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THE ADVANTAGE OF INTERNATIONAL STANDARDIZATION AND  
INTEGRATION IN CONTROL AND AUDIT IN THE PUBLIC SECTOR

ПРЕИМУЩЕСТВО МЕЖДУНАРОДНОЙ СТАНДАРТИЗАЦИИ И  
ИНТЕГРАЦИИ В ОБЛАСТИ КОНТРОЛЯ И АУДИТА В  
ГОСУДАРСТВЕННОМ СЕКТОРЕ

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**Abstract.**

*The article discusses the international experience of control and the application of international auditing standards in the public sector.*

**Key words:** control, audit, budgetary organization, states, budgetary funds, auditor, standard, financial reporting, accounting.

**Аннотация.**

*В статье рассматривается международный опыт контроля и применение международных стандартов аудита в государственном секторе.*

**Ключевые слова:** контроль, аудит, бюджетная организация, государства, бюджетные средства, аудитор, стандарт, финансовая отчетность, бухгалтерский учет.

**Introduction.**

The development of international integration in the field of financial control and audit provides as its most important task to increase the efficiency of public financial resources management by providing the society with objective information about the work of public institutions. In modern conditions, world practice, the main priorities of audit in the public sector are determined by the assessment of the legal justification and correctness of the use of budget funds and the maintenance of accounting accounts, the assessment of the effectiveness and savings in spending public funds. All this necessitates the introduction of international accounting and reporting standards for the public sector, the quality and reliability of information reflecting accounting and reporting, the most complete accounting of financial transactions that create conditions for analyzing the dynamics and level of budgetary debt, tax benefits, and evaluating the effectiveness of budget services provided.

**Materials and methods.**

One of the urgent problems of improving accounting in Uzbekistan is bringing the accounting system in the public (budgetary) sector in line with the requirements of international financial reporting standards.

IFRS is an important part of accounting, the use of uniform forms of which would help to understand not only people working in the field of budget and accounting, but also a wider range of users, including taxpayers, legislators, lenders, suppliers, media

representatives and workers ...

The preparation of financial statements in accordance with IFRS should be aimed not only at providing information to users for making decisions, but also at ensuring that the institution is accountable for the resources entrusted to it.

International standards in general and IFRS of the public sector in particular do not contain any mention of accounting, since they are focused on the result of the work of accounting services, and not on the methods of accounting for the formation of these indicators. In this regard, IFRS does not use the correspondence of accounts, but the names of the reporting elements (assets, liabilities, capital, income, expenses, depreciation, etc.)

The main task of improving the budgetary process is to bring the principles and requirements of accounting and reporting in the budgetary sphere in line with the conditions of activity in a market economy. The main instrument should be IFRS. They ensure the comparability of accounting information between institutions and are a condition for the availability of accounting information for external users.

The transition to IFRS is a rather complicated and lengthy process, during which application problems may arise, such as a lack of information, the complexity of the texts of the standards. Moreover, both the original texts of the standards and the translated ones are difficult to understand, due to their direct translation without clarification of concepts that are new for domestic specialists. It is certainly impossible to switch to IFRS overnight. Whether their full application is possible and necessary, or their partial application is possible. Until now, this issue is controversial, and is it really necessary to use them in the public sector.

It is generally recognized that the authorities are accountable for all financial resources they control, commitments made and the results of managing these resources and commitments, including financial resources of state-owned enterprises and extra-budgetary funds of budgetary organizations.

They are accountable to taxpayers, creditors, legislatures, and other users of financial information. All this obliges them to include in the financial statements analytical indicators characterizing financial indicators in the field of public administration. [1-3].

### **Results.**

As you know, financial statements reflect the financial position and results of financial activities of government organizations. In particular, the annual report of a budgetary organization should characterize the performance of the state functions assigned to it - the supply of ordered public services, as well as the results of its financial and economic activities. Financial performance information is intended to show the results of public financial management. An important role is played by the assessment of the achievement of goals and objectives that guide the authorities in the distribution and use of financial resources, including budget funds. If such information is available, the qualitative and quantitative indicators of budget services can be compared with the dynamics of financing of the corresponding areas. [6, p.133].

According to international legal and regulatory principles, the reliability of the



financial statements of public organizations should be subject to an independent and reputable auditor who is not directly or indirectly associated with the authorities. Auditing standards are the main focus of the budget control guidelines. Modern auditing standards are aimed at ensuring the unification of audit procedures, increasing confidence in the audit results. In addition, the standards define the most important audit methods that help improve the quality of audit activities.

The peculiarities of audit engagements in the public sector are that the appointed auditor must take into account the specifics of the requirements of the relevant regulations, instructions from ministries and departments, decrees and directives affecting the activities of a public institution. At the same time, auditing standards should be applied by all professionals who assume responsibilities for performing audit engagements. A professional auditor may be required to report on the reliability and appropriateness of a public sector entity's performance, such as the level of productivity, quality and volume of services offered.

He may also be required to provide the following conclusions:

- compliance with the legal and other regulatory requirements of the relevant authorities;
- on the adequacy of accounting and control systems;
- about the economy, efficiency and effectiveness of programs, projects and various activities.

In engaging in public sector engagements, the professional auditor forms an opinion on the financial statement or compliance with reporting assertions or directly prepares a report on the assessment of specific transactions. He may be required to report not only on the reliability of financial statements, but also on the performance indicators for the implementation of a particular state program.

The main provisions of international auditing standards in their application to the public sector allow us to conclude that, in general, the general requirements of professional standards may be quite applicable to the public audit system. At the same time, the priority is those provisions that should be spelled out in more detail at the national level requirements for the audit of financial statements and performance audit. This is especially true for such provisions as the participation of public and private auditors in the governmental audit process; expansion of requirements in the field of the volume and range of audited information, presentation and publicity of the results.

A comprehensive analysis of international requirements in the field of methodology and standards of public audit as a modern progressive form of public financial control allows identifying such priorities in the implementation of international financial reporting and public sector accounting standards as opportunities to achieve a high-quality level of control. National auditing standards do not contain sections related to the public sector, so when checking, for example, executive bodies have to develop additional methodological documents and requirements, which often contradict the provisions of the adopted standards and their international analogues. This causes an urgent need for

scientifically grounded and legislative formation of standards for the control of state funds and property and giving them the status of national standards. In such standards on government audit, it is necessary to consolidate common terminological and methodological approaches that should be applied by all subjects of relations within the public sector. In this case, the corresponding sections of international auditing standards can be taken as a basis, taking into account national characteristics and applied interpretations.

**Discussion.**

In this respect, the international experience in the field of the so-called executive control is interesting. Basically, it is implemented through specialized financial executive bodies that exercise certain control powers at various stages of the budget process when planning, executing or approving a report on budget execution. At the planning stage, these are the ministry of finance or administrative and budgetary departments, line ministries and departments. From the experience of the development of the control system in Sweden, it is clear that up to 2006. there existed only the leading executive control body - the state audit service, that is, control was concentrated at the executive level. The system of state financial control bodies in Russia is complex, numerous and not typical for most countries. [5, p.131].

The organization of the system of executive control within the US departments shows that in each of them there is a Chief Inspector who performs the functions of the chief controller and representative of the state. He constantly monitors the activities of the department, evaluates the current decisions made, forms opinions and endorses annual reports. This ensures state control, independent of the department, and since it is of a current nature, it is quite effective. In countries with a federal structure, the system of state financial control is built similarly to the federal level. Follow-up control functions are often combined with up-front control within regional administrative and budget offices or executive control within the regional treasury. Various schemes of interaction between the National Accounts Chamber and similar regional bodies are used - from fairly strict guidance to general methodological cooperation. However, at the local level there are no special bodies of state financial control, and private auditors are involved in such control. The main function of state financial control is recognized by law to audit accounts; authorization of the allocation of funds.

So, in the UK recognized: approval of financial statements; case management control; assessment of the effectiveness of the use of public funds. In France, the National Audit Office has been given certain law enforcement functions and the right to impose punishments, to issue a court decision, for this, the Attorney General is included in the board of the Audit Chamber. In Sweden, the priority is to assist in establishing an optimal financial management system for a public organization. Sweden and the UK use joint audits with public and private auditors. In foreign practice, mixed forms of state control are allowed.

In France, there are regional control institutions, the presidents of which are also members of the National Audit Office. The regional chambers meet under the

chairmanship of the President of the National Audit Office and define their tasks for conducting thematic audits. In Austria, the regulation for individual federal states differs. Some control bodies are integrated into the regional management system. Other institutions are organized as audit chambers or control committees, have more autonomy and are subordinate to the state parliament. The control measures are approved together with the Chamber of Auditors of the Federation, which reports to the parliaments of the Federation and L?nder. [4, p.246]

The main priority is the transition of the system of state financial control to the form of state audit. This process takes place all over the world and is a general direction of development of the methodology of control activities in the field of public finance. [7-8].

Currently, in Uzbekistan, as part of the implementation of projects to introduce the digital economy, a system of electronic invoices is being actively introduced. This event is very important and one of the main areas of the digital economy. The experience gained in using electronic document management since 2018 in the field of entrepreneurship shows the existing advantages of using this system. Saving time, labor and material resources associated with the delivery of primary documentation. A significant advantage to this is the ability to store primary documentation in electronic format in databases, which makes it possible to find the necessary primary document at any time. In addition to all this, on the basis of the electronic invoice system, the formation of relevant tax reports (calculations for VAT and Turnover Tax) has been greatly simplified. All these benefits can be enjoyed by organizations operating on a commercial basis.

#### **Conclusion.**

Today in budgetary organizations, a system of incoming electronic invoices is being developed and is already being actively used, which works to "receive" goods, works and services, since basically, in essence, budgetary organizations have the character of an "end consumer". You might think that this function is irrelevant, since budgetary organizations do not create goods, works and services for sale to the end consumer, accordingly they do not pay taxes on turnover, profits, and you can do without the function of outgoing electronic invoices in the public sector. But let's take a deeper look. Today in the public sector there are enough areas that provide services. For example, paid medical services, which can be paid for both by individuals and by commercial legal entities that incur the costs of treating their employees, or who carry out routine medical examinations of employees. It is necessary to note the sphere of education, which provides services of paid-contractual education, which can also be paid for by both individuals and commercial legal entities.

Accordingly, the issue of the functioning of the system of outgoing invoices in the budget sector is quite relevant today. Also, a significant gap today in the budget sector, despite the fact that it is provided with a very high-quality software product for the accounting of UzASBO, is the lack of electronic exchange of invoices (invoices) for the receipt and transfer of inventory within the budget sector itself, i.e. between budgetary organizations of various levels. This function in the UzASBO software package would



allow monitoring the acquisition, movement and write-off of goods and materials in the public sector, and as a result, eliminate the corruption component in the production of public procurement.

This development of control is due to the active operation of the modern mechanism for financing expenditures from budgets, the process of its unification and optimization. This improvement is facilitated by international accounting and reporting standards, including those related to the public sector. The process of transferring, through international standards, the best practices in budget technologies, which makes it possible to effectively carry out public expenditures, have more complete information on the results of the implementation of government programs, and assess the reliability of information provided by participants in the budget process, is becoming more and more priority.

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