Research Paper

EPRA International Journal of Economic and Business Review-Peer Reviewed Journal
Volume - 11, Issue - 12, December 2023 | e-ISSN: 2347 - 9671| p- ISSN: 2349 – 0187

SJIF Impact Factor (2023): 8.55 || ISI Value: 1.433 || Journal DOI URL: https://doi.org/10.36713/epra2012

THE ROLE OF FINANCIAL CONTROL IN INCREASING RESPONSIBILITY IN THE ORGANIZATION

Temirov Mukhammadali Khamidovich
PhD., Associate Professor, Kimyo International University in Tashkent

DOI No: 10.36713/epra15114 Article DOI: https://doi.org/10.36713/epra15114

ABSTRACT

This article explores the importance of a financial control system in ensuring transparency, efficiency and accountability in the management of an organization's financial resources. The author emphasizes that financial control is a key tool for preventing fraud, complying with legal requirements and optimizing financial processes. The article also discusses how systematic monitoring and analysis of financial performance contributes to risk management and also provides the necessary information to make informed management decisions. Coverage of these aspects highlights the importance of financial controls in the context of increasing overall responsibility in the organization.

KEY WORDS: ***Financial control, transparency, responsibility, fraud, financial stability, efficiency.***

INTRODUCTION

In the modern era of global socio-economic transformations, consideration of the issue of legality and targeted distribution of finance and material resources becomes relevant. This issue becomes the basis for activities in the field of financial control. Approaches to the integration of the internal control system into the management of organizations of all forms of ownership and legal organizational forms, approved both in domestic and international practice, have already confirmed their effectiveness and relevance. However, the changing conditions of the external environment in which economic entities operate require the search for new methods for integrating management and internal control systems. At the same time, there are several different points of view regarding the interaction of these systems, the tools used and its effectiveness. There is also a unique understanding of the role of internal control in the management of organizations.

It should be noted that, in accordance with international experience, each organization has freedom of choice regarding development directions, types of activities, as well as the formation of social and investment policies. This important circumstance emphasizes the individualized nature of strategic decisions made by each organization. In this regard, for successful operation and making the right management decisions, it is necessary to accumulate information and obtain accounting data on various parameters. However, the implementation of effective control procedures seems to be an important condition for ensuring the accuracy and reliability of these data. Control procedures also support management's process of making informed strategic and management decisions.

Thus, the importance of collecting information, accounting data and effective control can be emphasized to ensure the successful functioning and management of the organization in the context of its individual strategic and business characteristics.

LITERATURE REVIEW

The issue of internal control in the context of organizational management has been the subject of research for many scientists both local and foreign.

Fayol wrote in his works that “control at an enterprise consists of checking whether everything is proceeding according to the adopted program, in accordance with given orders and established principles" [1]. Regardless of the field of activity, control plays an important role in management, as it ensures the correct and smooth functioning of all systems [8].

Some authors associate control with the activities of responsibility centers and profit centers, the preparation of information for management to select optimal solutions [2], others argue that the role of internal control in the management system is that control is part of the strategic management mechanism. The control functions of the management system are considered from the perspective of a manager who is responsible for the existence and efficiency of the business [3]. Some economists represent control as a set of methods, techniques and procedures that make it possible not only to collect, process, transform and interpret internal information coming from various departments and services, and to present it in a form convenient for making effective management decisions, as a result of which the effective activity of the economic entity is ensured [4]. In contrast to this opinion, A.Yarugova considers control as one of the goals of management accounting, without giving it independent significance in the organization's management system [5]. Belukha and Vasilyeva consider control as a feedback tool in the management system, which allows for constant monitoring of the organization's activities. Thus, result-oriented managers experience a constant, urgent need for information about the state of affairs, and operational information about financial and economic activities allows the manager to specify his goals by making intermediate decisions and provides the basis for revising goals during the planning period [6, 7].

Based on the opinions of the above mentioned authors, we can conclude that control is an integral part of the management process, performing the function of feedback. Its results are used to correct previous decisions and plans. Control not only identifies deviations from established rules and regulations, but also makes it possible to find out the reasons for these deviations, as well as identify responsible persons, which should lead to increased responsibility.

Thus, control has an important function in ensuring management efficiency, providing information for adapting and improving management decisions.

RESEARCH METHODOLOGY

During the research, the scientific works of local and foreign scientists on the role of financial control in increasing responsibility in the organization were used. Also, general scientific methods of knowledge such as analysis, synthesis, induction, deduction, comparison, and general economic methods: classification, grouping, etc. were applied.

ANALYSIS AND DISCUSSION OF RESULTS

Just like the management of an organization, control cannot and should not be organized within the framework of individual areas, industries or areas of activity. Single efforts, even based on the content of control, will not be effective. Control over the work of the organization and its divisions in all significant aspects is the key to reducing basic and operating costs, effective management and the safety of labor, material and financial resources [4].

One of the necessary conditions for ensuring the efficiency of economic activity, dynamic development, financial stability, increasing the investment attractiveness and market value of the company is the creation of an internal control system that meets the needs of corporate governance at the new stage [9].

In a market economy, increased competition and rapid technological development, as well as due to the increasing complexity of internal and external business processes, managing a business entity becomes much more complex. In this context, in order to make effective management decisions, choose the optimal development path, timely use of emerging prospects and opportunities, as well as in order to prevent crisis situations and reduce risks, constant qualified internal control of the organization's activities has a particular importance.

In this case, internal control takes on the character of a basis that is present at all levels of management, being a guarantee of the successful operation of the organization [10].

The purpose of control is to determine ways to influence the object to eliminate identified deviations. Thus, control ensures the strengthening of the structural control vertical, improving the quality and efficiency of control work, preventing financial risks and losses, strengthening intra-corporate interaction with production, economic and financial departments at all levels of management of the organization. It also provides its management with timely reliable information on deviations of actual performance indicators from standard or planned ones, and the preparation of recommendations for decisions.
The internal control system is built on the principles of legality, responsibility, objectivity and independence in assessing detected deficiencies and violations. In the field of financial control, there are three main functions [11] that are performed to ensure the efficiency and reliability of the organization's financial activities (figure-1):

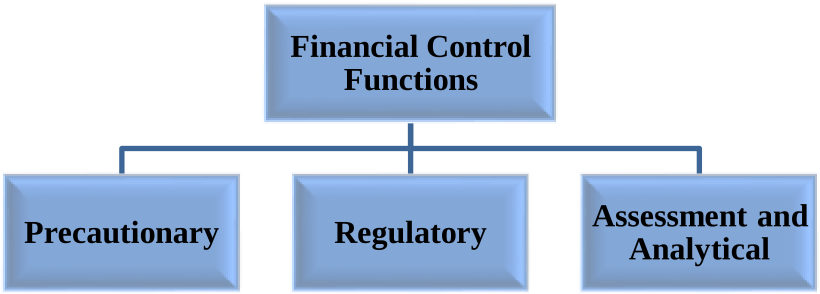

Figure-1. Functions of financial control

These functions work together to provide a robust financial control system that can effectively respond to change and ensure the financial sustainability of the organization.

The precautionary function of financial control is manifested at the following stages:

- Identifying the problem to be solved;
- Setting goals to be achieved;
- Drawing up an action plan aimed at achieving the goal.

This function is aimed at preventing violations of the law and identifying attempts at irrational use of funds at the planning stage and strengthening financial discipline. This function is manifested by the ability to prevent errors even before the adoption of new regulations regulating the economic sphere of state policy and the financial activities of enterprises.

The regulatory function (adjustment) manifests itself at the following stages:

- Carrying out activities aimed at achieving the goal;
- Regulation of actions carried out on the way to achieving the goal.

This function facilitates a prompt response to changes in financial and economic activities, relying on accounting and operational accounting data and visual observation.

The assessment and analytical function of financial control, unlike the other two, manifests itself at all stages of management, as well as at the stage of assessing the results of achieving the goal and analysis. Economic analysis methods are widely used directly in the process of control [13]. The following are the characteristics of the above listed functions (Figure 2).

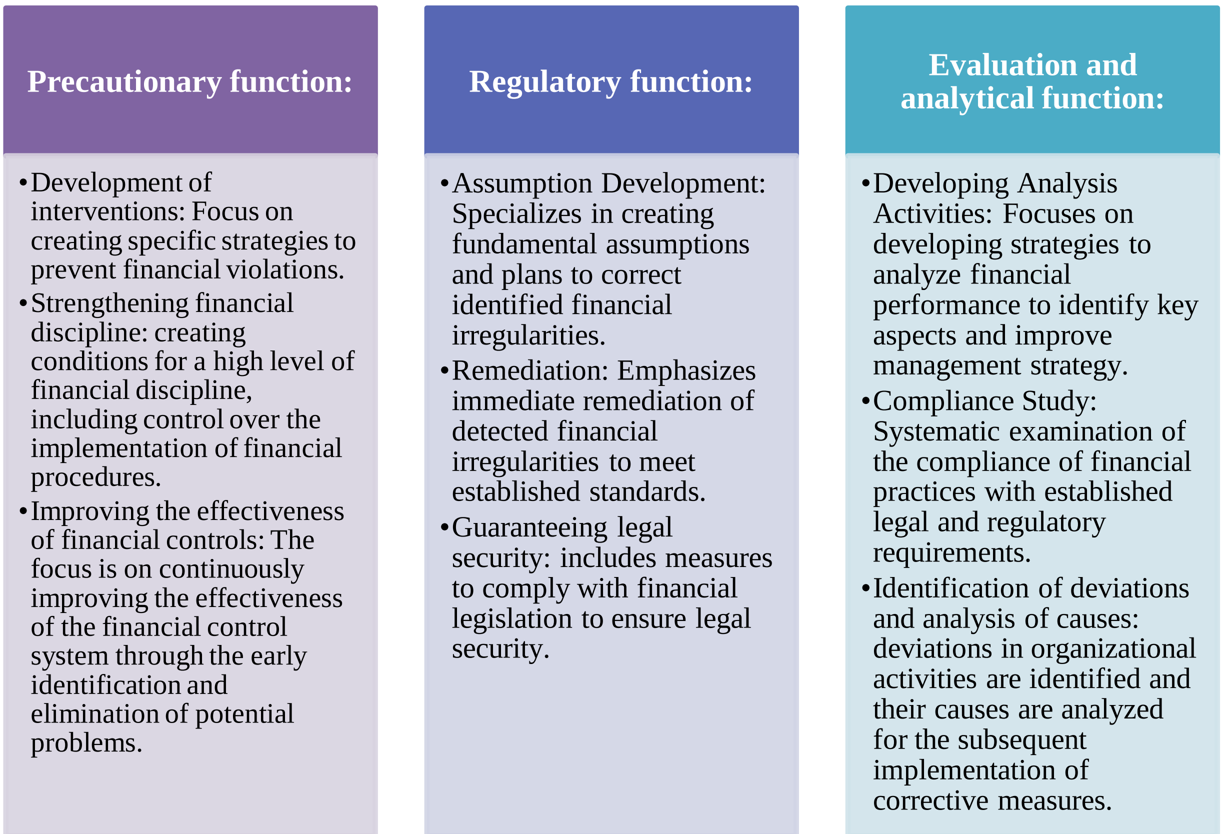

Figure-2. Characteristics of financial control functions

Expanding financial control functions by taking these aspects into account will help adapt control mechanisms to today's dynamic economic environment and increase their effectiveness in preventing financial risks.
Organizing and conducting internal control is supported by a variety of methods, such as audit, verification, supervision, observation, monitoring and examination. The choice of a specific method of internal control is determined by the task established in plans and programs, and also depends on the complexity and specificity of the objects being inspected.

An audit is a mandatory system of control measures, which include documentary and actual verification of business transactions carried out by the organization in the period under review. This audit is aimed at assessing the validity, timeliness, correctness and reliability of the reflection of these transactions in accounting and reporting, as well as verifying the legality of the actions of officials responsible for their implementation in accordance with laws and regulations. The audit includes deep and expanded coverage of the control object, while using a variety of information sources, methods and control procedures. Its peculiarity lies in the specific identification of damage, losses, shortages of valuables and validity based on a system of evidence.

In contrast to an audit, verification is a system of mandatory control measures carried out by a selective method at all stages of financial control. Control and audit checks have the following features:

- By purpose: the audit is aimed at identifying shortcomings with a view to eliminating them, preventing and preventing financial irregularities and abuses, as well as punishing those responsible.
- By character: audit is an executive activity, within the framework of which orders and instructions are carried out.
- Based on relationships: the audit is carried out by order of a higher authority.
- By management connections: the audit is characterized by vertical connections, including a report to a higher level on the implementation of control activities.
- According to the principle: the audit is paid for by a higher level.
- Based on the results: the audit includes an audit report, organizational conclusions, penalties, instructions and transfer of information to a higher authority.

Supervision is the method most commonly used by regulatory authorities to monitor economic entities licensed to engage in certain types of financial activities to ensure their compliance with established rules and regulations.
Observation (both continuous and selective) is a technique for statistical analysis of quantitative and qualitative characteristics of processes of financial and economic activity.

Monitoring is a research method based on the collection, processing and analysis of information about monetary transactions and property that are subject to control in accordance with current legislation and regulations. Monitoring is widely used at all stages of internal financial control.

Expertise is a method based on professional assessments and opinions of specialists in various fields of activity (technologists, financiers, criminologists) for the purpose of subsequent control at the direction of law enforcement agencies.

In general, for the effective operation of an enterprise and the efficient use of its resources, a well-functioning mechanism of internal financial control is necessary.

In general, for the effective operation of an enterprise and the efficient use of its resources, a well-functioning mechanism of internal financial control is necessary. Since internal financial control is an important element in the organization's management system. Its primary purpose is to ensure the reliability of financial reporting, asset protection, compliance with laws and regulations, and improved efficiency. By financial control we mean the activity of exercising control functions over the movement of financial and material assets within established restrictions on the basis of formalized data.

When justifying the need to use control, it is necessary to highlight some characterizing components of the scope of its application, based on the practice of carrying out economic reforms: the budgetary process of formation and distribution of financial resources; targeted use of funds; legality of execution of financial schemes; correctness of accounting, calculation and payment of mandatory payments [12].

CONCLUSION

In conclusion, it can be noted that the expansion of financial control functions, taking into account various aspects, represents an integral element of the modern dynamic economic environment. The introduction of modern methods, such as audit, supervision, surveillance, monitoring and examination, helps to adapt control mechanisms to changing conditions and increases their effectiveness in preventing financial risks.

Audit, as a mandatory system of control measures, plays an important role in assessing the validity and reliability of business transactions, as well as in identifying financial irregularities and abuses. It is important to note that the audit is aimed not only at identifying shortcomings, but also at eliminating them, preventing and punishing those responsible.

In parallel with audit, other methods, such as supervision, observation, monitoring and examination, complement and expand the range of control capabilities. Supervision ensures that economic entities comply with established rules, and surveillance and monitoring are based on statistical analysis to control the characteristics of financial and business activities. The examination, in turn, provides professional assessments of various aspects of the organization's activities.

Combining these methods of internal financial control represents an integrated approach that helps not only ensure the reliability of financial reporting and protect assets, but also improve the efficiency of the enterprise as a whole. Together, they create a streamlined mechanism aimed at complying with laws, regulations and optimal use of resources.

Thus, internal financial control plays a key role in the organization’s management system, ensuring its stability, transparency and efficiency in the conditions of modern economic dynamics.

LITERATURE

1. *Khokhlova T.P. Management theory: history of management thought. - M.: Master, SIC INFRA-M, 2016. - 384 p.*
2. *Satubaldin S.S. Accounting and control in industry of the USSR and*
3. *USA. – M.: Finance, 1979. – 149 p.*
4. *Drucker P. Results-oriented management. - M.: Technological Business School, 1994 – 200 p.*
5. *Chirkov D.A. (2016). Methodological features of integrating internal control into the bank management system. Management of economic systems: electronic scientific journal, (8 (90)), 35.*
6. *Yarugova A. Management accounting: experience of economically developed countries / A. Yarugova. - M.: Finance and Statistics, 1991. - 240 p.87*
7. *Belukha N.T. (2000) Audit: textbook for universities. - Kyiv: Knowledge,-769p.*
8. *Vasilyeva M. (2001) External and internal audit at the enterprise / M.Vasilyeva, Y.Kamfer, O.Stepanova // Economic and Legal Bulletin. No. 6. P.6-15.*
9. *Khybyrtova, L.K. (2021) Functions of financial control at the present stage / L.K. Khybyrtova, F.M. Uzdenova, L.U. Semenova // Matrix of scientific knowledge. -No. 6-1. -pp. 240-245. -EDN MGRSOE.*
10. *Khakhonova, N. N., & Shcherbakova, E. P. (2010). Principles of organizing the internal audit system in holdings. Accounting and Statistics, (4 (20)), 59-63.*
11. *Lyubovtseva E.G. (2007) The place and role of internal control in the process of managing an organization. – M.: Economic analysis: theory and practice. -No. 7(88)yu –P.55-59*
12. *Igonina E.S. (2018) The importance of financial control functions in the management of the state economy. Economy vector. -No. 3 (21). S. 4.*
13. *Filippovsky M.L. (2006) Transformation of the financial control function / Theory and practice of social development. -No. 2. -S. 76-79. – EDN NAWZLN.*
14. *Smelik R.G. Control and audit: textbook / Smelik R.G., Ostashenko E.G. - Omsk: Omsk State University. F.M. Dostoevsky, 2016. – 152 p. – ISBN 978-5-7779-1995-3.*