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## INTERNAL CONTROL AND THE FORMATION OF CENTERS OF RESPONSIBILITY IN THE MANAGEMENT SYSTEM OF EFFICIENCY OF FUNCTIONING OF THE ENTERPRISE

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*Шматковська Т.О. Внутрішній контроль та формування центрів відповідальності в системі управління результативністю функціонування підприємства.*

В статті обґрунтовано, що в нинішніх умовах ведення господарської діяльності зростає роль внутрішнього контролю в системі управління господарюючими суб'єктами, що спрямований на досягнення достовірності, зрозумілості та моніторингу законності відображення в обліково-аналітичному процесі і звітних даних показників щодо результативності діяльності підприємств.

*Ключові слова:* управлінські рішення, попередній, поточний і наступний контроль, інформаційне забезпечення рівнів управління, центри відповідальності, моніторинг фінансових результатів

*Шматковская Т.А. Внутренний контроль и формирование центров ответственности в системе управления результативностью функционирования предприятия.*

В статье обосновано, что в современных условиях ведения хозяйственной деятельности растет роль внутреннего контроля в системе управления хозяйствующими субъектами, направленного на достижение достоверности, понятности и мониторинга законности отображения в учетно-аналитическом процессе и отчетных данных показателей результативности деятельности предприятий.

*Ключевые слова:* управленческие решения, предыдущий, текущий и следующий контроль, информационное обеспечение уровней управления, центры ответственности, мониторинг финансовых результатов

*Shmatkovska T.O. Internal control and the formation of centers of responsibility in the management system of efficiency of functioning of the enterprise.*

In the current environment of economic activity is increasing the role of internal control in the system of management of business entities, which aims to achieve reliability, understandability and monitoring the legitimacy reflected in the accounting and analytical process and reporting data of indicators of the effectiveness of activities of enterprises, which is grounded in the article.

*Keywords:* management solutions, preliminary, current and subsequent control, the information support of management levels, centers of responsibility, monitoring of the financial results

In the modern business environment the financial result is one of the dominant economic factors that determine the profitability of the company. It is well known that financial result is the complex index that allows you to summarize the results of the economic activities of the enterprise and determine the effectiveness of its operations.

Incomes and expenses which determine the financial results of the company are important objects of accounting and control and need special attention not only at the enterprise level, but also at the macro level. Filling of the state budget depends on the correct determination and formation of the final indicators of activity results. Therefore, the reliability and clarity of information on the financial results interested not only its internal users (owners, managers, administrators, etc.), but also external users (government agencies, counterparties, etc.).

The role of internal control in the management of the entity has been increasing. This control aims to achieve accuracy, clarity and legality reflected in the accounting and financial reporting of financial results. Internal control is one of the most important factors in the company management system, as it provides effective performance of the functions of the staff and predicting the enterprise activity.

### Analysis of recent researches and publications

Investigation of the problems of internal control exercised by such scientists as V. Belik, T. Butynets, N. Prohar, Z. Trufina, N. Utkina, V. Khachatryan and others.

After analyzing the research of scientists in the field of internal control should be noted that in the works described only control of the stages of management or control of individual objects, but the mechanism of internal control of financial results scientists do not consider. This is because the financial results are a complex object that cannot be controlled separately from the others. Therefore, the organization of the internal control of financial results cannot be done without creating a high-quality system of internal control in general at the enterprise.

Preferably, the researchers explore only the definition of certain methods or objectives of internal control of financial results or only one of the stages of control – control of income, control of costs etc. That

is why the question of internal control of financial results requires further systematic research.

*The aim of the article* is to study the mechanism of the internal control system in the company and to develop methods of internal control of financial results.

**The main part**

The internal control is one of the main levers that have an impact on the economic activity of the enterprise. It is a system of continuous monitoring of the legality and appropriateness of business operations and processes, the efficiency of use of property, the preservation of cash and valuables. The quality of the organization and implementation of internal control procedures for enterprises largely depend on the effectiveness of the external control.

The internal control exists at each enterprise, but its implementation is often not effective. This is due to the fact that small businesses do not have the staff that could provide the control at all stages of the work. Large companies even owning sufficient number of employees for the implementation of the internal control system may be poorly managed and as a result a lot of resources for the organization of the control will not give the desired results.

The internal control of financial results should include monitoring of all activities of the company, because every business operation effect on the final outcome of management.

The control of accuracy of calculating of profit (loss), which the company has gotten during the reporting period and the analysis of the causes of its changes will not be enough to ensure the full and effective control of financial results. This is why the previous and the current control that exercised over all cycles of activity and can quickly affect the economic outcome, evaluate the effectiveness of actions and review decision is important.

The objectives of the internal control system in the company are:

- providing an orderly and efficient operation of the enterprise;
- compliance with the policy of enterprise by each employee;
- safeguard the assets of the enterprise etc [7].

A necessary condition for achieving the goals for the company is to provide a system of internal control that would have an opportunity to perform for certain tasks (fig. 1).

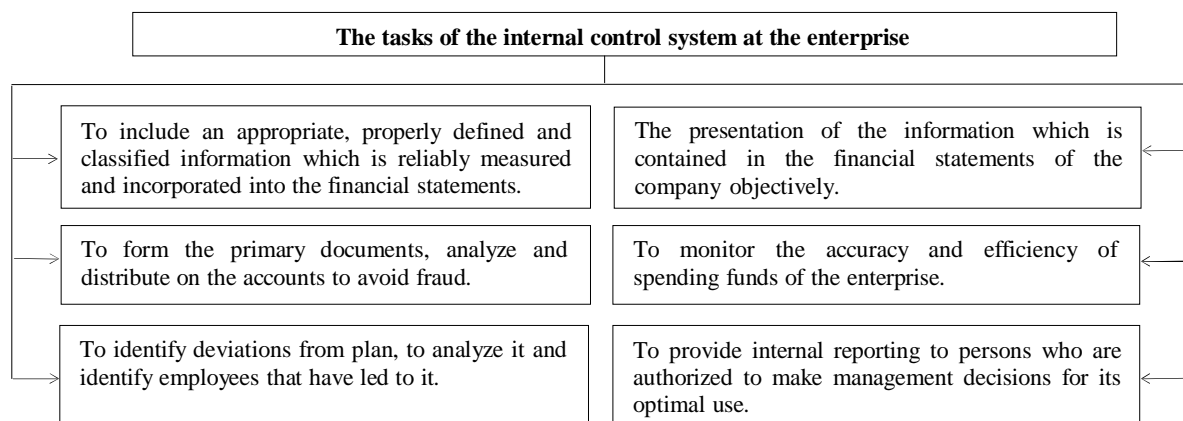


Fig. 1. The tasks of the internal control system at the enterprise

Source: Summarized by the author based on sources [2]

The internal control system is the close interaction of the subject, object and means of control during the process of monitoring of the enterprise activities and making management decisions. The subjects of control by Mahopets O. [8] include management staff, accouters headed by the chief accountant, social and community services of the company, the audit commission, the inventory commission, the supervisory board, the internal audit service, the commission to investigate accidents. The objects of control are: internal economic units which perform its respective functions and make contributions to the solution of common business problems [2].

The means of the control are the methods, techniques and procedures to detect and prevent the discrepancy of objects and subjects of control to requirements of the legal framework and management decisions [9].

We have allocated the main stages of the system of internal control at the enterprise (fig. 2).

We agree with the opinion of the professor Butynets T. that an effective system of internal control in the company allows [2]:

- to ensure an effective functioning, stability and maximal development of the company in the conditions of multifaceted competition;
- to save and use the resources and the capacity of the company efficiently;
- to detect and minimize the commercial, financial and other risks in the enterprise management;
- to create a system of information support of all levels of management that is adequate to modern, constantly changing economic conditions and which allows timely adapt the functioning of the enterprise to changes in the internal and external environment.

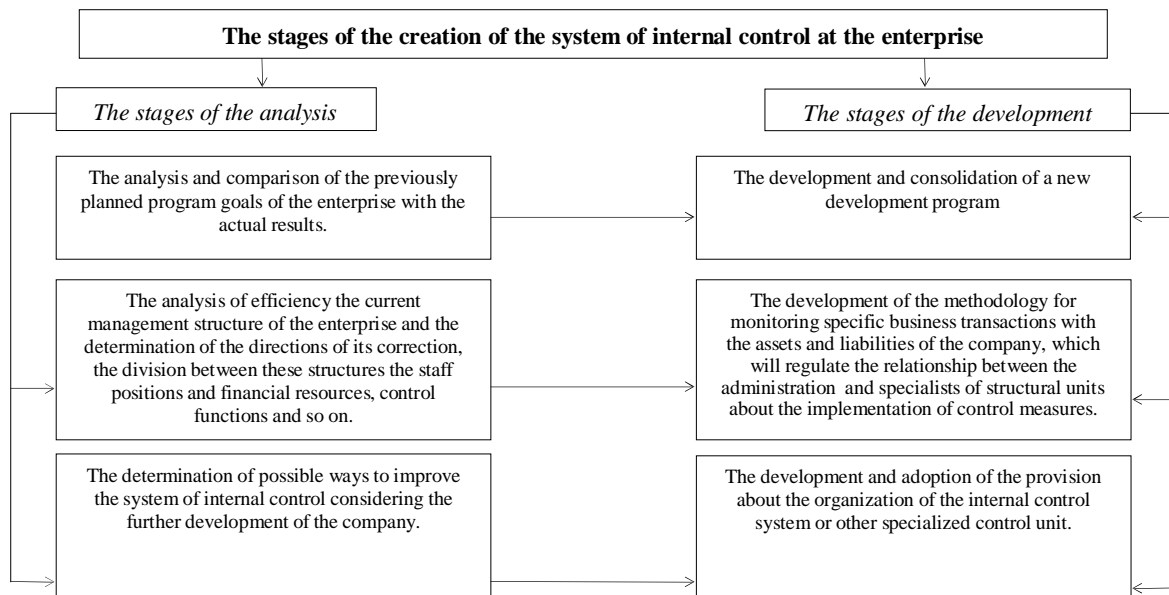


Fig. 2. The creation of the company's internal control system

Source: Summarized by the author based on sources [1, 2]

The internal control of financial results is a control that covers all phases of management, all activity cycles and cannot be separated from the control of all activity. Therefore, we propose to divide the internal financial control on previous, current and subsequent for controlling accounting information at all stages of accounting cycle of enterprise and providing timely information about incomes, expenses and financial results. We have developed a scheme of distribution of control objects between responsibility centers (fig. 3).

It allows us to refine the process of monitoring of financial results at all levels of the organizational structure of the company, to carry out a more detailed process of control of costs and revenues on the location of its formation

According to the analysis of research of scientists we have identified three stages of organization of the system of internal control of financial results, each of which has its peculiarities:

1) the previous control carried out to determine the basic requirements and provisions for the formation, distribution and use of financial results (this stage involves checking the accuracy, appropriateness and legality of formation of incomes, expenditures and financial results);

2) the current control performed during operations to determine compliance with the requirements and regulations (at this stage takes place the formation of financial results from the types of activities: operating, financial, investment, emergency; current control involves identifying of deviations of actual revenues, expenditures and financial results from the planned during business transactions that ensures their timely evaluation and management; current control should provide an improvement of structure and amount of financial results by searching possible reserves);

3) the subsequent control detects irregularities and provides operations of preventive nature (at the last stage of control takes place the distribution and use of financial results by directions (payment to the budget, the replenishment of authorized and reserve capital, payments to participants, the expansion of production, etc.; the subsequent control carried out after the completion of business transactions, aims on the checking the effectiveness and appropriateness of costs, received income, financial results, accuracy and efficiency of their distribution).

We have found that it is possible to improve the system of internal control of financial results at the enterprise if we applied the method of vertical and horizontal control.

Horizontal control involves the research of costs, revenues and financial results in the context of species at the enterprise as a whole.

The vertical control will provide analysis, verification and control of costs and revenues in the context of their species at the level of responsibility centers. The organization of such monitoring should be done by fixing objects controlled by specific employees. An important condition for the effective implementation of this type of control is the allocation of tasks in a way that periodically monitor its implementation.

## Conclusions

An effective system of internal control should provide the receiving of positive outcome of the enterprise, the rational usage of all resources in the enterprise and to prevent violation of the law.

The organization of system of the internal control of financial results is a main condition for the effective prevention and early detection and elimination of errors, irregularities and deviations, which will help to get planned income.

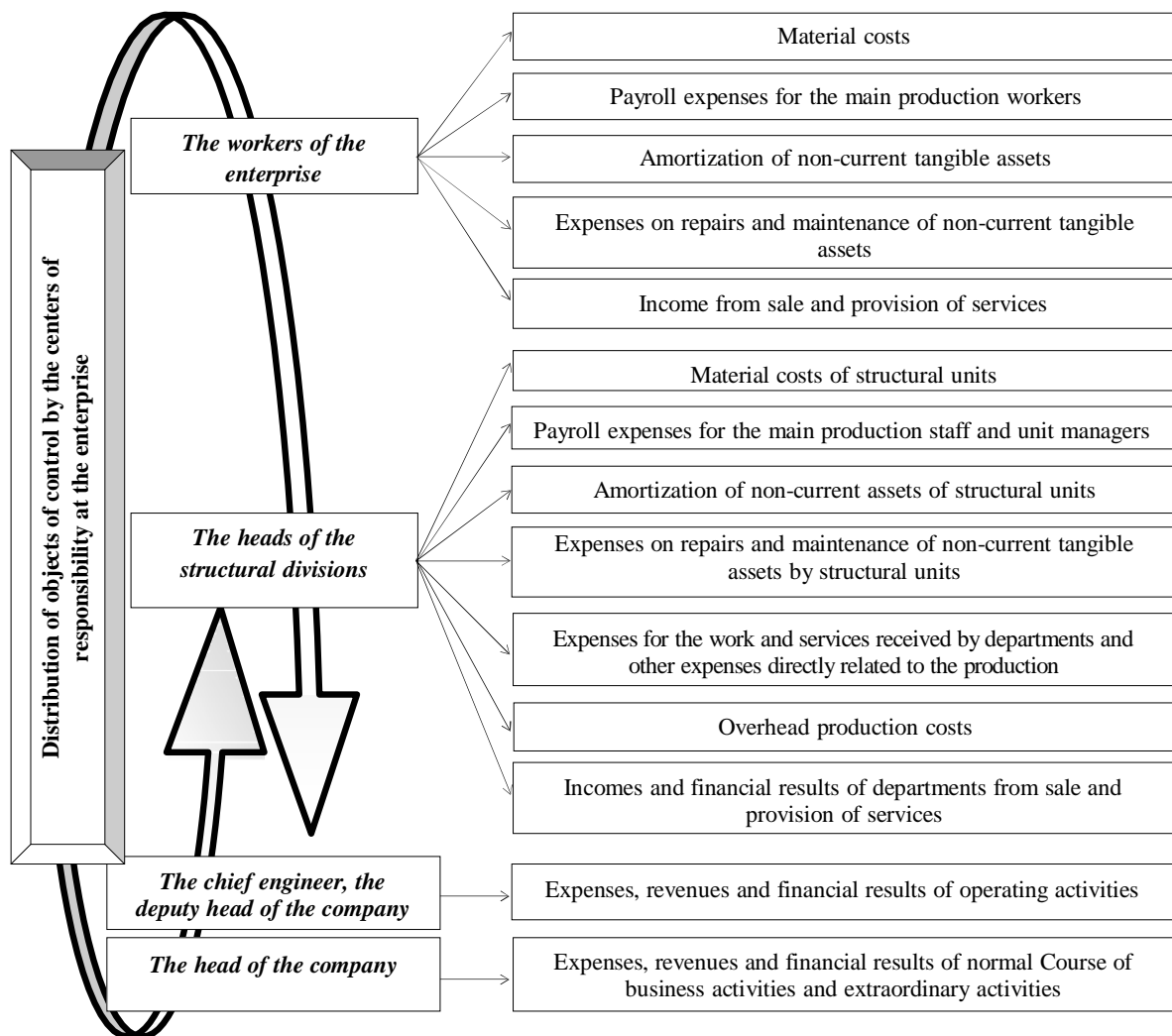


Fig. 3. Distribution of objects of control by the centers of responsibility at the enterprise

Source: The elaboration of authors

Upon learning works of modern scientists, we concluded that mechanism of organization of the internal control of financial results that includes three stages – previous control, current control and subsequent control is the most rational and comprehensive.

Found that stages of control can be disaggregated by using vertical and horizontal control of costs, revenues and financial results in the context of their species at the level of responsibility centers (vertical control) and at the level of the whole enterprise (horizontal control).

It is important to emphasize, that the distribution of control objects on the responsibility centers gives the opportunity to more thoroughly detail the process of monitoring the effectiveness at all levels of the organizational structure of the company and to exercise more granular control process of costs and revenues to the places of their occurrence.

We believe that the results of the successful implementation of the internal control system of the company will have additional opportunities for the development and effective implementation of complex of measures for the effective management of enterprise assets.

The unstable economic situation and the potential for close cooperation between Ukraine and the European market will lead to a significant increase of competition for local goods and services. That is why the questions of perfection the internal control systems is important and requires further research, because this control will ensure the improvement of management, efficient use of materials, labour and financial resources. We believe that the establishment of such a system at the enterprise is the basis for conducting further systematic studies of the designated problems.

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