

THE ESSENCE AND EVOLUTION OF INTERNAL AUDIT DEVELOPMENT

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Annotation. Currently, the organization of the internal audit service in the company makes it possible to provide the most accurate and reliable economic information to the top management of the organization about its current affairs and financial and economic activities, contributes to the creation of a highly efficient accounting system and allows to increase the efficiency of commercial organizations. Based on the review of the points of view of domestic and foreign academic economists on the concept of "internal audit", the article provides a classification of the main approaches to determining its essence. A systematic analysis of the economic literature is carried out, on the basis of which a point of view regarding the concept of internal audit in a commercial organization is highlighted. The article studies the development of internal audit and clarifies the stages of its evolution. The study of the historical aspects of the development of internal audit and its prospects, the clarification of the stages of its development and the proposed definition of "internal audit" will create a theoretical basis for substantiating the directions for improving the methodology of its implementation in the organization.

Keywords: internal audit; stages of internal audit development; evolution of internal audit; definition of internal audit; internal audit function; internal control.

Introduction.

In a market economy, the control system is considered as an important tool for the successful conduct of the activities of a commercial organization. Internal audit is an effective means of internal control, including a set of measures to optimize and control the company's activities, which allows identifying reserves for

improving business efficiency. On the one hand, the internal audit service is directly involved in control measures, and on the other, assesses the effectiveness of the functioning internal control system, develops measures to improve it. Currently, the presence of an internal audit in the company is relevant for the owners of companies, which in many cases can lead to very tangible savings, provide both financial and non-financial information about the state of companies, the prospective development of markets. In order to create an effective internal audit service in the company, it is necessary to investigate the essence of internal audit, which, in turn, involves a study of its development in order to develop a unified internal audit strategy focused on improving its quality. In the study of foreign scientists L. Sauvier, V. Brink, K. Pickett and modern scientists such as R.A. Alborov, V.D. Andreev, A.A. Arens, Ya.V. Sokolov, B.N. Sokolov, A.M. Sonin, V.V. Burtseva, attention is drawn to the need for the development of internal audit, and in the absence of a unified approach to internal audit, its formation and functioning. According to John A.E.'s research, internal audit originated in the XIX century. The first internal auditors appeared in large companies whose business was particularly susceptible to the threat of abuse (this was facilitated by a large volume of business transactions, many complex contracts with suppliers and consumers, territorial dispersion, etc.). It is not surprising that the first companies to resort to internal audit were railway companies, in which it was widespread already at the end of the XIX century. His role was to prevent and detect distortions in the activities of business entities of branches. The dynamic development of internal audit began in 1941 and is associated with the publication of V. Brink's book "Internal Audit", which proves that the role of internal audit goes beyond accounting [1]. During this period, a professional association was established - the Institute of Internal Auditors (IIA). The high-profile corporate scandals that occurred in 2000-2001, related to financial fraud in various companies (WorldCom, Enron (USA), etc.), the adoption of the Sarbanes-Oxley Act in 2002 gave a new impetus to the development of internal audit. It should be noted that the activities of internal auditors have undergone a transformation from a simple audit of financial transactions to an audit aimed at achieving three interrelated goals, which are to ensure compliance with current legislation, the reliability of accounting (financial) statements and the efficiency of the business entity. A distinctive feature

of modern internal audit is its use of a risk-oriented approach to service the risk management strategy of the organization. The prerequisites for the emergence of internal audit are associated with the growth of the size of companies and the increasing complexity of management processes. Internal audit allows you to ensure the provision of guarantees and advice to management aimed at maximizing the value and improving the organization's activities. Methodological approaches to the historical staging of audit activities have been developed in the scientific literature. However, in relation to internal audit, such approaches have not been developed to date. When developing methodological approaches to the staging of internal audit, the stages of audit activity were taken as a basis, taking into account the specifics of internal audit. We have investigated the historical features of the development of internal audit, and the stages carried out by various scientists (Table 1).

Tables 1

Stages of internal audit development

Author	Author	Content
Severenkova L.P. [2, p. 9]	1941 - the end of the 50s. Formation of the profession of internal auditor	In the first years after the establishment of the Institute of Internal Auditors, internal audit was considered as an add-on, closely interrelated with the work of external auditors. Internal auditors were often called upon to assist external auditors in checking financial statements or to perform accounting functions, including reconciliation of accounting data.
	1958 - late 1970s Operational audit	The focus on operational activities was also

		reflected in the formation of a new definition of internal audit, which appeared in 1958, and contained an emphasis on the presence of a deep interest on the part of the internal auditor as an employee of the company in the study of all types of operations in order to increase their profitability.
	1978 – 2002. Standardization stage	For the first time the Standards of Professional Activity of Internal Audit were issued in 1978 and a new stage of functioning of internal audit on the basis of standardized procedures began.
	2002 - to the present. The stage of globalization of the spread of internal audit	The adoption of the Sarbanes-Oxley Act (SOA) in 2002 marked the global legalization of internal audit. There is an EU Directive 9, Basel 2 and a number of other regulatory documents requiring mandatory internal audit.
Kizilov A.N., Ovcharenko O.V. [3]	Initial stage	Confirmation of the reliability of financial (accounting) statements; prevention and detection of abuse.

	Transitional stage	Confirmation of the reliability of financial accounting statements; verification of the effectiveness of the internal control system.
	The modern stage	Improving the efficiency of the organization.

As a result of the study of the concept of "internal audit", several basic approaches to its interpretation can be identified. In a narrow sense, the concept of internal audit is most often identified with the terms "internal control" and "audit". In accordance with the first approach, the concept of internal audit is identified with an audit, which means a comprehensive and in-depth documentary and factual audit of the production, financial and commercial activities of a business entity for a certain period of time. As you know, these two concepts have a lot in common, namely: the assessment and reconciliation of the reliability of accounting statements are carried out according to the same methods of tax and financial accounting, documentary and actual control are carried out in the same way. But if you delve into the concepts, audit is a form of control over an enterprise, organization or company by the state in order to verify budgetary legal relations, and internal audit performs not only control functions, but also orients modern business to obtain information for making managerial decisions. Therefore, the difference between audit and internal audit is obvious, although at first glance these concepts are very similar. Most scientists believe that internal audit is an integral part of internal control, which facilitates the control of various management links by senior management. This position is shared by foreign scientists: R. Dodge, R. Adams and a number of domestic researchers, such as: S. Belsky, O.N. Gorbunova, E.Y. Gracheva. Determining the place of

internal audit in the internal control system shows its commonality with other forms, but at the same time it is an independent direction serving the interests of top management. In another interpretation, internal audit is considered as part of the general audit, which is organized in an on-farm entity. This definition identifies one of the areas of internal audit - assessing the reliability of reporting and identifying distortions inherent in the organization's reporting, and does not mention other tasks such as assessing the compliance and effectiveness of business processes and internal control and risk management systems. In a broad sense, a number of scientists consider internal audit as a way of independent evaluation of the effectiveness of the organization and management bodies, but do not focus on the development of measures to improve and improve the effectiveness of the organization as a whole. In the modern interpretation, internal audit is understood as an independent and objective activity to provide guarantees and consultations aimed at achieving concrete results and improving the work of the organization, maximizing its value. Internal audit helps an organization achieve its goals by using a systematic and consistent approach to assessing and improving the effectiveness of risk management, control and corporate governance processes. This point of view is shared by the International Institute of Internal Auditors IIA. In our opinion, this approach more accurately reflects the essence of internal audit. Thus, based on a review of various interpretations of the concept of "internal audit", the author proposes the following definition, which interprets it as an independent activity in an organization carried out in the interests of its owners and senior management, providing objective guarantees and consultations based on proper management of key business risks in order to improve the organization's activities. The concept is similar to the definition of the Institute of Internal Auditors, but its distinctive feature

is the emphasis on the use of a risk-based approach. The study of the historical aspects of the development of internal audit and its prospects, the clarification of the stages of its development and the proposed definition of "internal audit" will create a theoretical basis for substantiating the directions for improving the methodology of its implementation in the organization.

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