

## ORGANIZATIONAL STRUCTURE OF INTERNAL AUDIT AND REQUIREMENTS FOR AUDIT ACTIVITY

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***Abstract:*** *Internal audit is one of the ways of regulating the activity of the economic entity, but its distinguishing feature is the possibility of representing the business entity as part of the management (control), and on the part of economic activity (financial and economic activities). Properly organized internal audit service will give the organization the benefits and serve as a guarantor of increasing profits.*

***Key words:*** *audit, internal audit service, independence, confidentiality, responsibility principles, job instructions, assessment, expert.*

In the conditions of the influx of large amounts of investments, especially foreign investments, companies feel the need not only to effectively organize tax and accounting, but also to constantly control it. Because even the most experienced accountant or manager can make mistakes during his career. These mistakes can cause irreparable damage to the company. An audit helps to avoid these mistakes.

The emergence of new economic relationships, changes in the functions of line ministries and agencies, the emergence of enterprises of various organizational and legal forms and the emergence of majority owners also impose new requirements on the organizational structure of internal audit, as well as clarifying the mechanism of their control and the field of action.

In addition, the need to improve the organization of the internal audit is to have information on the management of the economic entity to sufficiently objectively and independently assess the behavior of employees at all levels of management; increase in the level of trust in the business entity by business partners; based on reducing business risk. In the conditions of modernization of the economy, in our opinion, internal audit should actively enter the management function, organizational activities of the enterprise. Because the internal audit is expected not only to provide information on the quality of management activities, but also to make recommendations on stabilizing and improving the financial situation of the enterprise.

At the same time, in the rapidly changing conditions of building a legal state and market economy, the internal audit process should not be a short-term process based on previously defined parameters. The experience of the Institute of Internal Auditors in Germany<sup>1</sup> can be used for this. This institute has been working for 70 years and has been developing and improving the profession of internal audit.

An example of perfecting the internal audit service is the network system. This, in turn, is related to enterprises and organizations of different structures, owners of new diversified businesses. These enterprises are spread all over the country and they feel the need for internal audit. In this case, it is possible to reflect the internal audit service, its position in economic entities.

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Changes in the role and status of internal auditors can largely depend on the recruiter. Internal audit has a different nature, content, task and organization than external audit. Internal audit service (or, in some cases, it is also called internal audit service or internal control service) as an independent department of an economic entity, performs daily systematic work on evaluation and verification of its activities.

The following factors can influence the selection of the rationale and structure of the internal audit: organizational legal form, affiliation to the industry, scope of activity, degree of independence of action in the market economy, strategy for the development of financial and economic activities, system of providing information in personnel training. The work of the audit service should be organized on the basis of the principles of collegiality, competence, independence, confidentiality, regulation and responsibility for the provision of information.

Internal audit services, as an integral part of the enterprise, should work on the basis of state legislation, internal company documents, orders, regulations and job instructions on the structure of departments, and contracts concluded between the management of the enterprise and the auditor.

"Internal audit is a method of independent evaluation of the effectiveness of the economic entity and a management tool designed to ensure the achievement of the objective in the management of the entity". In our opinion, the internal audit should provide the management of the economic entity with the results of the determined analysis, the results of the assessment of the activity of this or that department, recommendations and information.

The results of the internal audit are used by the management of the economic entity for management and in the course of daily work, available resources and within the framework of applicable laws. In our opinion, the organizational structure of the Internal Audit Service can have the form presented in Figure 3.

The main position in the department of the internal audit service is occupied by the head of the department. He will be in direct contact with the Board of Directors, and will inform the members of the board about all matters in accordance with the interests of the parties. It is appropriate for the head of the internal audit department to participate in the meetings of the Board of Directors, especially when issues related to audit activities, financial reporting, and management of the organization are considered. Because the participation of the head of the service in such meetings ensures the exchange of information on the activities and plans of the internal audit department, and increases the authority of the department among other service departments.

The head of the internal audit department should periodically evaluate the department's activities and inform the Board of Directors about it in writing or orally, and annually provide the management with information about the calendar plan of audit work, the draft of the organization of staff and the estimated expenses.

The head of the department must inform the administration of all the important facts discovered during the audit, as they may have a negative impact on the financial and economic activity of the business entity. These facts may be related to violations of laws, errors, actions related to deficiencies in control, cost inefficiency, unprofitability, insufficient control. Managers of the economic entity take appropriate measures to eliminate identified deficiencies. The duties of the head of the service include determining the composition of the inspection team and supervising their work, advising auditors on documenting the results of audit procedures,

**INTERNATIONAL SCIENTIFIC AND PRACTICE CONFERENCE ON " INTERNATIONAL EXPERIENCE IN INCREASING THE EFFECTIVENESS OF DISTANCE EDUCATION: PROBLEMS AND SOLUTIONS" SPECIAL ISSUE., 27 th July., 2022., France .,  
Joint Conference IJSSIR**

conducting financial analysis and advising on special questions if necessary, monitoring the execution of orders and orders of the administration, internal audit includes making reports on the work performed by the service and others.

The head of the internal audit department is responsible for auditing. Control is a continuous process that begins with the planning of the audit and continues until the completion of the engagement; provides subordinates with appropriate guidelines and approved programs for conducting audits; controls the confirmation of identified evidence, opinions and audit conclusions in working documents. This makes sure that the audit findings are objective, accurate, constructive and timely, and indicates that the audit has achieved its purpose. Appropriate evidence of control should be formalized in documents. The level of control required depends on the experience of the internal auditors and the complexity of the audit engagement.

The head of the auditors' group prepares the inspection schedule and determines the sequence of work to be performed, determines the composition of the group that goes to the inspection sites and determines the work areas for the auditors, prepares the general plan and the internal audit program; informs the head of the department of the main results of the audit, which, in turn, may affect the content of the internal audit report; systematizes the results of audit procedures and directly participates in their formalization in documents; prepares a report on the results of the internal audit and achieves the adoption of management decisions; organizes and supervises the work of the team members of the internal auditors who have gone to the places according to the volume of work and the terms of the assignments.

Understanding the situation is very important for audit practice. This means having the ability to apply thorough knowledge to any situation, to understand potential problems or important differences, analyze them, and determine what help is needed to make the right decision. Internal auditors should be approachable, know how to work with people, evaluate the identified evidence, be able to explain conclusions and recommendations in a clear and understandable form orally or in writing.

Auditors are required to be careful, professional, and skillful in their work. Internal auditors should be sensitive to the occurrence of intentional violations, errors and omissions, thefts and other negative situations and identify them in time. They should pay particular attention to activities where violations of the law may occur, identify control deficiencies, and make appropriate recommendations on procedures and methods to achieve their elimination. A social approach to work requires sufficient attention and competence, that is, audits by the auditor should be carried out taking into account the audit risks.

If necessary, the internal audit service can invite experts to work and impose certain requirements on them. An expert is a specialist who does not live in the state of this organization, who has sufficient knowledge and skills, who has experience and qualifications in a certain field, unlike the field of accounting and auditing, and who can give a conclusion on issues related to this field. For example, expert knowledge can be used for the correct interpretation and legal evaluation of contracts, founding documents, regulatory documents, assessment of certain types of property and their condition, calculation of the volume of completed works, etc. Unfortunately, internal audit standards do not regulate the work of an expert, so the standard intended for external audit can be used for the sample. It can be modified according to the specifics of the internal audit. On behalf of the business entity, the internal audit service

20	ISSN2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., July-2022 <a href="https://www.gejournal.net/index.php/IJSSIR">https://www.gejournal.net/index.php/IJSSIR</a>
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EXPERIENCE IN INCREASING THE EFFECTIVENESS OF DISTANCE EDUCATION:  
PROBLEMS AND SOLUTIONS" SPECIAL ISSUE., 27 th July., 2022., France .,  
Joint Conference IJSSIR**

concludes a contract for the provision of expert services or on the recommendation of a team of auditors involved in the audit. The results of the expert's work are formalized in writing, reviewed by the audit service and included in the working documents.

In conclusion, it can be said that the main source of increasing the funds of the enterprise in the conditions of modernization of the economy, based on this, the main purpose of its activity is to make a profit. The profit of the enterprise is one of the important indicators of the efficiency of its activity. Therefore, in order to achieve positive results in the enterprise, it is necessary to control the financial results of the enterprise and conduct an audit.

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<b>21</b>	<b>ISSN2277-3630 (online), Published by International journal of Social Sciences &amp; Interdisciplinary Research., July-2022 <a href="https://www.gejournal.net/index.php/IJSSIR">https://www.gejournal.net/index.php/IJSSIR</a></b>
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**INTERNATIONAL SCIENTIFIC AND PRACTICE CONFERENCE ON " INTERNATIONAL EXPERIENCE IN INCREASING THE EFFECTIVENESS OF DISTANCE EDUCATION: PROBLEMS AND SOLUTIONS" SPECIAL ISSUE., 27 th July., 2022., France ., Joint Conference IJSSIR**

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