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ORGANIZATION AND METHODOLOGY OF INTERNAL AUDIT AT SMALL AND MEDIUM-SIZED BUSINESSES

*Barysheva S.K., **Assilova A.S.

Turan University**KazNU named after al-Farabi***Key words:**audit, business, internal audit,
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The purpose of adopting an internal audit is to constantly monitor the conduct of the organization's business activities, which leads to a timely response to any type of violation. It should be noted that the organization has the right to classify violations independently, taking into account its scale. However, legal entities subject to mandatory audit should pay increased attention to control over accounting and preparation of financial statements. The authors in the article revealed the necessity, purpose, and functions of internal audit for small and medium-sized businesses in Kazakhstan.

ОРГАНІЗАЦІЯ ТА МЕТОДИКА ВНУТРІШНЬОГО АУДИТУ В МАЛОМУ ТА СЕРЕДНЬОМУ БІЗНЕСІ

*Баришева С.К., **Асілова А.С.

Університет Туран**КазНУ ім. аль-Фарабі***Ключові слова:**аудит, бізнес, внутрішній аудит,
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Метою впровадження внутрішнього аудиту є постійний контроль за проведенням господарської діяльності організації, що призводить до своєчасного реагування на будь-які порушення. Слід зазначити, що організація має право самостійно класифікувати порушення з урахуванням його масштабу. Однак юридичним особам, що підлягають обов'язковому аудиту, слід приділяти підвищену увагу контролю за веденням бухгалтерського обліку та складанням фінансової звітності. Автори в статті розкрили необхідність, призначення та функції внутрішнього аудиту для малого і середнього бізнесу в Казахстані.

Introduction

Internal audit at an enterprise is an activity that is aimed at providing objective and independent advice and guarantees for improving the company's activities.

The purpose of internal audit is to assess risks, ways to reduce them, as well as increase the profitability of business processes. The auditors' consultation includes an assessment, analysis and report on the productivity and reliability of the processes. They are addressed directly to the administration of the organization [1].

How much do business owners need internal audit? How can internal audit be useful and how can it help company managers?

The conclusion on whether the company needs an internal audit is made by the owners and the top executive management of the organization. This decision is determined by many factors, such as: separation of the ownership and management functions of the business; the size and structural development of the company; the level of risks inherent in the company's activities.

The main part

In cases where business owners are listed as managers of the company and themselves directly control all sides

and aspects of the business, the internal audit function may not be necessary. However, with an increase in the volume of the company and an increase in the complexity of management processes, owners-managers may have the appearance of control. Sometimes it seems that the business is not changing much and all aspects and forms of the company's activities are under control. But in fact, the leadership no longer has enough physical ability and strength to control the situation in its entirety. In a situation with such factors, an audit may be necessary and very useful.

It should be noted that in Europe and the USA, the interweaving of business ownership and management functions is characteristic of small and to some extent medium-sized businesses. In large and many medium-sized companies, there is a distribution of these functions (this objective nature is beginning to be traced in Russian companies as well) [1]. The owners are engaged in determining the strategy and directions of the company's development. And professional managers are hired to manage and organize everyday details and conduct business. But no matter how impeccable the management is and no matter how it is not trusted, the issue of controlling the state of affairs within the company remains important for the owners ("trust, but

check”). And in this case, internal audit can become an effective means of control.

Internal audit is necessary for both owners and management of the company. The task of managers is to manage the business, achieving the set goals in a particularly effective way. The success of this goal depends to a greater extent on two factors:

1) the most important is whether the manager has the information necessary to make the right management decisions;

2) the second factor is whether there is an effective system for monitoring the implementation of decisions made.

Managers themselves, for whom business management is part of daily work, cannot always objectively assess the situation, because they do not delve into the essence of the matter. Even if the manager believes that he is in control of the process, he does not have the time and certain skills to collect and structure the necessary data and information. Internal audit, in essence of its work, has information on all shades and aspects of the organization’s work. And it is also a tool for summarizing and studying data, so close interaction with internal audit increases the productivity and efficiency of management decision-making. In particular, internal audit is an objective information document that helps the manager to look differently, to look with a “fresh look” and assess the quality of implementation of management decisions [2].

At the same time, the question arises: is internal audit necessary for the owners and management of the organization? Or useful are the functions that in Kazakhstani companies are traditionally performed and performed by internal control services and control and audit departments. It should be noted that in the current practice of foreign companies, internal audit services have become more widespread. Internal control services are extremely rare, rather than external ones; and analogues of control and audit departments are not common at all.

How many and which control bodies are in the company is determined by the needs of the owners and management. A particularly important role in decision-making is played by the position of the control environment in the organization and the level of development of corporate culture. If the internal control and risk management systems are not built correctly or work inefficiently, then an internal audit is necessary. The field of activity for internal audit is becoming too narrowly focused, since the task of internal audit is to assess the effectiveness of these systems. In this case, the primary task for management is the design and introduction of a control system – this has traditionally been done by internal control services in large Kazakhstani companies.

Since the construction of an internal control system is a laborious and long process, the objective need for a certain area is the presence of a special unit in the organization. In this case, the activities of the special unit will be aimed at identifying shortcomings and abuses, acting as a corporate supervisory authority in its “pure form”. However, it should be remembered that the audit activity is aimed at retrospect, which means past events and their consequences. Internal audit is aimed at the future, i. e. to analyze future events that may adversely affect the activities of individual departments and the organization as a whole. In other words, the audit evaluates the consequences of already materialized risks that have already occurred. While internal audit evaluates the possibility and suggests ways and means to reduce risks and/

or negative effects of their impact. The presence of a control and audit department in the company does not in any way mean that an internal audit is not needed. Everything is determined by what stage of its development the company is at and in which direction, from the point of view of internal corporate culture, the company will move forward.

It should also be emphasized that external and internal audits perform different functions, their decision on the need for an internal audit should not be determined by the presence of an external auditor in the company. Consider their functions:

1. An external audit is engaged in verifying the completeness of the company’s financial statements and focuses on events and transactions that may have a material impact on the financial statements of the organization. And internal audit is aimed at evaluating the existing control systems, risk management of the organization and is fixated on operations and events that hinder the effective achievement of the goals of the organization. It is worth noting that the recent changes in the law of most countries, especially the USA, assess the reliability of the system of control over the financial and accounting statements of an organization, which is important for external audit.

2. External audit, during the audit process, does not assess the economic validity of management decisions and the effectiveness of structuring activities, which, as a rule, is the main task of internal audit.

3. External audit is intended mainly for the needs of external interested parties – potential investors, creditors and others. While internal audit is needed, first of all, in the interests of the company’s boards of directors and managers [2].

Note that a productive internal audit can help reduce the costs of an organization for external audit. In particular, if the external auditor is able to rely on the results of the internal audit, it will reduce the amount of audit work performed by the external auditor. But this cannot cancel the need for an external audit for the organization. It should also be taken into account that it is not recommended to use the services of an external auditor of an organization to conduct internal audits, since such a combination can lead to a dispute of the interests of an external auditor. In the legislation of some countries, such a combination is strictly prohibited, for example, the Sarbanes-Oxley Law in the USA. In addition, it is necessary to take into account changes made to international auditing standards such as ISA 230, 300, 450, 500, 610. These audit standards make it possible to competently organize an internal audit [3].

Based on this, the fact of the existence of an effective internal audit becomes critical for the successful development of the organization in the conditions of rapid changes in the external environment. In addition, it is necessary to add more complicating management processes, separation of ownership and business management functions. How useful and effective an internal audit will be for the organization depends more on what goals will be set for it.

A variety of the organization of the internal audit system are:

1) creation of a structural unit of internal audit at the enterprise, which employs the head and a number of professionals in the field of audit;

2) signing of a consortium for further internal audit by third-party companies – the organization acquires high-quality services, as well as a variety of specialists;

3) strategic partnership is the involvement of professionals who interact with internal employees who do not have the skills to perform a particular task [4].

Types of internal audit mechanism systems:

1. Hierarchical structure of subordination – the head of the organization acts as the top level of authority, that is, the internal audit department reports directly to the director of the company.

2. Line-staff subordination – the internal audit department is sorted into blocks, the head of the internal control service assigns responsibilities to the managing blocks.

3. Combined structure (mixed type of subordination) – delegating to individual structural units a share of the duties of internal auditors [2].

Internal audit is carried out by objects (Fig. 1), the audit can cover only one object, or all at once, if the audit is large-scale.

The sources of resources are the following:

- economic processes;
- economic results of operating activities;
- organizational forms and methods of management.

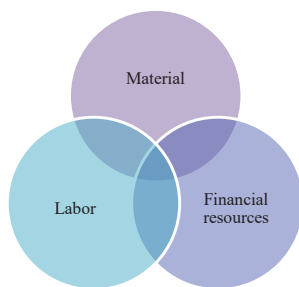


Fig. 1 – Objects of internal audit

Note: compiled by the author on the basis of the studied data

The methods of control are all kinds of tools, which in turn help to realize the goals set. The standard requires that these methods, which consist of planning and developing control security measures, contribute to achieving maximum accuracy and minimizing risk during verification [5].

The most productive technique for capturing audit certificates is the use of computer equipment with packages of specialized programs that make it possible to compile reconciliation and verification programs.

There are two methods to obtain audit information: audit with automation, audit without automation. The company uses the automation method as a priority. When using the second audit method without automation, printed factual data and source data are collected and reviewed. To use the automation method, you need to have

computer programs. The programs check the contents of the organization's documents, control information used by internal auditors in order to control the functioning of the organization's computer programs. The collection of information data is carried out with the help of: monitoring conducted by the internal control of the organization, research of documentary data; separate control of each part of the program and general control [4].

Currently, many internal auditors use expert systems when conducting control. Expert systems are computer programs that use unique programming methods to present information to the user and improve the methodology of internal audit. They are used when planning internal audits, conducting audits and preparing conclusions or reports.

Conclusion

Based on the conducted research, we have identified several key factors that hinder the development of internal audit in the Republic of Kazakhstan:

- insufficient level of unity and orderliness of the internal audit system;
- inadequate level of personnel training (theoretical and practical) of the entire internal audit system;
- the complexity of assessing the activities of internal audit and establishing the level of confidence in the testimony of the ICS by an external auditor;
- lack of understanding by the heads of SME companies of the necessity and scope of the benefits of internal audit;
- insufficient understanding that the costs of implementing and conducting internal audit are fully recoupable and cost-effective in the current market conditions.

Consequently, we offer:

- enrichment of the information base of internal audit, through the publication of manuals, reference books on the conduct of internal audit;
- expansion of the regulatory framework in this aspect, i. e. the creation of amendments to legislative acts for the mandatory implementation of internal audit in certain economic spheres of activity;
- distribution of software application in the field of internal audit;
- popularization and scaling of educational programs for internal auditors. To improve audit literacy, for example, the creation and support of courses, specializations in higher education institutions, the organization of webinars and online learning opportunities.

Based on the results of all the above, we believe that using all our arguments in practice can lead to maximum efficiency and development of SMEs in the Republic of Kazakhstan.

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