

## **Audit of Construction and Repair Costs Financed From Budget Funds**

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**Annotation:** The article describes the procedure, sequence, specific features, problematic aspects, shortcomings and proposals for their elimination of the construction audit, and repair costs financed from the budget funds. Problematic aspects are studied, practical proposals that can be implemented in this direction are developed, and recommendations for implementation are given. The requirements for the auditor in the implementation of state financial control have been studied. The rights and obligations of the state financial control bodies, the types of audits, formalization of the results, requirements that must be reflected in the audit document have been considered.

**Keywords:** construction and repair costs financed from budget funds, estimate value, project documents, estimate norms, construction and assembly works, author control, technical control, financial control.

### **1. Introduction**

The state participates as the main investor in the construction sector, which is one of the drivers of the country's economic growth. Funds from the state budget and foreign loans under state guarantee are attracted and directed to this sector. Funds financed from budget funds should be targeted, legal and transparent. In particular, it is necessary to ensure the transparency and legality of the funds allocated to construction and repair costs. Funds allocated to the construction sector make up a larger share compared to other sectors. The audit of construction maintenance costs has its own characteristics, unlike the audit of other areas of costs. It is mainly required to control the quality of the construction, its timely completion and the appropriate use of the allocated funds.

According to the decision of the President of the Republic of Uzbekistan "On further increasing the efficiency of the State budget expenditures of the Republic of Uzbekistan and improving the activities of state financial control bodies" dated February 14, 2022 No. financial control inspectorate was established. In order to systematically control the costs of construction and repair, with this decision, a department for the implementation of financial control in the field of construction was established as a member of the Inspectorate.

Although there is a practice of organizing the audit of construction repair costs in budget organizations in our republic, it is required to develop rules, standards, guidelines for conducting it. Each auditor performs control based on his experience. This causes the auditor to not fully form his obligations. As a result, it affects the quality of audit results. Based on the above, we consider this topic to be relevant and we think that it is appropriate to conduct research in this direction.

### **2. Literature review**

The organization of the audit of construction repair costs financed from the budget funds differs from the financial audit carried out in economic entities in its specific aspects. In this direction, the textbooks, monographs and training manuals published by the economists of our country, as well as published scientific articles and theses, present only general theoretical approaches, the audit procedure from a practical point of view is not covered. For example, S.U. Mekhmonov (2018), R.D.

Dosmuratov (2003), B.J. Jumamuratov (2019), A.K. Ibragimov (2010), B.B. Sugirbaev (2010), T.M. Haydarov (2013) studies the problems of developing the theoretical aspects of the audit service in budget organizations.

These scientists limited themselves to covering the organization of the audit of construction repair costs financed from budget funds through general theories, therefore, it is required to conduct scientific research in this direction and reveal both theoretical and practical aspects.

Foreign experts in this direction have developed and put into practice procedures for conducting financial audits in the construction sector based on the requirements of the laws and regulations of their countries.

Although the main principles, duties, and functions of auditing are expressed in the law and subordinate documents, procedures for conducting financial audits in narrow areas have not been developed.

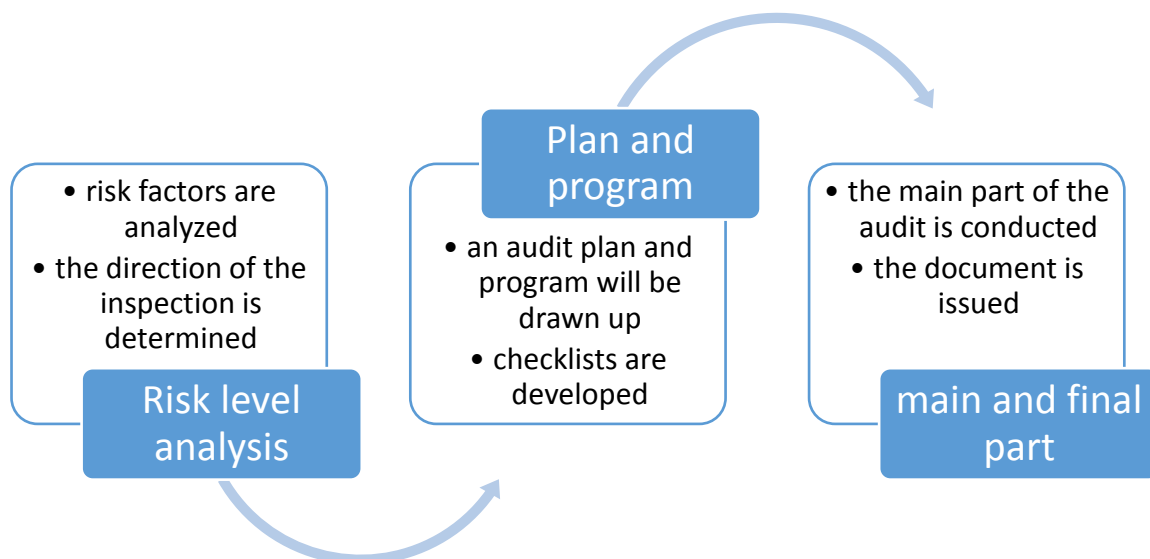
In our opinion, based on the requirements of the laws and legal documents of our country, it is very necessary to develop a guideline that will clarify the theoretical and practical aspects of the audit of construction repair costs financed from the budget, as well as be used in practice.

### 3. Research methodology

In the course of the research, the laws and legal documents, experts working in this field, experiences from the scientific researches of economists were deeply studied and analyzed. Abstract logical thinking, induction, deduction, observation, analysis, grouping, and comparison methods were widely used during the preparation of the article .

### 4. Analysis and results.

At the initial stage of organizing a financial audit, it is necessary to analyze the construction objects that are planned to be audited, and as a result of the analysis, to clarify the target ways of the audit. The diagram below provides sample steps for conducting an audit:

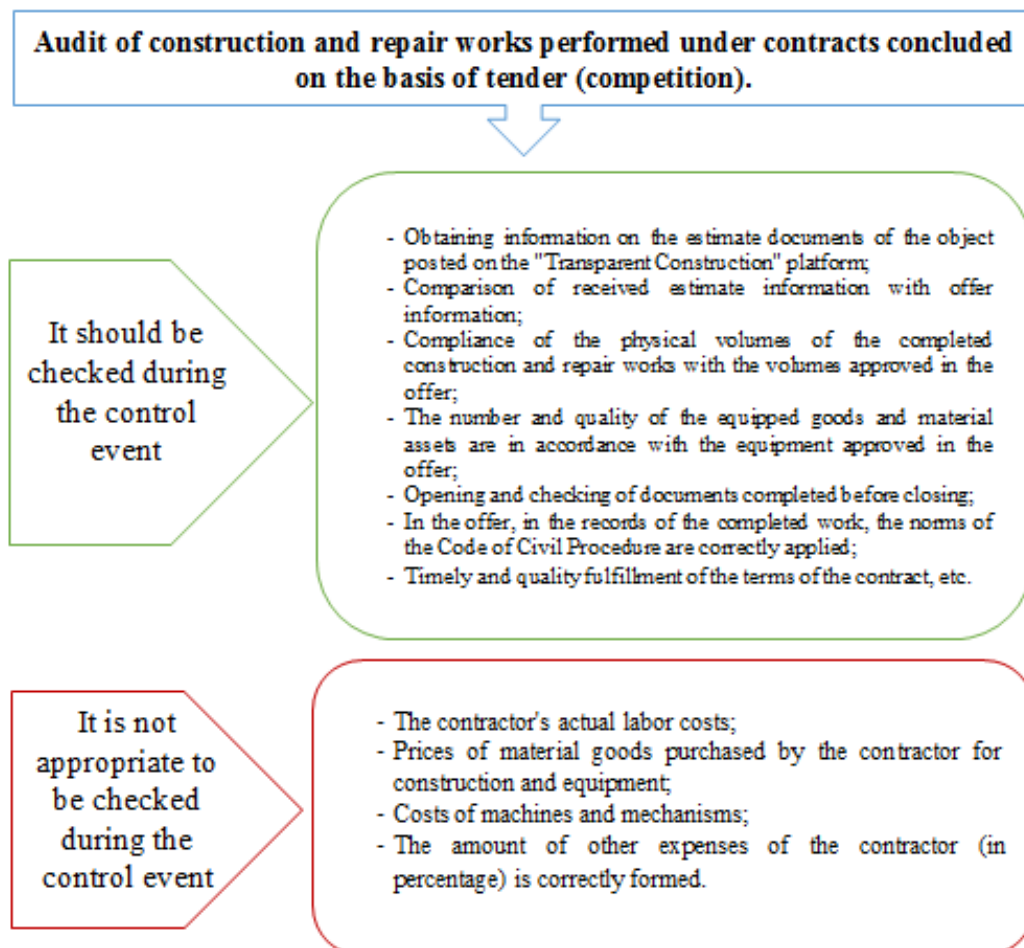


**Figure 1. Sample stages of conducting an audit<sup>1</sup>**

<sup>1</sup> Developed by the author

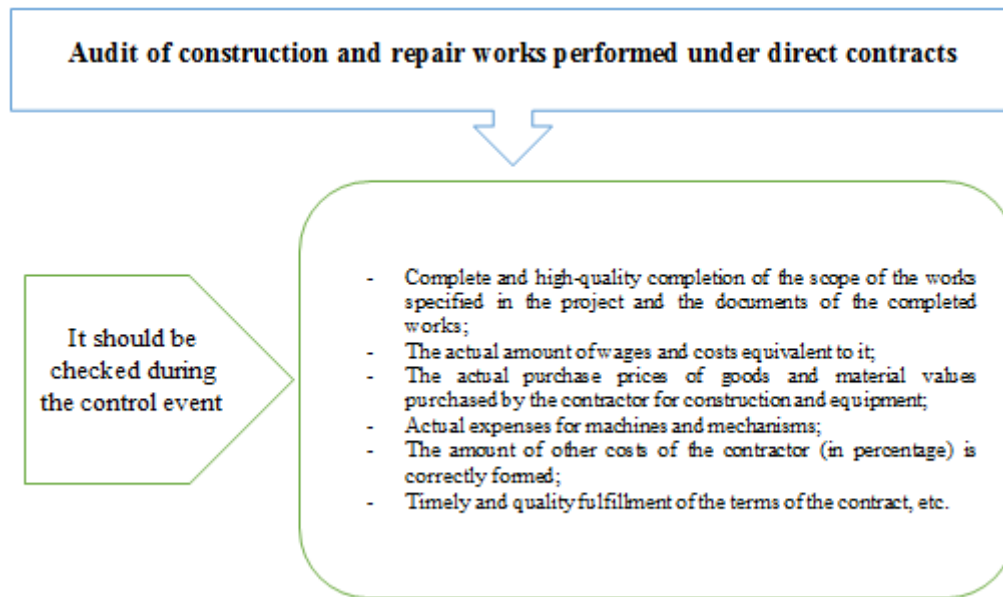
The risk level of control objects is assessed on the basis of risk factors. After the results of the evaluation, the target directions of the inspection are defined. After that, the audit plan and program is developed and approved in the prescribed manner. Analytical tables are developed depending on the purpose, size and function of the audit. When the developed tables are analyzed, primary documents are checked directly. At the end of the inspection, the documents of the established order will be issued, and measures will be taken to eliminate the identified errors and deficiencies. The results are submitted to relevant departments in the form of a report for the purpose of summary analysis.

After the start of the direct audit construction and facility redecoration, it is important for the auditor to determine whether the contract concluded on the basis of a tender (selection) or a direct contract based on the requirements of legal documents has been fulfilled. Below are the main directions that should be followed during the audit of the construction and repair works performed on the basis of contracts at the expense of budget funds. It is advisable for the auditor to use this information to make the most of his limited time.



**Figure 2. Directions for conducting audit of contracts concluded for construction and repair facilities based on tender.<sup>2</sup>**

<sup>2</sup> Developed by the author



**Figure 3. Directions for conducting audits in construction and repair facilities<sup>3</sup>**

After receiving a positive conclusion from the state expertise for project estimate documents, the estimated cost of construction is approved by the head of the institution, and the address list and title sheet documents are the basis for starting financing.

In doing so, the following questions will be analyzed and examined:

- availability of project-estimate documents, compliance with the procedure and content established in its preparation;
- availability of relevant permits and pre-project documents for construction and reconstruction of capital construction facilities.

When checking the records of completed works and estimate documents, it is necessary to determine the existence of cases of overestimation of the cost of works due to the following reasons:

- re-entering the volumes of work that were not actually performed or were previously performed and paid for in accounting documents;
- inclusion of costs not related to the basic technology of the construction, assembly and repair works not provided for in the estimate documents in the documents of acceptance of completed works;
- unreasonably including the physical volumes of works exceeding the volume provided for in the estimate documents in the accounting documents;
- unreasonably increasing the cost of installation work due to overestimation of the number and weight of equipment units;
- Unreasonable inclusion of costs included in additional costs or additional cost rates related to the performance of works in winter in the acts of acceptance of completed works;
- showing other costs of the contractor (numbers in the form of percentages) in excess of the established norm;

<sup>3</sup> Developed by the author

- contract prices and service tariffs for materials, products, constructions (agreed reports and contracts) are not formalized in the prescribed manner;
- the state of acceptance of the work before the conclusion of the contract;
- the state of acceptance of additional works after the signing of the certificate of acceptance of the state approval of the completed construction (repair) of the object;
- arithmetic errors;
- other reasons for overstating the volume and cost of work.

In the course of inspections, special attention is paid not only to the calculation of the cost of work according to the documents of completed work, but also to the reliability of the volume of work accepted for payment. Conformity of the volume of work accepted for payment with the volume of work actually performed can be determined only as a result of the control measurement of the performed work.

### **Conclusions and suggestions**

In conclusion, it can be said that the timely and quality audit of the construction and repair costs financed from the budget depends on the knowledge of the specialists working in the system. Therefore, regular improvement of their knowledge and skills and regular provision of guidelines used in the audit process will have an impact on the quality of work.

When conducting an audit of construction repair costs, the auditor must first determine whether the audited object has been paid on the basis of a tender or by concluding a direct contract, and determine the areas that should be audited or are not appropriate for audit. If the construction works were carried out through a contract concluded on the basis of a tender, the actions that are not appropriate to be checked during the control event include the following: - actual labor costs of the contractor; - the prices of goods and material values purchased by the contractor for construction and equipment; - costs of machines and mechanisms; - correct formation of the amount (in percentage) of the contractor's other expenses. If the auditor cannot determine this direction correctly, the results of the audit may be incorrect, and the auditor's conclusion may be invalid if the case reaches the court.

Based on the above, the following suggestions can be made.

- Carrying out a mandatory financial audit of the construction and repair facilities financed from the budget, based on the schedule until the end of the construction;
- development of a manual on the organization of the audit of construction and repair costs financed from budget funds;
- constantly improve the developed manual in the process of using it in practice with relevant specialists;
- continuously taking measures and measures to eliminate systemic errors and deficiencies identified during the audit process.

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