



## Coordination issues in the activities of state financial control bodies and internal audit services

M.Sh.Mamatkulov<sup>1</sup>, I.A.Madaminov<sup>2</sup>

<sup>1</sup>Professor of Mamun University. Doctor of Economic Sciences

<sup>2</sup> Master's student of the Bank-Finance Academy

**Abstract:** This article examines the coordination issues between state financial control bodies and internal audit services, focusing on the improvement of financial transparency and the prevention of financial irregularities. Using recent developments in Uzbekistan as a case study, the article highlights the importance of information exchange, standardization of methodologies, and the alignment of internal audit practices with international standards. The article also explores challenges in the regulatory framework and provides recommendations for enhancing cooperation between these entities.

**Keywords:** Budget execution, public financial management, fiscal discipline, public expenditure, government spending, transparency, accountability, economic stability, budget planning, public trust.

**Introduction:** In the context of modern public administration, the role of state financial control bodies and internal audit services is increasingly critical. Effective coordination between these two entities is essential for ensuring financial discipline, transparency, and accountability in the management of public funds. In Uzbekistan, recent legislative changes have underscored the importance of this coordination. The Presidential Decree PF-100, issued on July 10, 2024, outlines comprehensive measures aimed at improving the state financial control system and enhancing the interaction between financial control bodies and internal audit services (O'zbekiston Respublikasi Prezidenti). This paper explores the key challenges and potential solutions in coordinating these activities.

The role of state financial control bodies

State financial control bodies are responsible for overseeing the lawful and efficient use of budgetary resources, preventing financial misconduct, and ensuring that public funds are managed in accordance with legal and regulatory standards. According to Кареева О. И. (2018), the development of internal state financial control in Russia has shown that the effectiveness of financial control is closely linked to the quality of cooperation with internal audit services. These bodies conduct financial inspections, analyze audit results, and provide recommendations for correcting identified deficiencies.

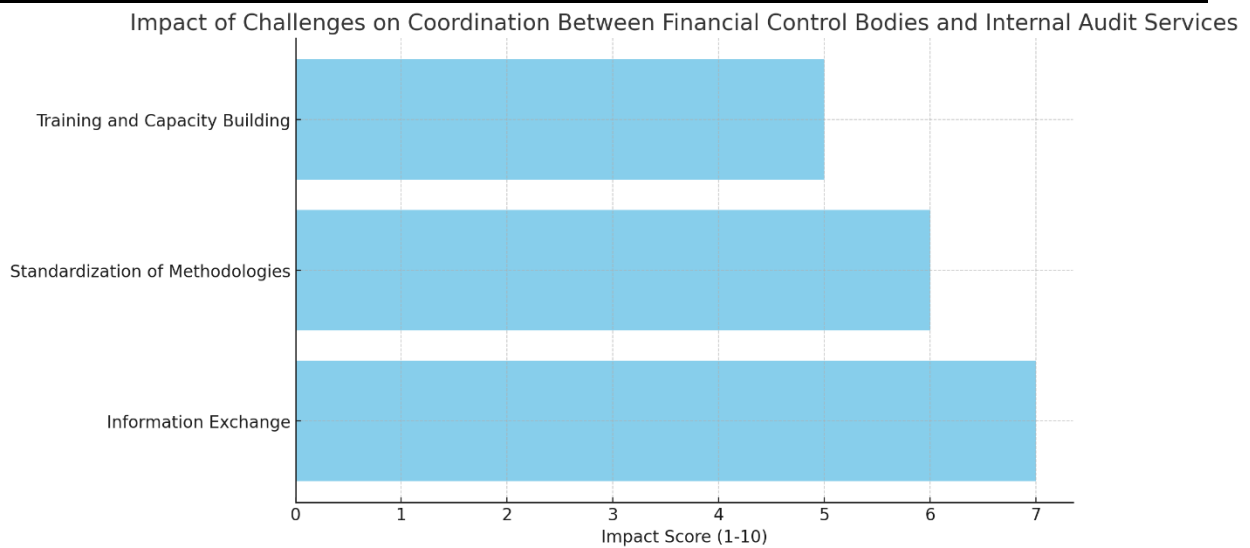
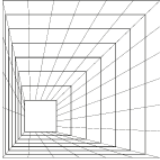
The role of internal audit services

Internal audit services, on the other hand, are designed to evaluate and improve the effectiveness of risk management, control, and governance processes within organizations. As noted by Петров А. М., Шнайдер В. В., and Гаврилов Д. В. (2020), internal financial control and internal financial audit are crucial tools for eliminating financial violations within organizations. These services work to identify operational and financial risks, assess the effectiveness of internal controls, and ensure compliance with applicable laws and regulations.

Coordination between financial control bodies and internal audit services

The effectiveness of financial control depends significantly on the level of cooperation and information exchange between state financial control bodies and internal audit services. The lack of standardized audit methodologies and inconsistent regulatory frameworks often hinders effective coordination. Васина Н. В., Данилов А. Н., and Иванова Н. Г. (2018) highlight the challenges in regulatory and methodological support for internal financial control and audit in the public sector institutions. In Uzbekistan, the need for improved coordination is particularly pressing due to the ongoing reforms in the public financial management system.

Challenges in coordination



The coordination between state financial control bodies and internal audit services faces several significant challenges that impact the effectiveness of financial oversight. These challenges include issues related to information exchange, the standardization of audit methodologies, and the training and capacity building of personnel. Below is a detailed analysis of these challenges, along with proposed solutions, supported by visual aids.

### 1. Information exchange

**Challenge:** The timely and accurate exchange of information between financial control bodies and internal audit services is often hindered by outdated systems or lack of integration. This delay in information sharing can lead to inefficiencies in the audit process, including the failure to detect and address financial irregularities promptly.

**Impact:** As shown in the bar chart, information exchange has a significant impact on the coordination between these entities, with a high impact score of 7 out of 10.

**Proposed Solution:** To overcome this challenge, it is essential to develop integrated information systems that facilitate real-time data sharing between financial control bodies and internal audit services. Such systems would ensure that all relevant data is accessible to both parties, leading to more efficient and effective audits.

### 2. Standardization of methodologies

**Challenge:** The use of different audit standards and methodologies by various entities creates inconsistencies in audit results. This lack of standardization makes it difficult for financial control bodies and internal audit services to align their findings and recommendations.

**Impact:** The inconsistency in methodologies has a moderate impact on coordination, with an impact score of 6 out of 10.

**Proposed Solution:** Aligning audit methodologies with international standards is crucial for ensuring consistency in audit practices. By adopting a uniform set of standards, both financial control bodies and internal audit services can improve the comparability of their audit outcomes, leading to more reliable and actionable recommendations.

### 3. Training and Capacity Building

**Challenge:** There is often a gap in the training and capacity of auditors and financial controllers, particularly in terms of modern audit techniques and practices. This lack of up-to-date knowledge and skills can hinder the ability of these professionals to conduct thorough and effective audits.

**Impact:** Training and capacity building have a noticeable impact on coordination, with an impact score of 5 out of 10.



Proposed Solution: Implementing continuous professional development programs for auditors and financial controllers is essential. These programs should focus on modern audit techniques, international standards, and the use of advanced audit tools. By enhancing the skills and knowledge of these professionals, the overall quality of audits can be significantly improved.

#### Summary of Challenges and Proposed Solutions

The table below summarizes the key challenges in coordination between state financial control bodies and internal audit services, along with their respective impacts and proposed solutions.

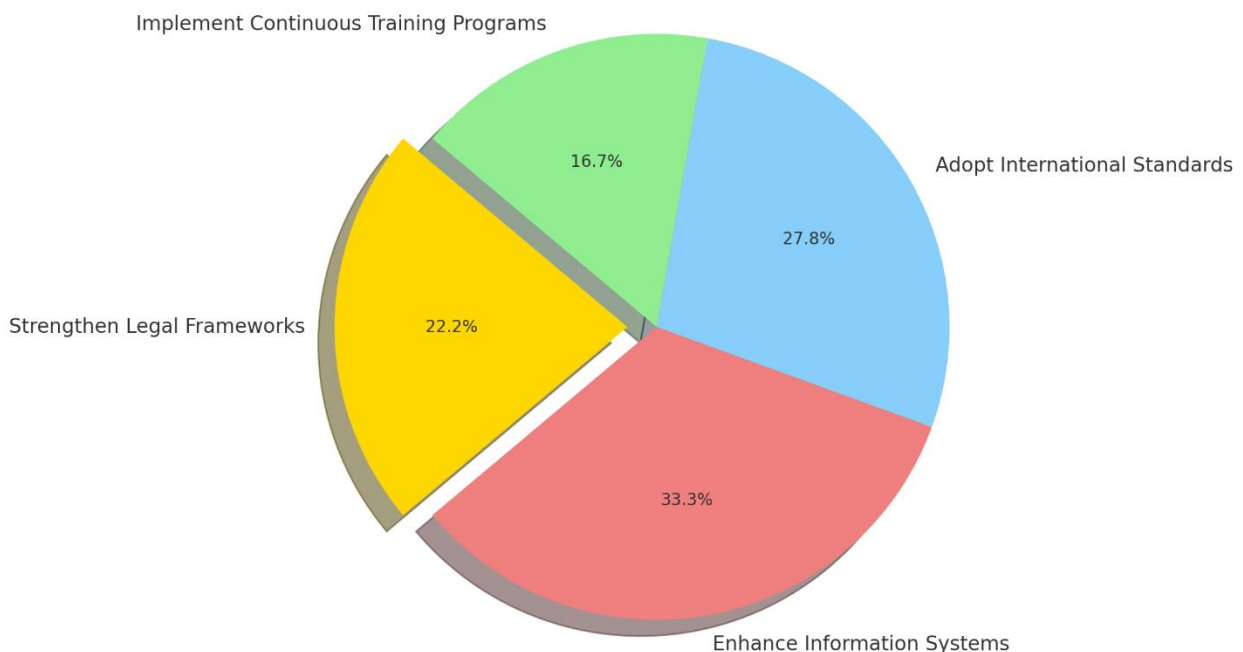
Challenges	Impact on Coordination	Proposed Solutions
Information exchange	Delays in audit processes	Develop integrated information systems
Standardization of methodologies	Inconsistent audit results	Align methodologies with international standards
Training and capacity building	Lack of modern audit practices	Implement continuous professional development programs

Table Explanation: This table highlights the major challenges that impact coordination and suggests practical solutions for each. The focus on enhancing information systems, standardizing methodologies, and improving training programs will significantly contribute to overcoming these challenges and fostering better coordination.

These challenges, if left unaddressed, can undermine the effectiveness of both financial control bodies and internal audit services. However, by implementing the proposed solutions, these entities can work together more efficiently to ensure financial transparency, accountability, and the proper use of public funds.

#### Recommendations for enhancing coordination

##### Implementation Difficulty of Recommendations



Improving the coordination between state financial control bodies and internal audit services is essential for strengthening financial oversight and ensuring the effective management of public funds. Based on the challenges identified earlier, the following recommendations are proposed to enhance coordination:



### 1. Strengthen legal frameworks

**Recommendation:** It is crucial to strengthen the legal frameworks governing the roles and responsibilities of financial control bodies and internal audit services. A well-defined legal structure will clarify the duties of each entity and ensure that their activities are complementary rather than overlapping.

**Expected Outcome:** A clearer delineation of roles and responsibilities will reduce conflicts and improve the efficiency of financial oversight.

**Implementation Difficulty:** Moderate (4/10)

**Explanation:** Strengthening legal frameworks requires a comprehensive review of existing laws and regulations, which may involve extensive stakeholder consultations and legislative amendments. However, once implemented, this recommendation will provide a solid foundation for enhanced coordination.

### 2. Enhance Information Systems

**Recommendation:** Developing integrated information systems that facilitate real-time data exchange between financial control bodies and internal audit services is essential. These systems should be designed to support seamless communication and data sharing, allowing both entities to access up-to-date information during audits.

**Expected Outcome:** Real-time data exchange will significantly improve the timeliness and accuracy of audits, enabling quicker identification and resolution of financial irregularities.

**Implementation Difficulty:** High (6/10)

**Explanation:** Enhancing information systems involves significant technical challenges, including the integration of existing systems, data security considerations, and the training of personnel. However, the long-term benefits of improved coordination and audit effectiveness make this a worthwhile investment.

### 3. Adopt International Standards

**Recommendation:** Aligning audit practices with international standards will ensure consistency in methodologies and enhance the reliability of audit outcomes. This alignment will facilitate better comparability of audit results and improve the overall quality of financial oversight.

**Expected Outcome:** Consistent audit practices across different entities will lead to more reliable and actionable audit findings.

**Implementation Difficulty:** Moderate (5/10)

**Explanation:** Adopting international standards requires a thorough understanding of global best practices and may involve adapting these standards to the local context. The process of aligning methodologies can be complex but is essential for ensuring high-quality audits.

### 4. Implement Continuous Training Programs

**Recommendation:** Continuous professional development programs should be established for auditors and financial controllers. These programs should focus on modern audit techniques, international standards, and the use of advanced audit tools.

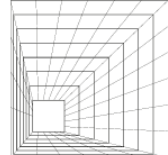
**Expected Outcome:** Improved audit skills among personnel will enhance the overall effectiveness of financial control and audit functions.

**Implementation Difficulty:** Low (3/10)

**Explanation:** Implementing training programs is relatively straightforward and can be done incrementally. Regular training will ensure that auditors and financial controllers remain updated on the latest practices and technologies, leading to sustained improvements in audit quality.

### Summary of recommendations

The table below summarizes the key recommendations, their expected outcomes, and the relative difficulty of implementation:



Recommendations	Expected Outcome	Implementation Difficulty (1-10)
Strengthen legal frameworks	Clearer roles and responsibilities	4
Enhance information systems	Real-time data exchange	6
Adopt international standards	Consistent audit practices	5
Implement continuous training programs	Improved audit skills	3

Table Explanation: The table provides an overview of the proposed recommendations, the benefits they are expected to bring, and the challenges associated with their implementation. The pie chart illustrates the relative difficulty of implementing each recommendation, highlighting that while some recommendations may be more challenging to implement, they offer significant long-term benefits.

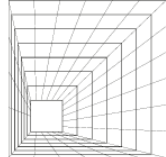
By following these recommendations, state financial control bodies and internal audit services can significantly improve their coordination, leading to more effective financial oversight and better management of public resources.

#### Conclusion

The coordination between state financial control bodies and internal audit services is vital for maintaining financial integrity and transparency in public administration. By addressing the challenges identified in this paper, Uzbekistan can enhance the effectiveness of its financial oversight mechanisms, thereby ensuring better management of public funds and greater accountability in government operations.

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