

БУХГАЛТЕРСЬКИЙ ОБЛІК, АНАЛІЗ І АУДИТ

UDC 657:658.5/659:001.8



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METHODICAL APPROACH TO FORMING (ENHANCING) INFORMATION SUPPORT OF INTERNAL CONTROL OF ACTIVITIES OF BUSINESS ENTITIES

The article devises methodical approach to forming (enhancing) information support of internal control of activities of business entities. It establishes that such methodical approach should be grounded on the purpose and tasks of information support of internal control. The authors further define the scope of notions of “subjects of internal control and its information support”, “informational needs” and “informational requirements”. Stages of methodical approach involve

detailing of subjects of internal control, definition of their control tasks and informational needs, forming the structure of check information they need and making a list of documents containing this information. Structural divisions and officials that are internal control information support subjects must be indicated more specifically, as well as rational communication relationships between them must be established. The article also provides examples of realization of the suggested methodical approach.

Key words: business entity, methodical approach, internal control, information support.

Articulation of the problem. If the goal of commercial activity of a business entity is gaining the greatest profit possible in the given business environment [1], then the goal of enterprise management system may be considered as improving the efficiency of business administration. Achieving this goal is only possible when all functions and sub-functions of management are implemented. One of the main functions of management is control. Control of activity of business entities is carried out through such sub-functions of management as accounting, inspection and analysis. Internal control is one of control types constituting an inherent prerequisite of successful activity of a business entity. However, implementation of internal control of business entity's activity is impossible without proper information support, which is a component of all management sub-functions. This necessitates forming or enhancing information support of internal control of business entities' activities. For newly created business entities, at the time of research, it is a case of forming information support; for those already functioning — it is a case of enhancing it.

Developing methodology of information support of internal control of activities of business entities lies both in determining its theoretical foundations and elaborating methodical approach to forming (enhancing) such information support. Substantiation of theoretical foundations of **information support of** internal control of activities of business entities has been presented in previous researches [2]. To further detail on these foundations and to bring practical bearing to them, it is necessary to devote attention to development of corresponding methodical approach to forming (enhancing) information support of internal control of activities of business entities.

Analysis of recent researches and publications. The issue of forming information support of various entities has been researched by numerous Ukrainian and international scientists: F.F. Butynets, M.V. Kuzhelny, E.K. Gilde, V.F. Sytnyk, O.Y. Kuzmin, V.S. Ponomarenko, A.O. Bosak, I.V. Zakharova, I.R. Buzko, Yu.G. Kornev, M.P. Denisenko, G.A. Titorenko, L.V. Balabanova, C. Drury, V.V. Godin, E.P. Golenishchev, O.V. Shliaga and others. However, works by these authors do not touch on problems of internal control or consider them incompletely.

Problems of functioning of internal control of business entities are considered by the following scientists: M.T. Biluha, F.F. Butynets, S.F. Golov, P.L. Delfiese, M.V. Kuzhelny, A.N. Kuzminsky, V.P. Maximova, V.O. Shevchuk,

L.V. Napadovska, B.I. Valuyev, N.G. Vygovska, S.V. Ivahnenkov, S.M. Petrenko, S.M. Zubchuk and others. However, while recognizing the value of these authors' studies, it is necessary to point out that they haven't paid sufficient attention to developing methodical approach to forming (enhancing) information support itself of internal control of business entities' activities in particular. This is what determines actuality of the present research.

Stating objectives of the article. The goal of this study is efficiency improvement in business entities management system by means of developing a methodical approach to forming (enhancing) information support of their internal control.

Presentation of the main material of the study. Methodical approach to forming (enhancing) information support of internal control of activities of business entities must be based on the purpose and objectives of such information support defined in [2].

As shown in [2], the purpose of information support of internal control is to supply subjects of internal control with thorough control information to let them carry out their control functions efficiently. Control information, in this case, is understood as all information moving in the internal control system. Such information includes not only information used by subjects of internal control (regulatory, planning, factual (reporting) etc.), but also information resulting from their operation.

Objectives of internal control information support may include [2]:

- 1) ensuring that quality, thoroughness and quantity of control information meets informational needs and requirements of internal control subjects;
- 2) timely forming and delivery of control information to internal control subjects;
- 3) ensuring consistency in methods used to prepare (accumulate, sort, process) and transmit control information to each internal control information support subjects;
- 4) establishing rational communication between structural subdivisions and officials involved in internal control of the business entity.

Considering the above objectives of information support of internal control, it is necessary to clarify a few definitions.

The notion of information support of internal control, as defined in [2], includes the total of control information as well as technologies, means and operations aimed at efficient functioning of internal control system at an enterprise. It should be noted that this study does not detail on technical or technological components of information support, it is only the control information itself that is considered.

It is worth paying attention to interrelation between the notions of “subjects of internal control” and “subjects of information support of internal control”.

Subjects of internal control are defined in [3, p. 57] as “...persons, groups of persons, departments, services etc. taking control actions in relation to objects of internal control according to rights and duties stipulated by service instructions and pertinent regulations”. Subjects of information support of internal control, in their turn, are defined in [2]. They are “persons directly involved in forming, functioning, enhancing of information support of internal control”.

Studies have shown that in the context of existing business entities structural divisions and officials responsible for internal control at a certain level of management must provide information for control at the next level of management. Thus, the same structural divisions and administrative officials of a business entity, fulfilling different functions – control function and information support function – act as both subjects of internal control and as subjects of information support of internal control at the same time. In other words, if an internal control subject, while performing his/her control function, is filling out a document submitting information to some other subjects of control, he/she is also a subject of information support of this control. Analysing both production structure of an enterprise and organisational structure of its management, it is possible to conclude that among enterprise personnel categories set out in [4], such subjects are practically all management personnel (executives, specialists and professional employees). With this in mind, the use of aggregated notion “subjects of internal control and its information support” is justified.

It also makes sense to scrutinize interrelation between notions of “informational needs” and “informational requirements”. Informational needs of internal control subjects are understood as acknowledged need for information to solve the assigned control task [5]. Informational requirements are parameters that the claimed information must meet [6], i.e. these notions carry different meaning and hence use of the phrase “informational needs and requirements” is justified, as it contains no tautology. As for informational requirements, it’s worth mentioning that all control information must meet universally known requirements, such as perspicuity, aptitude, authenticity, timeliness, exhaustiveness, objectivity, sufficiency etc. [7, p. 76; 8, p. 128], hence hereafter only informational needs of internal control subjects are considered.

Suggested methodical approach to forming (enhancing) information support of internal control of activities of business entities consists of stages and steps presented in Fig.1.

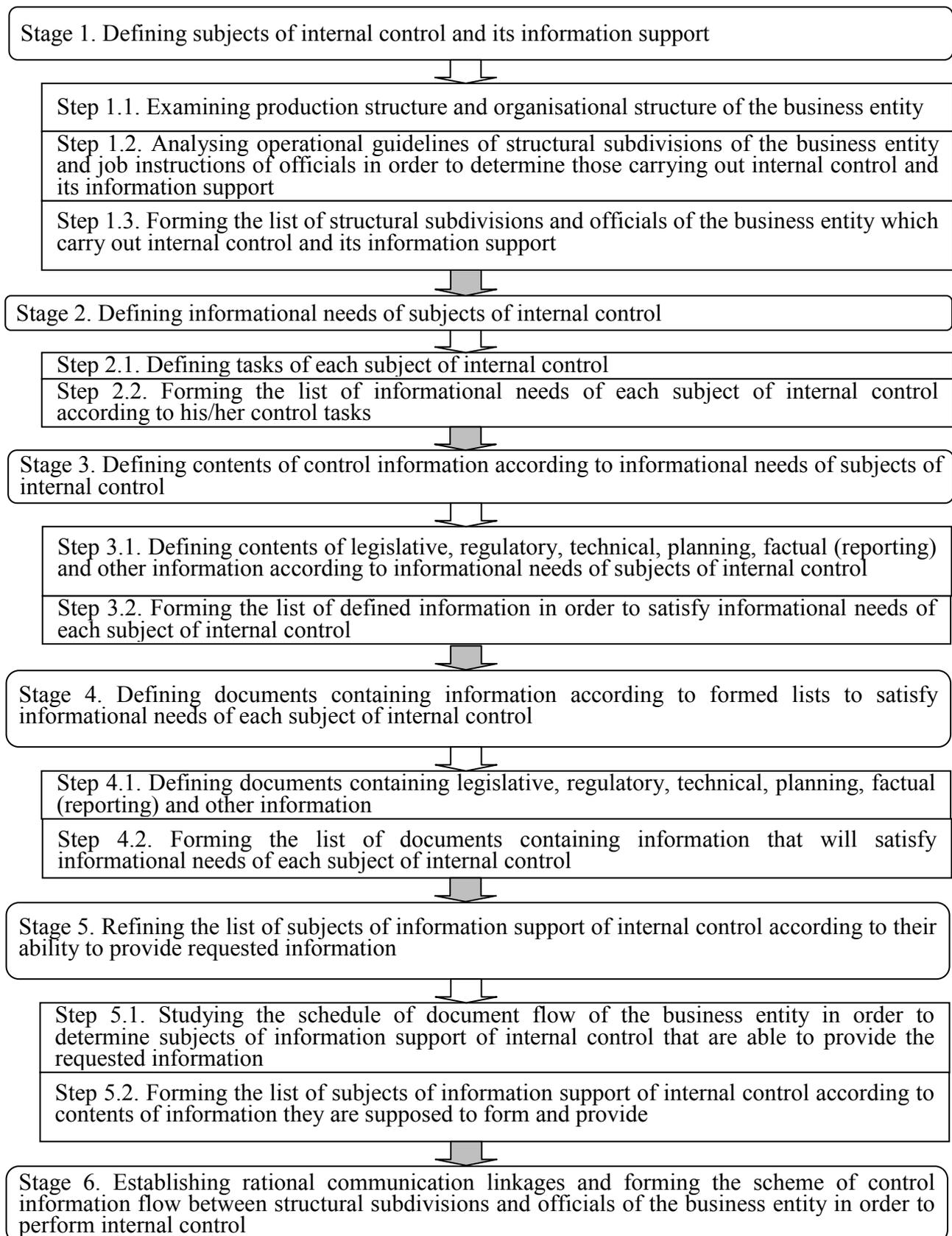


Fig.1. Stages and steps of the suggested methodical approach to forming (enhancing) information support of internal control of business entities

As shown in Fig. 1, in order to implement the suggested approach, at the first stage it is necessary to define subjects of internal control and its information support in the context of the given business entity.

At the first stage of the suggested methodical approach, in order to determine subjects of internal control and its information support in the context of a specific business entity, it is necessary to examine production structure and organisational structure of the business entity's management (step 1.1) and conduct analysis of operational guidelines of structural subdivisions of the business entity and job instructions of officials (step 1.2). Based on this, lists are composed, which contain structural subdivisions and officials that are supposed to carry out internal control of the business entity and provide its information support (step 1.3). Such subjects may include: supervisory board, internal audit commission, inventory taking group, security service, senior managers of the company, heads of all functional divisions of the company (chief accountant, chief power engineer, heads of departments of sales, procurement, production scheduling and financial department, human resources, quality control etc.), controllers, inspectors, economists, accountants, technologists and others [3, p. 58; 9, p. 16].

The second stage of methodical approach (see fig. 1) calls for defining informational needs of subjects of internal control. To achieve this, control tasks of such subjects are defined (step 2.1), based on which the list of informational needs of each subject of internal control is formed (step 2.2). The scope of control tasks of each internal control subject may be determined by studying operational guidelines of corresponding structural subdivisions and job instructions of employees that have been identified as subjects of internal control. Using these data and having completed analysis of information requests of internal control subjects, one can define their informational needs.

At the third stage of the suggested methodical approach contents of control information is defined. In order to carry out their control tasks, subjects of internal control need regulatory, technical, planning, factual (reporting) and other information about all objects of internal control. Furthermore, contents of such information differ depending upon subject matter, level of control and other factors. Step 3.1 of the suggested methodical approach defines contents of such information. At step 3.2 lists of information (legislative, regulatory, technical, planning, factual (reporting) etc.) are formed; each list specifies information required by a certain subject of internal control to carry out his or her control functions.

At the next (fourth) stage of the suggested methodical approach, it is necessary to define sources of the required control information. These sources are documents containing certain information needed by subjects of internal control to carry out their control functions. Documents and their specific attributes are identified separately for each component of control information (step 4.1). After that, the list of such documents is formed (step 4.2).

At the fifth stage of the suggested approach structural divisions and officials of the business entity which provide information support for internal control are further defined according to their ability to generate requested control information using documents identified at the previous stage of the methodical approach. To achieve the above, the schedule of document flow of the business entity is analysed, which allows to reveal such structural divisions and officials (step 5.1). Based on this, the list of specific structural divisions and officials involved in information support of internal control at all levels of control is formed (step 5.2). As mentioned earlier, almost all structural divisions and officials of a business entity take part in information support of internal control. Each of them accumulates, processes and transfers control information in the content, volume and format required by corresponding subject of internal control.

Studies have shown that essence and level of granularity of control information at every level of control vary. As the level of control rises, information on the same objects becomes broader and more generalized. Here rationality of information flow in the system of internal control plays an important role. This is why at the sixth stage of the suggested methodical approach (see fig.1) it makes sense to establish rational communication linkages between structural divisions and officials of the business entity in order to streamline the flow of control information.

Tables 1 and 2 demonstrate implementation of the suggested methodical approach with examples of internal control subjects such as commercial deputy director and head of sales department. Table 1 shows that based on their tasks in internal control (IC) it is possible to define the list of their informational needs and corresponding scope of information. Table 2 shows further implementation of the methodical approach, in particular – sources of information as well as subjects of internal control information support responsible for providing this information.

For instance, to satisfy informational needs of commercial deputy director (in accordance with his task to control sales and distribution of the end product), head of

sales department must provide him with End product sales report as part of information on end product sales performance.

Table 1

**Examples of implementation of the suggested methodical approach
(from subjects of IC to scope of information required by them)**

Subjects of IC	Tasks of IC subjects	Informational needs of IC subjects	Scope of information required
Commercial deputy director	1. Control sales and distribution of the end product	Information on sales and shipments of the end product	Information on accomplishment of end product sales plan Information on accomplishment of plan of end product shipments (by range of commodities, quantity, assortment, quality, delivery dates and other terms of supply)
	2. Materiel and procurement control	Information on materiel procurement at the enterprise	Information on plan completion concerning material and equipment supplies for enterprise operation
	3. Enterprise performance control	Information on enterprise performance results	Information on planned and factual expenses Information on plan completion regarding profit of the enterprise Information on use of profit of the enterprise Information on losses
Head of sales department (employees of the department)	1. Control of concluding contracts with buyers	Information on timeliness of concluding contracts with buyers	Planning information on concluding contracts Information on factual availability of contracts with buyers Information on plan completion regarding timeliness of concluding contracts
	2. Control of sales of the end product	Information on sales of the end product	Information on state of the end product in stock Information needed to assess completion of the plan on shipping the end product to buyers Information needed to assess timeliness of collection of payments for sold product
	3. Control of obligations fulfillment on delivery of the end product	Information on fulfillment of obligations on delivery of the end product	Information on end product available in stock Information on contracts signed with buyers and customers Information on fulfillment of obligations on deliveries of the end product
	4. Control of tasks completion by subordinate employees	Information on completion of tasks by subordinate employees	Information on job responsibilities of department employees Information on scheduled activities of employees Information on completion of plans by employees

Table 2

**Examples of implementation of the suggested methodical approach
(from subjects of IC to subjects of information support of IC)**

Subjects of IC	Informational needs of IC subjects	Source of information	Subjects of information support of IC
Commercial deputy director	Information on sales and shipments of the end product	Report by the head of sales department on sales of the end product	Head of sales department
	Information on materiel procurement at the enterprise	Report by the head of materiel and procurement department on materiel and procurement at the enterprise	Head of materiel and procurement department
		Report by the chief engineering officer on materiel and procurement at the enterprise	Chief engineering officer
	Information on enterprise performance results	Report by the head of economic planning (analytical) department on operation results	Head of economic planning (analytical) department
Head of sales department (employees of the department)	Information on timeliness of concluding contracts with buyers	Business plan on product output	Economic planning department
		Plan on concluding contracts with buyers	Sales (or contract) department employees
		List of concluded contracts	Sales (or contract) department employees
	Information on sales of the end product	End product sales plan for the accounting reference period	Economic planning department
Report by the warehouse keeper on end products shipment during the accounting reference period		Warehouse keeper	
Information on fulfillment of obligations on delivery of the end product	Report by the head of security on the quantity of end product that departed from the territory of the enterprise	Head of security	
	Accounts receivable journal showing payments by customers and buyers	Accounts department	
Information on completion of tasks by subordinate employees	Report by the warehouse keeper on end products available in stock	Warehouse keeper (end product store manager)	
	Contracts with buyers and customers	Sales (or contract) department employees	
Information on completion of tasks by subordinate employees	Report by the warehouse keeper on shipments of the end product during the accounting reference period	Warehouse keeper (end product store manager)	
	Job instructions of employees	Department secretary (or employees)	
Information on completion of tasks by subordinate employees	Yearly and semiyearly employee work plans	Department employees	
	Yearly and semiyearly employee reports	Department employees	

Head of sales department, in his turn, in order to draw up the above report and evaluate accomplishment of the plan of end product shipment to customers, needs the following documents: sales plan for the accounting reference period, report by the warehouse keeper on end products shipments during the accounting reference period, report by the head of security on the quantity of end product that departed from the territory of the enterprise during the accounting reference period, accounts receivable journal.

Conclusions and prospects of further researches. To conclude, the article outlines the methodical approach to forming (enhancing) information support of internal control of activities of business entities. It finds out that such methodical approach must be based on the purpose and objectives of information support of internal control. Use of the suggested methodical approach will allow forming (enhancing) information support of internal control of a business entity, which will enable improvements in its management effectiveness.

Prospects of further researches reside in implementation of the suggested methodical approach into accounting procedures of filling out control documents according to the needs of subjects of internal control.

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Методичний підхід до формування (удосконалення) інформаційного забезпечення внутрішньогосподарського контролю діяльності суб'єктів господарювання

У статті розроблено методичний підхід до формування (удосконалення) інформаційного забезпечення внутрішньогосподарського контролю діяльності суб'єктів господарювання. З'ясовано, що такий методичний підхід повинен ґрунтуватися на меті та завданнях інформаційного забезпечення внутрішньогосподарського контролю. Уточнено зміст понять «суб'єкти внутрішньогосподарського контролю та його інформаційного забезпечення», «інформаційні потреби» та «інформаційні вимоги». Етапи методичного підходу передбачають конкретизацію суб'єктів внутрішньогосподарського контролю, визначення їх завдань з контролю, інформаційних потреб, формування складу необхідної їм контрольної інформації та переліку документів, що містять таку інформацію. Повинні бути уточнені структурні підрозділи та посадові особи, які є суб'єктами інформаційного забезпечення внутрішньогосподарського контролю, а також встановлені раціональні комунікаційні зв'язки між ними. Наведено приклади реалізації запропонованого методичного підходу.

Ключові слова: суб'єкт господарювання, методичний підхід, внутрішньогосподарський контроль, інформаційне забезпечення.

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Методический подход к формированию (усовершенствованию) информационного обеспечения внутривозвратного контроля деятельности субъектов хозяйствования

В статье разработан методический подход к формированию (усовершенствованию) информационного обеспечения внутривозвратного контроля деятельности субъектов хозяйствования. Выяснено, что такой методический подход должен основываться на цели и задачах информационного обеспечения внутривозвратного контроля. Уточнено содержание понятий «субъекты внутривозвратного контроля и его информационного обеспечения», «информационные потребности» и «информационные требования». Этапы методического подхода предполагают конкретизацию субъектов внутривозвратного контроля, определение их задач по контролю, информационных потребностей, формирование состава необходимой им контрольной информации и перечня документов, содержащих такую информацию. Должны быть уточнены структурные подразделения и должностные лица, являющиеся субъектами информационного обеспечения внутривозвратного контроля, а также установлены рациональные коммуникационные связи между ними. Приведены примеры реализации предложенного методического подхода.

Ключевые слова: субъект хозяйствования, методический подход, внутривозвратный контроль, информационное обеспечение.