commission reports only at the general meeting, the possibilities of influencing the situation in the Joint-Stock Company of the commission will be limited. Operational control over the activities of the executive body of the Joint-Stock Company is carried out by the supervisory board. Another internal control body established by the law is the Internal audit Service(article 110-1), which provides current control and assessment of the work of the executive body, representative offices, branches and accounting departments of the society. But under the legislation of the Internal audit Service, the balance sheet assets amounted to 1 billion. it is established that it will be organized in enterprises not less than a sum. The presence of two supervisory bodies intended to protect the rights of shareholders makes it possible to compare the effectiveness of control, and as a result, it is known that one is ineffective and superfluous. Here the two questions arise, the first is whether there is a need to give part of the functions performed by professional internal auditors to the Audit Commission, and whether it can be considered that the audit

commissions, on which internal audit functions are currently imposed, are justifying themselves. Before answering this question, it is necessary to clarify the main functions and tasks of the Internal audit Service. According to Article 4 of the regulation on Internal audit Service in enterprises, the main functions of the Internal audit Service are defined as follows. Main functions:

- implementation of internal audit (quarterly and at the end of the reporting year) by conducting appropriate inspections on the directions specified in paragraph 12 of this regulation in accordance with the plan approved by the Supervisory Board of the enterprise every year;

- conducting an examination on the compliance of concluded economic contracts with legislation;

- methodical assistance to the structural units of the enterprise in maintaining accounting and drawing up financial statements, providing them with advice on matters of finance, taxes, banking laws and other legislative acts;

- assistance to the Supervisory Board of the enterprise in the development of technical tasks, evaluation of proposals of external audit organizations, and preparation of recommendations when choosing an external audit organization for conducting audit examinations. During the performance of its functions, the inspection commission carries out the following types of work;

- Checking the financial documents of the Joint-Stock Company, the conclusion of the Audit Commission for inventory of property, comparing the indicated documents with the data of primary accounting;

- Checking the compliance of contracts concluded on behalf of the Joint-Stock Company, transactions carried out, accounts with counterparties with the legislation; - analysis of the compliance of the accounting and statistical accounting under consideration with the existing regulatory rules;

- check compliance with regulatory indicators, rules, etc. established in financial and economic, production activities;

- Analysis of the financial condition of the Joint-Stock Company, its solvency, liquidity of assets, the ratio of its own and borrowed funds; improving the economic condition of the enterprise, improving its reserves and developing recommendations for the management bodies of the Joint-Stock Company;

- to verify that payments to the budget, dividends on bonds, interest accrued and paid by suppliers of products and services, interruption of other obligations are carried out on time and correctly;

- checking the balance sheets of Joint-Stock Companies for tax inspectorate, statistical bodies, state governing bodies, whether reporting documents are correctly drawn up;

- To check the correctness of the decisions made by the board of directors or the board of the Joint-Stock Company, their compliance with the Charter of the Joint-Stock Company, the regulation on the management of the Joint-Stock Company and the decisions of the general meeting of shareholders;

- analysis of decisions of general meetings of shareholders, making proposals to change them in case of discrepancies from the laws and other regulatory documents of the

Republic of Uzbekistan. In our opinion, the answer to both questions is negative. First, if an internal audit is organized, the Joint-Stock Company does not need to operate an audit commission. Because, due to the variety and abundance of operatives carried out in a Joint-Stock Company, the audit of financial and economic activities requires a higher professional-qualification and experience from the Examiner. The absence of professional requirements in regulatory documents in relation to members of the Audit Commission negatively affects the functioning of the internal financial control system.

Therefore, the performance of control work over financial and economic activities in organized Joint-Stock Companies by internal auditors with a special certificate leads to an increase in the effectiveness of internal financial control. Secondly, when all or most of the members of the Audit Commission are made up of society employees, this in itself makes them subordinate to the executive body. As a result, the Audit Commission is deprived of the opportunity to fully implement its function. The assessment of the activities of the internal control body, which is limited in capabilities, as effective, does not correspond to both logic and reality, of course. A supervisory authority that can carry out the tasks performed by the Audit Commission in high quality, it can be an internal audit service. The assets of this service are being established in the amount of Joint-Stock Companies established by law. The presence of an internal audit service makes it possible to detect errors and irregularities in time, as well as to take quick action. In conclusion, it can be said that the organization of a logical and effective body of financial control in joint-stock companies is a factor in justifying the trust of shareholders.

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