



 Research Article

INTERNAL CONTROL AS ONE OF THE FUNCTIONS OF ENTERPRISE MANAGEMENT

Journal Website:
<http://sciencebring.com/index.php/ijasr>

Submission Date: June 02, 2022, **Accepted Date:** June 12, 2022,

Published Date: June 24, 2022

Crossref doi: <https://doi.org/10.37547/ijasr-02-06-03>

Copyright: Original content from this work may be used under the terms of the creative commons attributes 4.0 licence.

Z.A. Atabayeva

Lecturer, Department of Accounting and Audit, Fergana Polytechnic Institute, Fergana, Republic of Uzbekistan

ABSTRACT

The article considers the requirements for the organization of control, which allows to significantly increase the level of management of economic objects, special attention is paid to the issues of internal control, as the most important function of the management system, as one of the conditions for the effective functioning of economic entities. It is noted that in modern conditions, internal control is becoming one of the most important elements of effective enterprise management, and the financial result of the organization's activities directly depends on a properly organized management system. The article concluded that the organization's internal control system is an important part of the enterprise management system and business management in general, it enables the organization to prevent large losses and achieve planned results.

KEYWORDS

Internal control, management function, control, economics, finance, goals, objectives, efficiency, organization, information.

INTRODUCTION

For modern economic conditions, the increasing use of highly efficient accounting systems is characteristic, which makes it possible to increase the level of management of economic objects. They successfully provide the opportunity to collect and store information, process it quickly, identify deviations from the intended indicators, and analyze data. As a result, "Digital economy ... increases the efficiency and quality of accounting, forms modern innovative approaches to the integration of various types of accounting" [2]. On this basis, it becomes possible to gradually systematically monitor the activities of all sections and divisions of the organization, track changes in environmental conditions, and make appropriate adjustments promptly.

The use of advanced accounting systems creates the prerequisites for strengthening the centralization and efficiency of control, enhances the impact of control on all aspects of the production and financial activities of the organization, and transfers control functions over their activities to the highest level of management. That is, "As a result of ... the use of digital technologies, an increase in the quality of reporting data, a reduction in the time for preparing reports, simplified administration of reporting indicators, and a reduction in the costs of collecting, processing and analyzing data" [3].

Today, requirements are imposed on the organization of control, where special attention is paid to internal control, as the most important

function of the management system, as one of the conditions for the effective functioning of economic entities as a whole. Namely, "... control of results becomes one of the main management tools that provide top management with accurate, complete and timely information" [4].

The development of a market economy puts forward the task of developing such control systems that would enable the organization to have the information necessary for management, predict the dynamics of changing market conditions, analyze, evaluate and prevent the occurrence of inefficient commercial operations, crises of financial and economic activity, offering the management apparatus alternative solutions exit from them.

At any stage of the management process of an economic entity, deviations of the actual state of the management object from the planned one are inevitable, timely information about the quality and content of such deviations is achieved by the internal control of the enterprise.

In the Republic, the requirement for internal control is introduced by Article 21 of the Law of the Republic of Uzbekistan "On Accounting", No.404 dated April 13, 2016, where it is noted: "Internal control is a system of measures organized based on an accounting policy adopted by the head of an accounting entity to ensure the legality, the economic feasibility of business operations, the safety of assets, the detection and



prevention of cases of theft and errors in maintaining accounting, financial and other reporting” [5]. At the same time, the internal control of the committed facts of economic life is organized and carried out by each subject of accounting.

It follows that internal control is one of the main functions of management, and is a system of continuous monitoring and verification of the organization's work in order to assess the correctness and effectiveness of managerial decisions, identify deviations and adverse situations, inform management in a timely manner to make decisions to eliminate, reduce the risks of its activities and their management. That is, internal control is a form of feedback, through which violations are detected in time, and timely management decisions are made in order to prevent negative phenomena in the organization's activities.

THE MAIN PART

Recently, the internal control of the organization has received more and more attention. This is due to the fact that organizations are becoming more and more involved in global integration and economic processes, as well as economic institutions, and, accordingly, their activities must meet international requirements and standards.

The growing interest in internal control is also due to factors such as:

- 1) Internal control, there is one of the few available and at the same time underestimated resources, the correct use of which can increase the efficiency of enterprises and organizations;
- 2) Even the largest companies fail, as the institution of external audit can cause serious failures;
- 3) The transfer of business management by the owners of companies to professional managers, due to the high-quality organization of internal control;
- 4) Organization of internal control in order to streamline the business processes of enterprises, which leads to very significant cost savings.

In the new economic conditions, internal control is one of the most significant factors influencing the financial results of organizations, as well as the current financial condition and long-term plans for their development.

Oriented to the growth of performance, control in one form or another exists in every organization. The larger the organization and the more complex its organizational structure, the broader the requirements for the control system and the more urgent the task of improving its quality becomes. At the same time, market conditions determine a fundamentally new approach to understanding the essence and content of the control. In this regard, the economic significance of the issues of theory, methodology, organization of internal control of organizations and the insufficient development of these issues in modern business



conditions poses a requirement for improving internal control methods.

To build internal control in a particular organization, it is necessary to establish: what are its goals; what are its main elements; What are the principles of internal control? At the same time, it is important to realize that it is useful only if it is aimed at achieving specific goals, and before evaluating the results of control, it is necessary to determine these goals. In particular, there are five main objectives of internal control:

1. Reliability and completeness of information;
2. Compliance with policies, plans, procedures, and legislation;
3. Ensuring the safety of assets;
4. Economical and efficient use of resources;
5. Achievement by divisions of the company of goals and objectives.

Based on analyzes of the sources studied, it was established that control alone cannot solve the tasks facing it. This requires interpenetration of control into other management functions. Therefore, theoretically considering each stage as a separate element of the management process, it can be assumed that an element of control is present at each stage of the management process, from which the concept of internal control can be interpreted as one of the stages of the management process.

In this connection, the main tasks of internal control should be assistance to the management of the organization in the form of control of

ensuring investment attractiveness; achieving transparency of the financial and economic condition of organizations for their participants (founders), investors, creditors; creation of an effective mechanism for managing the organization, etc. [6-10]. Internal control, focusing on the ratio of management and control objectives, should ensure an increase in the efficiency of the enterprise as a whole. ▸

At the same time, the main goal of internal control is to identify deviations of the actual state of the managed object from the normative, planned and many other characteristics in accordance with which it must function, reflecting the state of control in various reports in accordance with the management accounting methodology, on the basis of which optimal management decisions can be made. Such a goal-setting makes it possible, on the one hand, to avoid assigning various kinds of unusual tasks to internal control, and on the other hand, to more specifically show the general orientation of this specific management function. So, if taken broadly, the purpose of internal control coincides with the purpose of all economic activity, with the purpose of production and management.

Achieving the goals of management is carried out by solving problems consisting of the main indicators of the effectiveness of the management of the organization:

- Establishment and evaluation of the actual state of the object or its part at a given time;
- Prediction of the state and behaviour of an object or its part at a given time;

- Contribute to the achievement of the goals of the economic organization;
- Identification of unused reserves, exclusion of illegal actions and losses;
- Determination and evaluation of the results of managerial actions.

It should be noted that the effectiveness of internal control, and therefore the effectiveness of management as a whole, will largely depend on how the collection, processing, and distribution of information is organized in order to ensure the decision-making process. And accordingly, the solution to these complex tasks related to monitoring the effectiveness of the organization's management will be facilitated by complete, reliable and timely information prepared by internal control units.

Consequently, the principle of organizing internal control focused on monitoring the compliance of the organization's activities with the adopted course of action (targets and benchmarks) is a specific principle of organizing control in the modern economy. According to this principle, internal control should ensure the unity of decision and execution, the successful implementation of tasks, prevent possible errors and shortcomings and ensure compliance with the goals of control and management goals.

Analyzing the main goals of internal control, we can conclude that the ultimate goal of internal control is the success of the organization, which requires, in particular:

- To ensure the effectiveness of activities;

- Comply with laws and regulations;
- Generate reliable reports.

In other words, the purpose of internal control should be to ensure the legality, expediency and efficiency of the enterprise.

In this connection, the following requirements must be presented for the implementation of internal control at the enterprise:

- The obligation of internal control follows both from the requirements of the legislation and from the practice of doing business;
- The continuity and frequency of internal control are determined by the tasks assigned to it;
- The effectiveness of internal control, determined by the tasks of doing business, is assessed in accordance with legal requirements and audit documents;
- The rationality of internal control is fixed as a requirement for its organization by legislative requirements;
- Documentation and reliability of internal controls, also required by legal requirements and audit documents.

RESULTS

Summarizing approaches to the definition of internal control, we state that internal control is a system for monitoring the process of functioning of a managed object and checking its actual state in order to identify deviations from managerial decisions, evaluate the effectiveness of decisions,

and identify adverse events. It follows that the presence of an effective system of internal control in the organization's management system will allow:

- Ensure compliance of the activities carried out with the policy and plans of the organization, as well as with the requirements of the current legislation;
- To increase not only the efficiency of management of the organization and its structural divisions, but also the effectiveness of ongoing operations, and the efficiency of the use of all types of resources;
- Limit the risks inherent in the activities of the organization;
- To prevent the formation of errors in the reflection of business transactions or their detection, and, accordingly, to improve the quality of both accounting and management reporting.
- To prevent deviations of business development from the given direction and participate in the process of making managerial decisions "in real-time", considering each stage as a separate element of the management process, while the element of control is present at each of its stages;
- Ensure the safety of property, identify and mobilize existing reserves in the field of production and finance, and create conditions for increasing the efficiency of the economic activity of the organization;
- In order to maintain the safe functioning of the organization, clearly check the correctness of accounting and tax accounting, as well as the

timeliness and correctness of the preparation of accounting (financial), tax, statistical and other reports [4, 11].

CONCLUSION

In conclusion, it can be concluded that the internal control system of the organization is a very important part of the enterprise management system and business management as a whole. Control gives the organization the opportunity to prevent large losses and achieve the planned results. It will allow you to identify existing problems as soon as possible, prevent and eliminate them in a short time. This will undoubtedly contribute to increasing the profit of the organization, increasing its manageability and stability.

Thus, the creation of an internal control system is the need to reflect the interests of the economic security of the enterprise and the effective work of all its divisions, and the improvement of the functioning of the enterprise depends on the effectiveness of the organization of the internal control system. With its help, violations will be detected in a timely manner and, accordingly, in order to prevent negative phenomena in the organization's activities, the necessary management decisions will be made on them. The absence of control in the organization, regardless of its type and direction of activity, slows down the process of its development or completely suspends it.

REFERENCES

1. Резниченко, С. М., Сафонова, М. Ф., & Швырева, О. И. (2016). Современные системы внутреннего контроля: учебное пособие. ФЕНИКС-Ростов н/Д.
2. Атабаева З.А. (2020). Совершенствование информационно-коммуникационных технологий при ведении БУ в условиях ЦЭ. Ташкент. Научно-практический и теоретический журнал. Иновационное развитие в экономике, № 5-6. С.100-104.
3. Атабаева З.А., Махкамова С.Г. (2021). Цифровая бухгалтерия – это современные технологии и высококвалифицированные специалисты. Ташкент. “Ракамликтнсодиётни ривожлантириш’ шароитнда бухгалтерия хисоби, аудит, тахлил ва назорат тизимларини такомиллаштиряш масалалари”. С. 229-232.
4. Атабаева З.А. (2022). Учётная политика организации и её связь с налоговым планированием. Международная конференция по достижениям в области образования, науки и гуманитарных наук. С. 35-37. Германия. <https://www.econferencezone.org>
5. Закон Республики Узбекистан «О бухгалтерском учете», Статья 21. Внутренний контроль, г. Ташкент, 13 апреля 2016 г., № ЗРУ-404.
6. Атабаева, З. А. (2019). Организация учета инвестиций на Капитальные вложения. Проблемы современной науки и образования, (12-1 (145)), 58-63.
7. Atabaeva, Z. A., & Khojaev, A. S. (2020). Investment activity and analysis of investment projects. ISJ Theoretical & Applied Science, 5(85), 714-720.
8. Атабаева, З. А. (2021). Оценка Финансового Состояния В Процессе Инвестиционного Проектирования. Central Asian Journal Of Theoretical & Applied Sciences, 2(12), 309-314.
9. Атабаева, З. А. (2021). Оценка Эффективности Планируемых Инвестиционных Проектов. Central asian journal of innovations on tourism management and finance, 2(12), 51-56.
10. Атабаева, З. А. (2020). Оценка эффективности инвестиционных проектов с учетом факторов неопределенности, риска и инфляции. The American Journal of Management and Economics Innovations. №12, с.5-12.
11. Атабаева, З. А. (2021). Оценка Финансового Состояния В Процессе Инвестиционного Проектирования. Central Asian Journal Of Theoretical & Applied Sciences, 2(12), 309-314.