

Methodological Aspects of the Internal Control Organization at the Enterprise and Financial Stability Analysis

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Abstract

The author analyzes the internal control organization in the management accounting system in this scientific article. In addition, the article is devoted to the definition of internal control and determination of the role of internal control in the financial and economic activities of the enterprise. As a result of the research, the author has developed proposals to analyze the key indicators, financial condition and profitability indicators reflected in the financial statements of the enterprise and to implement the process of planning internal control on the basis of improved stages. Moreover, the theoretical and methodological bases of the internal control system have been identified, ways to improve its reliability have been determined, and the method of organizing internal control in reliance upon the information system to raise production and sales, as well as to reduce costs has been proposed.

Key-words: Internal Control, Management Accounting, Analysis, Aim of Internal Control, Internal Audit, Principles of Internal Control, Internal Control System, Financial Condition, Profitability, Financial Reporting.

1. Introduction

1.1. Introduce the Problem

In the development of the world economy, the problem of management accounting at the enterprises and ensuring its proper and adequate use is becoming crucially important. Internal control is considered to be an essential management tool in the management accounting system and plays an

important role in maximizing the quality and efficiency of management decisions, enhancing expected positive outcome and effective management of the risks inherent in economic activities.

Within the framework of further economy development, there have been some problems with the organization of a unified management, a single financial accounting, a single accounting methodology, internal control and a single methodology of financial stability analysis in complex integrated associations. Urgent, reliable information on the implementation of production programs, production costs, formation of financial results is required by the parent company to manage their agencies, which can be obtained through an efficient accounting system and a reliable internal control system.

1.2. Explore Importance of the Problem

In compliance with a number of laws and resolutions on the further development of the economy, “Modernization of production capacity, technical and technological equipment of basic industries, further increase of their export potential, creating favorable conditions for competitiveness of products, as well as raising investment attractiveness of enterprises” has been determined as a top-priority goal. The implementation of these measures will definitely contribute to the development of the economy and the competitiveness of products, as well as facilitate creation of a favorable investment climate. In reliance upon critical analysis there should be developed a complex of measures aimed at optimization of technological processes and norms of consumption of raw materials, consumables and energy resources; increase of capacity utilization and labor productivity; reduction of additional costs, decrease of the cost of purchased raw materials, consumables and spare parts; optimization of industrial output. It should be noted, that timely elaboration of these measures is considered one of the crucially important objectives.

1.3. Describe Relevant Scholarship

However, the results of the analysis illustrate that management factors need to be improved for efficient development at enterprises. The main task of these functions is to prevent losses and thefts, product breakdowns and incomplete receipts, as well as to identify the causes of reduced product quality and efficiency. Strengthening control functions in the management system will improve product quality, reduce costs, raise the level of profitability, ensure the competitiveness of products.

1.4. State Hypotheses and Their Correspondence to Research Design

The need to develop the the internal control system technique at enterprises occurs due to the following reasons:

1. The need for a theoretical justification of new approaches to the organization of an internal control system that provides urgent control of production costs by the costs' occurrence centers and responsibility centers in the parent company and subsidiaries;
2. Practical application of proposals by subsidiaries of the enterprise with the account of the best foreign experience of business entities in the organization of the internal control system and further liberalization of the economy by internal control methods;
3. Urgency of the formation of a model of operational control and internal control over the execution of budgets in various sectors of the enterprise.

2. Method

The methodological basis of the research comprises of the general scientific principles of data collection, observation, general and systematic approaches to the study of economic relations and events in their development, as well as interdependencies, based on the study of regulatory documents.

2.1. Identify Subsections

General, scientific and specific methods of research - analysis, methods, logical, gross and systematic approaches to the assessment of economic phenomena have been widely applied in the research process. The systematic approach has been used to clarify the concept of internal control, to analyze and evaluate the concept of internal control system formation, management accounting system and internal control system. The general approach to the problem determined the researches in the field of internal control organization, management accounting, economics of the metallurgical industry and management of enterprises in the metallurgical industry.

2.2. Participant (Subject) Characteristics

As it has been observed in recent theory and practice, the internal control system can represent itself as a separate management function of the enterprise. In other words, internal control can be

expressed as a link with the management account. This enables the management accounting system to receive additional information, while the internal control system enables application of new technique.

The formation of the control system, its goals, objectives, functions and mechanisms of control bodies have been studied by a number of scholars and economists.

2.3. Sampling Procedures

Internal control helps companies formulate sound monetary policies that lead to value creation.[1]

Internal control has a moderate effect on the relationship between financial depression and income management, while limiting both accounting and real income management. This study provides additional insights into the income management and internal control of financially insolvent firms, especially in terms of emerging economies.[2]

In addition, in our research we have found that earnings quality is lower for public companies issuing an internal control report mentioning a weakness, compared with public companies not issuing an internal control report. Overall, our study suggests that public companies conduct diligent self-assessments when issuing a first-time voluntary unqualified internal control report. Consequently, there is an improvement in earnings quality.[3]

In the new generation of the IT governance practice, the related factors can also be regarded as the essential measurement items for enterprises in conducting effective internal control and auditing.[4]

In particular, according to the opinion of L.I. Voronina, control should be considered as a function of independent management, i.e. a separate type of activity, which includes goal orientation, content and methods of control.[5] From the point of view of L.I. Voronina, control is a goal-oriented method. However, we can see that the main function of internal control in this matter is not disclosed.

I.A. Belobjetsky believes that “Control is a comprehensive study of various aspects of the enterprise: economic efficiency and legitimacy of business operations, accuracy of information on reporting and accounting of economic and financial activities in comparison with the actual state of control”. [6] However, this definition emphasizes that control constitutes only a comparison of business transactions with the real situation, which has a very narrow, restricted meaning. [7]

The issue of internal control has been in the focus of the government in the Republic of Uzbekistan since the early days of independence. In particular, there are various opinions among

domestic scientists on its essence, content and grouping. In particular, Professor M.Q. Pardaev in his research stated that “Internal audit is considered as a unit of internal control”. In this definition, internal audit is treated as a link in control and internal control has a broader sense than internal audit. [8]

From the point of view of Professor A.K. Ibragimov, “The internal audit provides information on economic activity and confirms the reliability of entities’ reports. This audit is basically necessary for resources, loss prevention, and significant changes within the enterprise. The significance and necessity of internal audit is related to the management functions analysis”. Sharing the opinion of A.K. Ibragimov, we can conclude that the internal audit is based entirely on the internal control system of the enterprise in performing its activities. [9]

Professor A.A. Karimov thinks that internal audit is one of the integral and necessary elements of management control, which significance and necessity result from from the requirements to management control.[10]

Economist N.F. Karimov interprets the concept of internal control as a system consisting of a number of elements in a broad sense, the concept of “ensuring control over the improvement of certain actions by employees ...”. According to N.F. Karimov, we can see that internal control is determined as control over employees.[11]

By economists Yuri I. Sigidov, Kateryna S.Khavrova [18], B.O. Tursunov [16,17,19] were researched some aspects of textile enterprises, as well as: production capacity, decision making in planning and others. In the other side, issues of financial security of investment funds and indicators to assess financial security of the banks were investigated by professor A.U. Burkhanov [14, 15]

From the point of view of B.A. Hasanov, “Internal audit implies that the management financial control represents the introductory stages of the financial control”.[12]

In the opinion of Sh.I. Ilkhamov, “The internal control system is organized as a complex of measures undertaken by the head of the business entity and is designed to ensure proper performance of the duties of the manager, guarantee accuracy of financial and economic operations in the accounting department, to prevent, determine and eliminate the occurrence of errors and omissions in the preparation of reliable financial statements, as well as raise the efficiency of using production, investment, inventory, financial and labor resources”.[13]

In the scientific approaches of the above-mentioned authors, we can see that the following three elements of internal control are reflected in each definition, i.e.:

1. Control environment (internal control environment and environmental control) - the organization of control with the account of external and internal factors.

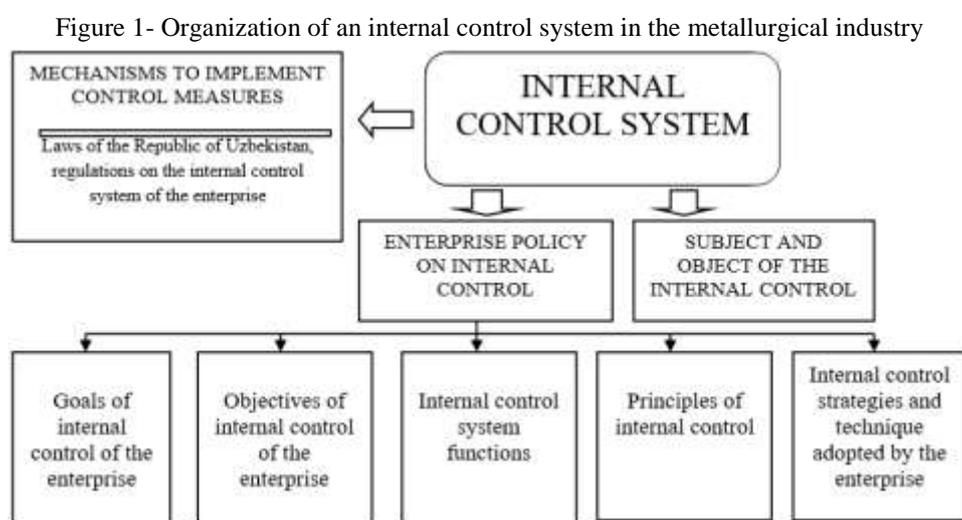
2. Documents, technical and organizational tooling to ensure the implementation of control processes (control measures or control technique).
3. Information system (initial data, accounting) - a system of indicators, software, databases, staff qualifications and data processing procedures established by the management of business entities.

2.3.1. Sample Size, Power, and Precision

Thus, summarizing the statements specified above, in our opinion, it is recommended to define the components of internal control in the organization of management accounting as follows: control functions, control subject (who controls), control object (who is under control), control technique, organizational structure of the enterprise, decision-making on control results, the role of employees in the decision-making process, set of goals and objectives of individual departments, internal control processes, methods of control and monitoring of the qualification level of employees of the internal control service, accounting and management accounting data, form, timing and periodicity of the report, information and communication technologies.

2.3.2. Research Design

On this basis, it has been proposed to organize the system of internal control in the metallurgical industry according to the following order (Figure 1).



Source: Worked out on the basis of the author's proposals developed as a result of the research

3. Results

The scope and specifics of the internal control system basically depend on the size of the economic entity and the peculiarities of its production.

Internal control should be performed on a regular basis to ensure the efficiency and legality of making business transactions to all agencies and companies in order to raise the efficiency of production management, use its capacity and resources to the fullest extent possible and protect its legitimate property interests, required to verify and evaluate the compliance, reliability of the performance of all subsidiaries and affiliates.

3.1. Recruitment

As a result of the conducted research, it is advisable to implement the process of planning internal control on the basis of the following improved stages:

Stage 1. Determining the internal control function. Taking into account the strategic development goals of the enterprise, the head of the internal control service defines the objectives and strategic goals of internal control. The implementation of these tasks will enable the development of draft management decisions.

Stage 2. Develop a cost management system and a system of balanced indicators. The implementation of this stage depends on the specific technological characteristics of the enterprise and the accounting methods. At this stage, after determining the relevant indicators, the head of the internal control service will implement the following actions:

- Description of enterprise efficiency;
- Assessment of the current financial and property condition of the enterprise;
- Predicting specific processes;
- Implementing control.

Stage 3. Separation of responsibility centers. The responsibility center is the unit (department, workshop) headed by the responsible person with the right to make decisions, and this unit is a structural subdivision of the enterprise responsible for the results of its activities. Identifying responsibility centers enables the head of the internal control service to plan activities, constantly

monitoring not only the factors of possible deviations, but also the decision-making process, the outcome of the decision and its impact on key performance indicators.

Stage 4. Determining the factors that make an impact on the accounting indicators, indicators of cost management systems, and other performance indicators. The head of the internal control service should establish an expert group and use the control systems developed in reliance upon the specifics of the enterprise to identify the most important factors affecting key indicators in the responsibility centers, determine risks, deviations from the established norms, changes in accounting records (financial statements lines). The main indicators reflected in the financial statements of the enterprise are provided in the table below (Table 1).

Table 1- Key Indicators Reflected in the Financial Statements of the Enterprise

Indicators	External environmental factors	Internal environmental factors		Information source
		Primary factors	Secondary factors	
Return on net assets of the enterprise	<ol style="list-style-type: none"> 1. Competitiveness of the enterprise; 2. Number of buyers and customers and their financial condition; 3. The value of stocks in the securities market; 4. Solvency and financial stability of the enterprise. 	<ol style="list-style-type: none"> 1. Net profit for the reporting period; 2. The value of the total assets of the enterprise. 	Production and sales volume	<ol style="list-style-type: none"> 1. Financial reporting forms; 2. Information on accounting accounts; 3. Auditor's conclusion 4. Management accounting reports.
			Net sales revenue	
			Other operating income	
			Financial income	
			Cost of goods sold (goods, works and services)	
			Administrative management costs	
			Sales costs	
			Other operating expenses	
			Expenses on financial activities	
			Income tax rate	
			Long-term assets: intangible assets, fixed assets, long-term financial investments, etc.	
			Current assets: inventories, receivables.	
			Cash and cash equivalents	
			Current assets	
Current liabilities				
Solvency and financial stability of the enterprise				

3.2. Statistics and Data Analysis

The following table shows the volume and composition of the property of the enterprise. When developing this table, the balance data have been used and the control over net usable assets has been carried out (Table 2).

From the data provided in Table 2 it is obvious that the amount of assets in the analyzed LLC during the period under review increased by 929 159 thousand UZS or 86.8%. Positively assessing in terms of the growth in assets, this increase has occurred mainly due to a growth in current assets by 774 629 thousand UZS.

Table 2- Analysis of Assets of the Balance Sheet of “Metal-Plast” LLC for 2019

The structure of the property	At the beginning of the year		At the end of the year		Change (+,-)		
	Amount, thousand UZS	Share, %	Amount, thousand UZS	Share, %	Of the amount, thousand UZS	Of the share, %	Growth in relation to the beginning of the year %
1	2	3	4	5	6	7	8
1. Long-term assets	601 530	56,2	756 060	38,0	+154 530	-18,4	+26,68
2. Current assets. Including:	468 026	43,8	1 242 655	62,0	+774 629	+18,4	+165,5
A) inventories	213 534	20,0	343 257	17,0	+129 723	-3	+60,7
B) receivables	154 605	14,5	682 849	34,2	+418 653	+19,7	+270,7
C) cash and short-term investments	99 887	9,3	216 549	10,8	+116 662	+1,5	+116,7
Total of the balance sheet assets	1 069 556	100,0	1 998 715	100,0	+929 159	-	+86,8

In addition, the company’s long-term assets increased by 154 530 thousand UZS. In the structure of current assets we can see that at the end of the reporting period, inventories increased by 60.5% or by 129 723 thousand UZS compared to the beginning of the year. The increase in receivables at the end of the year by 41.6% or 418 653 thousand UZS reflects the negative situation, such an increase in debt slows down the turnover of working capital, as well as causes a deterioration in solvency. The main share in the structure of assets of the enterprise falls on inventories, i.e. it accounts for 62% of the total assets. This indicates that the company has created an excess inventory,

and as a result, the turnover of current assets of the company has slowed down. In our opinion, it is recommended to develop measures for the efficient use of assets available of the enterprise.

3.3. Ancillary Analyses

Another important factor in determining the most significant factors influencing the key indicators in the responsibility centers, using control systems in the internal control organization at the enterprise, is the implementation of control of items in the liabilities part of the balance sheet. The following table analyzes the liabilities of the balance sheet of “Metal Plast” LLC for 2019. The information required for the internal control service is developed in reliance upon this analysis (Table 3).

Table 3- Analysis of Liabilities of the Balance Sheet of “Metal-Plast” LLC for 2019

Composition of the source of the property formation	At the beginning of the year		At the end of the year		Change (+,-)		
	Amount, thousand UZS	Share, %	Amount, thousand UZS	Share, %	Of the amount, thousand UZS	Of the share, %	Growth in relation to the beginning of the year %
1. Equity source	735 071	68,8	853 131	43,0	+118 060	-25,8	+16,0
2. Liabilities, including:	334 485	31,2	1 145 584	57,0	+811 099	+25,8	+242,4
Long-term liabilities	68 027	6,3	407 532	20,0	+339 505	+13,7	+499,0
Current liabilities	266 458	24,9	738 053	37,0	+471 595	+12,1	+176,9
Total of the balance sheet liabilities:	1 069 556	100,0	1 998 715	100,0	+929 159	-	+86,8

According to the table, the total liabilities of “Metal-Plast” LLC at the end of the year compared to the beginning of the year increased by 929 159 thousand UZS or 86.8%. The growth of property at the company represents a positive aspect, but it is important to pay particular attention to the nature of these sources (equity sources or debt sources). According to the data, at the end of the reporting year, the company’s equity sources increased by 118 060 thousand UZS or 16% compared to the beginning of the year. This result should be positively assessed for the company because the increase in the equity sources leads to the growth in financial independence, as well as improved solvency and socio-economic development of the company. However, the share of equity sources in

total liabilities at the end of this year decreased by 25.8% compared to the beginning of the year. This situation makes an impact on the financial stability of the company. According to the table, at the end of the reporting period, the amount of liabilities at the enterprise increased by 811 099 thousand UZS or 242.4 percent. This factor has raised the share of liabilities in total liabilities by 25.8%. It is obvious that the liquidity of the company has significantly decreased. If we take into consideration the items on the balance sheet liabilities, the main share, i.e. 57.0% are represented by obligations. This has an impact on the company's sound financial stability, i.e. a slight increase in accounts payable should be considered a negative situation.

Stage 5. When establishing an internal control in the management system of the company, it will be necessary to determine the level of financial strength, stability and solvency of the company. With this aim, in stage 5 of the internal control organization, the head of the internal control service will have to assess the quantitative indicators of financial and economic activity of the enterprise, analyze the financial ratios and identify the factors affecting them (Table 4).

3.4. Participant Flow

The formation of internal control in reliance upon the analysis of these indicators will constitute the basis for the development of appropriate measures to determine financial stability of the company and assess its condition.

Table 4- Analysis of the Financial Condition of "Metal-Plast" LLC for 2019

Indicators	At the beginning of the year	At the end of the year	Change (+,-)
Equity (equity-assets) ratio	0,687	0,426	-0,261
Solvency ratio	1,400	1,084	-0,316
Ratio of debt to equity	0,362	0,865	+0,503
Coverage ratio	0,943	1,470	+0,527
Current assets to equity ratio	0,274	0,591	+0,317

According to the table, the equity-assets ratio of the company at the end of the reporting period decreased by -0.261 ratio or 26.1% compared to the beginning of the reporting period. Solvency ratio decreased -0.316 ratio compared to the beginning of the year. Such a change in these ratios indicates that the financial position of the company at the end of the reporting period decreased slightly compared to the beginning of the reporting period. In addition, the increase in liabilities over

equity during the reporting period should be negatively assessed. During the reporting period, the current assets to equity ratio increased by 0.317 ratio, which enables the company to more fully meet the demand for working capital.

3.5. Intervention or Manipulation Fidelity

At this stage, in the process of planning internal control, the internal control service will need to separately describe the factors that negatively and positively impact the indicators in order to assess the risk factors that affect the sustainable performance of the company.

3.6. Baseline Data

Stage 6. Analyzing the effect of each factor with the application of mathematical methods. Application of mathematical methods will be necessary for the head of the internal control service to determine the maximum level of influence of the factors affecting the indicators provided in Table 1. This will constitute the basis for the head of the internal control service to develop a draft of measures with the account of the level of risk and the importance of factors affecting key indicators when planning internal control.

It should be noted that it is the profitability indicator, which assesses the results of the company at this stage. In this case, the profitability level of the company is assessed, and usually its several types are calculated. This enables to implement the internal control in reliance upon various factors, i.e. over the income occurrence by the property type, units that affect changes in profits, or a separate units (Table 5).

According to the data provided in the table, during the reporting period the profitability of sales increased by 1.33% compared to the previous year, while the return on fixed assets increased by 2.6%. However, the return on working capital decreased by 7.65%, the return on equity decreased by 0.3%, and the return on property decreased by 2.3%. This indicates that the efficiency of the company and its financial condition demonstrate an unstable trend. According to the data, in the reporting year the net income from the sale of goods (works, services) increased by 659 885 thousand UZS, but the production prime-cost rose accordingly. While the average annual value of working capital increased by 774 629 thousand UZS during the reporting period, the return on working capital decreased by

7.65%. As a result, there was a downward trend in most profitability indicators. In this regard, the company's management should develop measures to improve profitability.

Table 5- Profitability Indicators of "Metal-Plast" LLC

№	Indicators	Previous year	Reporting period	Difference (+,-)
1.	Net income from sales of goods (works, services), thousand UZS	1 139 722	1 799 607	+659 885
2.	Production prime-cost of goods (works, services) sold, thousand UZS	785 620	1 216 623	+431 003
3.	Gross profit from sale of goods (works, services), thousand UZS	354 101	582 984	+228 883
4.	Net profit, thousand UZS	62 343	70 505	+8 162
5.	Average annual value of fixed assets (in residual value), thousand UZS	501 079	467 519	-33 560
6.	Average annual value of working capital, thousand UZS	468 026	1 242 655	+774 629
7.	Total property of the company, thousand UZS	1 069 556	1 998 715	+929 159
8.	Equity source, thousand UZS	735 071	853 131	+118 060
9.	Borrowed funds, thousand UZS	334 485	1 145 584	+811 099
10.	Product sales profitability, %	31,06	32,39	+1,33
11.	Return on fixed assets, %	12,4	15,0	+2,6
12.	Return on working capital, %	13,32	5,67	-7,65
13.	Profitability of the production prime-cost, %	45,07	48,0	+2,93
14.	Return on equity, %	8,5	8,2	-0,3
15.	Property profitability, %	5,8	3,5	-2,3
16.	Overall profitability, %	6,43	7,27	+0,84
17.	Profitability of borrowed funds, %	18,6	6,15	-12,45

The main aim of internal control is to provide the management system with transparent information about the object of management in order to make efficient management decisions in the company. Based on the analytical data in the above tables, the following actions should be undertaken to implement internal control:

- a. Determine the actual condition or movement of the controlled link of the enterprise management system;

- b. Compare actual data with the data in the presented plan on the basis of the comparison base operating at the enterprise;
- c. Assess the highest acceptable deviations and their impact on the enterprise's operations;
- d. Determine the cause of the deviations.

4. Discussion

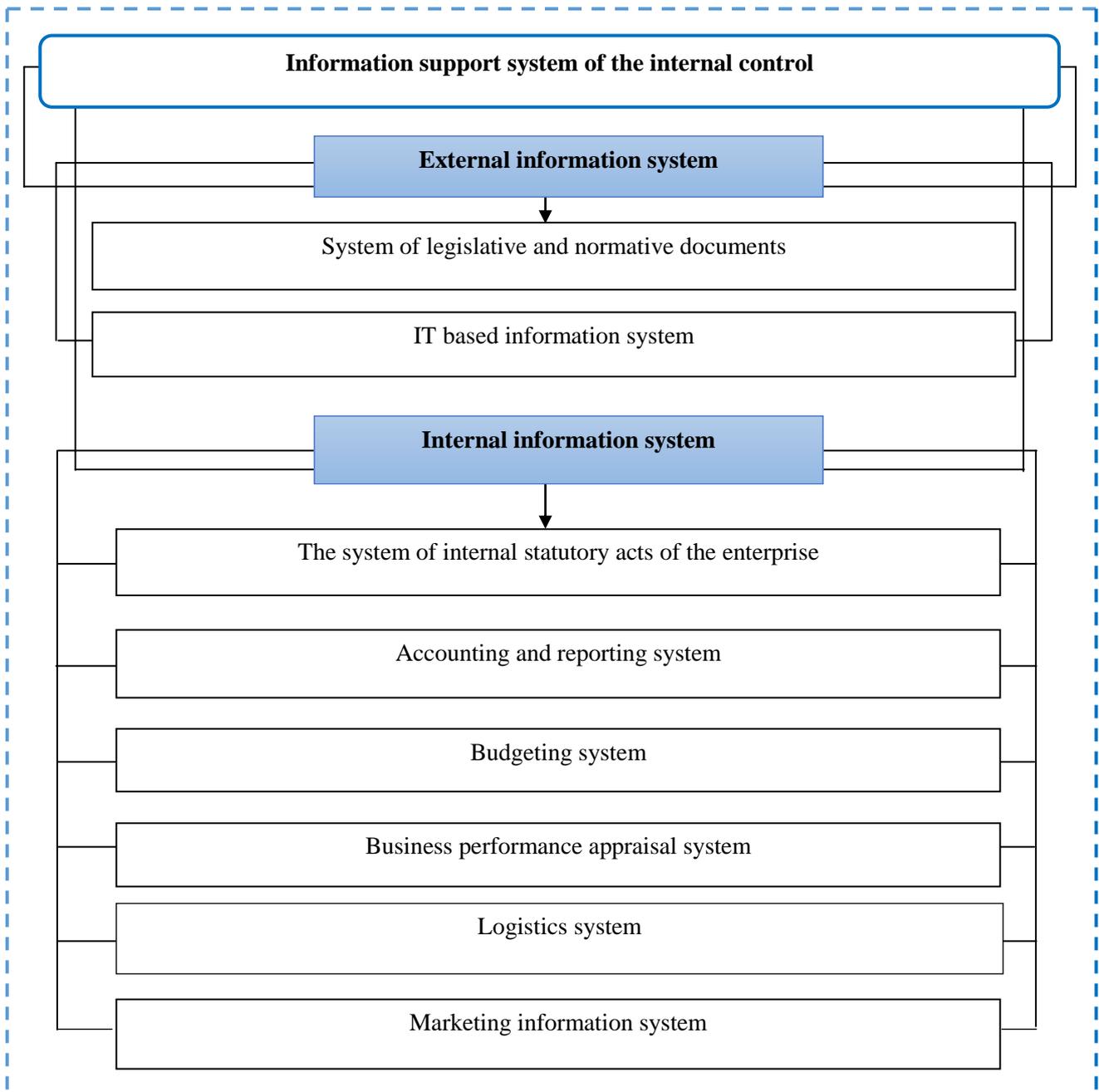
It should be noted that a number of factors affect the organization of a reliable internal control system: complexity of the organizational structure of the network enterprise, a legal form, scope of activities, appropriateness of control over various activities, attitude of management to control. In addition, the internal control organization depends on the size of the enterprises that constitute a part of the network, the level of their computer software, ability of management to personally participate in control and other factors. In reliance upon this, there has been introduced the system of information support of internal control, which constitutes the basis for providing the head with the required information in due time (Figure 2).

According to this proposal, it is necessary to assess the information support adequacy of internal control in the information system of internal control.

In order to accelerate the development of business and raise its profitability, it is required to provide urgent management of costs and production at the enterprises. With this aim managers need to conduct analysis on the rapid basis. The essence of rapid analysis is to exercise daily control over the following aspects:

1. Execution of the production program for product processing and manufacturing of products.
2. Determining the reasons for costs, programs, and deviations and identification of the party at fault for deviations with the account of standards and normative indicators.
3. Ensuring that the responsibility centers receive information on costs and production in terms of products, works, services.
4. Conduct an urgent analysis with the application of its technique.

Figure 2- Information Support System of the Internal Control



Source: Worked out on the basis of the author's proposals developed as a result of the research

The study of organizational and methodological peculiarities of internal control at enterprises by the author enables to determine the main areas of its improvement and proposes directions for improving the system of internal control at the enterprises in the following form (Table 6).

Table 6- Areas for improving the internal control system at enterprises

Areas for improving internal control	Objects, goals, objectives, principles of internal control and ways to improve it
1. Identifying the control objects and determine the goals and objectives of their inspection in compliance with the information needs of the management system of the enterprise	Areas of control: main production, ancillary industrial production, financial activities, investment activities, supply and sales processes
	Expressing internal control objectives. Determining the tasks and ways to solve them to perform control functions
	Observance over the basic principles and requirements of control
2. Establishing the internal control system. Development of internal regulatory documents of control	Identifying managers who perform internal control
	Determining the qualifications of managers performing internal control
	Development of regulations on internal control, instructions of officials exercising internal control, indicating the rights, obligations and responsibilities for the implementation of control functions performed by them
	Development of a plan of responsibility centers, including general and local systematized programs of control over production and its costs
3. Arranging activities and interaction of managers, development of methodological and technological aspects of control	Equipping managers with all necessary tooling to perform control
	Creating algorithms to control the activities of each responsibility center
	Developing the controlling technique over supply, production, sales processes
4. Developing the efficiency technique of the use of production (labor, material, financial) resources	Organization of control over production capacity and definition of its goals and objectives
	Organization of control over the use of production resources
	Development of options for management decision-making by experts and their provision by managers responsible for management decisions
5. Improving the database of production and cost control	Application of the ICT for processing management accounting data at the enterprise, development of schemes of primary documents, accounting and internal reporting
	Improving the management analysis technique, determining analytical procedures used in the control implementation.
	Organization of economic methods of management and development of a system of employee incentives at the enterprise
6. Establishment of internal control service at enterprises, and control and auditing department at their regional branches	Determining the qualitative composition of the internal control service
	Development of regulations for the internal control service activities
	Development of internal control methodology, available information in internal reports on control objects, including responsibility centers; methods of gathering evidence and the order of their generalization; determining analytical procedures that enable to study the dynamics of business development of the parent company and its subsidiaries and the factors affecting profitability

Source: Worked out on the basis of the author's proposals developed as a result of the research

Improving the internal control system is a continuous process consisting of substantiating and implementing the most optimal forms, technique and ways of its organization and development, as well as identifying its “operational shortcomings” based on the assessment of the internal control system’s compliance with internal and external conditions.

As a result of the research, based on the study of the internal control practice at enterprises, in our opinion, it is recommended to determine the procedure for formation of the control, which includes the following characteristics:

- All economic activities of enterprises are covered by control;
- Heads of departments perform operational control over the use of production resources;
- Regular control of business operations during the production process;
- Future problems of economic activities will be evaluated. It will serve the execution of operational and financial budgets;
- Control is based on accurate assessments of actual events and happenings of the economic activity;
- Internal control is performed by the head of the management staff, accountant, chief specialists of the internal control service, supporting personnel;
- Feedback is implemented with the controlled object (objects report on the elimination of drawbacks identified during the control process). The results of control are summarized and analyzed, the management is informed about detected violations, abuses, shortcomings, and on the basis of this information, appropriate measures are undertaken to eliminate them and prevent them in future.

5. Conclusion

As a result of the research, the following conclusions and proposals have been formulated:

Theoretical and methodological foundations of the formation of the internal control system at enterprises have been determined, the ways to improve, which will raise the reliability have been identified; trends in the development of metallurgical enterprises and the peculiarities of the internal control system formation have been identified; the essence and peculiarities of the interaction of management accounting and internal control systems with the structural subdivisions of the metallurgical industry, the parent company and regional enterprises as a set of interconnected components have been revealed; the theory and technique of the basics of objects and subjects of

internal control, available as separate structural units at the enterprises of the metallurgical industry have been clarified in terms of detailed responsibility centers.

In addition, it is advisable to develop an option for proper accounting and internal control of product manufacturing at enterprises. In compliance with this proposal, there has been substantiated the significance of the method aimed at raising the volume of sales, reducing production and sales costs, increasing the level of sales profitability, providing information to identify reserves, assessing the control of production costs of products, works and services.

Moreover, it is necessary to develop the information support model for the internal control system by responsibility centers, which includes the technique for determining and assessing the adequacy of the control information base, distinguishing the types and users of information, its designation and directions of use. Furthermore, this makes possible to develop a complex of organizational, methodological and systematical approaches to the construction and functioning of an internal control system within the framework of the requirements of management accounting by the responsibility centers of an economic entity.

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