

EVALUATION OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM DURING THE INNOVATIVE DEVELOPMENT OF INDUSTRIAL ENTERPRISES

ОЦІНЮВАННЯ ЕФЕКТИВНОСТІ СИСТЕМИ ВНУТРІШНЬОГО КОНТРОЛЮ ПРИ ІННОВАЦІЙНОМУ РОЗВИТКУ ПРОМИСЛОВИХ ПІДПРИЄМСТВ

The article considers assessment of efficiency of internal control at enterprises. It identifies that there is no single classification of types of internal control and systemises classification of types of internal control in accordance with the main tasks and by the most essential and stable features. It is emphasised that the assessment of the stable existence of an enterprise should be based on its financial indicators. In this regard, a model for assessing the internal control system was developed and proposed based on analytical indicators of the financial condition (assessment of financial stability, assessment of business activity and turnover, assessment of profitability, assessment of liquidity in accordance with the main criteria of the internal control system (stability, complexity, efficiency, objectivity, effectiveness, quality, economy and efficiency). It is analysed that it is necessary to characterise the internal system of enterprise on the basis of the stages of organisation of internal control. The study of the organisational and legal framework for the functioning of the internal control unit of an institution provides recommendations for "building" a model of efficiency of the internal control system.

Key words: internal control, control efficiency, functioning, direction, management efficiency, communication, enterprise, model.

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У статті розглянуто оцінки ефективності внутрішнього контролю на підприємствах. Визначено, що єдиної класифікації видів внутрішнього контролю не існує, а класифікацію видів внутрішнього контролю систематизовано відповідно до основних завдань та за найбільш суттєвими і стійкими ознаками. Акцентовано увагу на тому, що оцінка стабільного існування суб'єкта господарювання має ґрунтуватися на його фінансових результатах. Безпосередньо своєчасна та обґрунтована оцінка впливає на прийняття управлінських рішень, підвищує ефективність діяльності підприємства, впливає на розмір можливих збитків або очікуваних прибутків. Для цього формується матриця заходів, з якої починається оцінка фінансового стану підприємства. У зв'язку з цим розроблено та запропоновано модель оцінки системи внутрішнього контролю на основі аналітичних показників фінансового стану (оцінка фінансової стійкості, оцінка ділової активності та оборотності, оцінка рентабельності, оцінка ліквідності відповідно до основних критеріїв системи внутрішнього контролю (стабільність, комплексність, ефективність, об'єктивність, дієвість, якість, оперативність та ефективність). Проаналізовано, що внутрішню систему підприємства слід характеризувати, виходячи з етапів організації внутрішнього контролю. На основі знань, наданих науковцями щодо наявних методів внутрішнього контролю, розроблено комплементарну модель спроможності та надійності реалізації методів управління системою внутрішнього контролю. З метою дослідження організаційно-правових засад функціонування підрозділу внутрішнього контролю установи було надано рекомендації щодо "побудови" моделі ефективності системи внутрішнього контролю. Також у табличній формі надано порівняльну характеристику позитивного та негативного впливу на стан внутрішнього контролю через основні елементи системи внутрішнього контролю.

Ключові слова: внутрішній контроль, ефективність контролю, функціонування, напрям, ефективність управління, комунікація, підприємство, модель.

Formulation of the problem. At present, a reliable internal control system acts as one of the main reserves for improving management efficiency, which allows reducing company costs and creating prerequisites for further business development. Implementation of control at the enterprise is carried out to achieve a certain goal. At the same time, there are situations when, in the course of ensuring the interconnection of all stages of the management cycle, the effective use of resources to achieve the goals set by the owners is not seen. That is, the spent labor and material resources have significantly higher indicators than the results obtained. In connection with the ambiguity of the occurrence of such unpleasant situations, the assessment of the model of implementation and implementation of internal control is mandatory.

Analysis of recent research and publications. The scientific problems of the model of the effectiveness of the implementation of internal control

are directly reflected in the works of such scientists as S.M. Petrenko, S.V. Bardash, M.V. Borysenko, R.O. Kostyrko, N.G. Vygovska, I.K. Drozd, M.F. Maksimova, V.P. Panteleev, V.O. Shevchuk E.V. Kalyuga, V.F. Maksimova, V.S. Rudnytskyi and others. At the same time, the improvement of methods of assessing the effectiveness of internal control at domestic enterprises need further solutions. In order to ensure the orderly and effective activity of the enterprise, the question arises regarding the need to «build» a model of the effectiveness of internal control and provide recommendations on its formation. Increasing profits requires constant analysis of the company's activity and detailed systematization of factors affecting it and further study of development trends of all processes, which determines the relevance of this topic.

The purpose of the article. The main goal of this work is to improve the model of the effectiveness of internal control at domestic enterprises and to provide

recommendations on the «construction» of the model of the effectiveness of the internal control system.

Presenting main material. In the course of economic activity, the management carries out the promotion and development of the enterprise. At the same time, one cannot always be sure that all financial resources are in «safe hands» and protected. There are various reasons when the management does not always know and accordingly assess the negative aspects that carry the risk of a decrease in performance indicators in the future. In large or medium-sized enterprises, it is difficult for top management to understand all aspects of activity at the same time, they may not notice all the ways to potential mistakes.

A well-coordinated system of internal control performs effective and excellent work, analyzing processes at the enterprise, forming an understanding of risks for management and generally improving the state of the company's divisions and employees. However, at the same time, it seems that the management of the company never thought about applying the same methods and analyzing the activity of the internal control system. Thus, confirm or deny the presence of professionalism and compliance with the competence of the internal control service. If internal control representatives want to be truly useful, if they want to be seen as trusted consultants, then they need to understand that their internal control methods must be of the highest quality. Management must make sure that the organization fully fulfills the set tasks and that control over them is bearing fruit.

The close interrelationship of internal control components ensures the formation of an integrated system that is able to quickly respond to challenges that arise during the implementation of commercial activities. It is important to understand that internal control is an integral component of effective management. The most effective internal control system is considered if the controls are «embedded» in the organization's infrastructure and are part of its essence, which strengthen the quality and effectiveness of measures, as well as help avoid additional costs and allow a faster response to certain events.

As you know, the basic component of internal control, which should ensure a positive and favorable attitude towards this system, orderliness and discipline, is the control environment created by the management of the economic entity, which forms the atmosphere in the organization, which affects the awareness of the personnel of the importance of performing control functions. The management of the business entity must plan, organize and manage the implementation of the necessary measures to ensure timely prevention, prevention and detection of non-compliance and illegal actions. It is worth noting that the effectiveness of the internal control environment

will depend on the attitude of the entity's management to the given problem.

Many modern companies have proven that the current state of the organization of internal control is far from ideal, as a result of which companies suffer bankruptcy. Based on the economic literature, it can be seen that the strength of manifestations and the effect of detected violations are not generalized and systematized in scientific research. The main advantage of internal control is that it provides effective control of the company's activities while preserving commercial secrecy and observing legitimate interests in the implementation of economic activities.

There is no single classification of types of internal control. In practice, the classification of species is carried out according to the main tasks and according to the most significant and stable features.

Types of control are formed at various enterprises of various organizational and legal forms at the discretion of the management and depending on the specifics of the activity, the volume of operations at the facility. But they must correspond to the organizational structure, the number of personnel, the branching of divisions and branches, accounting.

Each of the above types of internal control has its own purpose and scope of tasks, and also performs only its own functions. The given classification is sufficiently complete and provides an opportunity to solve the issue of control organization at all levels of enterprise management.

Types of intra-economic control are implemented through its forms, which express the internal connection and the way control is organized, allow to reveal its content and indicate the technique of its implementation [1].

From the point of view of M. Melnyk, internal control can be carried out in two organizational forms:

- control carried out directly at each workplace. An example of this form of internal control organization can be: control during the execution of accounting operations, carried out in parallel with accounting activities and organically connected with it; self-control or joint control at production sites; control in functional departments; control over the implementation of management decisions;

- control carried out by a specially created control device. An example of this form of internal control organization can be called: control of accounting documents, performed by specially created methodical control centers; conducting internal audits by a control and audit apparatus specially created at the enterprise [2, p. 335].

Burtsev V. singles out such forms of internal control as: internal audit and structural-functional form of internal control [3, p. 47]. The choice of the form of internal control depends on the complexity of the management structure, organizational and legal

form, types and scales of activity, the expediency of controlling various aspects of the activity, the attitude of the company's management to control.

Individual researchers distinguish such forms of internal control organization as:

- permanent audit committee (auditor);
- control groups;
- internal audit department;
- inventory bureau;
- structural and functional form [4, p. 75].

Other specialists call the forms of organization of internal control the internal audit and the structural-functional form, according to which the development of a set of internal documents regulating the order of interconnection of units and their managers from all stages of internal control is envisaged [5].

The top management, managers of all levels, who have an influence on the achievement of the goal, create a mechanism or «build» a model of control effectiveness.

Directly, timely and well-founded assessment affects management decision-making, increases the performance of the enterprise, has an impact on the amount of possible losses or expected profits. For this, a matrix of measures is formed, which begins the assessment with the financial condition of the enterprise.

The assessment of the financial condition makes it possible to strengthen, increase the potential and expand the capabilities of the enterprise to carry out economic activities based on increasing the level of profitability.

It should also be added that the assessment of the stable existence of a business entity should be based on its financial indicators.

At the same time, the effectiveness of internal control is evaluated through self-developed indicators. Financial stability determines the state of ensuring one's financial capabilities, which are uninterruptedly aimed at fulfilling obligations to business partners, the state, owners, and employees. The presence of independence from creditors and investors allows the enterprise to «breathe» and maintain a sufficient level of solvency and function in various types of market. The ability of the enterprise under any conditions to convert its assets into money without losing its market value, as well as to attract funds from external sources to fulfill all its obligations on time and in full, to finance its activities and to repay unforeseen debts determine its liquidity [6].

Business activity as an analytical indicator of the financial condition determines the place of the enterprise in the market of specific goods, creates the reputation of the enterprise.

The internal control system, in order to improve the financial condition of the enterprise and provide a comprehensive assessment, must develop and

establish the procedure for applying analytical procedures based on the criteria of internal control and the specifics of the enterprise's activities. To determine the effectiveness of control, the criteria for evaluating the effectiveness of their activities are used (Fig. 1).

The internal control system assessment model is based on analytical indicators of the company's financial condition and control effectiveness criteria.

When analyzing performance indicators, special attention should be paid to the presence of certain data sources and their connection with the company's strategic tasks, as well as based on the principles of internal control, such as specificity (certainty and sufficient detail, especially regarding actions and expected results), measurability (definition indicators characterizing the level of goal achievement, the goal must be measurable and reflect the result), attainability (definition of the goals that the subject of state donation can achieve, realism (sufficiency of resources for the realization of the goal) and timeliness (definiteness of the goal in time due to planning the date of its achievement).

Involvement in the evaluation of the quality of the implementation of internal control of employees of the company's divisions reduces the autonomy and impartiality of the process. At the same time, a large informational potential and knowledge of all the intricacies of the company's activity favorably distinguishes department heads, allowing them to navigate the company's activities with greater accuracy. Considerations regarding the objective judgment of the person conducting the inspection become conditional.

Therefore, if it is possible to achieve and observe complete independence and objectivity, the quality check by the internal control system has more opportunities for effective implementation with the involvement of heads of various divisions. Of course, the employees of the company's divisions are adapted to its internal environment, which is a negative point.

According to the authors, despite the fact that the activities of the internal control department include not only confirmation of the reliability of financial statements and financial status, but also include a number of other services and assessment methods.

Modern economic and scientific literature in its majority is limited only to the characteristics of available methods and refrains from recommendations on which of them to use in the analysis of a particular project or enterprise as a whole.

In order to assess the state of internal control, it is necessary to have a sufficient idea of the organizational structure, to determine the nature and number of verified indicators and the period of verification.

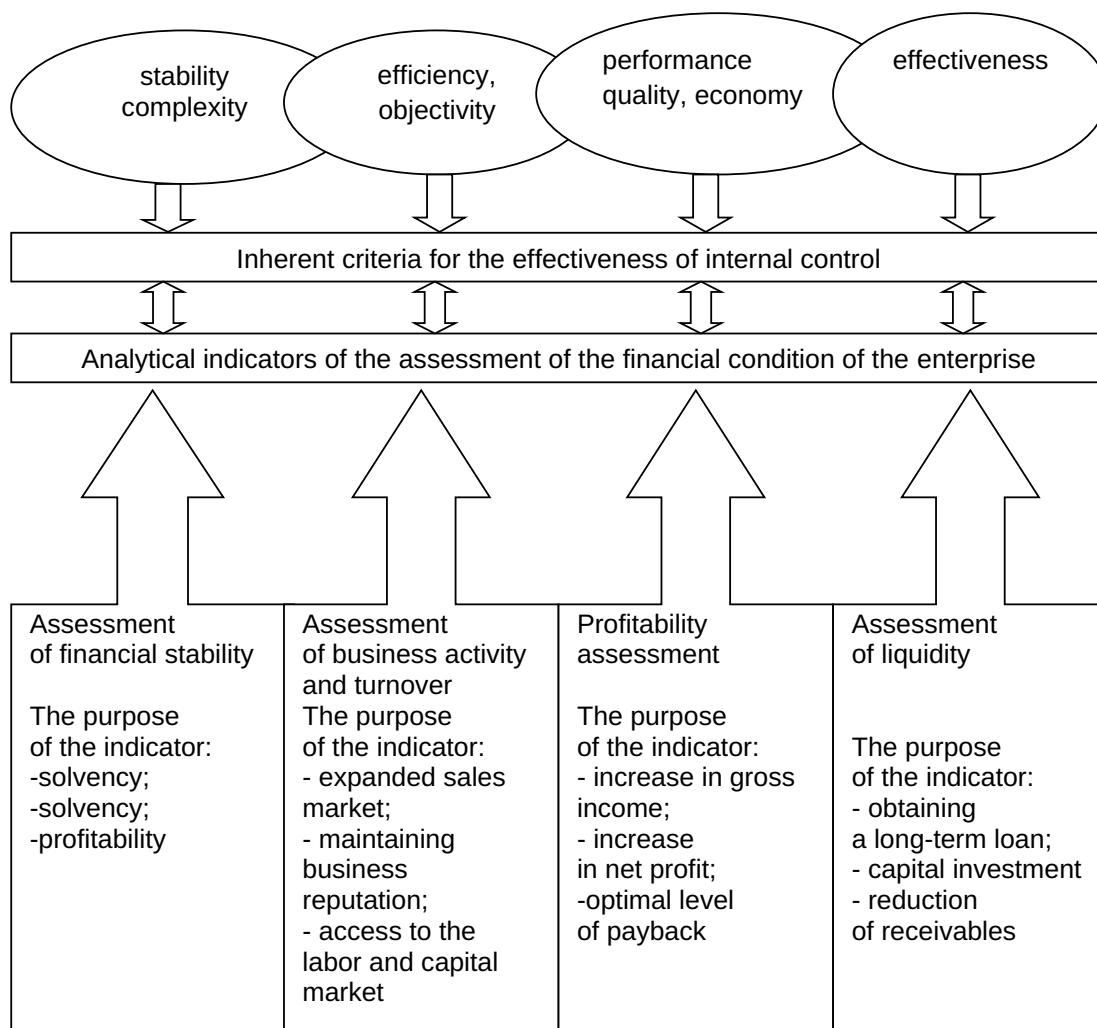


Fig. 1. Evaluation model of the internal control system

Source: author's development

It is also necessary to assess the impact of existing methods and procedures on the further verification of the reliability of the company's financial statements.

It is necessary to characterize the internal system based on the stages of internal control organization. Having systematized the knowledge provided by scientists regarding existing methods of internal control, a model of the capacity and reliability of the implementation of management methods of the internal control system was developed and is presented in Table 1.

It should also be added that the assessment of the effectiveness of the internal control system consists in determining the strengths and weaknesses of the economic entity's control. Table 2 shows the balanced characteristics of the positive and negative impact on the state of internal control due to the main elements of the internal control system.

The reflection of the current state of affairs and the search for growth directions of the company's profitability should be reflected in a detailed report provided by the internal control service to the

management. According to the report, it is considered mandatory to monitor the business entity's activities for qualitative assessment of its results.

Conclusions and suggestions. As a result of such studies, the reliability of the internal control system can be developed a method (model) for assessing the «compliance» of the internal control system, which would allow monitoring the compliance of the internal control system with current and prospective business conditions, development strategies, provided for timely updating of the control environment, forms and types of control.

When studying the organizational and legal basis of the functioning of the internal control unit of the institution, there is a need to create and develop a «Road Map» and build a model of the effectiveness of the internal control system. The main recommendations can be:

- compliance with the basic principles of internal control;
- the newness of the full presentation of the powers of the subjects of internal control and the

Table 1

A model of the capacity and reliability of the implementation of management methods of the internal control system at the enterprise

Stage of organization of internal control	Methods of influence of internal control on the organization of activities	Evaluation of the effectiveness of the implementation
determination of the form and functions of the organization of the internal control system	<ol style="list-style-type: none"> 1. staff survey; 2. observation; 3. familiarization with management and accounting documents; 4. study of the customer's preliminary research documents; 5. study of the results of documentary checks of all control bodies that conducted checks; 6. familiarization with the requirements for the organization of the internal control system 	obtaining general data on the specifics and scope of the enterprise's activities, the accounting system and the internal audit service
testing (research) of the internal control system to identify control strengths and weaknesses	<ol style="list-style-type: none"> 1. inspection; 2. observation; 3. study; 4. testing 4. control measurements 	obtaining adequate conclusions about the reliability and expediency of the functioning of the internal control system
identification of the circle of officials who will be assigned the functions of internal control, as well as the involvement of consultants from specialized organizations	<ol style="list-style-type: none"> 1. study 2. analysis 3. research 	study of the organizational structure of management, with the aim of establishing the relationships of management structures, their rights and responsibilities, the distribution of staff and financial resources, management functions
development of a provision (order, order) related to the organization of the internal control system	<ol style="list-style-type: none"> 1. study; 2. analysis 	according to the results of the analysis of the existing provisions regarding the organization of the IC. making corrections or additions
developing or supplementing relevant job instructions with internal control functions	<ol style="list-style-type: none"> 1. study; 2. analysis 	for the purpose of effective distribution of obligations, a systematic analysis of job instructions of persons responsible for IC and mutual relations with specialists of structural divisions was carried out
development of forms for documenting the results of internal control	<ol style="list-style-type: none"> 1. study; 2. analysis 	evaluation and analysis of the organization's development program, as well as a set of planned measures capable of ensuring its implementation
implementation of internal control functions during the established reporting period	<ol style="list-style-type: none"> 1. study; 2. analysis 	study of financial results of activities with planned (forecast) indicators of the financial plan
discussion of the results of internal control with the company's management and owners	<ol style="list-style-type: none"> 1. study; 2. analysis 	definition and reflection in program documents of possible ways to improve the internal control system, taking into account the further development of the organization
monitoring of the internal control system	<ol style="list-style-type: none"> 1. study; 2. analysis 	conducting an analysis and comparing the previously planned program goals of the organization's functioning with the actually achieved results to determine the effectiveness of the functioning

Comparative characteristics of the positive and negative impact on the state of internal control due to the main elements of the internal control system

The main element determining the state of internal control	Positive influence	Negative influence
competent and trustworthy staff with clearly defined rights and responsibilities	employees of the enterprise are honest and thorough, and the rights and obligations of each employee are clearly defined in the job instructions	lack of control by the management in business operations, the degree of responsibility for the work done is reduced
distribution of orderly job duties between employees participating in the formation of information, regarding the management of cases and the formation of information	comprehensive provision of information	high probability of detecting errors and gaps
formal procedures are required during business transactions	unbiased control over operations	not a clear definition of the rights and responsibilities of each employee
physical control over assets and documentation	carrying out the storage of the company's property and carrying out its inventory	display of accounting and financial statements with significant deviations
drawing up primary documents	timely reflection in accounting and financial reporting	inaccurate information is available

qualitative system of motivation of the employees of this department;

- determination of reporting rules and requirements for implementation of control procedures;
- coincidence of the strategic goals of the VC with the goals of the enterprise;
- concentration of attention on possible risks of carrying out the main activity
- implementation of constant monitoring for the elimination of identified deficiencies and their prevention in the future.

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