



PROBLEMS OF IMPROVING THE INTERNAL AUDIT OF EXTRA-BUDGETARY FUNDS IN HIGHER EDUCATION INSTITUTIONS

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-----ABSTRACT-----

The article describes in detail scientific proposals and practical recommendations for planning internal audit, the procedure for conducting internal audit of extra-budgetary income and expenses, as well as solving existing problems in practice in budgetary organizations, in particular in higher educational institutions of the Republic of Uzbekistan.

KEYWORDS: *extra-budgetary funds, internal audit of extra-budgetary funds in budgetary organizations, internal audit plan, procedures for conducting internal audit of extra-budgetary revenues and expenditures.*

INTRODUCTION

In the context of today's globalized economy, along with ongoing reforms in all sectors of the economy, a number of promising changes have been made to the budget system. Radical reform of state organizations and the budgetary system, strengthening the material and technical base, ensuring the effective integration of education, science and production, the formation of state requirements for quantity and quality, as well as the activities of budgetary organizations and institutions is one of the most pressing problems today.

In Uzbekistan, there is growing interest in organizing an internal audit system in budgetary organizations, but there are a number of problems that hinder its development. The main difficulty is that the conceptual framework for internal control and internal audit has not been established, and this is mainly due to the adaptation to foreign, especially European, practices.

Effective organization and management of the internal audit system in budget organizations allows to address issues in the field of risk management. For higher education institutions taken as the object of research, the formation of internal audit departments and their inclusion in the main structure of the higher education institution is a novelty, it is necessary to formulate the basic principles of the formation of the internal audit system in higher education institutions in accordance with international standards.

ANALYSIS OF THE LITERATURE ON THE SUBJECT

In budget organizations, the internal audit service carries out its activities on the basis of planning, which, as a rule, includes a calendar year. However, it is also possible to formulate long-term strategic plans that last from 3 to 5 years. The existence of an internal audit service plan is a prerequisite for the successful operation of the internal audit service. In a market economy, the plan can be changed during the period in which it is made and considered. The plan should be reviewed from time to time in accordance with changes in activities and the needs of the higher education institution.

The plan of the internal audit service, in our opinion, should include the following components:

- scheduled inspections, including a list of subordinate organizations;
- consulting and training of employees of the organization to ensure the quality and efficiency of public services for the implementation of targeted measures;
- time and procedure for preparation of reports and recommendations on the results of inspections;
- mechanism for coordination and approval of internal audit results;
- development and approval of regulatory documents, methods, guidelines, etc;
- work with normative and methodological documents on the implementation of public services and monitor changes in them;



- regular review of internal procedures and improvement of the internal audit service in accordance with changes in regulatory and methodological documents;
- preparation of reports on the results of monitoring the effectiveness of the internal audit service and the development of recommendations for improving the internal audit system;
- ensuring continuous training of internal audit service staff.

Among foreign leading scientists in this field, E.A. Arens and J., K. Lobbeks argued the importance of the following “Planning includes six main stages: preliminary planning, collection of general information, collection of information on the availability of client obligations, audit risk, internal risk, business risk, familiarization with the internal control system and management risk assessment, development of the audit plan and program” [1].

N.D. Brovkina, on the other hand, stressed the need to prepare in advance for the internal audit and divided them into two stages, according to her, “Firstly, it is necessary to determine the possibility of conducting an audit (availability of primary documents in the accounting registers), and secondly, to develop an audit plan and program. At the same time, it is recommended to quickly determine the state of work when performing a control task independently or by examining it as the first (initial) stage of a comprehensive control measure. Independent control measures should not exceed 3-5 days and should consist of prompt review of documents. The first stage of control is to determine the possibility of conducting an audit in the form of a survey (accounting, availability of primary documents). If, based on the results of the initial inspection, the inspector concludes that an inspection can be carried out, it is probably necessary to identify areas of irregularities and errors [2].

According to M.P. Kulakovskaya, “the purpose of planning the primary audit is to draw the auditor's attention to the most important areas of the audit, to identify problems that require deeper study. Planning helps the auditor to organize his or her work properly and to coordinate the work of the assistants involved in the audit. The audit planning process is usually divided into seven stages, namely:

- client's consent to the audit;
- setting the goals and objectives of the audit;
- assessment of the environment of the subject of inspection;
- development of an overall audit plan;
- development of audit program;
- establishment of procedures for each stage of audit activity;
- review the plan and program during the audit.

These seven stages are more related to the non-state sector of the economy. For the conduct of a governmental internal audit, the client's consent is not required, and the management of the audited entity is notified of the commencement of the internal audit. The goals and objectives of the audit are determined in advance, not in preparation for the audit [3].

On this occasion, one of the famous Uzbek economists S.U. Mehmonov expressed the following opinions "The first step in conducting an internal audit is planning it". The audit plan must specify the audit program, indicating the expected scope of work, schedule and timing of the audit, the scope, types and sequence of audit procedures necessary to form an objective and comprehensive opinion on the audited entity. An overall audit plan is developed prior to the start of each reporting year. It consists of the following:

- distribution of inspectors for each specific object in accordance with their professional characteristics and job levels;
- in-depth study by all members of the group of instructions, about their rights and obligations, providing information about the inspected objects;
- maintenance of working documentation;
- documenting the work done and discussing it with the responsible persons of the object being inspected [4].

Yu.N. Silkovich, V.V. Silkovich emphasize that "the planning of internal audit at the university includes its scope, goals and criteria, a list of audited officials, units and processes that should be reflected in the relevant regulatory documents of the university".

According to R.B.Shakhbanov and D.S.Gadjieva, “The internal audit service usually works on the basis of a plan covering a calendar year, but it is possible to develop long-term strategic plans for 3-5 years. A work plan is necessary for the successful operation of the internal audit function. In a modern market economy, the plan cannot be changed during the period under review. It should be reviewed from time to time in accordance with changes in activities and the needs of the organization [6].

RESEARCH METHODOLOGY

In preparing the article, the organization and planning of internal audit of extra-budgetary funds in budgetary organizations were analyzed on the basis of foreign experience, the development of an internal audit



plan for extra-budgetary funds in budgetary organizations through a comparative analysis of scientific literature, a systematic approach to solving existing problems.

ANALYSIS AND RESULTS

In general, the annual internal audit work plan plays an important role in the organization of the internal audit service of the higher education institution. This internal audit plan is developed by the head of the internal audit department and approved by the Supervisory Board or the Board of Trustees. Accordingly, when the Board of Trustees or the Supervisory Board establishes full control over the status of extra-budgetary funds by a particular budgetary organization, it should require that this be specifically noted in the internal audit work plan.

For example, when conducting an internal audit at the University of Kansas in the United States, its planning procedures gather relevant information from internal audit staff at every stage of project planning. Internal auditors determine the purpose and scope of the audit based on identifying and assessing risks with university management and clients [7].

At Reyson University Canada, internal audit planning - the internal audit plan and program for the internal audit process, timeline and procedure - is developed and approved by the Board. Identify the content of deficiencies and problems identified during the internal audit process. Internal audit service personnel may be required to provide all documentation that will help formulate the procedures to be followed during the internal audit [8].

Now we will consider the procedure for conducting internal audits of off-budget funds of departments and divisions of higher educational institutions according to the work plan of the internal audit department of higher educational institutions of Uzbekistan.

Table 1 below describes in detail the procedures for internal audit of extra-budgetary funds in the departments and divisions of the higher education institution.

CONCLUSIONS AND SUGGESTIONS

Accordingly, we propose that the following be included in the annual internal audit plan of the internal audit department of higher education institutions that are the object of our research (specifically, on extra-budgetary revenues and expenditures):

I. On internal audits of extra-budgetary expenditures:

1. Extra-budgetary wage calculations;
2. Calculation of a single social payment in relation to off-budget wages;
3. Calculations on temporary disability benefits;
4. Structure and calculation of accounts payable expenses;
5. The structure and calculation of costs for strengthening the material and technical base of the budget organization;
6. The structure and calculation of the cost of financial incentives for employees of budget organizations (except for additional costs provided for in the decision of the Cabinet of Ministers of the Republic of Uzbekistan dated December 24, 2019 No 1030);
7. The structure of additional costs provided for in the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated December 24, 2019 No 1030 "On the procedure for additional payment to employees with academic degrees engaged in scientific, scientific-pedagogical and labor activities in state organizations in science and education" account;
8. The structure and calculation of costs for editing and publishing;
9. The structure and calculation of the cost of retraining and advanced training courses;



Table 1
Procedures for internal audits of extra-budgetary funds in the departments and divisions of higher education institutions¹
(For the quarter period of the year: within 3 months)

№	Higher education institution departments and divisions	Procedures for internal audit of extra-budgetary funds	Name of documents to be checked
1.	Departments (under the relevant faculties)	Extra-budgetary revenues from the sale of innovations and developments created by professors, teachers and students and their costs	Supporting documents, reports
		Extra-budgetary revenues from grants and expenditures on them	
		Examination of extra-budgetary revenues from inventions, patents and know-how and expenditures on them	
		Information on the number of hours, rating scores, the amount of tuition fee and academic debt of students studying on a paid-contract basis	Curriculum, rating sheets, annual plans of the department, reports
Identify deviations in the annual plans and reports of the department on the receipt and expenditure of extra-budgetary funds.			
2.	Dean's offices (in the form of arbitrary selection ¼ dean's offices of the total number of dean's offices are selected)	Comparison of class hours, ranking scores, scholarship assignments, tuition fee and academic failure, and other cases for paid students.	Dean orders, statements, rating statements, group journals, scholarship statements, curriculum, faculty annual plans, faculty reports.
3.	Master's and part-time departments	Comparison of class hours, ranking scores, scholarship assignments, tuition fee and academic failure, and other cases for paid students.	Orders, statements, rating statements, group journals, scholarship statements, syllabuses, plans and reports
4.	Educational-methodical department	Verification of information on the use in the educational process of technical equipment, equipment for classrooms and laboratory rooms purchased at the expense of extra-budgetary funds, information on the distribution of teaching hours of teachers for students studying on a paid basis, improving the methodological support of the educational process at the expense of extra-budgetary funds, creating textbooks, educational manuals, lecture notes, teaching aids for practical, laboratory studies	Orders of the department, qualification requirements, curriculum, scientific and work programs, educational and methodological developments, statements.
5.	Information resource center	The state of storage of literature and old literature acquired from extrabudgetary funds, the state of indebtedness of users of IRC literature and literature accounting.	Registration documents of literature users.

¹ Developed by the author



6.	Information Technology Center	Checking the status of information technologies, video and audio devices purchased and used at the expense of extra-budgetary funds, their accounting, Internet use, write-off of information technologies and disposal.	Agreements, acts
7.	Department of Youth Affairs, Spirituality and Education	Examination of expenditures for inventories and stationery for spiritual and educational activities at the expense of extra-budgetary funds.	Execution of orders, resolutions, acts, statements, contracts, invoices.
8.	Palace of Culture	Checking the cost of maintaining the Palace of Culture, spiritual and educational activities at the expense of extra-budgetary funds.	Execution of orders, resolutions, acts, statements, contracts, invoices.
9.	Student dormitory	Maintenance of student accommodation at the expense of extra-budgetary funds, verification of income from utility bills and other expenses, as well as accommodation fees.	Execution of orders, resolutions, acts, statements, contracts, invoices.
10.	Department of Research and Training of Scientific and Pedagogical Personnel	Examination of the costs of research and training of scientific and pedagogical staff at the expense of extra-budgetary funds	Execution of orders, resolutions, acts, statements
11.	Иқтидорли талабаларнинг илмий ишланмаларини ташкил этиш бўлими	Бюджетдан ташқари маблағлар ҳисобига иқтидорли талабаларнинг илмий ишланмаларини яратиш ва тайёрлаш харажатларини текшириш	Agreements, accounts, acts, statements
12.	Editorial and publishing department	Checking the costs of editing and publishing and sales revenue at the expense of extra-budgetary funds	Agreements, accounts, acts, statements
13.	Department of commercialization of scientific and innovative developments	Examination of the costs and revenues from the creation and testing and implementation of scientific and innovative developments at the expense of extra-budgetary funds	Licenses and patents for scientific and innovative developments, contracts, invoices, acts
14.	Department of International Cooperation	Review of the state of international cooperation, training and international projects abroad, as well as attracted investments and grants at the expense of extra-budgetary funds.	Memorandums, contracts, visas, directions, statements, acts.
15.	Network center for retraining and advanced training of teachers	Verification of income and expenses for retraining and advanced training at the expense of extra-budgetary funds, the organization of additional courses.	Course curricula, journals, annual work plans and reports
16.	Research and training center	Verification of accounting and reporting of revenues and expenditures generated on the basis of extra-budgetary business (inclusion in 1C),	Execution of orders, regulations, acts, accounting sheets of various kinds, 1C, financial statements.
17.	Accounting Department	Audit of accounting and reporting of extra-budgetary funds (inclusion in UzASBO)	Execution of orders, resolutions, acts, various accounting statements, UzASBO, financial reporting.
18.	Planning and Finance Department	Inspection of expenditures on inventories and stationery spent at	Execution of orders, resolutions, acts, various



		the expense of extra-budgetary funds	records, reports.
19.	Department of Affairs	Inspection of inventories, technical equipment and their consumption and write-off, purchased at the expense of extra-budgetary funds	Execution of orders, decisions, contracts, invoices, acts, various records, reports
20.	Department of maintenance and operation		
21.	Department of teaching aids	Verification of technical means purchased at the expense of extrabudgetary funds and their write-off	Execution of orders, decisions, acts, various records, reports
22.	Department of Civil and Labor Protection	Inspection of expenditures on inventories and stationery spent at the expense of extra-budgetary funds	Execution of orders, decisions, acts, various records, reports
23.	Monitoring and Internal Control Department		
24.	Department of Education Quality Control		
25.	Human Resources Department		
26.	Office and archive		
27.	Department of order portfolio formation, employment and monitoring of graduates	Inspection of inventory and stationery, business trips spent at the expense of extra-budgetary funds	Contracts, acts
28.	Press office	Inspection of expenditures on inventories and stationery spent at the expense of extra-budgetary funds	Orders, contracts, invoices, acts
29.	Higher education branches, attached professional colleges and academic lyceums,	Examination of extra-budgetary and entrepreneurial revenues and expenditures	All financial documents
			All financial documents
			All financial documents



10. The structure and calculation of the cost of organizing additional courses;
 11. The structure and calculation of the cost of training and experimental farms;
 12. The structure and calculation of costs for the organization of sports sections and driving courses;
 13. Composition and calculation of dormitory storage and maintenance costs;
 14. Composition and calculation of costs for inventors, patents and know-how;
 15. The structure and calculation of expenditures on innovations and developments created by professors, teachers and students;
 16. Composition and calculation of expenses for public catering and household services;
 17. Structure and calculation of expenses for subsidiary farms;
 18. Procedure and status of extra-budgetary expenditure estimates.
- II. On internal audits of extra-budgetary revenues:*
19. The structure and calculation of income from the sale of goods (works, services) in the specialty;
 20. The structure and calculation of funds received from the lease of property on the balance sheet of the budget organization;
 21. The structure and calculation of funds left at the disposal of budget organizations in the prescribed manner;
 22. The structure and calculation of income generated from sponsorship;
 23. Composition and accounting of grants income;
 24. The structure and calculation of income from publishing;
 25. The structure and calculation of income from retraining and advanced training courses;
 26. The structure and calculation of income from the organization of additional courses;
 27. The structure and calculation of income from the experimental farm;
 28. The structure and calculation of income from the organization of sports sections and driving courses;
 29. Composition and calculation of income from dormitories;
 30. The structure and calculation of income from inventors and patents;
 31. The structure and calculation of income from the sale of innovations and developments created by faculty and students;
 32. Composition and accounting of income from public catering and household services (excluding asset rent);
 33. The structure and calculation of income from subsidiary farms;
 34. Procedure and status of extra-budgetary revenue estimates;
 35. Assess the accuracy of the calculation of extra-budgetary expenditures;
 36. Statement of deviations in the calculation of extra-budgetary revenues and expenditures.

After the development of the annual work plan of the internal audit department of the higher education institution, it is advisable to develop a schedule of internal audit of the higher education institution, as the internal audit service is included in the hourly work schedule. This schedule shall be prepared in accordance with the internal audit plan for a quarter of the financial year and the internal audit plan and the schedule to be drawn up in accordance with it may not be amended or supplemented, so the plan schedule must be complete and detailed.

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