

## INTERNAL AUDIT DEVELOPMENT IN THE ENTERPRISE'S ECONOMIC SECURITY MANAGEMENT

Yaroslavna Mulyk<sup>1</sup>

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**Abstract.** The use of internal audit to strengthen the security of the enterprise will allow to meet more fully the needs of business owners and managers who are interested in long-term strategic development. This type of audit can be used to assess the problems of the enterprise's current state and should become an integral part of its management system. *The purpose* of the paper is the consideration of issues related to the development of internal audit in the enterprise's economic security management. *The methodological* basis of the research is general scientific and special methods of learning phenomena and processes in the system of internal audit development in the enterprise's economic security management. The methods of induction and deduction were used to determine the general trends in the development of internal audit; methods of theoretical generalization and comparison, as well as methods of analysis and synthesis, made it possible to reveal the model of economic security audit. *Results.* The research examines the main approaches to the organization of internal audit at an enterprise, the rights and duties of internal auditors and their responsibility. The purpose, objects and tasks of the audit of the enterprise's economic security are revealed. The sources of threats to the economic security of an enterprise are highlighted. The sources of information for economic security audit and its methodological techniques are investigated. The stages of conducting an audit of the enterprise's economic security are disclosed: initial organizational, experimental, and final. The main trends in the development of the internal audit of economic security are researched. *Practical implications.* They are in the scientific validity and applied orientation of the provisions, approaches and recommendations presented in this study, the use of which will ensure the development of internal

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<sup>1</sup> Ph.D. (Economics), Associate Professor,  
Department of Account and Taxation in the Fields of the Economy,  
Vinnytsia National Agrarian University, Ukraine

audit in the enterprise's economic security management. *Value/originality*. The use of the proposed model of internal audit of economic security, which is an efficient and effective mechanism for assessing the level of economic security and identifying deviations from the expected results or legal requirements, a tool for stabilizing and further developing both an individual agricultural enterprise and the industry as a whole, will allow to meet more fully the needs of enterprise owners and managers who are interested in long-term strategic development. Such a model should include the following components: audit subjects and objects, audit objective, evaluation criteria, audit tasks, regulatory framework, information sources, audit methods and audit stages.

### 1. Introduction

In today's business environment, enterprises are exposed to threats that recur with uncertain frequency and negatively affect the financial position of the business entity. The uncertainty and turbulence of the market environment causes large-scale losses for company owners, investors and the state. Under these conditions, stabilizing the situation at the enterprise through timely identification of potential risks in order to minimize the effects of market factors on its activities is one of the priority areas of ensuring the security of the business entity.

An important condition for maintaining the appropriate level of economic security of a business entity is the timely detection of threats by the means and tools of the enterprise's accounting and analytical system. Internal audit is one of the elements of the information system, which enables operational monitoring of financial and economic processes, identifying negative trends and developing ways to minimize them. The process of building an effective system of ensuring the economic security of an enterprise is impossible without the management apparatus, which determines the legality and effectiveness of the facts of the financial and economic activities of the enterprise. Thus, internal audit in modern conditions plays an important role in achieving both strategic and operational goals, which are aimed at increasing competitiveness and effective management of the enterprise.

Both domestic and foreign scholars have studied the issues of internal audit organization, and in particular, economic security audit, namely: L. Budnyk, I. Blazhei, O. Ronska, G. Koblyanska, L. Voloshchuk,

O. Nosovets, V. Boboshko, K. Utenkova, L. Lishchynska, M. Ohychuk, K. Kotsiubynska, V. Nemchenko, R. Sahaidak, H. Stankevych, N. Zdyrko, Y. Mulyk, A. Kozachenko, A. Semenets, O. Smetanko, S. Hubsykyi, M. Holoshchapov, V. Burtseva and others. However, a number of aspects of the problem require further in-depth research, in particular, the economic essence of the concept of "internal audit", its goals, tasks and role in the system of economic security of the enterprise.

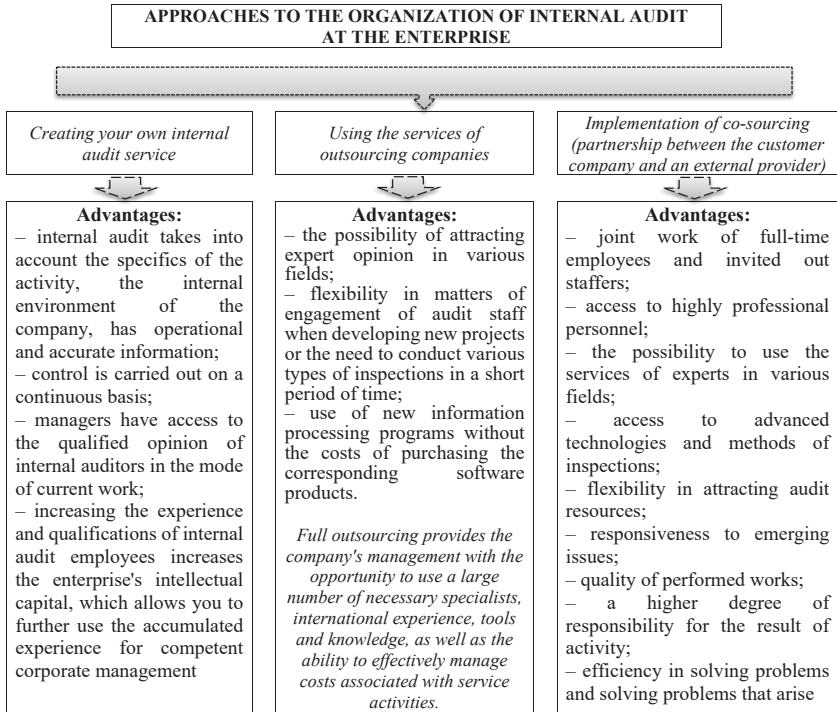
### **2. Approaches to the organization of internal audit at the enterprise**

Internal audit, according to the definition of the international Institute of Internal Auditors (The Institute of Internal Auditors), is the activity of providing independent and objective guarantees and consultations aimed at improving the company's activities. It helps the enterprise achieve its goals by using a systematic and consistent approach to evaluating and improving the effectiveness of risk management, control and corporate governance processes [1].

Interest in internal audit is due to a number of factors. First of all, it is an urgent need for owners and managers to streamline business processes at the enterprise, which in most cases can lead to significant cost savings. Secondly, it is the need of the board of directors or other supervisory body for an independent and objective source of information about the state of affairs at the enterprise. Third, and especially important for developing markets, having an internal audit is relevant for company owners who are putting power in the hands of professional managers, but at the same time trying to "keep on top of everything." Fourthly, the internal audit should contribute to ensuring the economic security of the enterprise.

A review of the economic literature allows us to identify three main approaches to the organization of internal audit at the enterprise (Figure 1).

The first approach involves creating your own internal audit service. Specialists with higher education should work mainly in this unit. Business leaders generally prefer employees who have deep knowledge not only of accounting and auditing, but also of finance, banking, insurance, business law, management, marketing, etc. Without a sufficiently high qualification of internal audit employees, the goal of creating such a unit will not be achieved, therefore, both the rights and duties of internal auditors should be clearly recorded in the Job Instructions.



**Figure 1. Basic approaches to the organization of internal audit at the enterprise**

*Source: built by the authors based on [2; 3; 4]*

The functional duties of the head of the internal audit unit are determined by the Regulation "On the internal audit unit", which is approved by the owner (head) of the enterprise. This document reflects the issues of general planning of the audit, the distribution of powers between employees and the implementation of control over their work, the implementation of the results of the conducted internal audit and the implementation of subsequent control over the implementation of the decisions made.

The head of the internal audit unit is responsible for organizing the work of the unit subordinated to him in order to fulfill the tasks assigned to him: for the timely implementation of the work plan of the unit, submission of

reliable internal audit information and proposals for management decision-making to the management of the enterprise.

The rights and duties of internal auditors and their responsibility are determined by the Code of Labor Laws, the Regulation on the Organization of Internal Audit, contracts, job instructions, if they work on a permanent basis or perform work under civil law agreements.

As part of the internal audit units, it is desirable to provide for the presence of an auditor who has the appropriate qualification certificate, which certifies that such a specialist has special control techniques and methods.

The following advantages of this option can be distinguished: internal audit takes into account the specifics of the activity, the internal environment of the company, has operational and accurate information; control is carried out on a continuous basis; managers have access to the qualified opinion of internal auditors in the mode of current work; increasing the experience and qualifications of internal audit employees increases the intellectual capital of the enterprise, which allows to further use the accumulated experience for competent corporate management [6].

At the same time, the audit of the economic security of the enterprise is proposed to be carried out according to the following stages, namely:

Stage I – audit of the property potential of the enterprise.

Stage II – audit of the influence of factors on the economic security of the enterprise.

Stage III – audit of implementation of the "golden rule of financing".

Stage IV – audit of liquidity and solvency of the enterprise.

Stage V – audit of the financial stability of the enterprise.

Stage VI – audit of the "reliability" of the enterprise.

Stage VII – audit of the effectiveness of the financial and economic activity of the enterprise.

Stage VIII – audit of the probability of bankruptcy of the enterprise.

In general, the process of organizing an internal audit unit consists of the following stages:

– identification and clear definition of a number of issues for the solution of which an internal audit unit is being created, building a system of goals for the creation of an internal audit unit in accordance with the company's policy;

- determination of the main functions of the internal audit unit, the performance of which is necessary to achieve the set goals;
- unification of functions of the same type into groups and formation of structural units of the internal audit division on their basis, which will specialize in the performance of these functions;
- development of relationship schemes, determination of duties, rights and responsibilities for each structural unit of the internal audit unit, documenting them in the job description and regulations on the internal audit unit;
- determination of the organizational status, development and documentation of the Regulation on the internal audit unit in accordance with the established set of goals, tasks and functions of structural units;
- integration of the internal audit unit with other structural units of the enterprise.

The creation of an internal audit unit should not be limited to the writing of the Regulation on the internal audit unit, but to the definition of its goals, tasks and functions.

Taking into account the peculiarities of domestic legislation during the development of internal documents that will regulate the activities of the internal audit unit and taking into account the need to create conditions for the economic security of the enterprise, it is advisable to include the following among the functions:

- current monitoring of reporting;
- conducting audits, express inspections, control inspections, etc.;
- assessment of the effectiveness of the current internal control system;
- development and implementation of internal regulations at the enterprise;
- control over the implementation of budgets and requirements of regulations;
- consulting the company's employees on financial accounting and taxation, implementation of individual business operations;
- participation in the selection of accounting personnel, organization of measures to improve their qualifications;
- participation in setting up and improving financial and tax accounting, tax planning, automation of all types of accounting;
- optimization of business processes at the enterprise;
- participation in conducting inventories and other control procedures related to disposal of assets, etc.

In the process of work, internal auditors have to discuss their proposals and recommendations with employees. At the same time, the discussion often turns into tense discussions. At the same time, one of the most serious problems that the internal auditor has to face sometimes arises – pressure from controlled entities. It is manifested in the fact that the persons audited by the internal auditor find an opportunity to influence his opinion. In such a situation, the effectiveness of the internal audit will be very low. During the organization of the internal audit division, it is necessary to foresee the impossibility of influencing internal auditors, to ensure their independent position in the enterprise. As one of the effective measures for this is the subordination of the internal audit unit to the first person of the highest management body of the enterprise.

Currently, there are no uniform requirements for the creation of internal audit units in Ukraine, so their existence is often ineffective. We believe that in order to improve the quality and efficiency of internal audit, it is necessary to more clearly regulate its powers and strengthen the role of internal audit processes in the practical sphere of domestic enterprises.

The second approach is based on the use of the services of outsourcing companies, that is, the complete transfer of internal audit functions to a third-party specialized company or an external consultant. The potential advantages of using outsourcing can be formulated as follows: the possibility of attracting expert opinion in various fields; flexibility in matters of engagement of audit staff when developing new projects or the need to conduct various types of inspections in a short period of time; use of new information processing programs without the costs of purchasing the corresponding software products [2].

Full outsourcing provides the company's management with the opportunity to use a large number of necessary specialists, international experience, tools and knowledge, as well as the ability to effectively manage costs associated with service activities.

There are a number of strong arguments in favor of this approach:

- 1) sufficiently high qualification of auditors;
- 2) its mandatory annual increase;
- 3) the possibility of involving the audit firm of various types of highly qualified specialists and experts;
- 4) independence, objectivity and confidentiality in the assessment;

- 5) high mobility;
- 6) practical experience of checking financial statements;
- 7) a higher level of responsibility;
- 8) "side view";
- 9) use of the principle of professional skepticism;
- 10) experience in providing consulting services;
- 11) introduction of a new direction of audit activity – "due diligence";
- 12) turbulence of the business environment.

The third option for implementing internal audit is co-sourcing. This form means the division of functions regarding the implementation of internal audit in the company between the company's own service and the involvement of third-party experts in solving certain tasks. The reason for the emergence of this approach is situations when the heads of internal audit services are faced with a lack of experienced internal audit specialists in the middle of the enterprise or the lack of experience and knowledge required by the employees of the service to meet the expectations of management and other stakeholders [2].

Therefore, the use of co-sourcing services as a way of organizing the internal audit service involves the division of functions between the responsible services of the enterprise and an external specialized organization, which is involved at the stage of setting up the internal control service, as well as for solving individual tasks in the process of its operation. Therefore, when using this method, an internal audit service is created within the enterprise, but sometimes experts from a specialized company or external consultants may be involved. Co-sourcing makes it possible to qualitatively solve tasks at reasonable costs.

Co-sourcing is most suitable for use by medium-sized enterprises that want to develop their own business with the most efficient use of available resources. Creating your own internal control service is impractical, and using the services of other independent specialists is quite justified.

The potential advantages of using co-sourcing can be formulated as follows: joint work of full-time employees and invited professional out staffers; the opportunity to use the services of experts in various fields; flexibility in attracting audit resources; responsiveness to emerging issues, problem solving and task solving; a higher degree of responsibility for the result of activity [6].



Therefore, when using co-sourcing of internal audit functions, the company receives a number of advantages and the opportunity to get rid of shortcomings in the work of its own internal control service. In our opinion, enterprises that monitor the preservation of property and wish to develop their own business using modern advanced control technologies should use co-sourcing services.

There is also the organization of an internal audit by using a crowdsourcing service. Crowdsourcing (English crowd – crowd) is a little-known but promising form of internal audit. The essence of crowdsourcing is to provide a certain task on the Internet to a circle of people who are interested in its implementation. After completing the task within the specified time, crowdsources offer their options for its implementation to the customer, who considers them and chooses the most optimal ones, implementing them in their activities [6].

The advantages of crowdsourcing include:

- low cost of useful resources and reduction of time to achieve goals;
- talent the main advantage is that you can use many specialist performers both in your field of activity and around the world at the same time;
- availability. Makes it possible to divide a large project into smaller and "specialized" parts, which will ensure a decrease in the total cost;
- speed. Due to the involvement of a large number of performers, the time for completing the task can be reduced to a minimum; the ability to achieve quick, usually free or very cheap access to a variety of interesting ideas, to gain knowledge about consumer needs.

Disadvantages inherent in crowdsourcing are as follows: leakage of valuable information (sometimes it is simply impossible to ensure the preservation of confidential or unique information due to irresponsible treatment of it by the performers); a small and non-guaranteed reward; a large number of unscrupulous customers and contractors (this also includes cases of fraud); disorganization and unpredictability of the crowd. For the quality of work, this may mean the absence of a coherent result. However, depending on the method of setting goals and objectives, it is possible to coordinate the actions of the performers and achieve the integrity of the overall result. It is important to correctly assess the capabilities of the performers and set a clear task.

### **3. Internal audit as an element of enterprise security management**

In practice, at any enterprise, there are structural units whose purpose is not only to make money, but also to ensure its safety. These are risk management, internal audit, control and audit service, economic security service, etc. But these services often do not have a clear division of powers and areas of responsibility, so they communicate ineffectively with each other. Because of this, the efficiency of business protection is quite low.

In modern economic conditions, when the requirements for business efficiency, rational use of limited resources, and rapidly changing legislation are increasing, the function of internal audit as an element of corporate security management is becoming more and more important.

Enterprise security is a state of security that ensures independence, stability, sustainability, the ability to develop and the ability to prevent and maintain the impact of external and internal threats within certain limits [7].

Enterprise security is formed as a complex system, which consists of two main subsystems: threats to business security and protection against them. Threats are directed against the interests of the business entity, and a high level of protection of one interest at a low level of another does not ensure the necessary level of business security as a whole. In most cases, security is seen as protection against danger. However, the number of sources of business dangers is increasing, they are qualitatively changing, so blocking threats alone is always vulnerable in principle. A radical solution to the problems should be sought in a complex that includes not only the prevention of threats, but also in the approach to ensuring business security as an object of management.

Ensuring business security from the point of view of management is a purposeful joint activity of both business entities themselves and executive and municipal authorities.

Enterprise security is divided into external and internal.

The external security of the enterprise is a system of measures aimed at identifying and eliminating business threats that are associated with the enterprise's activities with other subjects (individuals, organizations) and executive authorities, as well as protection from other external negative factors.

The internal security of the enterprise is a system of measures aimed at identifying and eliminating threats related to the internal business processes and personnel of the enterprise.

The following constituent elements of the economic security of the enterprise are distinguished.

1. The financial component is considered the main and decisive for the effective functioning of the enterprise.

The financial component of economic security includes the following elements, which are used to assess the state of the threat:

– analysis of the threat of negative actions regarding the political and legal component of economic security;

– assessment of the current level of ensuring the financial component of economic security;

– assessment of the effectiveness of preventing possible damage from negative actions related to anti-crisis phenomena; planning of a set of measures and development of recommendations regarding the financial component of economic security.

2. The intellectual and personnel component determines primarily the intellectual and professional composition of personnel. This component should be aimed at maintaining an appropriate level of safety and cover the organization of the system of selection, hiring, training and motivation of workers, including material and moral incentives, prestige of the profession, freedom of creativity, provision of social benefits.

3. The technical and technological component involves the analysis of the technology market in relation to the production of products of a similar profile of a certain enterprise.

4. The political and legal component includes the following elements of organizational and economic direction:

1) analysis of threats of negative impacts;

2) assessment of the current level of provision;

3) planning (program) of complex events by specialized divisions of the enterprise;

4) implementation of resource planning;

5) planning the work of the relevant functional divisions of the enterprise.

5. The information component of economic security is formed as follows:

1) collection of all types of information related to the business entity's activities;

2) analysis of received information in compliance with generally accepted principles and methods of work organization;

3) forecasting trends in the development of scientific, technological, economic and political processes at the enterprise, in the country, abroad in relation to a specific business area;

4) assessment of the level of economic security by all components and in general, development of recommendations for increasing the level of security at a specific business entity;

5) collection of other types of information aimed at anti-crisis activities (communication with the public, formation of the image of the enterprise, protection of confidential information). The entire complex of the information component is an important factor for timely making the right decision to deal with possible manifestations of crisis situations.

6. The ecological component must guarantee the safety of society from business entities carrying out industrial and commercial activities. For this purpose, the manufacturer must carefully comply with the national norms of the minimum permissible content of harmful substances entering the environment and the ecological parameters of the manufactured products.

7. The main component of economic security in the anti-crisis economy program is to: ensure the physical and moral security of employees; to guarantee the security of property and capital of the enterprise; guarantee the security of the information environment of the enterprise; ensure a favorable external business environment.

The system of economic security of each enterprise is individual, its completeness and effectiveness depend on the legal framework in force in the state, on the amount of material, technical and financial resources allocated by the heads of enterprises, on the understanding of each of the employees of the importance of guaranteeing business security, as well as on the work experience of service managers security of enterprises.

In today's conditions, there are increasing requirements for internal audit units to find reserves, improve the results of enterprises, solve new economic tasks, provide assistance to management in choosing the most effective options for financial and economic activity and forecast its future development.

The full performance of internal audit functions is possible under the condition of effective organization of the internal audit apparatus and the introduction of scientific work organization in the audit process, which are important constituent elements of the organizational structure of internal audit.

In our opinion, the internal audit of the economic security of the enterprise is a comprehensive, systematic check of the state of the external and internal environments, the correctness of the definition and implementation of financial interests, goals, strategies for ensuring the economic security of the enterprise as a whole and its components.

### **4. Construction of an audit model of economic security of the enterprise**

An enterprise security audit is an independent assessment of the current security status of the information system, which establishes the level of its compliance with certain criteria. The purpose of such an audit is to systematize threats to the enterprise and offer recommendations for their elimination.

The security audit makes it possible to obtain a complete and objective picture of the entire information system of the enterprise and its individual life cycles (business processes), to localize inherent problems in order to create an effective and optimal program for the development of the enterprise security system [8].

The strategy of economic security includes the continuous work of all divisions of the subject of business activity to check business partners, analyze future agreements, examine documents, implement the rules for working with confidential information, etc. In this case, the security audit acts as a controller.

Security measures are applied in the event of the occurrence or actual implementation of any threats to the economic security of the enterprise. These measures are carried out using a situational approach and taking into account all external and internal factors, implemented through a system of measures specific to this situation [8].

Tactics for ensuring security presupposes the application of specific procedures and the implementation of specific actions in order to ensure the economic security of the business entity.

The direction of minimizing threats should start from the microcores level because threats and crisis phenomena always begin at the level of households and firms.

In modern conditions, only those economic entities will be able to effectively carry out their activities, which have implemented a modern

security audit system, have better indicators compared to enterprises operating on the basis of old management principles. In many developed countries, managers use the services of a special security service in their work [8].

In our opinion, the economic security of the enterprise should have such components as: legal security of the enterprise's activity; preservation of commercial secrets of promising developments and audit of organizational and financial and economic activities; analysis of economic activity of business partners.

Western firms additionally include such elements as: protection against terrorist acts; protection from bureaucratic and illegal influence by state bodies [8].

A security audit should be understood as ensuring the security of enterprises in the economic, informational, social and other spheres of business activity.

In our opinion, the conceptual model for building an enterprise security audit should have the following elements: the purpose of the audit, audit methods, its object and subject, assessment of the state of comprehensive security of enterprise systems and subsystems; threat detection mechanism in the field of enterprise security audit and quality control of security audit.

The purpose of the internal audit of the economic security system in accordance with ISA 200 "General objectives of an independent auditor and conducting an audit in accordance with International Auditing Standards" [9] is to express an independent professional opinion by the auditor regarding the compliance of the economic security system with certain criteria.

The general criteria, in our opinion, should be the compliance of the system with the key principles of economic security. In particular, this applies to such principles as: economic expediency; legality; coordination; continuity; professionalism; adaptability; combination of preventive and reactive measures; timeliness and adequacy of measures; balance of economic interests, etc.

The first step in conducting an economic security audit is to determine the range of entities that can perform it. In this context, it is necessary to pay attention to such an aspect as the existence of external and internal audit. In the first case, it is necessary to refer to the Law of Ukraine "On the Audit of Financial Statements and Audit Activity" [10], which clearly defines the scope of external audit subjects:

1) an auditor is a natural person who has confirmed his qualifications for conducting audit activities, has relevant practical experience and is included in the Register of auditors and subjects of audit activity;

2) audit firm – a legal entity that exclusively conducts audit activities and/or provides non-audit services on the grounds and in the manner prescribed by this Law and International Auditing Standards.

As for the internal audit, the legislation of Ukraine regulates the organizational principles of its conduct for banking institutions and other individual subjects, but, unfortunately, there is no uniform approach to this issue. The subjects of internal audit are employees of internal audit departments, internal audit services that report to the company's management [10].

The objects of the internal audit of economic security are the economic security system of the enterprise as a whole, as well as its individual elements, which can be considered in terms of the following components of economic security: financial, personnel-intellectual, production-technological, political-legal, decision-making security and information security, environmental, investment-innovation, social, marketing, resource-technical, energy, food, transport, foreign economic [11].

In order to substantiate the tasks of the internal audit in ensuring the economic security of the enterprise, it is necessary to determine the main sources of threats and objects of protection that are being investigated. Sources of threats to economic security are divided into external and internal.

External threats include the following: changes in demand, exchange rates, credit costs, product lines, fair competition; unfair competition and other illegal intentional actions of third parties against the company; threats to the company's reputation due to political, national, religious and other motives emanating from authorities and public organizations; corruption; disasters, industrial accidents, natural disasters, terrorist acts [2].

Internal threats are personnel (disclosure of information, intentional violations of control procedures for the purpose of embezzlement, sabotage, negligence); imperfection of the system of control procedures (absence of necessary controls, lack of knowledge of them by employees) [2].

Objects of protection are assets: material assets (equipment, stocks, buildings, etc.); information and intangible assets (technology, commercial information, personal data, state secrets, company reputation); personnel (physical protection, ensuring loyalty, belonging to risk groups); operations:

economic efficiency of current operations; economic efficiency of strategic decisions and investments; ensuring business continuity [2].

The main tasks of the audit of economic security (Figure 2) include: identifying changes in indicators that characterize the economic security of the enterprise; determination of factors that affect the economic security of the enterprise; assessment of economic security on a certain date; determination of trends in economic security changes; identification of enterprise threats; checking the financial condition of the enterprise (checking the solvency of the enterprise, checking the liquidity of the working capital of the enterprise); checking the quality of planning and implementation of the enterprise's financial and economic activities; development of measures to ensure economic security.

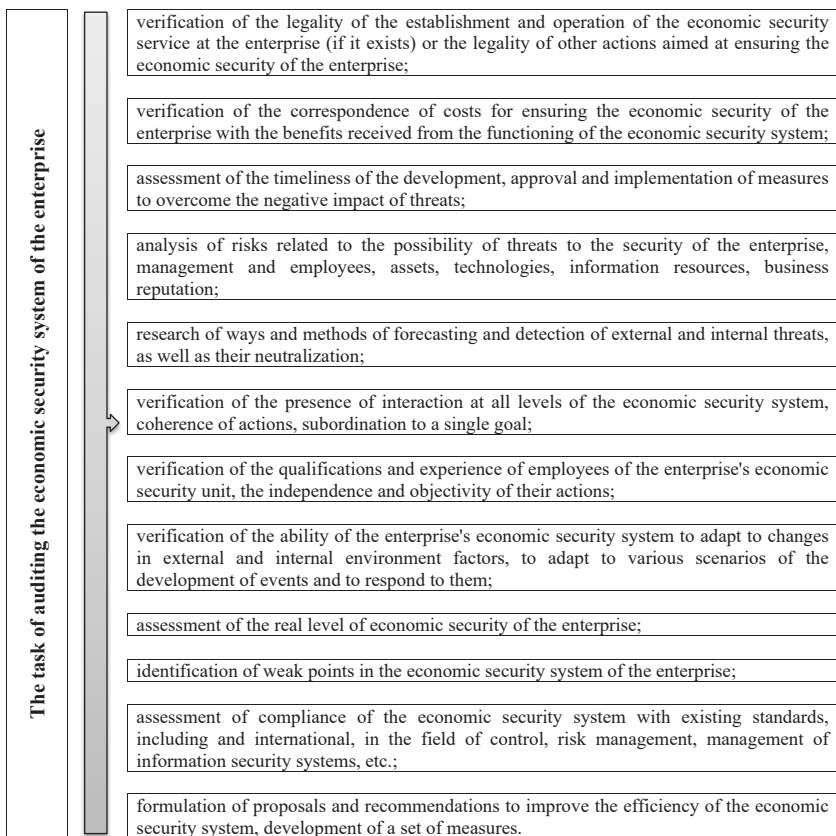
The above tasks can be grouped into three blocks of tasks:

- establishing a system of priority economic interests that require protection in the process of financial and economic activity and financial development of the enterprise;
- identification and forecasting of external and internal threats to the realization of economic interests;
- ensuring effective neutralization of threats to the economic interests of the enterprise.

Thus, the task of internal audit in the processes of protecting economic security is to give the board of directors and top management reasonable confidence that the risks of this type of threat have been reduced to an acceptable level. To do this, the internal auditor must ensure that: threat prevention processes exist; they are organized efficiently; have results that will meet expectations; were properly performed in previous periods; the results are reliably reflected in the reporting; there is reasonable confidence that the processes will be properly performed in the future [2].

Economic security audit information sources are a set of documents or other sources containing information that can be used during an economic security audit as audit evidence, or on the basis of this information, appropriate indicators can be calculated that will characterize the level of economic security. In particular, the sources of information for an economic security audit are: requirements of normative documents regulating the enterprise's activities; regulations; financial statements and notes thereto; statistical reporting; a business plan; licenses and permits for certain





**Figure 2. Tasks of the audit of the enterprise's economic security system**

Source: built by the authors based on [11]

activities; accounting policy; agreements, contracts; orders and orders of management; documents confirming the ownership rights of the founders to the property contributed by them to the authorized capital; registers of synthetic and analytical accounting; initial documents; responses to the auditor's requests; audit reports and conclusions and results of other forms of control of previous years (periods) [11].

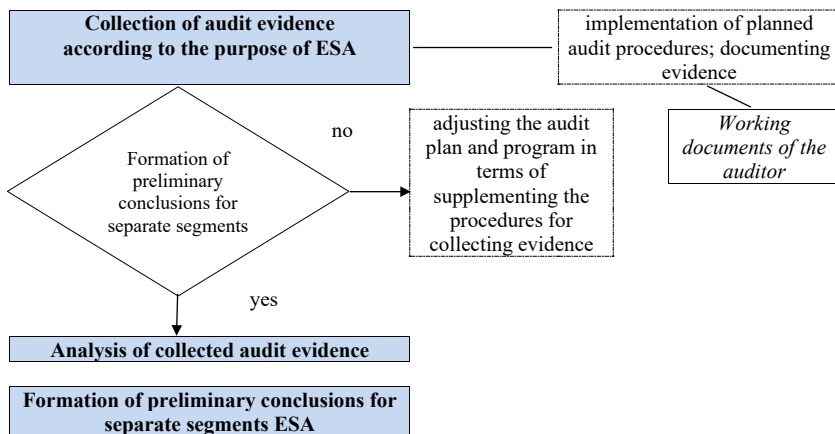
Among the methodological methods of auditing, two large groups can be distinguished, namely: general scientific (analysis, synthesis, induction, deduction, abstraction, concretization, etc.) and specific [11]. In particular, the list of specific methods may include: documentary audit methods (verification of documents by form, content, arithmetic, logical verification; cross-verification; establishing the legal force of a document, etc.); computational and analytical methodological techniques of auditing (economic analysis; statistical calculations; economic and mathematical methods); organoleptic methodical audit techniques (expertise; technological control; inventory; control measurement; official investigation; experiment, etc.); methodical methods of summarizing audit results (grouping of deficiencies; analytical grouping; systematization of audit results).

As for the stages of the audit, it should be noted that three stages are traditionally distinguished in the audit theory: preparatory (organizational), experimental (the actual audit), final (resultative) [12]. In some studies, there is also a pre-contractual stage [11], which can affect the subsequent stages of the audit.

Thus, at the initial organizational stage, in accordance with ISA 300 "Planning the audit of financial statements" [13], an overall audit strategy is determined, which establishes the scope, terms and direction of the audit, and is also the basis for the development of more detailed audit plans checks Scientists determine [11] that the development of a general strategy of an economic security audit involves: 1) determining the characteristics of the task, which is determined by the agreement on conducting the audit, which, in turn, establishes its scope; 2) clarifying the goals of providing the final documents, taking into account what to plan the time needed to perform the tasks, as well as the characteristics of the necessary information of the audit customer; 3) consideration of the main factors that determine the directions of actions of the audit group.

The experimental stage of the economic security audit is schematically depicted in Figure 3.

The main goal of the experimental stage of the audit is to obtain evidence for each direction (object) of the audit. In international practice, issues of audit evidence are regulated by ISA 500 "Audit evidence", ISA 501 "Audit evidence – special provisions regarding selected elements", ISA 505 "External confirmations" [14; 15; 16].



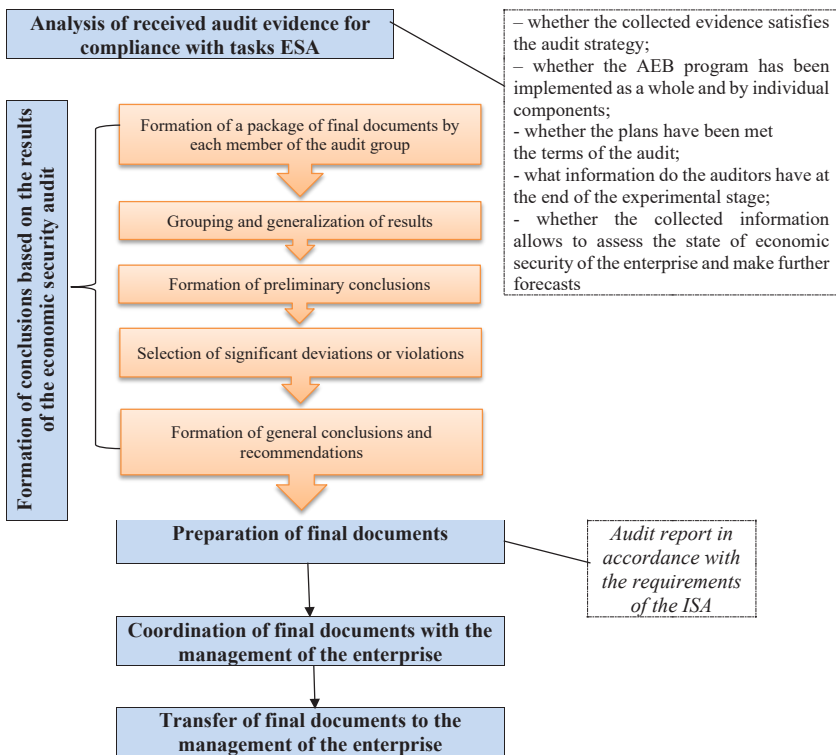
**Figure 3. Characteristics of the experimental stage of the economic security audit**

*Source: the auto frame was built on the basis of [11]*

The final stage of the economic security audit is shown in Figure 4. At this stage, the preliminary actions carried out as part of the economic security audit are summarized and the final document is presented to the management of the enterprise.

For this purpose, the head of the audit group, on the basis of the information received from the executors of certain tasks, should find out the following: whether the evidence collected during the audit satisfies the audit strategy; whether the actions, measures, etc. provided for by the economic security audit program have been carried out in general and by individual components; whether the planned audit deadlines have been met; what information do the auditors have at the end of the experimental stage and whether the collected information allows to assess the state of economic security of the enterprise and make further forecasts in this direction [11].

In the case of a positive assessment regarding the quantity and quality of the received information and the fulfillment of other conditions, conclusions are formed based on the results of the audit. The final document is an audit report prepared in accordance with the requirements of the ISA. In addition to other components stipulated by the ISA, it must contain the following:



**Figure 4. Characteristics of the effective (final) stage of the economic security audit**

Source: the auto frame was built on the basis of [11]

- a conclusion regarding the legality of the establishment and operation of the economic security service at the enterprise (if it exists) or the legality of other actions aimed at ensuring the economic security of the enterprise;
- a conclusion on the effectiveness of interaction at all levels of the enterprise's economic security system, subordination to a single goal;
- analysis of the costs of ensuring the economic security of the enterprise and the benefits received from the functioning of the economic security system;

- a conclusion on the timeliness of the development, approval and implementation of measures to overcome the negative impact of threats to the economic security of the enterprise;

- a conclusion on the ability of the enterprise's economic security system to adapt to changes in the factors of the external and internal environment, to adapt to various scenarios of the development of events and to respond effectively to them;

- a forecast regarding the risks associated with the possibility of threats to the economic security of the enterprise;

- suggestions on ways and methods of forecasting and identifying external and internal threats to economic security, as well as possible ways to overcome or neutralize them;

- a conclusion regarding the real level of economic security of the enterprise, its compliance with existing standards, the presence of weaknesses in the system of economic security of the enterprise;

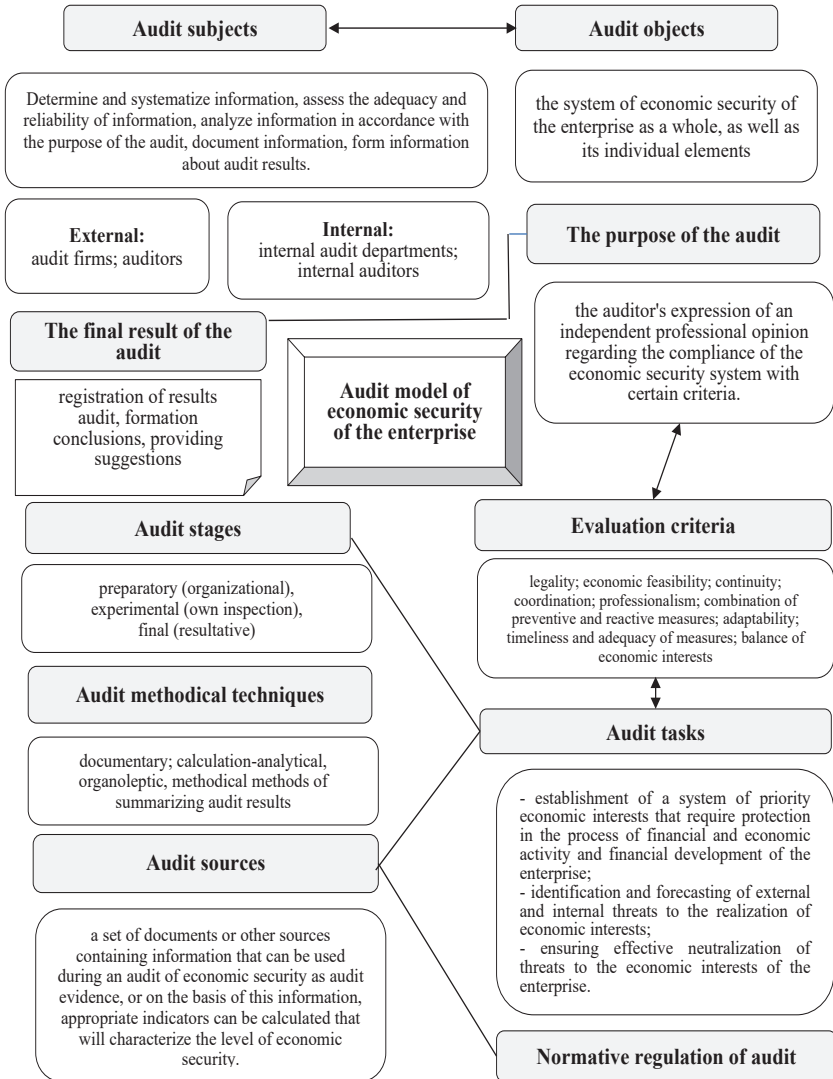
- proposals and recommendations for increasing the efficiency of the economic security system, development of a set of measures [11].

A high-quality audit report will allow the company's management not only to identify problems that exist in the context of ensuring economic security, but also outline clear steps to overcome these problems and help to avoid them in the future.

Therefore, in our opinion, the economic security audit model should include the following components: audit subjects and objects, audit purpose, assessment criteria, audit tasks, regulatory regulation, sources of information, audit methods, audit stages, regulatory audit regulation (Figure 5).

One of the important trends in the development of internal audit is to increase its level: from a tester of control procedures to an analyst of the most important risks. Company management is more interested in the risks and shortcomings of investment projects, mergers and acquisitions, and business planning than in control procedures.

The task of internal audit is to analyze them. After all, the management, presenting for approval to the management of the company, for example, a large investment project, considers it first of all as an opportunity to make money, because it is motivated to obtain a profit. The greater the potential profit, the higher the risks associated with obtaining it. Often, management tends to underestimate the risks associated with the project, since in case of



**Figure 5. Audit model of economic security of the enterprise**

Source: developed by the authors based on their own research and literary sources [2; 11; 17]

success it receives bonuses, and in case of failure it does not lose anything (shareholders lose).

Internal audit should provide an independent and preferably conservative assessment of project risks, so that the company's management, when making a decision, has balanced information from the point of view of "opportunity – threat". In the absence of a "counterweight" in the form of an internal audit, the number of unsuccessful projects can ruin the enterprise [2].

### **5. Expansion of internal audit functions in order to ensure the economic security of the enterprise**

The ability of internal audit to be an "internal opponent" and risk analyst at the strategic level, of course, depends on the qualifications of the auditors and the desire of the company's management, as well as the general manager, to have such an opponent.

At the current stage, there is a tendency to expand the functions of internal audit: from the study of the risks of a limited number of processes (for example, the formation of financial statements and purchases) to the comprehensive coverage of all enterprise processes. The company's management requires the internal audit to assess the risks of all processes significant for business security. In ensuring the economic security of the company, the functions of the internal audit consist of: evaluating the economic security system as a whole and providing information to the board of directors and top management; from participation in the implementation of the procedures of the process of ensuring economic security [2].

Naturally, the internal auditor in such a company must possess high professional skills in obtaining and analyzing information in order to quickly learn new information and be able to competently analyze it, sometimes involving external expertise.

The internal auditor must have a higher economic education, the necessary work experience. He is a specialist who has a broad perspective in the field of economics and finance, is able to take responsibility. Auditors, including internal auditors, are governed by the Code of Ethics of Professional Accountants. According to the code, each auditor must have and apply in practice the following traits: independence, honesty, objectivity, political neutrality, conscientiousness, confidentiality, competence. Compliance with the requirements of the Code of Professional Ethics is controlled

by the Audit Chamber of Ukraine within its competence. In case of non-compliance with the requirements of professional ethics, the Audit Chamber of Ukraine has the right to deprive the auditor (audit firm) of the right to engage in auditing activities for a period determined by it.

The internal auditor must know: legislative and normative legal acts, methodical materials that relate to the production and economic activity of the enterprise; market management methods, regularities and features of economic development; labor, financial, tax and economic legislation; accounting and reporting procedure; methods of analysis of economic and financial activity of the enterprise; rules for conducting documentary checks and inventories; money circulation, creditworthiness, pricing procedure; rules of organization and conduct of business; ethics of business communication; economy, organization of production, labor and management; procedure for registration of financial transactions and organization of document flow, accounting and reporting forms.

Also, the internal auditor must understand the principles of organization and business management, have knowledge in the field of accounting, finance, law, taxation, have basic knowledge of financial control, analysis of economic activity, information technology, etc.

International professional standards of internal auditing establish qualification requirements for internal auditors. Each internal auditor follows certain principles. The main attention is paid to two fundamental principles: independence – which means freedom from circumstances that threaten the ability of the internal audit function to carry out its duties impartially; objectivity – which is understood as an unbiased mental position that allows internal auditors to perform tasks, demonstrating confidence in the results of their work and not allowing any compromises with regard to quality [26].

Therefore, the internal auditor must be highly educated, have high analytical abilities, always remain independent, honest and objective, capable of continuous self-education, adhere to ethical standards and other standards related to his professional activity.

It should be noted that in modern economic conditions of business, the level of corporate fraud is increasing. Experts from their investigation have always known that a period of economic downturn creates an environment in which internal controls are weakened and employees feel less loyal to the employer. The weakened economy creates conditions for certified



specialists in the fight against embezzlement to show how important their role is. In Ukraine, 61.5% of companies experienced fraud. 20% of companies estimated their losses from fraud in the amount of \$100,000 to \$5 million per year. Ukraine ranks 5th in the ranking of countries in the world by the level of corporate fraud [18].

Therefore, the main threat to business has become hired workers. According to experts' estimates, the losses of companies from their own employees sometimes reach 90% of the total amount of losses (no competitors, as a rule, cannot match this evil) [27]. The results of research conducted in Ukrainian firms show that domestic firms spend less than 0.1% of turnover on their financial security and controlling [19].

It can be assumed that in the near future, the management will demand from the internal audit a sharp increase in work on detection and prevention of fraud. Ensuring the maximum reduction of unproductive costs as soon as possible is a task for the internal audit for the near future. The more the audit is ready for this, the more it will be in demand. If there are no anti-fraud and embezzlement programs at the enterprise, if feedback is not established with staff on fraud detection through information channels, and business ethics training is not conducted, then the losses from embezzlement will be extremely large. According to statistics, global companies lose 5% of their profits annually due to the dishonest actions of their employees. In Ukraine, this indicator is even higher – in various cases it reaches 10-15%. It is only about those losses that are made public by companies [20].

In today's realities, the understanding of the role of the company's personnel as its main asset and source of security threats is growing. The increasing level of informatization makes more and more data available to the staff. Information technology prevents the leakage of information by technical methods. But the losses from the actions of disloyal personnel exceed the losses from the actions of competitors several times.

Information becomes an asset, the value of which exceeds all tangible assets combined. Among the most valuable assets of the company, effective corporate culture is called as a means of ensuring staff loyalty. Loyalty (or the ability to be loyal) is beginning to be evaluated in the selection of personnel as one of the necessary qualities. In this regard, the focus of internal audit shifts to the processes of forming corporate culture and personnel management [21].

Corporate culture audit is a new and relevant direction of development for internal audit. The main tasks of the internal audit in this area are to assess how effective the measures provided for in the company are for purposeful formation of corporate culture; how the existing level of corporate culture is assessed. Internal audit in the field of corporate culture should combine hard and soft control measures at different levels. Such control measures should include: audit of management structures and risk management activities at the company level; audit of processes with significant cultural impact, such as ethics training, incentives and HR practices; cross-functional thematic audits, such as analysis of culture of compliance and culture management initiatives; audit of corporate culture, built into each audit project [22].

In the scientific literature, there are many discussions on the subject of the subordination of the internal audit service. In today's conditions, it is typical for many companies that risk management is subordinated to the deputy strategy director, the security service to the general director, and internal audit to the financial director. Therefore, companies make decisions aimed at concentrating the management of all such functions in one hand. Sometimes the processes of integration follow a natural path without realizing the need to solve the problem comprehensively. From the point of view of compliance with the standards of professional activity of the Institute of Internal Auditors, it would be appropriate to subordinate these divisions to the director of business security, distributing functions and responsibilities between them. In this case, the loss of independence and objectivity of the internal audit can be avoided if the business security director is subordinated to the board of directors in terms of internal audit functions, and to the general director in terms of other functions [23].

Implementation of internal audit functions is implemented in different ways. However, the creation of a separate internal audit service does not indicate its effective functioning. Conversely, internal audit in an economic entity can exist without its allocation in the organizational structure. The transfer of the internal audit function to outsourcing is quite common, whether it is a one-time consulting service or a permanent service from a specialized company [24].

Based on the conducted research, it can be concluded that consulting services in the field of internal audit provide assistance to managers in

increasing the efficiency of their functions, providing clients with access to accumulated knowledge in the field of advanced internal audit practices, and consulting specialists who have information about the peculiarities of the enterprise's industry and possible risks [25].

The need to implement internal audit is obvious. It is dictated by the requirements of modern economic relations, information and management needs of business entities, specific facts of the functioning of internal audit at enterprises. In any case, the internal audit is independent from the management just as much as the general director understands this necessity and benefit from it. An effective internal auditor is always an intermediary between the board of directors and management. Both sides should perceive it as a tool for solving certain production tasks.

### 4. Conclusions

The main approaches to the organization of internal audit at the enterprise are highlighted, in particular, the creation of one's own internal audit service, the use of services of outsourcing companies, the introduction of co-sourcing (partnership between the customer company and an external provider). Internal audit is considered as an element of corporate security management. At the same time, the security of the enterprise should be considered as a state of security that ensures independence, stability, sustainability, the ability to develop and the ability to prevent and maintain the influence of external and internal threats within certain limits.

The article proposes a conceptual model of economic security audit, which is an efficient and effective mechanism for assessing the level of economic security and identifying deviations from the expected results or legal requirements, an instrument for stabilizing and further developing both an individual agricultural enterprise and the industry as a whole. Such a model should include the following components: audit subjects and objects, audit objective, evaluation criteria, audit tasks, regulatory framework, information sources, audit methods and audit stages. It is noted that the use of audit to strengthen the security of the enterprise will allow to meet more fully the needs of business owners and managers who are interested in long-term strategic development. This type of audit can be used to assess the problems of the current state of the enterprise and should become an integral part of its management system.

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