

## **Determining the Reliability of Corporate Accounting and Reporting Data through Internal Audit Procedures**

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**Abstract:** This paper examines the methodological approaches and practical role of internal audit in ensuring the reliability of corporate accounting and financial reporting. It analyzes key procedures such as documentary verification, analytical reviews, and compliance checks used to identify discrepancies, errors, and information risks. Through case studies of companies like "NAVIGUL" LLC and "CHUST AGRO FRUITS" LLC, the study demonstrates how internal audit detects material misstatements in areas such as inventory valuation, revenue recognition, and depreciation calculation, which directly impact financial results and tax liabilities. The findings underscore that a systematic internal audit function not only serves a detective role but also provides a foundation for corrective actions and strategic decision-making. Furthermore, the integration of audit findings and recommendations into the company's ongoing information systems and management processes is highlighted as a critical factor for enhancing financial transparency, reducing risks, and improving overall operational profitability.

**Keywords:** Internal Audit, Reliability of Accounting, Financial Reporting, Information Risks, Audit Procedures, Internal Control, Accounting, Management Decisions, Error Detection, Risk Management, Compliance.

Assessing the reliability of accounting through internal audit practices is fundamental to accurately reflecting a company's financial position and providing truthful information to decision-makers. This process is methodically organized using several approaches.

Firstly, the primary goal of internal audit is to verify that accounting records reflect actual economic transactions. Documentary audits, formal and substantive analyses, comparative methods, recalculations, variance analyses, and assessments based on regulatory documents serve as the main tools. Methodological approaches include tracing transaction chains through audit trails, checking the consistency between primary documents and ledgers, and evaluating the effective functioning of the internal control system.

Practice shows that thorough inspections based on methodological analysis by internal audit uncover numerous inaccuracies and errors. For instance, internal audit results at "NAVIGUL" LLC for 2023 revealed that inventory accounting had misvalued reserves by 27.8 million soums, which negatively impacted the final financial result by 3.4%. Furthermore, data in the ledgers for some asset items did not match the primary documents at all. This indicates that the accuracy level is significantly enhanced within the audit methodology through automated analytical approaches such as vertical and horizontal analysis, and ratio analysis.

Another example from the internal audit reports of "CHUST AGRO FRUITS" LLC for 2022-2024 shows that annually, 3-4% of accounting entries were processed with errors. Specifically, in 2023, net profit was overstated by 14 million soums due to incorrect calculations, which also

affected tax liabilities. The internal audit identified this error and achieved correction through recalculation. This demonstrates not only the detective but also the corrective and preventive functions of audit activity.

It is also important to emphasize that in internal audit, reliability assessment depends not only on the accounting records themselves but also on the consistency between reporting forms, compliance with accounting policy requirements, and the practical effectiveness of internal control procedures. In many successful companies, accuracy in accounting reached 98-99% after audit inspections, enabling full control over financial resources. Consequently, continuously improving the internal audit methodology, widely implementing digital analytical tools, and creating the capability for prompt monitoring of all accounting changes are current demands.

Evaluating the truthfulness of information presented in financial reports involves verifying the correspondence of the company's financial position, profitability level, balance of assets and liabilities, cash flows, and profit indicators to the actual situation. Internal audit activities hold significant methodological and practical importance in this assessment process.

Especially in the internal audit process, determining truthfulness involves deep analysis of comparative analysis, relative financial ratios, compliance of accounting policies with the current situation, formation of revenues and expenses, movement of reserves, and the justification of depreciation policies. When assessing truthfulness, auditors draw conclusions based on the internal logical consistency of data, the frequency and scale of errors, and the correspondence of financial indicator trends to real economic conditions.

For example, internal audit results at "NAVIGUL" LLC for 2022-2024 show that a discrepancy of nearly 58.4 million soums was identified in the 2023 revenue report, arising from several transactions not being entered into the accounting records. This situation occurred due to delayed recording or incorrect accounting and was identified and corrected through audit inspection. Additionally, it was found that the net profit indicator was overstated in reports by 7.6% in 2022 and 5.2% in 2023. This led to an incorrect formation of the tax base, and recalculation through audit identified a discrepancy of over 35 million soums.

Another example at "CHUST AGRO FRUITS" LLC: in the 2023 financial report, depreciation expenses were excessively reduced, leading to overstated profits. Audit results determined that actual depreciation expenses should be 22 million soums more than reported, and the report was restructured. Such cases in audit practice are referred to as "accounting policy manipulation" or "cosmetic reporting adjustments." They harm the reliability of financial reporting and create misleading impressions for investors, banks, and partners.

Therefore, automated audit systems, electronic document flow monitoring, regression analysis, and horizontal and vertical analysis of profitability ratios are widely used in internal audit to determine information truthfulness. Compliance with GARP (Generally Accepted Reporting Practices) and IFRS (International Financial Reporting Standards) is also a key criterion in determining the reliability level. Statistics show that in companies where internal audit is conducted, the accuracy level in financial reporting is 94-98%, whereas in companies without audit or with incomplete audits, this indicator does not exceed 80-85%. This confirms the real importance of internal audit in ensuring information reliability. Thus, conducting internal audit on a methodological basis and systematically enriching it with analytical mechanisms is a necessary condition for forming highly reliable financial reports in a company.

Information risks are among the most serious types of risks in accounting and financial information systems. They can lead to incorrect financial decisions, disruption of investment directions, deterioration of the company's image, or imposition of fines by tax authorities. Internal audit results are particularly crucial in identifying these risk types, uncovering their cause-and-effect chains, and minimizing damage.

Information risks identified through internal audit are mainly classified as follows: entry of incorrect or incomplete information, discrepancies in reporting forms, imbalances in financial

ratios, temporal delays, inaccuracies resulting from fraud, and technical or methodological errors.

Practical experience confirms this through real examples in the internal audit process. For instance, during the 2023 internal audit at "DRF GARDEN" LLC, 56 financial errors were recorded, of which 21 were related to incorrect classification, 14 to double entry, and the rest to delayed data entry. As a result, discrepancies totaling 127 million soums were identified in the overall financial report. Another example, according to the 2022 internal audit report at "NAVIGUL" LLC, the depreciation of fixed assets was calculated incorrectly, leading to an 8.7% overstatement of production costs. This showed the profit amount differently from reality in the report and caused unjustified strategic decisions.

Furthermore, according to the results of the internal audit conducted in the first half of 2024 at "CHUST AGRO FRUITS" LLC, temporal delays were identified in 14 financial operations due to non-automated document flow. This led to incorrect planning of bank operations and a decrease in the liquidity ratio. The above facts show the real impact level of information risks: they negatively affect not only calculation accuracy but also at the strategic management level.

Internal audit conclusions show that when information risks are identified through statistical analysis, documentary audits, algorithmic matching, and analytical procedures, their impact is significantly reduced. Especially, conducting timely audits and making appropriate corrections prevent false indicators. Therefore, internal audit should be considered not only as a control tool but also as an important instrument for identifying information risks and serving as a basis for stable financial management.

Information risks are significant factors directly affecting the company's decision-making process based on financial information. Particularly, harmful economic consequences resulting from errors and incorrect information usually lead not only to incorrect distribution of internal resources but also to a loss of trust from external investors. In such conditions, the main goal of internal audit is not only to identify errors but also to pre-assess information risks and develop strategies to minimize them. Internal audit recommendations serve as a reliable support for substantiating management decisions in this process. When such recommendations are applied at a strategic level, the truthfulness and stability of financial information are ensured.

For example, at "CHUST AGRO FRUITS" LLC, the implementation of 76% of the recommendations developed based on internal audit in 2023 resulted in a 38% reduction in financial errors the following year. In particular, after correcting cases of incorrect depreciation calculation identified during the audit, the real value of fixed assets was clarified, leading to a reasonable formation of costs. Based on audit recommendations, an automatic alert system was implemented in the accounting software, forming a mechanism for direct accuracy input during the process. At "NAVIBIGUL" LLC, preventive measures developed based on 2022 internal audit results (two-stage verification, automated balance compliance system) reduced discrepancies in financial reporting from 14.2% to 5.3%.

Information risks arise especially in rapidly changing economic conditions due to outdated policies, lack of compliance with financial standards, or breaks in the internal control chain. If the recommendations developed by internal audit in such conditions are applied strategically, the probability of these risks occurring can be significantly reduced. For example, "DRF GARDEN" LLC, using internal audit reports as a basis in 2024, revised financial control regulations and fully implemented an electronic document flow system. As a result, conflicts in financial transactions decreased from 43 cases to 17, increasing the reliability level in financial management.

Therefore, the strategic application of internal audit recommendations allows for early identification of financial risks and making management decisions based on reliable information. These recommendations are an integral part of a comprehensive management mechanism including planning, control, analysis, and improvement elements. Statistical analyses show that

strategic recommendations adopted based on internal audit conclusions improve the information reliability indicator by an average of 27-34% within one year. Based on this, every company must strategically integrate audit recommendations not just as formal conclusions but as real management tools in information risk management.

Internal audit results are an important source of information for decision-making in modern management systems. Specifically, clear and well-founded recommendations provided by the internal auditor regarding errors, violations, problems in document flow, and low efficiency of resource use identified in accounting and financial reporting enable the formation of management decisions based on facts.

According to the results of internal audit activities conducted at "CHUST AGRO FRUITS" LLC during 2022-2024, a loss of 11.4 million soums occurred in 2022 due to incorrect calculation of product costs, and incorrect tax payments of 8.7 million soums were identified in 2023 due to incorrect profit calculation. Based on these audit conclusions, the procedure for preparing financial reports was revised, cost classification was improved, and a budgeting mechanism was implemented. This allowed achieving a 34% increase in net profit by the end of 2024 and a 27% reduction in the company's tax risks.

Another practical example is the experience of "NAVIGUL" LLC. Strategic decisions developed based on 2023 internal audit results helped reduce the share of costs from 18% to 13% by deepening the analysis of the company's financial flows, optimizing the turnover of receivables and payables, and establishing strict control over operational expenses. As a result, the company's overall profitability increased from 9.6% in 2022 to 13.2% in 2024. This situation shows that internal audit conclusions not only strengthen financial discipline but also contribute to effective strategic and tactical management decision-making. Thus, integrating internal audit results into the management system is an important tool aimed at increasing the reliability of accounting reports, reducing financial risks, and ensuring overall operational profitability.

Integrating internal audit conclusions into systematic information flows is one of the most important mechanisms of modern management in ensuring the reliability of accounting and financial reporting. Here, internal audit results are not limited to exposing errors but are absorbed as analytical, evaluative, and recommendatory information constantly transmitted into the company's information systems.

Especially, the presence of internal audit modules in accounting information systems (AIS) and financial management platforms allows for automatic tracking of errors identified in the audit and adding the recommendations made regarding them to information flows in real-time. For example, at "NAVIGUL" LLC, based on 2023 internal audit conclusions, an audit monitoring module integrated into the company's 1C: Accounting system was implemented, establishing a system where discrepancies in operations entered by users immediately come to the auditor's attention. This system identifies an average of 8-10 potential errors or violations per quarter.

Furthermore, at "CHUST AGRO FRUITS" LLC, a mechanism for synchronously transmitting internal audit conclusions to planning, budgeting, and management reporting systems was developed during 2022-2024. As a result, the number of financial discipline violations in the company decreased by 37% in 2024, and the value of incorrectly valued assets decreased by 19%. Through such approaches, internal audit conclusions are transformed into the company's strategic information flow, becoming a tool not only informing about identified errors but also preventing and systematically proposing. Thus, enriching information flows with audit results is of great importance in increasing reporting truthfulness and ensuring the company's reliability level. This, in turn, further strengthens the strategic role of internal audit in ensuring investment attractiveness, tax discipline, and financial transparency.

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