

## ACCOUNTING AND AUDITING

### **Internal audit in the risk management system of the company: some organizational aspects**

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In modern economic conditions, taking into account the state and dynamics of the world and Ukrainian economy, as well as the further implementation of EU legal norms in domestic practice, further development of audit services provided to business entities is of great importance.

The standard classification of audit in relation to business entities: external and internal. However, today it is difficult to define audit as only the provision of services for verification of accounting management and tax accounting data and confirmation of financial reports. Audit has expanded its dimensions and covers all areas of management and control over the activities of the enterprise.

In practice, the following types of audit are distinguished: the environmental, innovative and technological audit, the audit of IT technologies, the staff and risk audit, etc.

Risk is an essential part of the activities of business entities, it is the uncertainty about the goals achievement. It may result in both positive and negative deviations from the expected. At the same time, uncertainty is a state of lack of (even partial) information related to the understanding or knowledge of an event, its consequences or probability [1, p. 1].

The companies' internationalization, increased competition, technological innovations and the recent global and domestic economic crisis due to the COVID-2019 pandemic

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have caused the need to improve corporate governance processes.

At the same time, the risk management is one of the determining points in the system of achieving the functional goals and missions of the company.

Effective activity of any business entity in an unpredictable external environment, at a given time, is possible only if a whole risk management system is formed [2].

World practice shows that in the implementation of this direction of management, there were developed standards of risk management and internal audit functioning at enterprises of foreign countries with the adoption of international standards and standards of internal control, internal audit and risk management:

1. Committee of Sponsoring Organizations of the Treadway Commission, COSO). URL : <https://www.coso.org/Pages/default.aspx>.

2. International Organization for Standardization, ISO). URL : <https://www.iso.org/home.html>.

3. Federation of European Risk Management Associations, FERMA). URL : <https://www.ferma.eu/>.

4. Institute of Internal Auditors, IIA). URL: <https://global.theiia.org/>.

In fact, these and several other organizations at the international level have become the developers of rules for managing all risks that may call into question the functioning of private, municipal or public sector entities.

Internal audit is a fundamental component of the internal risk management control system, which should function in accordance with international standards and legal norms. Methodological support is essential for the implementation and functioning of internal audit services.

Firstly, it ensures the uniformity of approaches at all stages of the audit, and secondly, allows us to conduct an audit in conditions of tight deadlines and limited resources in a timely and qualitative manner. The methodology can be based on the International Standards for the Professional Practice of Internal Auditing, industry requirements (standards) of external bodies, first hand practices of large businesses, heads of internal audit services, etc.

Ukraine has developed (updated) its own standards based on the international ones, in particular:

1. DSTU (National Standard of Ukraine) ISO 19011: 2019.

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Guidelines for audits of management systems (ISO 19011:2018, IDT). Entry into force: 01.01.2021.

2. DSTU (National Standard of Ukraine) ISO 73: 2013. Risk management. Glossary of terms (ISO Guide 73:2009, IDT). Entry into force: 01.07.2014.

3. DSTU (National Standard of Ukraine) ISO 31000: 2018. Risk management. Principles and guidelines (ISO 31000:2018, IDT). Entry into force: 01.01.2019.

4. DSTU (National Standard of Ukraine) ISO/TR 31004: 2018. Risk management. Guidance for the implementation of ISO 31000 (ISO/TR 31004:2013, IDT). Entry into force: 01.01.2019, etc.

Each enterprise can introduce its own internal management standards, including risk management, internal control and audit. Of course, this mainly concerns large enterprises or their associations, both at the national and international levels.

Now let's analyze the general approaches to the organization and functioning of the internal audit service in general:

1. Characteristics of internal audit services: units performing functions, level of centralization or decentralization, number of staff, budgets (financing).

2. Role and place in the organizational and functional structure of the enterprise (association): functional and administrative subordination, consumers of the service's results, functional responsibilities, powers and tasks, performance and quality indicators, factors influencing the service's activity.

3. Staff management: average duration of work (seniority) of employees; recruitment priorities, factors that determine the stability and turnover of staff, requirements for knowledge and skills, certification of internal auditor, advanced training and the areas of involvement of external specialists.

4. Processes and technologies: system of information used in planning, frequency and the intensity of changes to the internal audit plan, use of the assurance map in planning, information on risks that were not included in the internal audit plan due to insufficient resources or data, time spent on unscheduled activities, consulting projects, interaction with external controlling and regulatory bodies, average time to issue an audit report, use of special software, etc.

Nowadays, constant changes in the business environment

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require the introduction of innovations in all areas of financial and economic activity, in particular the implementation and functioning of internal audit services.

However, we state the lack of resources of various kinds in the vast majority of domestic companies, which would allow at least to create internal audit services, and at most - to ensure adaptation to rapidly changing conditions.

All this also applies to minimizing the emergence of various risks as a result of improving the organization and increasing the performance of internal audit services.

The use of internal audit makes it possible not only to effectively assess and manage risks, but also allows to analyze information flows, evaluate measures to ensure and improve the financial and economic activities of the enterprise and to contribute to the achievement of its strategic goals [3, p. 7-8].

The effective organization of internal audit is the main tool for implementing the concept of dynamic risk management of the company. At the same time, the flexibility and responsiveness of the internal audit services to the changes in the external and internal environment is the key to the achievement of the company's mission.

### References:

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- [2] Ovander N. L. *Review of international and Ukrainian risk management standards in terms of modern challenges and threats. Economy and Society*. 2021. Issue 27. URL : <https://economyandsociety.in.ua/index.php/journal/article/view/441>.
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