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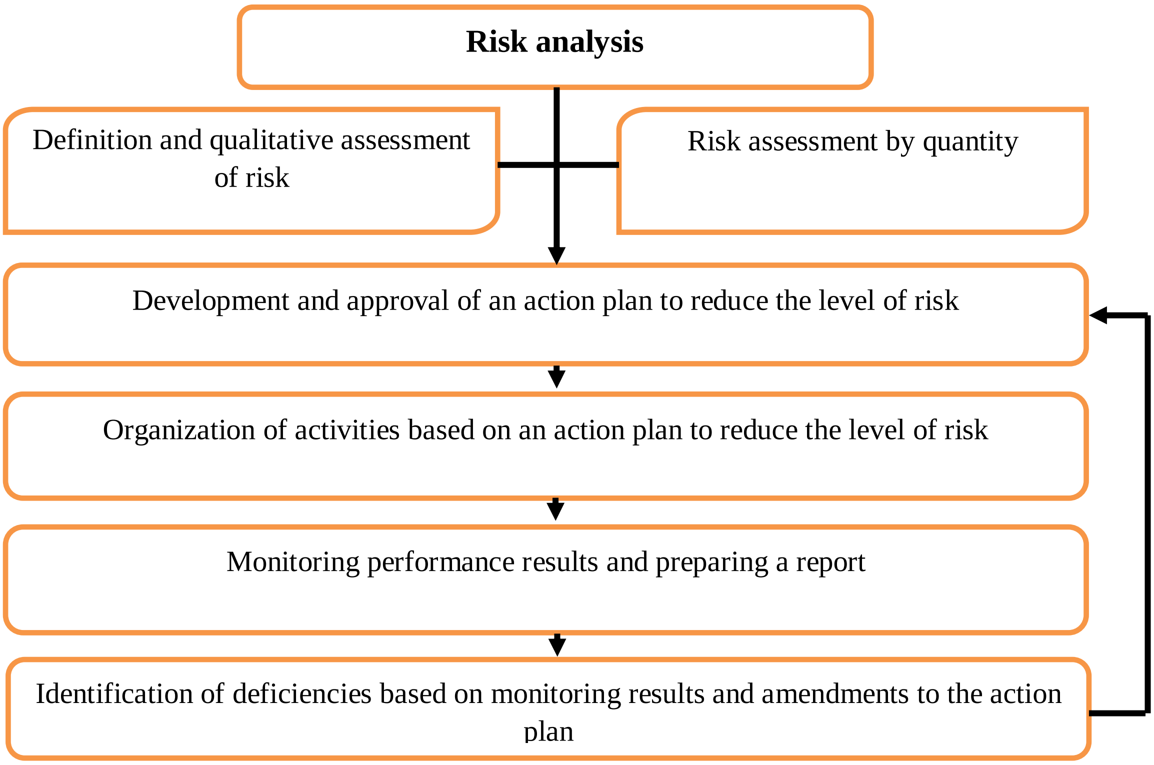
THE ROLE OF AUDIT IN CORPORATE GOVERNANCE

ERMATOV AKMALJON AKBARALIEVICH
Doctoral Candidate of the Department of Accounting and Audit,
Ferghana Polytechnic Institute, Ferghana
E-mail address: akmaljon.ermatov@mail.ru

ABSTRACT
The article reveals the essence of internal audit as a structural unit of the enterprise, and also describes the role of the audit and internal audit services in enterprise risk management during the transition to the digital economy. Achievement of goals by the organization in carrying out activities largely depends on effective risk management. This article discusses a detailed analysis of risks and stages of elimination of risks existing at the enterprise by the audit service. It describes the typical mistakes made by the audit services in business entities, as well as recommendations for their elimination, the possibility of improving the ability to predict the organization's activities based on risk management.

KEYWORDS: audit, internal audit, risk, risk management in the activities of business entities.

INTRODUCTION
In a corporate governance environment, internal auditors, on the basis of identifying common mistakes, have the opportunity to help their organizations achieve business goals and carry out activities that meet the interests of property owners. Audit services are a type of service that is of particular importance in preventing probable problems in the process of activity on the basis of identifying and eliminating existing risks in the enterprise. The stages of this process are carried out in the sequence shown in Scheme-1.
According to the regulatory and legal documents in force in our country, "Internal audit is the activity of a structural unit of an enterprise to control and evaluate the work of executive bodies and departments by checking and monitoring their compliance with legislative acts of the Republic of Uzbekistan, constituent documents and internal documents, ensuring the completeness and reliability of their reflection in accounting and financial reports, on the observance of certain rules and principles of business transactions, preservation of assets and the implementation of corporate governance principles "[1].



Scheme-1. Stages of elimination of risks existing in the enterprise by the audit service

In the practice of entrepreneurial activity, the functions of management of implementation and risks at enterprises and organizations do not give the expected result, and investments in risk management of the managerial body do not justify themselves. The reason for this may be the influence of many factors that arise in various departments or in the management system of an enterprise and organization. As the results of the conducted observations show, in most cases, only a few common errors cause these situations to arise. Practically the subjects of large and small businesses operating in various spheres and territories, these errors are not taken into account in ordinary situations. Making correct and effective decisions on these errors can help make good management decisions to manage the dubious future of enterprises and organizations and increase the level of reliability of periodic forecasts. In turn, these measures increase the "predictive power" of the organization, which leads to increased stakeholder confidence. Identifying future economic traps by internal auditors, as well as providing solutions to eliminate them, serves as a reliable basis for effective risk management of the enterprise. The audit service at enterprises is organized as a set of actions that creates the basis for the timely provision of complete and objective information in order to make the correct management decisions. At the same time, the errors listed below are considered to have a negative impact on the operation of this service and the future of the company. Here are ten of the most common of them. The data in Table 1 include the types of these errors and their comments [2].

Table 1. The main mistakes in the organization of audit services in business entities

No.	Error type	Note
1	**The correct formulation of the question**	Typically, the debate on risk management does not revolve around the question "How can we best build stakeholder confidence?" In fact, the client's interests are not taken into account at all. The question is not asked, "At what level do customers benefit from our control activities?" In fact, customers are the main stakeholder and the enterprise creates and maintains value for them.
2	**Building the right culture**	Organizations are run by individuals who pay little or no attention to opinions other than their own. And when unpleasant situations arise, the leader's actions are directed not at drawing conclusions from mistakes, but at identifying the culprits. In turn, managers and employees tend to hide the problem for longer, because the organization has formed an atmosphere of culture that stimulates the direction of employees' actions for self-preservation. Moreover, the board of directors does not specifically express its opinion on the results of the expected risks.
3	**Providing accurate explanations of responsibility and rules**	Top management has not set specific limits on responsibility for meeting objectives, including meeting compliance requirements. There are inaccuracies in the area of responsibility for maintaining policy and developing implemented measures for the purposes of the organization. Senior management relies on well-publicized policies and action plans rather than experienced, sane people. And managers equate "control" with meeting the requirements of large-scale management principles and protocols written by the central management apparatus, even if it is known that this will not produce the expected result. In addition, business managers are responsible for the results of work performed at their specific levels. And their leaders, in rare cases, study the question, which is simple and basic in this place, "How much do you believe in achieving a planned and agreed goal and not having any unexpected surprises in the future?"
4	**Using the appropriate reward system**	Business managers feel strong pressure to pursue unrealistic goals. In addition, senior management encourages excessive risk taking through awards, bonuses and other compensation payments.
5	**Focusing on Business Purposes**	The organization's risk management activities are not tied to the board's strategic plan, which typically includes growth, efficiency, innovation, standardization, and the pursuit of stability. In addition, there are misunderstandings about ensuring value for each segment of the organization's stakeholders when there is no SMART business goal (accurate, measurable, achievable, relevant and timely) to compare the goals and the present state. Senior managers lack the motivation to find a solution to this situation, because the undefined goal makes it difficult for them to account for the results of the work.

6	**Setting limits on risk assessment**	Risk management programs are not aimed at actively managing inaccuracies in achieving business goals, but are aimed at identifying, classifying and measuring risks of all kinds. Due to their widespread use, the risk profiles listed in the list of 10 main types of risk and other instruments included in the risk category become not an "element" but a "result". In addition, senior management considers it possible to assess the level of risk in advance if it is not possible to develop a complete risk model. In fact, it is difficult to determine the relationship between the factors of several risks, in most cases important data disappears, loss databases have limited properties for predicting the future. Effective control measures carried out in the past cannot be a guarantee for the future.
7	**Look at business managers as executives**	The risk management system includes support functions such as risk management, internal control, quality management, safety and health, information security, revenue generation and internal audit. Industry managers who must balance the dangerous and rewarding aspects of business decision making are not specifically involved in these processes. In many cases, the projection t- managers need to include in their project plans individual risk profile. However , this section often includes only a specific, general risk. Support functions are more focused on implementing and refining compliance measures and do not take into account the day-to-day struggles of business managers serving their demanding customers. These functions are usually described as the collective's "line of defense". Thus, they speak different languages, unlike partners engaged in "attacking the market" "gaining market share."
8	**Consistent management data requirement**	Senior management receives separate periodic reports from the support functions on performance levels, risks, events and trends. Despite this, integrated reports are not compiled that give a general idea of the current and expected performance of the organization's management, analyzed by workshop, department, country, service line, location and other indicators. As a result, top management needs to determine the real situation from many separate reports that provide opposite data.
9	**Make sure that the established rules are working**	Organizations and enterprises are inundated with overhauled regulations from experts who have the ability to develop leading policies and measures (for example, in the field of information security). However , these rules are too complex for industry managers to understand and apply in their day-to-day business, making them difficult to comply with. In addition, there are many empty spaces in the coverage of the main elements of audit control, important audit findings are not taken seriously. For this reason, managers cannot fulfil plans to improve performance at the proper level.
10	**Coordination of internal audit activities with the business**	The risk assessment carried out on behalf of the enterprise management during the development of the annual audit plan is not suitable for risk analysis across the organization. Internal audit, looking at other support functions, should jointly develop and implement internal controls. For fear of losing their objectivity, internal auditors refuse to choose the design of the management structure. In conducting their oversight, instead of a coherent system of entrepreneurship, internal auditors prefer to use their standards and best practice to surprise their clients and supportive colleagues.

The problems listed in table-1 and not taken into account in many cases cause failures in the entrepreneurial activity of enterprises. If the managers of enterprises and organizations do not seek to correct these errors, then this enterprise will be forced to declare its bankruptcy under the influence of strong competition. From this point of view, senior managers and heads of enterprises are recommended the following proposals to prevent and eliminate the above errors in the digital economy and increase the need for reliable sources of information.

SUGGESTIONS FOR ELIMINATING ERRORS

1. The correct formulation of the question

Being "under control" is not a concept that is fully predicted in the world. There are no mistakes made by organizations and managers. Top management must understand the inherent uncertainty of the future and the impossibility of accounting and forecasting with high accuracy its unlimited possibilities. Rather than holding on to the idea that the future can be fully understood, recognized and controlled, management is required to show the courage to identify key stakeholders based on the latest projections.

2. Formation of the right culture

The culture formed in the organization makes it possible to assess the behaviour of managers and employees. It is necessary to issue specific instructions and concepts about which behaviour is justified and which is prohibited, as well as establish precise boundaries for possible deviations from the intended goals. Management needs to maintain the open debate necessary to build stakeholder trust, rather than punish those responsible, and encourage action to learn from company mistakes. Above all, senior management and the board of directors are required to fulfill the necessary conditions to be an example.

3. Providing accurate explanations of responsibility and rules

The organization is interested in organizing systemic management processes based on documents that regulate its policies and activities, that is, regulations, protocols, instructions and others. Top management needs to ensure that numerous separate internal governing bodies and staff with special functions should not issue “internal rules” based on their views and without scrutinizing them. At the same time, they should clarify the situations on which corporate decisions are made (for example, centralized procurement) and the types of decisions made by individual levels of management. Top management should organize an “objectivity check” to prevent an increase in the number of irresponsible leaders in the development and implementation of new rules for the enterprise. Effective management of enterprise policy prevents existing voids, shortcomings and inconsistencies in the rules of the enterprise and serves as the basis for effective business management. In turn, this gives internal auditors the opportunity to receive data as a guide for their audits.

4. Using the appropriate award system

Adequate reward policy is needed to guide people's behaviour in the right direction. High-level managers, through receiving a package of rewards consistent with the long-term interests of the organization, should be an example to others. This provides an incentive for other managers and employees to achieve their goals.

5. Focus on business purposes

The main purpose of all risk management activities: internal control, internal audit and other support functions is to collaborate to achieve the objectives of the organization. Top management needs to keep in mind that these goals, in turn, aim at making the business important and sustainable to its key stakeholders. Ultimately, this is necessary to continue the activities of the enterprise by the interested parties.

6. Setting limits on risk assessment

Risk assessment will lead to a simple view of the future. It is greatly enriched by factors such as personal predictions, knowledge, recent experience and human ability. Moreover, risk assessment should not be one-sided. To determine the level of preparedness of the organization for the future, the analysis should include a set of questions that help achieve the business goals, and issues that may hinder the achievement of the goal. Along with managing risks and the emergence of possible unpleasant situations, senior management must be prepared to deal with unpleasant events that arise. It should ask questions such as "How much better is the business at preventing serious situations from occurring?" and "How much better is the continuous improvement cycle designed?" And also, they need to convince business leaders of the need for a proactive, integrated approach to risks and incidents to support the business management structure at the proper level.

7. Look at business managers as executives

Risk analysis should provide managers with a close-to-reality view of the expected future; in other words, it should include opportunities. Senior managers must resist the fact that support functions look at risk reduction as a very important strategy. They should explain the benefits of the complementary alternatives available to protect business processes in ways that are more effective, proactively managed, and mitigate risks than multiple controls. Industry managers should not understand the responsibility of risk management as a secondary task or a distraction from their "real business" things. The board of directors should organize a "preview" of the existing strategy, plans and projects, should determine how the existing business management system corresponds to the set goal. The board of directors should ask senior management for an explanation of the level not achieved (in terms of quality, time and money). This is considered a major concern for stakeholders. Top management should encourage enterprise leaders to leverage the expertise of risk experts and controllers. These "generalists" must sit at the same table when planning a purchase, producing a new type of product, or emerging new markets. The pursuit of new entrepreneurial opportunities should be undertaken in a phased manner, based on strong discussions about the risks specifically promised.

8. Requirement of Integral Management Data

Top management should demand holistic, integrated reporting from cross-functional teams working together. The goal set for it should be the formation of an idea of the level at which the goal set in the past period has been achieved, and at what level it is to be achieved. Top management should demand information from suppliers using modern analytical tools and methods. It should observe the effectiveness of the management system, first of all, not on the basis of random checks, but on the basis of the analysis of large-scale agreements. It should use constant monitoring of the flow of transfers in order to timely detect violations and negative situations and reduce ambiguities in making management decisions in order to increase the capabilities of business analysts.

9. Make sure that the established rules are working

The organizer leader must demand that the establishment has strict, enforceable rules. The level of clarity and clarity of these rules depends on factors such as management philosophy, completeness of business processes, industry practice, the results expected by regulators and certification requirements. Top managers, when replacing corporate policy with their own specific measures of control over business processes, must support the lower-level managers. If they want a serious approach to the rules, then in this case they must demonstrate that any offenses must have certain consequences.

10. Coordination of internal audit activities with the business

The chief auditor should be able to clearly articulate the role of internal audit in achieving the objectives of the organization. Top management should use the functions of internal audit to help establish the rules for managing the organization as a trusted advisor. The more sophisticated the rules, the more reliable the internal audit activities will be. The internal auditor, if properly managed, must demonstrate an understanding of the types of risks that can help an organization achieve a high level of competitiveness. They should accept the challenge of proactively managing data on how to gain trust, respect and financial support from key stakeholders with complacency.

Analysis provides an opportunity to build the trust of key stakeholders. A detailed stakeholder analysis should always be the first step in any risk management process. Demonstrated business objectives should reflect senior management's choices about the particular value they intend to create for each stakeholder group. Risk assessment, first of all, should be aimed at assessing the likelihood and level of achievement of the intended goals.

Risk management measures should serve to continually improve the forecasting ability of the organization; this largely depends on the quality of the periodic forecasts prepared by the responsible enterprise managers. Making reliable forecasts requires managers to know about the available opportunities, the level of risk exposure and the quality of internal control. The more accurate these forecasts, the higher the level of control achieved by managers.

This approach diverts the attention of business managers from evaluating actual results (comparison by plan, budget, and others) towards achieving stakeholder trust. Ultimately, improving the forecasting ability of the organization reduces the level of ambiguity that the organization may face. This, in turn, will lead to increased trust in the top management of the organization.

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