

**THEORETICAL PRINCIPLES OF IMPROVING THE MODERN CORPORATE CONTROL SYSTEM IN JOINT STOCK COMPANIES**

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**Abstract:** The article analyzes the concept of compliance control at corporate enterprises, the views of economists in this area, the principles of compliance control, implementation methods and scientifically substantiated conclusions on this matter.

**Keywords:** strategy, transparency, corporate enterprises, compliance, control, corruption, rule, convention, standard, guidance, principle, risk, transparent, sustainable, culture, stakeholder, principle, affiliates.

**INTRODUCTION**

The development experience of the economy of developed countries shows that in order to ensure the effective management of the activities of joint stock companies and to increase the market value of the company, the openness, transparency of information about the company and adherence to ethical standards and norms, the introduction of a compliance control system is required. In addition, the introduction of a modern control system into the activities of joint-stock companies is considered one of the most important issues.

In this regard, in the strategy of actions for the further development of the economy of our country, "... the issue of the need to introduce modern standards and methods of corporate management, to strengthen the role of shareholders in the strategic management of enterprises, and to introduce modern mechanisms of departmental control for the prevention, prevention and elimination of violations" It is no secret that it plays an important role in solving this problem.

In this regard, at the meeting of the President of the Republic of Uzbekistan on January 11, 2020 on the issues of fighting corruption and improving public control systems: In cooperation with the United Nations Development Program, the introduction of the "compliance control" system, which develops and implements internal anti-corruption measures in ministries, companies and hokims<sup>2</sup> task was set.

In addition, goal 84 of the President of the Republic of Uzbekistan dated January 28, 2022 "On the Development Strategy of New Uzbekistan for 2022-2026" No. PF-60. increasing the effectiveness of the system of corruption, forming an intolerant attitude towards corruption in the society. To combat corruption, introduce modern information technologies, including artificial intelligence, establish cooperation with civil society institutions, support public control, strengthen systematic preventive measures, introduce a system of continuous improvement of knowledge of the population and civil servants in the field of combating corruption, and the tasks of ensuring the development of normative legal documents based on the principle of "corruption-free legislation"<sup>3</sup> are defined.

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<sup>1</sup>Decree of the President of the Republic of Uzbekistan dated 07.02.2017 No. PF-4947 "On the strategy of actions for the further development of the Republic of Uzbekistan".

<sup>2</sup>. Materials of the meeting of the President of the Republic of Uzbekistan on "Combating corruption in the Republic of Uzbekistan and improving public control systems. 11.02.2020.

<sup>3</sup>Decree of the President of the Republic of Uzbekistan dated January 28, 2022 "On the Development Strategy of New Uzbekistan for 2022-2026" No. PF-60

### **LITERATURE REVIEW**

"Compliance" is derived from the English word "compliance" and means following and obeying rules, laws, standards and policies. From a practical point of view, compliance includes the development of measures to control, identify and prevent violations of laws, regulations and standards, and the system of internal procedures in the company. But there are different approaches to this term by economists at the world science level.

Today, the word compliance as an economic term is interpreted differently by economists. According to M.M.Aleshin and E.I.Aleshina <sup>4</sup>, "Compliance-control" means that the company has competitive advantages, its importance is increasing year by year, it is an integral part of corporate management as an internal control function, which in turn increases the efficiency of the company. will ensure its stable development due to increasing its value.

In this regard, noting that a single interpretation of the term "compliance" has not been developed by economists in science and practice (translated from the English language (compliance) - it is compliance with any standard, normative requirements or norms. In the scientific literature, the content of the function of "compliance" There are different views and they can be explained as follows:

- it is an integral part of the corporate culture in the company, in which every employee must comply with the standards of legality and integrity established by the company for the performance of official duties, including decision-making at all levels <sup>5</sup>;

- there are opinions that there are constant and specific measures to determine facts and cases of non-compliance with laws and requirements, normative legal documents, requirements and standards of the market economy and internal documents of the company, including activities related to the improvement of the corporate management system <sup>6</sup>;

- they say that the purpose of introducing and managing compliance is to identify and prevent corporate crimes and errors, to reduce the problems that arise, to reduce losses for the company, to prevent the recurrence of such harmful situations, to improve business and control processes <sup>7</sup>;

- b iz compliance as a state of conformity between an actor's actions or norms on the one hand, specific rules, procedures, conventions, standards, guidelines, principles, legislation or other norms predetermined by others. Although we do not focus on adherence to norms more broadly, we recognize relative principles as norms—provided they are specific. A state of conformity can be achieved regardless of the motives, causes, or circumstances that cause it. In our view, therefore, an actor can obey norms without having to internalize them and change their beliefs or behavior . Besides, complacency is complacency. Finally, they argue that compliance should be distinguished from efficiency because compliance does not necessarily achieve the ultimate goals <sup>8</sup>.

In addition, according to some economists, the meaning of the word compliance should be divided into two, i.e., firstly, from the legal point of view, it expresses the conformity of the activity with the current regulatory documents, and secondly, from the ethical point of view, it should be aimed at ensuring compliance with the standards, i.e., the company's standards related to the industries, internal normative documents that ensure the conduct of its activities <sup>9</sup>- they say.

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<sup>4</sup>Aleshin M.M., Aleshina E.I. Komplaens kak instrument povyshenia stoimosti korporatsii // Internet magazine «NAUKOVEDENIE» Vol. 8, No. 5 (2016) <http://naukovedenie.ru/PDF/48EVN516.pdf>.

<sup>5</sup>Bondarenko Yu. Effective compliance-risk management: systematic approach and critical analysis // Corporate lawyer, 2008, #6. S. 31–34.

<sup>6</sup>Belyaev Yu.K. Primenenie instrumentsov complaens-kontrolya dlya optimizatsii korporativnogo upravleniya farmatsevticheskimi kompaniya// Izvestiya UrGEU, 2013, No. 1 (45). S. 45-50.

<sup>7</sup>Benedek, Petra. (2012). Compliance Management – a New Response to Legal and Business Challenges. Acta Polytechnica Hungarica. 9.

<sup>8</sup>Foorthuis, Ralph & Bos, Rick. (2011). A Framework for Organizational Compliance Management Tactics. Lecture Notes in Business Information Processing. 259-268. 10.1007/978-3-642-22056-2\_28.

<sup>9</sup>Kopytin D. Chto takoe compliance, ili Igraem po privalam // Kadrovik. 2010. No. 2.

The "compliance-control" system in companies is based on the requirements of the law adopted in each country and the rules and standards that may be different in any company. It refers to matters such as fair treatment and ensuring a fair approach in advising clients. In addition, the company's shareholders, investors, supervisory board and other stakeholders are interested in the application of the "compliance-control" system to the company's activities, and its effective operation can ensure the effectiveness of corporate management<sup>10</sup>.

Therefore, compliance-control is a system that can control the compliance of the company's activities with the requirements of laws, norms, norms and standards and what the consequences of non-compliance will lead to, and give appropriate advice, and even take measures based on the current legislation. This is a type of activity, and it is appropriate to consider this activity as a system that works to control the company's management, employees, the company's activities in accordance with the current legislation, standards, internal and external norms and rules, and most importantly, to fight against corruption in the company's activities. For this, it will be necessary to adopt the relevant normative documents of the State on the fight against corruption.

**For information:** In this regard, normative and legal documents are being adopted in Uzbekistan. That is, the Law of the Republic of Uzbekistan "On Combating Corruption" dated January 3, 2017 No. O'RQ-419 was adopted, in which **corruption**, which also applies to the activities of the management bodies of state administration and economic entities, is a person's personal interests from his position or service position or the interests of other persons. Illegal use for the purpose of material or immaterial gain, as well as illegal presentation of such material is determined. In addition, **the conflict of interests that** often occurs in the activities of joint-stock companies - personal (direct or indirect) interest that affects or may affect the proper performance of a person's professional or service obligations, and conflicts between personal interest and the rights and legal interests of citizens, organizations, society or the state. Situations in which resistance is occurring or may occur are also explained. In addition, in the Decree of the President of the Republic of Uzbekistan dated May 27, 2019, starting from July 1, 2019, state bodies must periodically assess the risks of corruption that arise in the implementation of the tasks and functions; Starting from August 1, 2019, as an experiment, organize the implementation of the "Corruption-free sphere" project in the fields of capital construction and higher education at the initial stage, involving the public and leading experts, including foreign experts, and gradually extend the project to other fields from April 1, 2020. Implementation tasks are set. In the State program adopted by this Decree, "Strengthening anti-corruption measures in organizations with a state share in the charter fund, including: introduction of the anti-corruption compliance control system and monitoring of its effectiveness; the task of establishing a certification procedure in accordance with the relevant anti-corruption standard (ISO 37001) for combating corruption."<sup>12</sup>

The main direction (work) of compliance in the company is to fight against the illegal appropriation of financial funds, control over currency circulation, ensuring the accuracy of accounts and reports, compliance of financial reports with international financial reporting standards and compliance of accounting reports with the requirements of current regulations, fighting against customs, banking, monopoly, labor, monitoring the implementation of activities in accordance with environmental, tax and other legal requirements.

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<sup>10</sup>Suyunov D.Kh. Scientific online magazine of TMI "International Finance and Accounting", No. 3, July, 2020, pp. 58-63.

<sup>11</sup>The Law of the Republic of Uzbekistan dated January 3, 2017 "On Combating Corruption" No. ORQ-419.

<sup>12</sup>21 items of the state anti-corruption program for 2019-2020 approved by Decree No. PF-5729 of the President of the Republic of Uzbekistan dated May 27, 2019 "On measures to further improve the anti-corruption system in the Republic of Uzbekistan".

The purpose of compliance is to ensure that the financial and economic condition of the company does not deteriorate and does not lose the trust of the company's top management bodies, shareholders, investors, partners and other interested stakeholders, and to determine information on the minimum state of risks in all activities in a timely manner. Any financial losses, sanctions issued by tax and other law enforcement authorities can have a negative impact on the further improvement of the company's position. In such situations, it is possible to cite the main types of compliance risk:

- information affecting the reputation of the company. This includes the dissemination of negative information about the company or its employees, representatives of management bodies, shareholders, affiliates, employees of supervisory bodies in mass media;

- state of implementation of legal norms. In this case, as a result of violation of the requirements of the Laws and other regulatory documents related to the company's activity, they will be prosecuted by the law-enforcement control bodies;

- situations with current risks. In this case, the company causes losses due to the violation of the internal regulatory documents of the company, and the violations of the legal requirements and decisions made by the board of trustees of economic entities and internal documents by the affiliated persons and shareholders of the company. Therefore, in the management structure of joint-stock companies, it is necessary to have a structure that can work in the direction of corruption and risk management. It is necessary to ensure transparency, openness and investment attractiveness of the company without corruption.

In addition, it is necessary to introduce a corporate governance code that defines the working regime of management bodies, ensures openness and transparency of information and internal control of economic financial activities, and of course introduces a compliance control system<sup>13</sup>.


**For reference:**In recent years, large-scale reforms aimed at preventing and combating corruption, putting an end to corruptible factors in all spheres of state and community building have been consistently implemented in our country. Also, measures are being taken to improve the system of risk assessment related to corruption and to introduce standards of honesty in the public service, to eliminate bureaucratic obstacles and to reduce the "hidden economy", and "Corruption-free sphere" projects are being implemented.

In order to fulfill such tasks, the Agency for Combating Corruption of the Republic of Uzbekistan (hereinafter - the Agency) was established by the Decree of the President of the Republic of Uzbekistan No. PF-6013 dated June 29, 2020. Organization of the implementation and effective operation of state and economic management bodies, state-owned enterprises and enterprises with a state share in the authorized capital, including the internal anti-corruption control system ("compliance-control") in banks and other international means of fighting corruption, modern methods and to carry out anti-corruption monitoring on the basis of information and communication technologies, as well as to carry out the task of compiling a rating of their activities in this field, considering the suspension or cancellation of their execution in cases where signs of corruption are detected in the decisions of executive authorities and economic management bodies and their officials regarding offenses related to corruption Conducting administrative inquiries on the introduction of mandatory submissions and, together with other interested agencies, including attracting the funds of international organizations, in 2020-2021, all state and economic b it is decided to take steps to gradually introduce the internal control system against corruption ("compliance-control") in the public authorities.

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<sup>13</sup>Suyunov DH "The main problems of corporate governance and ways to solve them", EPRA International Journal of Economic Growth and Environmental Issues (EGEI) ISSN:2321-6247 Impact Factor: 8.007 (SJIF 2020) 202101-13-006137, 9, 1, January, 2021.

<sup>14</sup>Decree of the President of the Republic of Uzbekistan dated June 29, 2020 No. PF-6013 " On measures to further improve the system of combating corruption in the Republic of Uzbekistan ".

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### **RESEARCH METHODOLOGY**

The article uses methods of observation, abstract-logical thinking, systematic analysis, comparison and economic interpretation.

### **ANALYSIS AND DISCUSSION OF RESULTS**

In the company, the corporate control system implements the following:

- promotes a certain collegiality and information exchange in decision-making, which allows to prevent excessive concentration of power, which leads to an increase in the risk of abuse or fraud;

- identifies the conflict of interest related to the company's managers and officials and informs the top management about it;

- develops recommendations that help the management to ensure effective control of the company's activities in general or in the area of specific problem areas (for example, control of cash flow).

In companies, the "Compliance-control" system is mainly characterized by risk management and is typical for companies of foreign countries, but today it must be based on certain principles when applied to any enterprises and organizations, as well as to state organizations or companies. Based on the activities of joint-stock companies, the following principles should be followed when implementing the compliance-control system in the joint-stock commercial banking system <sup>15</sup>:

The first principle of the compliance-control system in joint-stock companies is the principle of responsibility, which means that the company:

It is the responsibility of the Directors or the Supervisory Board to identify and manage compliance risks and exercise overall control. Directors or the Supervisory Board must approve the compliance policy of the joint-stock commercial bank, which implements a permanent and effective compliance function, and evaluate the effectiveness of management in this area at least once a year.

The second principle of the compliance control system is the independence of the compliance function, which implies an official status: the existence of a compliance manager who has overall responsibility for coordinating the management of compliance risks; elimination of the possibility of conflict of interests between company employees' obligations to perform their functions and other duties assigned to them; is that the company's employees have the necessary information to perform their duties.

The third principle of the "compliance-control" system in the company is the availability of necessary resources to ensure that the "Compliance-control" system performs its functions and obligations effectively. These resources certainly include financial, economic, legal, labor and other resources.

The fourth principle of the "compliance-control" system in companies is to ensure the implementation of mutual relations with internal audit. In this case, compliance - functions, its scope and scope should be regularly reviewed by the internal audit service.

The fifth principle of the "compliance control" system in companies is the implementation of international relations in the company. It determines the use of the company's outsourcing system. That is, the individual tasks of the compliance function can be outsourced, but they must be properly supervised by the head of the compliance function. Compliance risk management should be considered as one of the main areas of risk management in the company.

Therefore, it will be possible to determine the duties of the "compliance-control" system in companies based on these principles. These tasks are, firstly, to comply with the requirements of the current legislation and the company's internal regulatory documents, standards and ethical norms, and secondly, to improve ways to reduce compliance risks at a high level in the company, and thirdly, to deal with major transactions and to ensure strict adherence to the principles of compliance in their implementation, fourthly, to strive to

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<sup>15</sup>Letter No. 173-T of November 2, 2007 issued to Russian banks based on the Basel Committee's document entitled "Compliance and Compliance Function in Banks".

preserve the company's value in all relations with the company's partners, to eliminate conflicts of interest while preserving the mutual interests of all stakeholders interested in the company's activities, fifthly, to inform the company's employees and other third parties of the company's compliance standards creating conditions for confidential or speedy transmission of information about violations online and via e-mail; sixth, compliance standards are required by company employees to take strict disciplinary measures for violation of seventh, fight against corruption in the company, embezzlement of income earned through illegal activities and financing of various actions against the state and society and terrorism, eighth, regulation of the processes of making proposals for various events in the company, receiving and giving gifts, and reporting information and information about violations of ethical standards to the management bodies in the appropriate manner timely delivery, ninth, positive elimination of conflicts of interest between shareholders, investors and other stakeholders, and tenth, not to disclose confidential information about the financial, economic, labor and other resources of the company, and to ensure compliance with the specified standards of data processing and storage of this information.

### **CONCLUSIONS**

To sum up, the "compliance-control" system is a set of all processes related to the company's activities, and is understood as a set of actions aimed at ensuring that the personnel fulfill the requirements of all laws and ethical norms, standards, codes, rules, regulations and other normative documents related to the company's activities. . Therefore, as the experience of the companies of developed countries in the world has shown in the implementation of the compliance-control system in the company's activities, firstly, the support of **the** company's top managers, top managers, members of the Management Board and the Supervisory Board for the compliance-control system, and **secondly, the** company's employees, business partners and provide training and information to others in the direction of the compliance-control system, and **thirdly**, determine the place of the elements of the compliance-control system in business processes. This in turn ensures , **firstly**, guaranteed transparent business conduct, **secondly**, the legality of the company's activities, as well as the existence of standards and regulations in all areas related to the company's activities, independence, the reduction of obstacles in obtaining information about the company, the openness of accounting and reports, and **thirdly** , the company it is inevitable that the supervisory board and the executive body are accountable to the owners (shareholders, investors and other stakeholders), are based on the principles of equality and justice in all relationships, and demonstrate a high level of corporate culture and professionalism.

Increasing the level of coordination of the internal control unit with other units in the organization. This direction should include:

- participation in the development and coordination of drafts of regulatory documents (for example, regulations on structural structures with powers and obligations in the implementation of control procedures) justifying the operation of the internal control system of the internal control unit;
- participation in commissions, working groups and committees at all levels of company management on issues related to the formation and improvement of the internal control system;
- methodical support of structural units and responsibility centers in the company on the issues of applying a unified approach to the formation and change of the internal control system, as well as other issues related to the formation and operation of the internal control system.

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