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THE CONTROL SYSTEM OF TRADING COMPANIES: CRITICAL ANALYSIS AND WAYS OF IMPROVEMENT

Nataliia V. KINZERSKA

Postgraduate the Department of Accounting and Auditing, Zhytomyr State Technological University

Summary. The article analyses the system of financial and business control as well as presents the ways of improving the system of company's internal control (on the example of trading companies).

Key words: *control, control authorities, trading enterprises, the system of internal control, responsibility, audit program.*

Relevance of the research. The diversity of mono-functional state bodies of control is being observed in Ukraine. The activity of these bodies makes it possible to check out and keep track of all the spheres of business activity however insufficiently coordinated activity of the bodies of control, duplication of controlling functions as well as certain omissions in the control system result in the fact that this system does not succeed in prevention of abuses on all the levels. Infringements in the form of raider attacks are becoming a common practice, different kinds of fraud become more systematic, investors and owners more and more often face the problem of preservation of property. There is no practice of creating and improving the system of self-control in the country.

The increase of abuses can be traced on the global level. According to the data of the Fifth investigation of PwC "Economic crime in downturn" Ukraine takes the 6-th place in the rating of the countries by the level of corporative fraud (45 %), the Russian Federation – the 1-st place (71 %), South Africa – the 2-nd place (62 %), Kenya – the 3-rd place (57 %), Canada – the 4-th place (56 %), Mexico – the 5-th place (51 %) [5].

In 2011 the most widespread type of economic crime was illegal ownership of property, the second place was shared between bribery and corruption, the third was taken by financial statement manipulation [7, c. 10].

According to the data of anti-raider union of entrepreneurs of Ukraine 82 % of the threats are committed either by the firms' employees or with their direct or indirect participation; 17 % of the threats are committed outside the firm, 1 % of the threats is committed accidentally [3, c. 479].

Based on such disappointing statistics we can

make a conclusion that the issues of creating the efficient system of control, distribution of authority, following of the corporate ethics require more attentive approach. The so called system of external control in Ukraine is aimed at satisfying information requests of separate bodies of control. It is not systematic and complex as well as is not aimed at protecting the interests of business representatives and owners.

The purpose of the research lies in the conducting of the critical analysis of the system of financial and business control in Ukraine as well as giving the objective estimation of the content and efficiency of internal control directed at the security of owners' interests from abuses and safeguarding company's assets.

Grounds of the received scientific results. In Ukraine, there are the following types of control connected with business activities: state control, control of local authorities, independent (audit) control and owner's control.

There are many bodies of control; each of them controls business units within their jurisdiction, but in fact there is no "throughout" control over the activity of businesses in Ukraine. Each state body deals exclusively with the particular problems without aiming at receiving the general view of the enterprise (the object of control). Quite often, even after successful audit the owners find gaps in keeping accounting records and in the work of company's system of internal control. The reason for such situations is the extremely narrow specialization and uncoordinated activity of the controlling bodies.

To estimate the reliability of results of company's current activity, its further perspectives of development and safeguarding of company's assets the owners face the problem of the choice of the form of

business control. Investors are interested in external control, while the owners are interested in the creation of the constant controlling system, which can be guaranteed only due to internal control.

The system of control in Ukraine is imperfect. With the development of the holding structures the owners shift from the direct corporate management to the delegation of this function to the hired managers. The companies unite, thus forming the multi-branched managerial structure, the total number of employees grows, the number of functions delegated to the particular employees also increases and new technologies are used in the activity. It leads to the necessity of reconsidering the system of internal control.

Internal control of the enterprise is not obligatory and is not required by law, but its organization and fulfillment is a prerequisite of business activity management. Internal control system helps to find out and resolve financial, legal and production risks, events connected with intentional and accidental contravention of duties by employees, which leads to poor business reputation and financial condition of the company.

An effectively built system of internal control guarantees the monitoring of the matter-of-fact condition of the subject of control, tracing deviations, contraventions and abuses, their liquidation and prevention in the future. The system of internal control must act in the owners' and investors' interests, reliably informing the latter about the conditions of the enterprise, preventing all kinds of violations, abuse, fraud and helping to preserve wealth, also including the usage of IT audit.

After carrying out some controlling actions it is expedient to estimate the risks and the efficiency of control. Estimation of internal control efficiency will assist in the improvement of controlling procedures in the future. The improvement of the system of internal control should be done continuously and its reconsideration should be done constantly irrespec-

tive of the results of annual audits.

Putting the inner control system into action is a complex task and is connected with significant expenses. It is most effective to treat the work on creating the system of internal control as a constant business process, because treating this task as a single-time project will not bring the result concerning preservation of the owner's property and reliability of financial statements.

Conclusions and directions of further research.

1. The efficiency of business depends much upon the organization of business control on the level of a company as well as on the level of a state, because the organization of company's control system is an effective way of checking the legality, reliability and expediency of transactions conducted in a company. We consider that the streamlined organization of business control minimizes any fraud and the results of control help in creating the optimal system of protection of accounting information adequate to current tasks and goals of business activity. However the organization of control which developed in present day conditions cannot satisfy the owners and managers and requires improvement. This system does not correspond to the changing conditions and corresponds to risk-orientated management and computer environment of its execution.

2. Today the system of company's management requires a new level of control that will guarantee timely, complete and reliable information about objects described in the system of financial and tax statements but will also assist in the safeguarding of company's assets through working out of the system of control with the elements of self-control by areas. In order to prevent or reduce the probabilities of official abuses it is offered to make a report on results of internal control, the content of which provides authorities with the information about the matter-of-fact financial condition of separate structural subdivisions.

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