

Features of the Organization of Internal Audit in the Construction Industry

Tulovov Erkinjon Tolqin ugli

researcher, Tashkent state university of Economics

Abstract

This article covers the issues of organizing an internal audit in the construction industry. As a result of the conducted research, proposals were developed to eliminate cases of fraud through internal audits in the construction industry.

Keywords: *construction, audit, internal control, internal audit, internal auditor, fraud, inventory.*

INTRODUCTION

Construction is one of the industries most prone to fraud. In this industry, falsification of inventory, concealment of completed work, weak system of internal control and complex document circulation system make it easy to steal funds. In the conditions of constant economic development, the need for an advanced internal and external control system for the economic entity is increasing.

The internal control system is a part of the internal audit of the construction organization and should be considered as a specific management activity performed by directly authorized employees. Planning, financing and control of activities will depend on the activities of internal control bodies. The above-mentioned goals are achieved through the internal audit of the construction company.

LITERATURE REVIEW

There are many views on revealing the nature of internal control and internal audit in regulatory legal documents and economic literature.

According to Article 21 of the Law of the Republic of Uzbekistan “On Accounting” “Internal control is organized on the basis of the accounting policy adopted by the head of the accounting entity in order to ensure the legality and economic expediency of economic operations, the preservation of assets, the prevention of cases of robbery and errors in the preparation of financial and other reports. is a system of measures” [1].

Anna Eulerich, Marc Eulerich concluded that “In sum, internal auditing is considered to be of great importance in the process of establishing good corporate governance, for example by creating value in the areas of internal controls, risk management and governance processes” [2].

According to Irwan Adimas Ganda Saputra, Achmad Yusuf “Internal audit is an examination carried out both on the company’s financial statements and accounting records, as well as

adherence to predetermine top management policies and adherence to government regulations and the provisions of applicable professional ties” [3].

Edward Yeboah said “perspectives from private sector organizations are less dominance in relation to public sector organizations. It will be worthwhile for researchers to not only look at the internal auditing effectiveness in the private sectors but also undertake comparative studies of both private and public sectors of countries” [4].

Maria Alina Caratas and Elena Cerasela Spatariu concluded that “in such circumstances, internal control needs also new perspectives. In fact, it represents a process developed by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of company’s objectives. The management is required to disclose significant internal control deficiencies. At another level, internal auditors are required to provide objective, relevant and reliable opinions on management’s assessment” [5].

However, not enough attention has been paid to the organization of internal audit in the construction industry.

RESEARCH METHODOLOGY

The rules of organization of internal audit are reflected in regulatory legal documents. The organization of internal audit in economic entities based on international standards is of great importance in improving the scientific and methodological apparatus of audit activity.

ANALYSIS AND RESULTS

When preparing a report in a construction company, short periods of its preparation have a negative effect. This situation leads to overburdening of employees and causes deterioration of reporting quality. All this gives an idea about the need and importance of auditing in integrated groups.

The main types of fraud in the construction industry include the following (Figure 1).

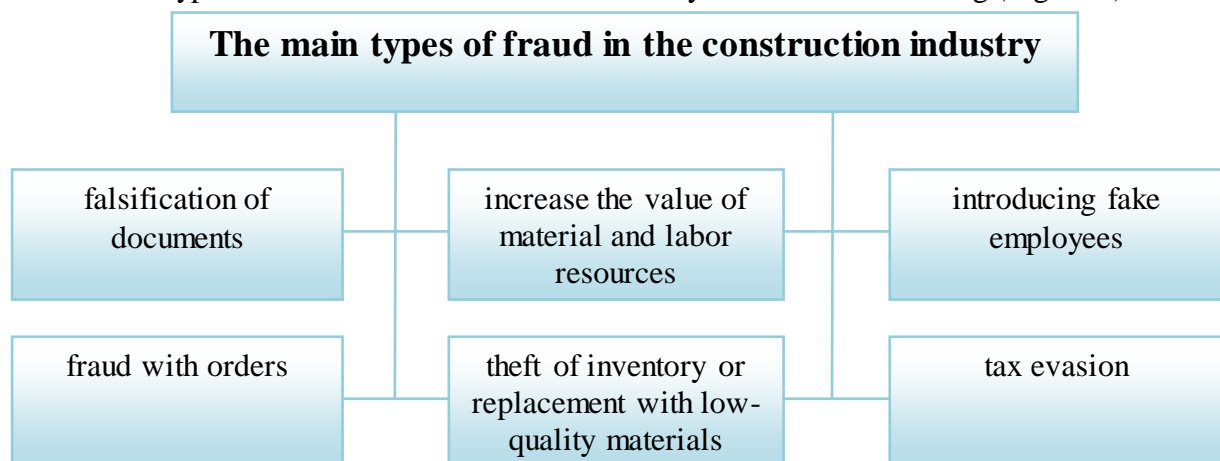


Figure 1. The main types of fraud in the construction industry¹.

The internal audit activity of the construction organization should be considered as a certain management activity performed by directly authorized employees, which provides for the provision

¹ Made by author.

of special actions to improve the quality of the information space on which management decisions of the management are based, aimed at increasing the efficiency of financial and economic activities. In this case, the auditor must maintain his independence and act in the interests of the construction organization, not directing information to a narrow circle of management.

Thus, the complexity of the management system ultimately leads to the complexity of its control environment. As a rule, the control environment includes the level of awareness of the company's employees and the management's efforts to establish and support the internal control system, as well as understanding the capabilities of this system.

Internal auditors use various methodological and technical methods of auditing depending on the purpose of conducting audits.

The method of internal audit refers to the methods of finding out the object. General scientific and own methods of internal audit are used for control and audit activities to collect the necessary data and obtain reasonable evidence regarding the correctness of the organization's accounting reporting indicators. Common scientific methods are: analysis, synthesis, induction, deduction, modeling, abstraction, etc. Special methodological methods include: practical control, documentary verification, observation, scanning, etc.

Completeness of the internal audit of the construction company is achieved by conducting documentary checks. This is done to objectively assess the reliability of accounting and financial reporting data. Economic analysis, arithmetical verification, comparison of documents and verification of documents - all these are methods of verification of documents and accounting registers used by auditors to assess the appropriateness, reliability, legality and nature of the operations carried out by auditors.

Also, the logical method of analyzing the individual operations of the construction organization is considered as one of the most effective verification actions. This type of analysis is used in cases where there is no answer to the question of the correctness of any operation in the legal framework.

In practice, there are other methods of internal audit to obtain audit evidence. These methods include: preparation of an alternative balance sheet, monitoring, scanning, verification of compliance with accounting rules for individual business operations, recalculation.

When conducting audits, it is appropriate to use independent and compliance tests to obtain audit evidence. These tests can be pre-designed or sampled. The method of sampling for obtaining evidence is important. Methods such as the theory of probability and the method of mathematical statistics and the economic-mathematical method of research are used to determine the level of the estimated risk when conducting an internal audit.

Implementation and implementation of various audit systems for the implementation of internal audits depends on the state of the accounting database and the conditions of the computer data processing systems. Since such systems are used in a construction company, further improvement of accounting as an information base for internal audit is mandatory. Of course, as mentioned above, internal audit is a very complex, long and time-consuming process.

One of the most effective ways to solve the problem in order to minimize the time of the audit without losing the quality of this audit is to develop a clear methodology for analyzing each

part or section of accounting. The fact is that it is necessary to approve the composition of control measures at the stage of planning the audit.

Methodologies are being developed according to the same scheme for different accounting departments. Each department of accounting has its own methodology for analysis. When inspecting the relevant department, the internal auditor follows the regulatory legal documents included in the list of main regulatory documents. Conclusions on the status of the registration stage in primary accounting, a list of primary documents is presented to the internal auditor, which in turn is carried out for each department of accounting. The availability of analytical and synthetic accounting and reporting registers helps the internal auditor to understand their relationship with the generally accepted and, if necessary, make appropriate recommendations, using their description for the appropriate forms of accounting. The classification of various violations includes the most frequent violations, especially for the relevant account sections. An internal auditor's questionnaire in the form of a table with answer options and conclusions for the preparation of the analysis program contains the necessary questions that should be included in the audit plan.

These questions are aimed at identifying possible irregularities in the systematization of the account, filing of documents and filling out reports. As for the methods of collecting audit evidence used in the audit, as mentioned above, there are several of them and they are different. There are standard methods of collecting audit evidence, among which the following can be distinguished:

- analytical operations;
- oral request;
- monitor or participate in inventory;
- check arithmetic calculations;
- verification of company documents;
- verification of documents received by the enterprise from third parties;
- monitoring the execution of business operations or accounting operations.

As for the description of the final procedures for detecting violations or violations that may occur in a certain part of accounting, all activities are organized according to the same scheme and include:

- name of control event;
- the purpose of the control event;
- register of tools intended for implementation of the event;
- explanation of the event implementation technique;
- explaining the presentation form to the head of the internal audit department based on the results of the audit.

Checking the quality of the performed works requires special attention, on the basis of which an inspection report is drawn up, and its implementation helps to improve the quality of financial and economic activities and increase the profit of the construction organization.

Therefore, it can be concluded that in the economic literature, internal audit is defined not only as a form, part and method of organizing internal control in the enterprise, but also as a means of identifying and assessing risks.

CONCLUSION

1. When assessing audit risk in relation to internal audit, it should be noted that an additional factor is the assessment of the degree of independence of the internal auditor in expressing his opinion. In practice, it is customary to evaluate the effectiveness of internal audit together with the evaluation of the effectiveness of internal accounting. At the same time, a low assessment of the quality of the internal audit system, as a rule, is revealed only with the subsequent detection of errors or violations, for example, during an external audit.

2. The methodology of the internal audit of the construction company is not only related to the implementation of control, but also the methodological function, because the internal auditor systematically monitors the quality of the accounting environment of the construction company and, while identifying important errors, improves the accounting process and the formation of financial reporting indicators and the improvement of the accounting process gives recommendations.

3. Therefore, the audit risk in relation to the internal audit of the construction company can be expressed not only as the risk of making a wrong opinion about the reliability of financial reporting data, but also as the risk of incorrect proposals for optimizing the accounting policy and the general accounting environment of the construction organization.

REFERENCES

1. Law “On Accounting” of the Republic of Uzbekistan. 04.13.2016. www.lex.uz
2. Anna Eulerich, Marc Eulerich. What is the value of internal auditing? – A literature review on qualitative and quantitative perspectives.// Maandblad voor Accountancy en Bedrijfs economie 94(3/4) (2020): 83–92
3. Irwan Adimas Ganda Saputra, Achmad Yusuf. The role of internal audit in corporate governance and contribution to determine audit fees for external audits. // Journal of Finance and Accounting, 2019, Vol. 7, No. 1, 1-5
4. Edward Yeboah. Critical Literature Review on Internal Audit Effectiveness. //Open Journal of Business and Management, 2020, 8, 1977-1987
5. Maria Alina Caratas and Elena Cerasela Spatariu / Procedia Economics and Finance 15 (2014) 530 – 537