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**INTERNAL CONTROL SYSTEM IN THE ORGANIZATION:  
NATIONAL AND INTERNATIONAL EXPERIENCE**

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**Abstract**

This study is dedicated to arranging the internal control system in the organization. The authors have generalized approaches to the scientific interpretation of the internal control concept. The main international documents for internal control have been systematized. Comparative descriptions of internal audit, internal control, and supervision and auditing services have been analyzed. It has been shown that any management function is consolidated with the control function and control itself is closely combined with other elements of management in practice. The implementation of daily control involves reporting, accounting, monitoring, access rights to assets, and separation of powers. The main elements of the internal control concept, basic principles and approaches to building an internal control system have been identified in the course of this study. The main advantages and disadvantages of internal control building systems have been revealed.

**Keywords**

Internal control – Financial and management accounting – Management system



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## Introduction

The modern economic science proceeds from the fact that, firstly, the material needs of people are unlimited, and secondly, economic resources, i.e., the means of producing goods and services, are limited or rare. Many companies in the world suffer losses from inefficient use of various kinds of resources (human, financial, and material) – from lack of information necessary for making proper decisions to unintentional and deliberate distortion of reporting, or direct fraud by personnel and managers. Such problems can be avoided by creating an efficient internal control system within the companies. The efficient management of an organization involves a wide range of plans and a significant volume of the planned, and, accordingly, control works in the market conditions described by high uncertainty and instability of the external environment. Therefore, internal control in organizations becomes a foundation present at all levels of management in the modern conditions, when the economic system of Russia is in a deep crisis state. In a broader sense, the efficient management control, all other things being equal, secures the organization's success. It must be noted that control is increasingly viewed as a method of improving governance at all levels in the practice of foreign supreme governing bodies of both the power and economic levels.

## Literature review

The problem of arranging internal control in companies is widely covered by both Russian and foreign authors. A significant contribution to the national science of control was made by such scientists as I.N. Dyshlovoy, Yu.V. Kotelevskaya, I.A. Shevchuk, D.V. Nekhaichuk, Yu.S. Nekhaichuk, T.I. Lomachenko, S.V. Klimchuk, N.A. Simchenko, S.Yu. Tsekhla, D.D. Burkaltseva, O.S. Sivash<sup>1</sup> and others.

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<sup>1</sup> D. D. Burkaltseva; L. M. Borshch; S. V. Gerasimova; S. A. Zotova y O. A. Guk, "Regional aspect: laying institutional groundworks", The European Proceedings of Social & Behavioural Sciences EpSBS (2018): 263 – 271; P. P. Chyvatkin; S. Y. Tsohla y N. A. Simchenko, "Institutional environment for the formation of the soviet generation", International Journal of Engineering and Technology(UAE) Vol: 7 num 4 (2018): 581 – 586; M. N. Dudin; D. D. Burkaltseva; S. Y. Tsohla; I. N. Voronin; A. A. Yanovskaya y O. A. Guk, "Peculiarities of sustainable tourism development in the Russian Federation", Journal of Environmental Management and Tourism Vol: 8 num 8(24) (2017): 1,559 – 1,566; I. N. Dyshlovoi; O. V. Prokhorova; E. Y. Tugolukova y V. A. Lukianenko, "Effective management for the sustainable development of sanatorium-resort complexes in the Crimean Republic", Mediterranean Journal of Social Sciences Vol: 6 num 4 (2015): 424 – 431; S. V. Klimchuk; Yu. S. Nekhaychuk; D. V. Nekhaychuk y E. V. Nekhaychuk, "Theoretical and methodological fundamentals of associated forms of agricultural business", European Research Studies Journal Vol: 20 num 3B (2017): 130 – 137; A. Latkin; V. Sazonov y I. Dyshlovoi, "Entrepreneurship in the shadows: market research into trends running in post-Soviet economies", Journal of Entrepreneurship Education Vol: 21 num 2 (2018); A. Murava-Sereda; N. Simchenko y S. Tsekhla, "Institutional practices of economic experiments in the field of money circulation in Crimea (1783-1917)", Indian Journal of Science and Technology Vol: 8 num 10 (2015); D. V. Nekhaichuk; V. V. Trofimova y Yu. S. Nekhaichuk, Foreign experience of ensuring the financial autonomy of local self-governments. Competitive, Sustainable and Secure Development of the Regional Economy: Response to Global Challenges Proceedings of the International Scientific Conference (Volgograd: Volgograd State University, 2018); E. Piskun; V. Khokhlov y N. Simchenko, "Economic development of Sevastopol and its influence on the population's life quality", International Journal for Quality Research Vol: 13 num 2 (2019): 485 – 500; N. Simchenko y E. Piskun, "Contribution of corporate social responsibility and social capital management into quality of life: models of evaluation", International Journal for Quality Research Vol: 13 num 3 (2019): 689 – 704; O. S. Sivash; D. D. Burkaltseva; O. V. Boychenko; L. V. Savchenko; T. N. Bugaeva y S. A. Zotova, "Realization of investment processes in the

The issues of improving and optimizing the measures of the internal control system are also relevant among specialists of popular business publications, heads of internal control and auditing services of large Russian holdings (Sergey Martynov, OJSC Siberian Coal Energy Company; Dmitry Karaptan, Radomilk), and auditors who have passed international professional certification (Dmitry Sergienko, CIA (Certified Internal Auditor) and CISA (Certified Information System Auditor)).

The work "Managerial Accounting" by the US accountants Ray Garrison, Eric Noreen, and Peter Brewer defines and explains what accounting information needs to be collected and how it should be interpreted by the manager when drawing up an organizational plan of operations, when exercising control over the activities of the enterprise, and when making decisions.

The goal of this study is to provide a substantiated description of the internal control system as an integral part of the successful operation of the modern enterprise.

The internal control system allows to efficiently achieve the goals set by the owners of the companies at the lowest cost, which is very important in the modern management system. The high-quality organization of internal control in the company allows to find shortcomings and violations, contributes to their prevention and timely elimination. The performance of economic agents directly depends on how correctly this system is organized.

## Results and discussion

The main research method in this article is the analysis of the review of scientific literature by foreign and Russian authors of the last decade in order to identify the advantages of using various forms of internal control, as well as similarities and differences in approaches and definitions of internal control.

The analysis of the experience of organizing internal control in foreign companies indicated the predominance of an integrated approach to building internal control systems in international practice. This approach involves penetration into all business processes with the subsequent generalization of information and its timely delivery to the persons who must make managerial decisions on its basis, aimed at minimizing risks, more fully using the opportunities for growth, and improving the efficiency of the organization.

The internal control service in Russia is mainly aimed at checking the availability and use of assets, liquidating debts, as well as checking the quality of accounting (financial)

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agricultural sector of the digital economy", *European Research Studies Journal* Vol: 20 num 4B (2017): 366 – 379; S. Stash; T. Makarenaya; T. Sinelnikov y N. Simchenko, "Ecological and economic problems of development of socio-economic system at the municipal level", *International Multidisciplinary Scientific GeoConference Surveying Geology and Mining Ecology Management, SGEM 17, Energy and Clean Technologies* (2017): 365 – 371; S. Tsohla; N. Simchenko; E. Romanyuk y E. Polishchuk, I. Podsmashnaya, "Institutions of social partnership in providing youth employment in the labor market of the Republic of Crimea", *Journal of Applied Economic Sciences* Vol: 12 num 8(54) (2017): 2,368 – 2,375; D. S. Ushakov; O. S. Sivash y D. D. Burkaltseva, "Activization of investment process in the agrarian sector", *International Journal of Ecology and Development* Vol: 32 num 4 (2017): 169 – 182 y S. A. Zotova; D. D. Burkaltseva; O. V. Boychenko; O. S. Sivash; N. M. Mazur y A. V. Novikov, "The construction of the digital organizational, social and economic production mechanism in the agro-industry", *European Research Studies Journal* Vol: 20 num 4B (2017): 350 – 365.

statements and optimizing taxes and fees. This form of organization of the internal control service needs to be revised, because it reflects an incomplete picture of the financial life of the enterprise. At the same time, the internal control concept in other countries is more extensive and includes the analysis and assessment of the enterprise performance, as well as the assessment of the risk management quality.

The COSO ERM standards must also be taken into account when organizing the internal control service at the enterprise (the previous COSO standard differs from COSO ERM by the latter's focus on managing company risks and increasing the reliability of reporting).

The internal control concept emerged in the early 18th century, but it has greatly changed its essence by our time. This concept was formed as a system for controlling the organization operation by the beginning of the 20th century.

The concept of a control system has deep roots in scientific publications, and there is no point in denying its practical developments and achievements.

The following four directions can be distinguished in the definition of this category:

- control as a part of management;
- control as a stage of management;
- control as a form of feedback; and
- legal concept of control.

International practice in the field of internal control allows to distinguish the fifth point of view on the control system: as a risk-oriented activity.

In addition, internal control can be viewed as a system of interrelated and ordered measures, procedures, and techniques used by management and employees for efficient management and compliance with the organization's policy<sup>2</sup>.

A specific economic agent needs to exercise internal control for continuous supervision and verification of operations, results obtained, and adoption of operational measures. Moreover, each of the organization's divisions, as well as each area of its operations and the actions of each employee are integral parts of the internal control system.

The definition formulated by the European Insurance and Occupational Pensions Authority can be considered as the most complete – it interprets internal control as a continuous set of processes carried out by the Board of Directors, top management, and all employees, and is designed to ensure the following:

- compliance with the necessary internal documents, laws, and regulations;
- efficiency of the operations being carried out;

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<sup>2</sup> A. Murava-Sereda; N. Simchenko y S. Tsekhla, "Institutional practices of economic experiments... 15.

- efficiency of financial and nonfinancial information;
- adequate risk control; and
- balanced approach to business.

Some documents related to the internal control concept were the result of the activities of international organizations (Figure 1).

Internal control has a broad definition from the standpoint of the process carried out by the governing bodies of the organization, as well as other employees, the purpose of which is to obtain information to perform the following tasks:

- authenticity of financial statements;
- following laws and regulations; and
- rationality and efficiency of activities<sup>3</sup>.

Each of the above concepts includes many general views, essences, and concepts of internal control, but each of them is based on the previous one.

COBIT accumulates materials from its original sources SAC and COSO. The control concept is taken from COSO, and the objectives of the control process are taken from SAC.

For example, SAS 78 changes some provisions of SAS 55 and demonstrates what contribution COSO made to the basis of the internal control concept. For example, COSO applies such internal control concepts as SAS 55 and SAC, and SAC uses the internal control concepts developed in SAS 55.

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<sup>3</sup> I. N. Dyshlovoi; O. V. Prokhorova; E. Y. Tugolukova y V. A. Lukianenko, “Effective management for the sustainable development...”

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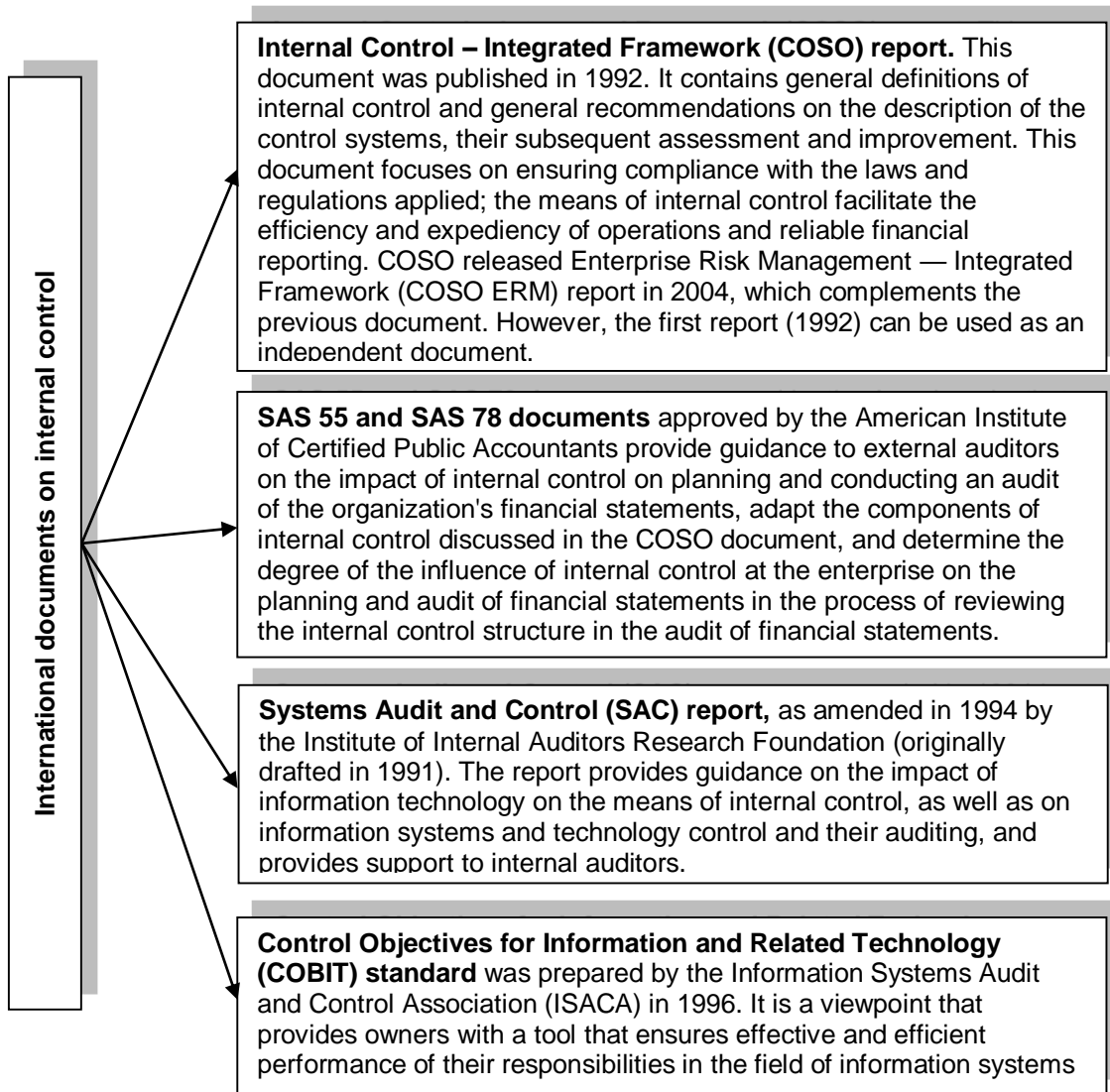


Figure 1  
International documents in the field of internal control

The main difference in these documents is the target group they address. For example, the COSO document is addressed to the management of the organization and the Board of Directors, the SAC document is addressed to internal auditors, SAS 55/78 are addressed to external auditors, and the COBIT document is addressed to all the three groups (management, users, and auditors of information systems). At the same time, they can be useful for all parties. There are also other differences in these documents, including the level of detail and the purpose of these documents<sup>4</sup>. The main disadvantage of these documents is that control functions are ignored at the stage of developing solutions based on the results of data from information systems, such as tax and accounting. This drawback stems from the fact that these documents were developed by management specialists who lacked economic knowledge<sup>5</sup>.

<sup>4</sup> D. D. Burkaltseva; L. M. Borshch; S. V. Gerasimova; S. A. Zotova y O. A. Guk, "Regional aspect: laying institutional groundworks"...

<sup>5</sup> S. Tsohla; N. Simchenko; E. Romanyuk; E. Polishchuk y I. Podsmashnaya, "Institutions of social partnership in providing youth employment... 2,368

In accordance with Article 1 of the Lima Declaration of Guidelines on Auditing Precepts, control is an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness, and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent – or at least render more difficult – such breaches. Moreover, it is stated in the same Declaration in Article 3 that internal audit services are established within government departments and institutions that are part of the internal control system.

The dual role of internal control in the corporate management is an undoubted feature of this process. Any management function is consolidated with the control function, and control itself is closely combined with other elements of management in practice. It is difficult to imagine an employee whose activity is related only to a certain management element and their activity would not be related to control at the same time. As such, when considering each stage of the management process as a separate element, it is necessary to assume that the presence of control in a certain form is observed at each stage, which is necessary for its optimal implementation. Based on the COSO report, it can be stated that the internal control system is not a substitute for management but rather its tool, and there is also no need to build the means of control based on operational activities – however, they should be applied in operational activities. Five interrelated and yet almost identical elements are distinguished in Standard 8 and COSO (Figure 2).

Such a system will be considered efficient if all of these five components exist and function efficiently in the process of operations, financial reporting, and compliance with the necessary internal control requirements<sup>6</sup>. The organization of the internal control service had been mandatory only for the credit institutions until 2013, while for other organizations this had been only a right.

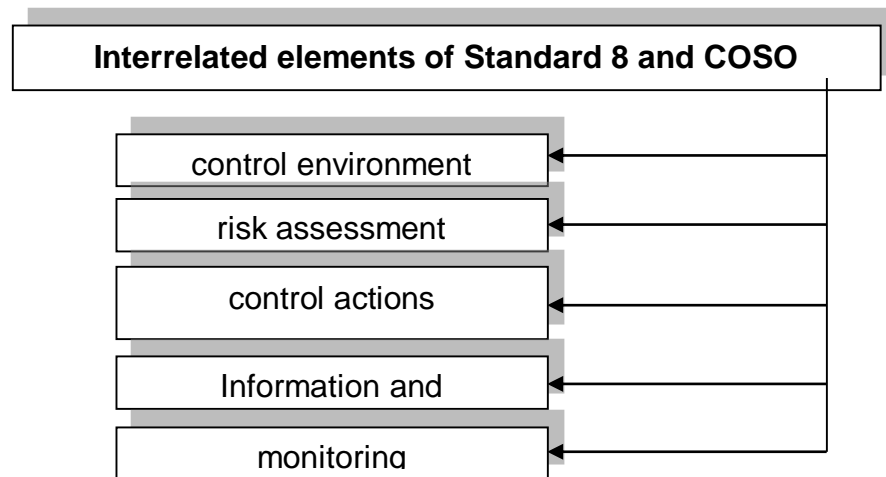


Figure 2  
Elements of Standard 8 and COSO

All economic agents are obliged to implement internal control in their economic activities since the beginning of 2013, which is regulated by Federal Law No. 402-FZ "On Accounting", and the entities whose operations involve mandatory auditing are required to

<sup>6</sup> E. Piskun; V. Khokhlov y N. Simchenko, "Economic development of Sevastopol... 485 – 500.  
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control the preparation of reporting and accounting. If accounting is carried out by the head of the organization, the economic agent is not obliged to exercise control. The heads of small and medium-sized businesses have the right to make this decision – respectively, there is an implementation of internal control of the produced facts of economic life in such organizations<sup>7</sup>.

The internal control system is a system for preparing draft contracts and their approval, the right to sign contracts, the procedure for issuing powers of attorney to receive goods, the timing and procedure for reporting on the received powers of attorney, schedules for inventory of goods, and more.

The management of the enterprise contributes to ensuring the internal control system. This determines the main difference between internal control and other types of control.

Internal control is defined as a system of measures organized by the management of the enterprise which serves for the implementation of the assigned duties by each of the employees in the process of performing business transactions with the greatest efficiency. The legality of operations and their economic feasibility for the enterprise are determined by internal control<sup>8</sup>.

The organization can pursue the following goals by arranging the internal control system:

- safety of the property of an economic agent;
- performance of the organization, its orderliness; and
- adherence by each employee to the organization's policy developed by management.

The systems for accounting and internal control should be coordinated, which is established as a prerequisite for achieving the goals determined in the process of building the internal control system. The order of registration of business transactions and ensuring proper control are determined by the double entry system, which underlies the accounting<sup>9</sup>.

Organization and maintenance of the required level of the internal control system are entrusted to the company's management for the following reasons:

- nothing superfluous should be included in the accounting (financial) statements, and all this information should be correctly identified, classified, evaluated, and recorded;
- the opinion about the organization should be objective and correct, which should be reflected in the accounting (financial) statements;

<sup>7</sup> D. V. Nekhaichuk; V. V. Trofimova y Yu. S. Nekhaichuk, Foreign experience... 181.

<sup>8</sup> S. A. Zotova; D. D. Burkaltseva; O. V. Boychenko; O. S. Sivash; N. M. Mazur y A. V. Novikov, "The construction of the digital organizational...350 – 365.

<sup>9</sup> D. S. Ushakov; O. S. Sivash y D. D. Burkaltseva, "Activization of investment process... 169 – 182.



- no falsification of primary documents, their biased analysis, or accounting on the items formed using computer software that controls the functioning of the accounting system are allowed;

- illegal appropriation or inefficient use of the organization's funds are impossible;

- deviations from the plans should be timely identified and analyzed, with the perpetrators being held accountable for this; and

- persons with the right to make managerial decisions should have a prompt access to the internal reporting for the optimal use of the information.

There is a strong connection between the internal control system and both financial accounting and management accounting in the tasks set for building internal control by the management of the organization<sup>10</sup>.

Such tasks are provided through the interdependence of the internal control system to the same extent with such systems as financial accounting and management accounting.

Based on this, the following two systems can be considered further:

- system of internal financial control; and

- system of internal management control.

Based on the tasks set, it can be stated that all departments, areas of activity, and employees of the enterprise are a complex and delicate organism. The very creation of the internal control system is a fairly complicated process. The internal control system acts as a kind of organization within the organization.

The complexity of the internal control system depends on such parameters as the organizational structure of the organization, the centralization of accounting, the personnel headcount, as well as other parameters.

Supply, production, and sales cycles act as objects of internal control.

The function of compliance by each employee of the organization with their duties established by the job description is the most important function that must be followed by all employees of the organization in the process of implementing the internal control system<sup>11</sup>.

Different methods are used in the implementation of internal control; they consist of elements of the following methods:

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<sup>10</sup> O. S. Sivash; D. D. Burkaltseva; O. V. Boychenko; L. V. Savchenko; T. N. Bugaeva y S. A. Zotova, "Realization of investment processes in the agricultural sector... 366 – 379.

<sup>11</sup> R. S. Abdrafikova, Osobennosti traktovki ponyatiy "vnutrenniy control" i "sistema vnutrennego kontrolya" v usloviyakh vysoko konkurentnoy sredy, in: Modern competition: state, problems and development trends. Collection of articles of the International Research-to-Practice Conference (2018): 5 – 7.

– the following elements are applied from financial accounting: double entry and accounts, balance sheet generalization, documentation, and inventory;

– rationing of costs, determining the centers of responsibility, which includes management accounting;

– inventory, verification of documents and arithmetic calculations, compliance with the rules for accounting for business transactions, oral questioning of personnel, observation, and confirmation are applied from the field of inspection, control, and audit; and

– management theory.

All these methods have found their application in managing the organization through integrating them into a single system.

The management of the organization builds the internal control system as a financial and other type of control, by setting a goal to ensure the orderly and efficient operation of the economic agent, ensuring the safety of assets and the policy set by the management, as well as completeness and accuracy of the data in the documentation<sup>12</sup>.

The economic agent independently decides on how exactly the internal control is arranged (for example, by creating an internal audit, an inspection department, an internal control department, or through an agreement with a third-party organization). The central principle in the process of implementing internal control is the reasonableness and comparability of the costs incurred for its implementation with the results obtained. The use of the most efficient approaches has found its application in the process of building the internal control system, which requires, given the scale of the organization, to be directed towards ensuring the necessary and sufficient amount of control, as well as to conduct an analysis with reasonable costs for control<sup>13</sup>.

The comparative characteristics of the supervision and auditing service, the internal control service, and the auditing service are presented in Table 1. This is necessary given that the tasks assigned to these departments are determined by the difference between the functions performed by these services.

Characteristics	Internal auditing service	Internal control service	Supervision and auditing service
Goal	Improving the performance of the organization	Building the efficient internal control service and its further maintenance	Avoiding abuse, preventing inefficient use of resources
Key customers (clients)	Senior management and Board of Directors	Operational, i.e., linear management	Management at the highest executive level
Specifics	Perspective orientation	Business processes are analyzed in order to build the control system	Retrospective orientation

Table 1

Comparative characteristics of the internal auditing service, the internal control service, and the supervision and auditing service

<sup>12</sup> P. P. Chyvatkin; S. Y. Tsohla y N. A. Simchenko, "Institutional environment for the formation..."

<sup>13</sup> N. Simchenko y E. Piskun, "Contribution of corporate social responsibility... 689 – 704.

The supervision and auditing service is focused on the study of the facts of fraud, on the efficiency of the resource use, on the implementation of decisions of senior management, as well as on checking the safety of inventories<sup>14</sup>.

The organization emphasizes the need to apply the internal control system as one of the main tasks of the internal control department (such as active and accurate assistance in building the organization's management system), while assessing the efficiency and reliability of the internal control system is a task of the internal auditing department.

The internal control system in the organization has spread from planning activities to drawing up financial statements, thus covering all emerging business processes<sup>15</sup>.

The efficient structure of internal control presupposes separation of incompatible functions and a reasonable delineation of powers.

The main elements of the internal control concept are described in Figure 3.

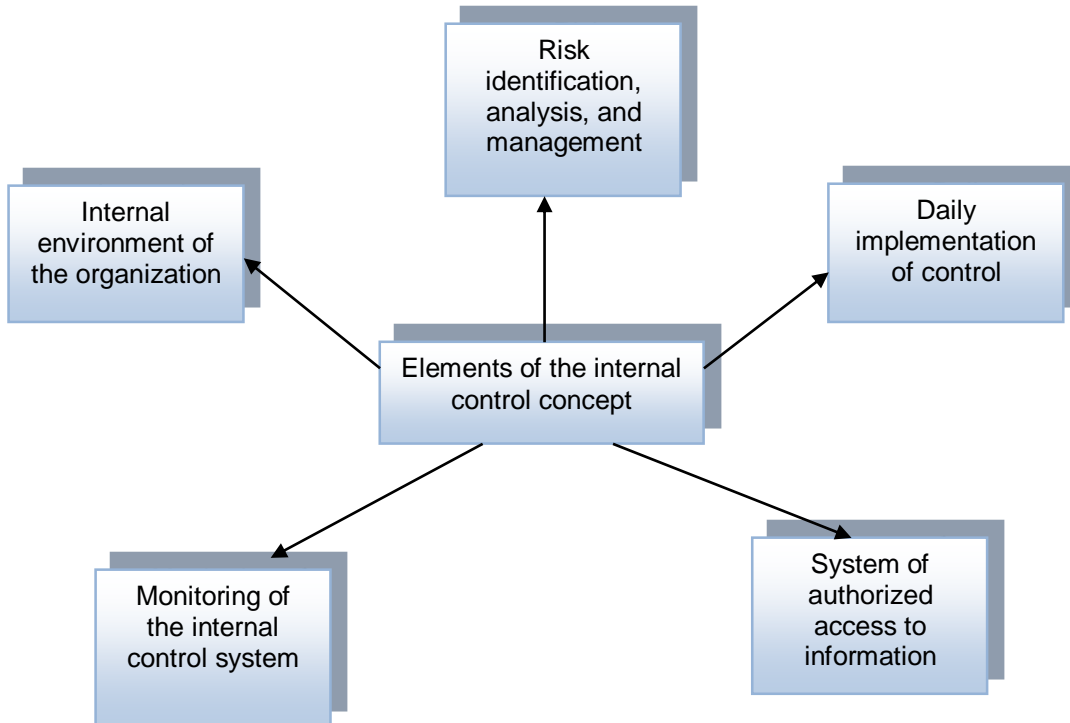


Figure 3  
Main elements of the internal control concept

The internal environment of the organization implies a policy aimed at personnel, management style, employee competence, employee attitude to internal control, ethical values, acceptance of responsibility and delegation of authority, as well as the decision-making process.

<sup>14</sup> S. Stash; T. Makarenaya; T. Sinelnikov y N. Simchenko, "Ecological and economic problems... 365 – 371.

<sup>15</sup> E. A. Aksyonova y A. A. Shchuchko, "Organizatsiya sistemy vnutrennego kontrolya trgovoy organizatsii", Modern economy: topical issues, achievements and innovations num 4 (2016): 322.

There is a need to identify, analyze, and know how to properly manage the risks that the organization faces on the way to achieving its goals.

The implementation of daily control involves reporting, accounting, monitoring, access rights to assets, and separation of powers<sup>16</sup>.

The direct monitoring of the internal control system is necessary to determine its efficiency.

Economic agents create a system that could help find and eliminate errors in a timely manner, thereby contributing to improving the performance, rather than a system that could fully guarantee the absence of errors and deviations in work.

The main principle that must be used in the process of building internal control is the need to control how the process works and is built, as well as what qualitative changes occur in it, rather than the need for concentration in expert control of operations<sup>17</sup>.

In order to increase the efficiency of the applied internal control process, it is necessary to improve the quality of internal control, rather than the number of verified operations. The internal control system will be considered efficient if the basic principles are observed in the process of its operation. These principles are presented in Figure 4. The principle of responsibility assumes that each subject of internal control bears disciplinary and (or) economic responsibility for the proper performance of control functions that are provided for by the occupied position<sup>18</sup>.

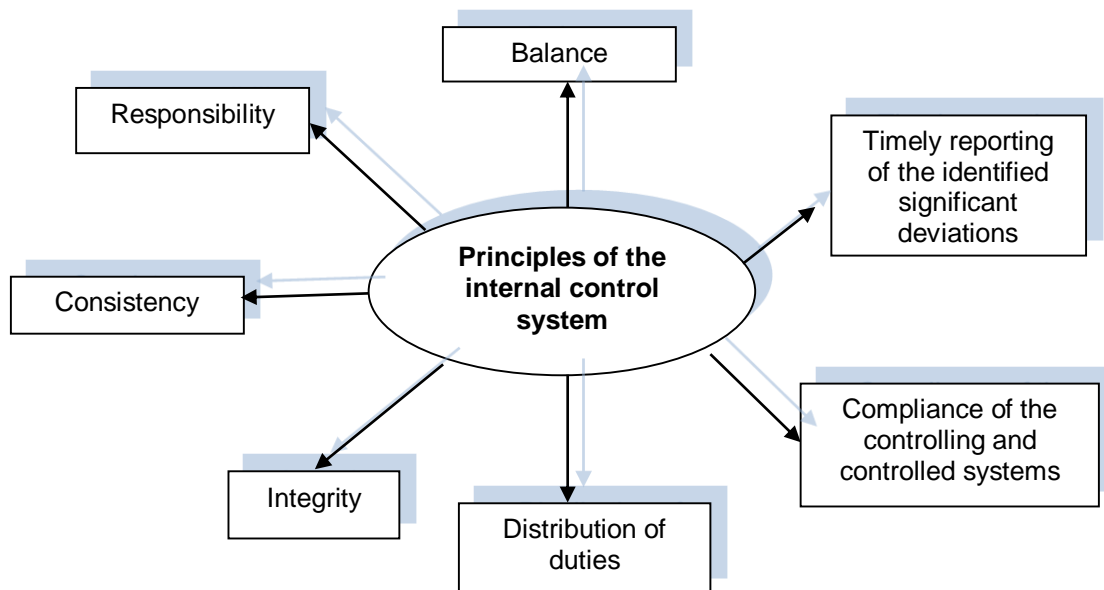


Figure 4  
Basic principles of the internal control system

<sup>16</sup> B. B. Tokayeva, "Vnutrenniy kontrol i vnutrenniy audit v sisteme vnutrennego kontrolya", Economics and management: problems, solutions Vol: 6 num 11 (2018): 90 – 95.

<sup>17</sup> M. N. Dudin; D. D. Burkaltseva; S. Y. Tsohla; I. N. Voronin; A. A. Yanovskaya y O. A. Guk, "Peculiarities of sustainable tourism development... 1,559.

<sup>18</sup> D. V. Nekhaichuk; V. V. Trofimova y Yu. S. Nekhaichuk, Foreign experience... 180-183.

The principle of balance ensures the implementation of such specifics as the provision with appropriate technical means for the execution of each order of the subject of internal control. Such means include programs, calculating and measuring devices, orders, and instructions.

The principle of timely reporting of the identified significant deviations ensures prompt notification of them to persons who can make decisions on such deviations, due to their responsibilities<sup>19</sup>.

The complexity of processes in the economic agent at a specific point in time must correspond to the set complexity of the internal control system that exists in the economic agent, which implies such a principle as the compliance of controlling and controlled systems.

The principle of consistency ensures timely detection of deviations from norms and targets, which is due to the operation of the internal control system implemented on an ongoing basis.

Various forms, which depend on the level of risk, should cover the full range of objects of internal control at the economic agent, which ensures the principle of integrity<sup>20</sup>.

The principle of the distribution of duties suggests that the functions of managers should be distributed among them in such a way that all the requirements are fulfilled during the formation of the control environment.

It is not necessary to create a special department to be able to use the advantages that the building of the internal control system provides, which should be sufficiently efficient. A specialized company or a third-party consultant can perform the functions of internal control, observing the conditions for avoiding conflicts of interest.

The internal control system is built on the three identified main approaches, which are presented in Figure 5.

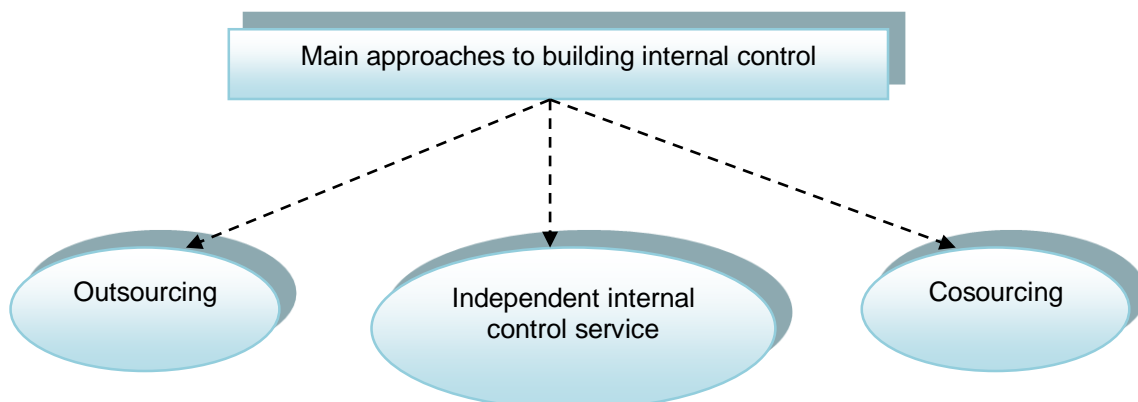


Figure 5  
Approaches to building the internal control system

<sup>19</sup> A. B. Batueva, "Sistema vnutrennego kontrolya", Young scientist num 16 (2018): 148 – 150.

<sup>20</sup> S. V. Klimchuk; Yu. S. Nekhaychuk; D. V. Nekhaychuk y E. V. Nekhaychuk, "Theoretical and methodological fundamentals..."

The internal control service is created on the basis of the organization if it has the necessary resources.

In the event of outsourcing, all internal control functions are transferred to a third-party consultant or a specialized company<sup>21</sup>.

Cosourcing combines the first two approaches. It involves the creation of the internal control service within the organization, along with inviting experts with the relevant knowledge and experience from outside the organization or from a specialized company.

These approaches found their application in economic agents in various combinations. The advantages and disadvantages of each of the methods are presented in Table 2 and should be considered when selecting the proper method.

Positive	Negative
Internal control system	
Employees are well acquainted with the internal culture and divisions of the organization, as well as with the specifics of its activities	Creating such a service involves significant costs
All the experience and skills of internal auditors remain within the economic agent	
Outsourcing, cosourcing	
Expert services can be applied in different fields	A person invited "from outside" is unable to understand the internal processes in the organization well enough
Highly professional audit personnel can be involved	
Audit resources can be applied in a fairly flexible manner	
The advanced technologies and methods of internal audit can be accessed	

Table 2

#### Advantages and disadvantages of the internal control building systems

The goals and functions of the internal control system, as well as the specifics of its organization are determined by the top management of the economic agent; this process accounts for such factors as the incorporation form of the organization, the management system, the scope of activities, the content of the organization's activities, its specifics, as well as the state of the internal control system and the volume of financial and economic activity<sup>22</sup>.

## Conclusion

The conducted study allows to formulate the following conclusions.

The basic concept of the formation and setting of internal control at enterprises and organizations is primarily foreign standards of internal control systems, because relevant standards and methodology have not yet been developed in Russia.

<sup>21</sup> M. S. Koske; I. V. Voyutskaya y Yu. G. Mishuchkova, "Vnutrenniy kontrol v obespechenii dostovernosti i minimizatsii riskov iskazheniya bukhgalterskoy (finansovoy) otchetnosti", International accounting num 24 (2016): 50.

<sup>22</sup> A. Latkin; V. Sazonov y I. Dyshlovoi, "Entrepreneurship in the shadows: market research into trends running... 23.

The main standard is COSO, according to which internal control is a system (internal control system) that acts as a management tool, but does not replace the management system and includes five components, such as the control environment, risk assessment, control actions, monitoring, information, and communication.

Russian enterprises and organizations are guided both by foreign standards in their activities when setting up internal control, primarily COSO standards, and by the provisions of the Russian law No. 402-FZ dated December 06, 2011 "On Accounting", stating that any economic agent must organize and exercise internal control.

On the one hand, the organization of the internal control system in any organization (institution) carries guarantees of sustainable and successful development by leveling negative phenomena in the activities of the organization (institution), but, on the other hand, the creation and organization of the internal control system carry many difficulties and problems over a sufficient period of time.

Not every top management of Russian organizations can recognize attempts to create the internal control system as successful, which is caused, first of all, by a formal attitude to the service creation and by documenting the required instructions and regulations only formally. In order to create an efficient and truly working internal control service, the organization should investigate and prepare in advance, as the process of creating the service is long and laborious, involving thorough familiarization with the regulatory documents, a detailed and efficient analysis of the activities of the organization (institution) and its structural subdivisions, development of regulatory documentation for the organization of the internal control service, development and setting of the internal control service goals and the assessment of the possibility of achieving them, elaboration of the chart for the relationship among structural subdivisions (departments, services, etc.) of the organization (institution) in the organization of the internal control service, and finally, planning measures to create the internal control service.

The quality of internal control must be improved in order to increase the efficiency of the applied internal control process.

The internal environment of the organization implies a policy aimed at personnel, management style, employee competence, employee attitude to internal control, ethical values, acceptance of responsibility, delegation of authority, and the decision-making process.

The most efficient approaches should be applied when building the internal control system, where the size of the organization should be taken into account, and the analysis with reasonable control costs should be conducted.

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