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THE ROLE OF THE ENTERPRISE'S INTERNAL CONTROL SYSTEM AND RISK REDUCTION

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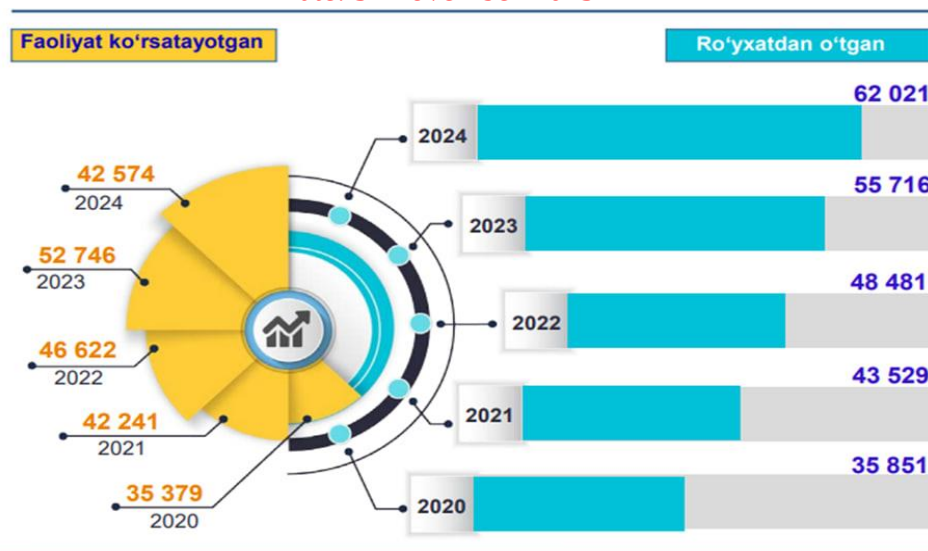
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Introduction: In a market economy, the internal control system plays an important role in ensuring the stability and efficiency of enterprises. The internal control system allows you to control financial, organizational and production processes within the enterprise, eliminate identified shortcomings, and identify and reduce risks in advance. This system serves to rationally use the enterprise's resources, ensure the reliability of accounting data, and improve the quality of management decisions made by management. In recent years, increased competition, rapid changes in market demands, and external economic factors have further increased the attention of enterprises to the internal control system. In particular, the introduction of digital technologies, the use of automated control mechanisms, and the modernization of risk assessment methods are becoming one of the most pressing issues today. Therefore, improving the internal control system of an enterprise and combining it with risk reduction are of great importance in ensuring the financial stability of the enterprise, preventing errors and fraud, and establishing effective management.

Analysis and results: Advantages of the enterprise's internal control system and its role in reducing risks:

- Strengthening financial discipline** - The internal control system allows you to constantly monitor financial transactions in the enterprise. This helps to prevent the targeted use of funds, prevent excessive spending, and reduce fraud.
- Accuracy and reliability of management decisions** - through control mechanisms, the management learns the real state of the enterprise. As a result, strategic and operational decisions are made based on sound information.
- Early identification and reduction of risks** - the internal control system allows you to identify financial, organizational, and production risks that may arise in the enterprise's activities in advance. This minimizes their negative impact.
- Improving the quality of production and service provision** - the control system evaluates the effectiveness of each department's activities. This helps to reduce errors, standardize processes, and establish constant monitoring of service quality.
- Improving the efficiency of internal and external audits** - the internal control system ensures complete and transparent accounting, and also serves as a reliable source of information for external auditors. This reduces audit costs and simplifies the analysis process.
- Increasing employee responsibility** - in the presence of an internal control system, employees feel a deeper sense of responsibility for their activities, which strengthens labor discipline and improves the culture of the enterprise.

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Graph 1. Indicator of the increase in enterprises due to risk control in 2020-2024

Source: <https://farstat.uz/uz/matbuot-markazi/qo-mita-yangilkar/13061-korxona-va-tashkilotlar-to-g-risida-umumi-y-ma-lomot.html>

Graphical analysis: As of January 1, 2024, the number of operating enterprises and organizations (excluding farmers and peasant farms) reached **42.6 thousand**. The increase in the number of operating enterprises compared to the corresponding period in 2023 was **80.7 percent**.

Weaknesses of the enterprise's internal control system and its role in reducing risks: **High financial and time costs** - the implementation of an internal control system and its constant updating require significant material resources, qualified personnel and time. This process can be economically burdensome, especially for small enterprises. **Increased bureaucratic processes** - the introduction of excessive control mechanisms complicates documentation processes, slows down decision-making and reduces the flexibility of the enterprise's activities. **Dependence on the human factor** - the effectiveness of the internal control system largely depends on the responsibility, competence and honesty of employees. If there is human error or vested interests in the control system, it will not produce the expected results. **Delay in adapting to a changing external environment** - since internal control policies and procedures are strictly defined, the process of adapting to rapid changes in market conditions or legislation is slow. **Increased psychological pressure on employees** - working in an environment of constant control and evaluation can cause distrust, stress or a decrease in motivation in some employees. **Excessive centralization of control** - in some enterprises, all decisions are controlled by top management, which weakens the initiative of middle managers and limits creativity.

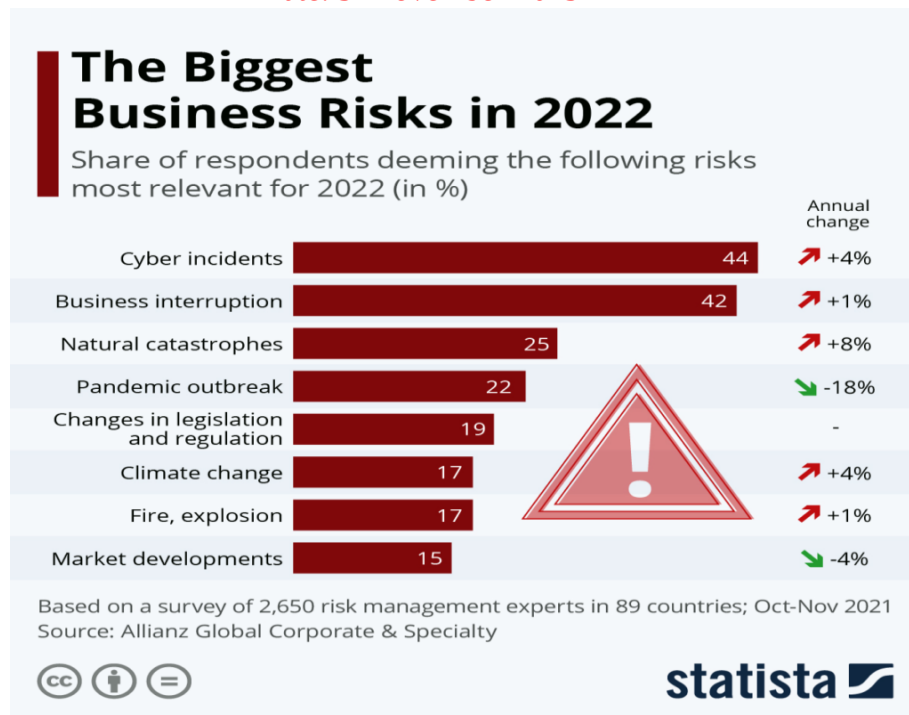


Chart 2. Major risks taken in 2022 and their consequences in percentage terms

Source: <https://bvarta.com/the-importance-of-reducing-business-expansion-risk/>

Conclusion and suggestions: The internal control system of an enterprise is a key factor in ensuring the stability of the organization's activities, strengthening financial discipline, and increasing the effectiveness of management decisions. This system serves to identify risks early, minimize their negative consequences, and ensure the rational use of resources. Effective implementation of internal control mechanisms increases the financial stability of the enterprise, strengthens investor confidence, and ensures competitiveness. However, when applying the system in practice, factors such as bureaucratic complexities, high costs, and dependence on the human factor can affect its full effectiveness. Therefore, it is necessary to constantly analyze, digitize, and improve the internal control system based on modern management approaches.

Formation of an internal control system at enterprises based on modern digital technologies, widespread use of automated monitoring programs. **Improving the skills of employees in conducting internal control processes,** regularly training them in identifying and assessing risks. **Increasing the level of flexibility of the control system, that is,** introducing mechanisms for rapid response to changes in the market and legislation. **Strengthening cooperation between internal and external audit,** thereby increasing the accuracy and reliability of control results. **Developing a corporate governance culture, strengthening the principles of responsibility,** honesty and openness among employees. Developing simplified internal control models for small and medium-sized enterprises, thereby reducing their economic burden.

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