

CHAPTER

A SYSTEMIC APPROACH TO THE FUNCTIONING OF INTERNAL CONTROL IN PREVENTING ECONOMIC CRIMES

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Summary

The chapter examines the role of internal control as a key mechanism for preventing economic crimes and fraud in enterprises. In modern economic conditions, the effectiveness of internal control systems becomes an important factor in ensuring financial stability, transparency of business processes, and protection of corporate assets. The study systematizes theoretical approaches to the interpretation of the concept of internal control and analyzes its role within the overall management system of an enterprise. Particular attention is paid to the classification of economic offenses and fraudulent actions that occur in corporate activities. Based on international studies and analytical reports, the main risk categories affecting Ukrainian enterprises are identified, including procurement fraud, corruption, and violations of sanctions compliance. The research also highlights the importance of compliance programs, data analytics, and risk assessment procedures for detecting fraudulent activities. The chapter substantiates the need to develop a comprehensive system of internal control that integrates legal, organizational, and economic mechanisms for counteracting fraud. The proposed approach allows enterprises to improve the efficiency of risk management processes and strengthen corporate governance. The results of the study confirm that an effective internal control system is an essential tool for preventing financial violations and ensuring sustainable development of enterprises.

Introduction

The formation of an effective internal control system under modern business conditions is becoming particularly relevant, since it acts as a key instrument for counteracting fraud and other economic offenses. The growing scale of abuses both in domestic practice and in foreign practice confirms the need to develop

and implement effective control mechanisms. It has been proven that fraudulent actions may be initiated not only by hired employees, but also by partners or business owners, which results in significant financial losses, a decrease in the market value of enterprises, and in certain cases creates preconditions for their financial instability. According to experts' estimates, up to one third of assets may be lost due to dishonest or fraudulent actions, which emphasizes the critical role of internal control in ensuring the stability of enterprise operations.

The complexity and multidimensional nature of the fraud problem determine the need for a thorough study of its causes, mechanisms of manifestation, and consequences, as well as for the formation of a methodologically substantiated internal control system capable of timely identifying and neutralizing such risks. At the same time, current transformations of Ukraine's economic environment reinforce the requirement to improve enterprise management systems, in which internal control occupies a leading place. Despite the fact that the controlling function is an integral part of management, its conceptual foundations in the domestic scientific tradition have been studied to an insufficient extent.

Globalization, the implementation of new corporate governance standards, and the unification of accounting and auditing rules create new requirements for internal control, making it not only an element of functional management, but also a strategic instrument for ensuring business resilience. Under such conditions, the scientific substantiation of internal control is aimed at developing effective models for adapting enterprises to dynamic changes in the economic environment and minimizing the risks of fraud and abuses.

1. Systematization of internal control categories in the mechanism of counteracting fraud

It is well known that the control function at an enterprise should be aimed at protecting assets and preventing economic offenses, the level of which demonstrates steady growth in various areas of business. Practical experience indicates that a significant proportion of enterprises face abuses by personnel or partners [5]. According to international experts, dishonest actions by employees, stakeholders, or owners may lead to the loss of a substantial part of assets, which negatively affects the efficiency of functioning and the value of the enterprise and, in some cases, generates bankruptcy risks [5; 7].

Domestic practice of internal control shows that transformations of the socio-economic environment are insufficiently reflected in existing control systems. The dominance of a retrospective approach leads to violations of the principles of prevention, timeliness, completeness of coverage of managerial processes, accountability, and effectiveness [4; 6], which reduces the effectiveness of control and requires updating its methodological foundations.

The conceptual apparatus of control theory remains one of the key areas of scholarly debate, in particular regarding the classification and substantive

content of the category «internal control». In the scientific literature, it is generally recognized that internal control is characterized by the inclusion of the subject of control and the object of control within a single management system [27]. At the same time, the division of control into external and internal is to some extent conditional, since external control may perform functions aimed at ensuring the internal stability of an enterprise [12].

Scientific approaches to interpreting control carried out at enterprises demonstrate significant divergences. Various terms are used: “internal economic control” [12], “internal financial and economic control” [28], “internal financial control” [22], “internal control in a broad sense” [18], “intra-system control” [44], etc. Such variability indicates the absence of a unified scientific approach to defining the essence of control, which remains a relevant theoretical problem [26].

Regulatory regulation of internal control in Ukraine is fragmented. The Law of Ukraine “On accounting and financial reporting” defines the enterprise’s right to independently form a system of internal accounting, reporting, and control of business operations. Legislation covers only certain aspects of control, namely accounting control, inventory taking, the activities of audit (revision) commissions, external audit, and state financial control, paying particular attention to the banking sector [28; 31]. At the same time, the provisions do not specify the subjects, methods, and forms of internal control, limiting themselves to requirements related to the organization of accounting and the responsibility of the chief accountant for the reliability of recording business operations [12].

The systematization of modern approaches to defining internal control, summarized in Table 1, shows that this category is considered as a component of the management system aimed at protecting the interests of the enterprise and ensuring the achievement of managerial goals. Scientific sources emphasize that it is carried out by authorized persons, uses regulated procedures, is oriented toward risk prevention, and has a continuous character of functioning [12–15; 29; 30]. Internal control is also characterized by organizational structuring, the distribution of responsibilities, and the need for informational support of management processes [5; 22; 25].

A comparison of the terms “operational”, “financial”, “financial and economic”, and “financial and operational (financial and business) control” confirms their conceptual similarity, since all of them reflect internal mechanisms for controlling enterprise activities in various areas of its functioning [13].

At the same time, Ukrainian legislation does not contain a comprehensive and modern definition of internal control, which leads to its identification with accounting control, administrative control, internal audit, inventory taking, or the activities of audit (revision) commissions [18].

Table 1

Study of the categorical apparatus of the internal control system

Category	Definition	Authors and source
Carried out in the interests of the system	Control is organized for the benefit of participants in the management system in order to protect the interests of the enterprise	K. Hrabar [13]
Management function	Performed by persons with relevant powers from the initiator of control, which influences managerial decisions	R. Voronko [12]
Achievement of goals, application of tools	The system aims to control reliability, compliance with standards, and risk prevention by means of defined procedures	F. Definitzii [15], A. Semenets [29]
Continuous nature	Control is a continuous process that covers the entire cycle of enterprise activity	M. M. Tanasiieva, I. V. Zamula [30]
Organized control	The system has a structure, units, and distribution of responsibilities	K. Hrabar [13], I. Demianiuk [14]
Aimed at preventing risks	Applies methodologies for identifying and eliminating risks and abuses	S. S. Melnyk [22]
Informational support	Includes information systems and analytics for managing internal control	Kh. Lubis [5]
Dependence on enterprise size	Forms and approaches to internal control depend on the scale and structure of the enterprise	R. Voronko [12]
Legislative regulation	Defined by regulations that set the main directions and foundations of internal control	Ministry of finance of Ukraine [25]
Responsibility	The chief accountant is responsible for organizing internal control, subordinates for performing their job duties	Voronko R. M. [12], Klius Yu. V. [18], International Standard on Auditing (ISA) 240 [24]

Source: compiled by the authors based on [5; 12-15; 18; 22; 24; 25; 29; 30]

The absence of an agreed conceptual apparatus and clear regulatory boundaries emphasizes the need for further scientific development of the theoretical and methodological foundations of internal control to ensure its effective functioning in enterprises.

Internal control of an enterprise constitutes a comprehensive system of objects, subjects, and control actions aimed at management, asset protection, and fraud prevention [13; 21]. Although the International Standards on Auditing (ISA) contain definitions and principles of internal control, they are developed mainly for external audit and focus on accounting functions [24]. At the same time, internal control should be considered as an integrated

component of the management system that ensures satisfaction of the informational needs of owners and executive management bodies.

The internal control system in complex organizational structures includes units staffed with qualified personnel who have the relevant powers, comply with ethical standards, are provided with material, technical, and informational resources, are motivated, and are integrated into the information exchange process through direct and feedback links [19]. The main objectives of internal control include effective business conduct (achievement of planned indicators, rational use of resources, implementation of technologies, production of goods and services), asset protection, error prevention, ensuring the reliability of accounting and financial reporting, as well as preparedness to counteract fraud [21].

The objects of control are employees, resources, operational, production, financial and administrative processes, as well as performance indicators of the enterprise and its structural units. The subjects of control are owners, officials, and employees entrusted with control functions, and control actions are implemented through policies and procedures that ensure the implementation of managerial directives [19].

The dynamic nature of internal control necessitates continuous improvement of the system in accordance with the scale, structure, and specifics of the enterprise's activities. It is formed at the stage of establishing the organization and develops in the course of functioning, integrating into the management system and ensuring asset protection and prevention of abuses. Thus, internal control is a key management instrument that combines organizational, procedural, and informational mechanisms to maintain the stability and efficiency of an enterprise.

2. Systematization of types of economic offenses and fraudulent actions in enterprise activities

The organization of internal control is a key factor in enterprise effectiveness and the prevention of economic offenses and fraud [13]. Despite the studies of domestic and foreign specialists [19; 21; 27; 28], in practice control is often limited to single-topic inspections without systemic analysis of business operations, and is mostly carried out after decisions have been made [28].

The ISA define the principles of internal control for risk assessment and planning of external audit; however, they are oriented toward accounting functions [23]. Internal control is regarded as a complex of objects, subjects, and procedures that ensure asset protection, management, and fraud prevention [13].

Fraud threatens not only financial results but also intangible assets, namely reputation, brand, and business relations. ISA 240 provides for the assessment of intentional misstatements of financial reporting and misappropriation of assets, distinguishing them from unintentional errors [23]. Internal control

makes it possible to identify such actions, improve managerial procedures, and ensure the reliability of accounting data.

According to the PwC Global Economic Crime and Fraud Survey 2024, which covered about 2,500 respondents in 63 countries, including Ukraine, economic crimes continue to constitute one of the key threats for business entities across sectors [8]. The results demonstrate that over the last two years a significant share of Ukrainian organizations have encountered various manifestations of financial abuse: 32% of respondents reported cases of fraud, corruption, or other financial crimes, which is consistent with global trends of increasing complexity and scale of such offenses.

The study also identified the main risk categories that have the greatest impact on Ukrainian enterprises. The most common type of dishonest conduct is procurement fraud, which 70% of organizations recognized as a significant problem. This category includes manipulations of tender procedures, collusion with suppliers, misuse of procurement budgets, and falsification of documents. Despite the significance of the threat, only 32% of companies use data analytics to detect anomalous tender schemes, while 7% do not use it at all, which indicates insufficient maturity of internal control systems [8].

The second significant category of economic crimes is corruption-related offenses, including bribery, abuse of official authority, and improper commercial payments. 36% of Ukrainian respondents stated that the level of corruption risks increased over the last year, although 39% acknowledge strengthening of state oversight and improvement of the mechanisms for enforcing anti-corruption legislation. Despite this, 25% of organizations either do not have a counterparty risk management program or do not carry out proper risk assessment when interacting with counterparties, which creates additional opportunities for corrupt influence [8].

The third risk group identified in the study is violations of export control requirements and sanctions compliance. 61% of Ukrainian companies identify compliance with sanctions requirements as one of the key priorities, since improper management of sanctions risks may cause significant financial and reputational losses. At the same time, only 46% of organizations conduct regular testing of the effectiveness of sanctions programs, which indicates substantial deficiencies in the control system for international operations. Respondents consider the greatest source of risk to be the possible involvement of counterparties in prohibited activities, which creates a high need to strengthen due diligence procedures [8].

Thus, the 2024 data confirm that the leading categories of economic crimes in Ukraine, namely procurement fraud, corruption, and violations of sanctions regulation requirements, form the main range of threats for organizations. The effectiveness of counteracting these offenses largely depends on the maturity of compliance systems, the use of analytical tools, the depth of counterparty

risk assessment, and the regularity of internal audits. An assessment of the prevalence of economic crimes in 2022–2024 is presented in Table 2.

Table 2

**Key indicators of the prevalence of economic crimes in Ukraine
in 2022 and 2024**

Indicator	2022	2024
Share of organizations that experienced economic crimes	51%	32%
Bribery and corruption	73%	36% (increase in risks)
Procurement fraud	55% worldwide, no data for Ukraine	70% in Ukraine
Organizations using analytics to detect fraud	23%	32%
Share of enterprises with effective compliance programs	54%	84%
Companies that did not audit counterparties for forced labor	56%	41%
Priority of sanctions compliance	46%	61%

Source: compiled by the authors based on [8–10]

A comparative analysis of data for 2022 and 2024 indicates a transformation in the structure of economic crime in Ukraine and a change in dominant risks in the area of corporate security. While in 2022 the key threats were corruption and the high prevalence of financial fraud (51%), in 2024 there is a shift in emphasis toward operational and regulatory risks. Priority risk areas include an increase in procurement fraud cases (70%), an increase in the intensity of corruption threats (36% of respondents), strengthening of sanctions and compliance requirements, as well as increased vulnerability of supply chains, in particular in the context of forced labor risks (41% of companies do not conduct relevant inspections) [8–10].

Such shifts demonstrate a substantial complication of the operating conditions of business entities caused by the impact of military actions, accelerated digitalization of business processes, internationalization of enterprise activities, and increasing stringency of international regulatory requirements. Taken together, these factors form a new risk configuration that requires raising the level of internal control, strengthening compliance tools, and improving mechanisms for managing economic security.

Financial fraud is usually detected through a combined use of various control methods. Preventive measures, including risk assessment and implementation of an effective internal control system, make it possible to timely identify vulnerabilities and prevent unlawful actions [10]. Domestic organizations predominantly apply a reactive approach: less than half of respondents conduct

an overall risk assessment, assess vulnerability to cybercrime, or assess critical risks associated with bribery, money laundering, and compliance with export control requirements.

Based on the analysis of scientific and professional literature, a classification of dishonest actions by personnel of commercial organizations is proposed, presented in Table 3.

Table 3

**Classification of typical abuses and dishonest actions
of enterprise personnel**

Classification group	Type of abuse
1	2
Legal	Administrative law: <ul style="list-style-type: none"> • destruction or damage of another’s property; • petty theft of property; • unlawful obtaining of a loan; • fictitious or intentional bankruptcy; • unlawful actions in bankruptcy; • violations in accounting and submission of financial reporting; • unlawful use of insider information; • violations of the rules for maintaining the register of securities owners; • illegal issuance or circulation of documents certifying monetary and other obligations (bills of exchange, bonds, shares, etc.)unlawful remuneration from a legal entity, etc. Labor law: <ul style="list-style-type: none"> • property damage; • violation of labor discipline Criminal law: <ul style="list-style-type: none"> • theft; • fraud; • misappropriation or embezzlement of property; • causing property damage through deception or abuse of trust; • intentional destruction or damage of property; • destruction or damage of property through negligence; • acquisition or sale of property knowingly obtained by criminal means; • unlawful obtaining of a loan; • malicious evasion of repayment of accounts payable; • unlawful obtaining and disclosure of information constituting commercial, tax, or banking secrecy; • violation of the procedure for recording rights to securities; • obstruction of, or unlawful restriction of, the rights of securities owners; • falsification of a decision of the general meeting of shareholders (participants) of a business company or a decision of the board of directors (supervisory board) of a business company; • unlawful actions in bankruptcy; • intentional bankruptcy; • misappropriation or embezzlement; • fictitious bankruptcy; • commercial bribery and abuse of authority

1	2
Economic	<p>Commercial collusion: providing or receiving any benefit, money (bribe, kickback), gifts, or services to influence decisions or to conceal additional risks, for example those related to a client's unreliability. An example of corruption is, in particular, an employee receiving gifts. An enterprise may issue a gift policy stipulating that all received valuables are the property of the firm.</p> <p>False information (misreporting): deliberate or minor presentation of distorted reporting, including for the purpose of concealing intentional errors or unprofessionalism, misleading investors and owners, and concealing from them the real objective information. Examples of this type of fraud include:</p> <ul style="list-style-type: none"> • manipulation of financial reporting and overstatement (understatement) of financial indicators to obtain additional payments (bonuses and premiums); • concealment of detected violations and negative results (tax arrears, negative net assets at the end of reporting periods, etc.) • violations of legislation and employees' rights (lack of proper documentation and corresponding payment for work on weekends and holidays, etc.); • use of false information when forming forecast indicators of enterprise activity (cash flow forecast for the purpose of reducing transparency and clarity of financial plans for management). <p>Asset misappropriation: appropriation of owners' property, including theft, substitution, unauthorized replacement of assets, as well as theft of information, accrual of unreasonably inflated payments to employees, manipulations involving substitution of the subject matter of business contracts, transfer of profit to other enterprises directly or indirectly connected with fraudsters through concluding economically disadvantageous transactions that generate no profit for the main company.</p> <p>Conflict of interest: the presence of private, hidden interests of employees that may prevent them from performing their direct duties. In particular, use of the enterprise's inventories, performance of work or provision of consulting services without obtaining the relevant permission or approval, use of confidential information and available technical means (computers and vehicles) for personal gain, abuse of power, addiction to alcohol and drugs.</p> <p>Technical abuses: use of working time by employees for personal purposes (an example is sales staff offering customers their own discount cards to accumulate bonus amounts on the card) or unauthorized access to the computer system (including browsing the Internet).</p> <p>Technological abuses: violations of technical regulations, failure to comply with technology, use of excess raw materials and supplies due to violations of technological processes.</p> <p>Computer fraud using «hacker» attacks: illegal penetration into information databases for the purpose of stealing information and clients' funds.</p>

Source: Compiled by the authors based on [1-4; 8-10; 17; 20; 22; 32]

Fraudulent actions by personnel can be classified into legal and economic violations. They are considered manifestations of corruption in accordance with the Law of Ukraine "On Prevention of Corruption" (No. 1700-VII, as amended as of 2025), which defines corruption as the use of official powers to obtain an undue benefit, as well as the offer or provision of such benefit in order to induce unlawful actions [16].

Therefore, corruption in Ukraine is interpreted as a complex of unlawful actions involving the use of official powers that harm state and public interests.

3. Mechanisms and instruments of internal control in fraud prevention

Internal control in the enterprise management system performs not only the function of ensuring operational effectiveness, but also acts as a key instrument for detecting economic crimes and fraud. According to survey data, about 31% of Ukrainian enterprises apply measures to improve business processes, including internal control mechanisms aimed at reducing the risk of fraudulent actions [10].

Effective counteraction to fraud is based on a functioning internal control system that ensures timely identification of deviations in enterprise activities and enables the implementation of the necessary managerial measures. Fraud detection tools are conventionally divided into random ones and those implemented through control procedures and risk management systems. Typically, economic offenses are recorded by internal audit services or corporate security units. According to studies for 2022-2024, more than 40% of fraud cases were detected thanks to internal control, 30% outside it, 23% thanks to corporate ethics, and about 7% due to other factors [8–10].

The creation of a culture of integrity and transparency at an enterprise is possible provided that a number of requirements are met: specialized staff training on fraud prevention, formation of a responsible work environment, implementation of an ethical and moral code, and implementation of employee support programs to minimize the risk of dishonest behavior. An important factor is also external pressure and the team's awareness of the inevitability of responsibility for manifestations of dishonesty [3].

Thus, modern approaches to internal control provide for the integration of mechanisms for counteracting fraud and abuses. An effective control system is built on a combination of interconnected elements, namely the legal, organizational, and economic mechanisms (Figure 1).

The legal mechanism for counteracting dishonest actions of employees provides for the application of disciplinary, administrative, or criminal liability. It effectively protects enterprise assets, since it is based on legal norms. The main problem is the difficulty of obtaining evidence suitable for court proceedings. This problem can be addressed by involving qualified specialists, applying modern control technologies, and ensuring active participation of personnel in internal oversight procedures.

The organizational mechanism for preventing fraud includes the formation of a system of responsible relations between owners and employees based on professionalism, discipline, integrity, and teamwork. It provides for the development of a strategic business development plan and the functioning of an effective operational management system with the inclusion of an internal

control unit. Its main components are regulation of business processes, distribution of powers and responsibilities, implementation of corporate culture, clear job descriptions, a staff substitution system, a well-designed HR policy, established document flow, and regularity of control procedures.



Figure 1. Mechanism for counteracting fraud and abuses at an enterprise

Source: compiled by the authors

In our view, the organizational mechanism for preventing fraud should include the following key components.

First, it is necessary to form a system of responsible relations between owners and employees based on staff motivation and encouragement of professionalism, discipline, honesty, integrity, teamwork, the pursuit of self-development, and continuous improvement.

Second, it is important to ensure the development of a strategic business development plan and its practical implementation.

Third, an important element is the establishment and functioning of an operational management system, a component of which is the internal control unit. Its effectiveness should be based on the following conditions:

- clear regulation and detailed description of all enterprise business processes;
- distribution of powers and responsibilities among owners, hired management staff, managers, and subordinates;

- formation of a corporate culture that includes an ethics system, compliance, traditions, and corporate identity;
- availability of detailed job descriptions with a clear definition of rights, duties, and limitations for managers in procurement, sales, logistics, finance, legal support, technical support, IT, and administrative support;
- implementation of an effective employee substitution system that minimizes collusion risks and dependence between managers and deputies;
- effective HR policy aimed at preventing nepotism, collusion, and excessive favoritism toward specific individuals, which is especially important given the prevalence of personalized business ties;
- functioning of a well-established internal document management system and corporate management standards;
- regularity and systematic nature of internal control procedures over asset preservation and effectiveness of business management, as well as the operational capacity of the internal control unit.

Effective prevention of fraud and abuses at an enterprise requires the establishment or improvement of an internal control system that covers all key aspects of activity in accordance with modern commercial standards. The main tasks of such a system are risk identification, development of regulations, determination of control procedures, and their systematic implementation. Particular attention is paid to identifying hidden forms of fraud, including manipulation of material consumption, theft in warehouses, substitution of inventory items, and abuses in write-offs of products, which negatively affects the enterprise's financial results.

If deficiencies are detected, procedures are adjusted with documentary formalization of the introduced changes. An important element is the formation of a culture of self-control and responsibility among personnel. Employees should have the opportunity to timely report suspicious actions through accessible communication channels (hotline, email, authorized persons), while ensuring the protection of whistleblowers from pressure or persecution.

A set of measures to protect enterprise assets includes preventive and deterrent instruments. Preventive measures include verification of employee data at hiring, analysis of family ties, psychological testing, distribution of powers, implementation of a document approval system, monitoring of receivables and payables, and motivational mechanisms through participation in income. Deterrent instruments are aimed at restraining and preventing violations and include changing logistics routes, selective inventory counts, and relocating video surveillance cameras.

Preventive measures when working with suppliers and contractors provide for including in contracts provisions on compliance with the economic interests of the parties and sanctions in case of violations. A key organizational mechanism is the distribution of powers, in particular the separation of

functions of employees responsible for acquisition, receipt, and payment for assets, which reduces the risks of conflicts of interest and abuses.

The effectiveness of control functions largely depends on coordination of the work of internal control units, management, external auditors, and corporate security. The security service is responsible for identifying signs of potential offenses and forecasting risks, and units accumulate information on types of fraudulent actions in various sectors and persons capable of committing them.

Particular attention is paid to controlling the collection of information about the enterprise, since this method remains effective for unauthorized obtaining of commercial data. The main ways fraudsters obtain information include observation (mobile and stationary optical and technical means, photographing, video recording), interception of data through internal and external communication channels (theft of documents, bribery or coercion of employees), as well as the use of technical and analytical methods (structural and financial analysis, analysis of product samples).

Currently, obtaining confidential information from employees of commercial organizations is considered one of the most effective ways to identify fraud risks, especially in combination with technical control methods. In this context, particular importance is attached to selection and assessment of personnel, verification of suspicious connections, as well as regular informing of employees about applied security measures and conducting testing. Clear separation of powers and determination of the degree of employee responsibility for violations or improper performance of duties are necessary.

The organization of economic security provides for the development of an anti-fraud strategy that defines the procedure for actions during internal investigations, methods of legalizing evidence, scenarios of events, and investigative procedures in case of unforeseen situations. It is also important to establish professional standards and restrictions for employees conducting investigations, including compliance with the investigation plan, limitation of communication with unrelated persons, and prohibition of unauthorized actions.

Preparation of an intelligence plan is based on collecting and analyzing data on fraud cases, summarizing information about similar cases at other enterprises, and studying legislation, court practice, and investigative procedures. Implementation of such standards and strategies significantly facilitates the work of the security service in identifying and investigating abuses.

The economic mechanism for ensuring security provides for the formation of an effective staff motivation system that makes fraud and theft economically disadvantageous for employees. Implementation of approved internal control regulations ensures the possibility of both qualitative and quantitative assessment of the effectiveness of individual operations, business processes,

and enterprise activities as a whole. Such an approach contributes to reducing the level of economic crime, minimizing fraud risks, and preventing financial losses.

Conclusions

Internal control in enterprise activities is a critical component of the management system that ensures timely detection of economic offenses, fraudulent actions, and other violations of financial discipline. Its effective implementation requires the integration of interdisciplinary knowledge in finance, management, law, and auditing, as well as compliance with regulatory requirements, including the provisions of the International Standards on Auditing and legislation on accounting. Such an approach increases the reliability of financial reporting, the objectivity of assessment of enterprise performance, and forms the basis for minimizing financial risks.

The organization of internal control provides for the formation of a comprehensive anti-fraud mechanism that includes legal, organizational, and economic aspects. The legal mechanism consists in ensuring disciplinary, administrative, and criminal liability of employees, which creates conditions for protecting enterprise assets and increases the level of personnel accountability. The organizational mechanism provides for building a system of responsible relationships between owners and employees based on professionalism, discipline, and ethical behavior, developing and implementing a strategic enterprise development plan, and establishing and operating an internal control unit that ensures monitoring of business processes, clear distribution of powers and responsibilities, maintenance of corporate culture, document management systems, and regularity of control procedures.

The economic mechanism of internal control is aimed at forming a staff motivation system that makes fraudulent actions and misappropriation of corporate resources economically disadvantageous. Implementation of internal regulations and control procedures makes it possible to conduct both qualitative and quantitative assessment of the effectiveness of business processes and operations, which contributes to reducing the level of economic crimes, minimizing fraud, and preventing financial losses.

Internal control is considered a dynamic system of interconnected elements, objects, subjects, and control actions, which ensures comprehensive assessment of financial and operational activities and identification of potential abuses. In a market economy, the internal control system should adapt to changes in enterprise structure, types of activities, the level of technological development, and the scale of operations, which determines the need for continuous improvement of control instruments and upgrading personnel qualifications.

The internal control system performs not only functions of ensuring the reliability of financial information, but also serves as an instrument of risk

management, asset protection, and formation of a transparent organizational culture. Its comprehensive application creates prerequisites for stable enterprise functioning, reduces the likelihood of economic crimes, and ensures conditions for long-term sustainable development of the organization.

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