

Ministry of Education Republic of Azerbaijan

INTERNAL AUDIT AS A PART OF INTERNAL CONTROL
SYSTEM - SUPPORTING STABLE GROWTH OF THE
COMPANY

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ABSTRACT

Relevance of the research topic. At present, internal audit is widely spread in various spheres of economic activity, since a large organization prefers to have its own structural unit whose main duties are related to internal audit, rather than use consulting services or outsource outsourcing experts to perform identical tasks. There is a growing interest in internal audit, but there are a number of problems that hamper its development. The main difficulty is connected with the lack of a conceptual apparatus of internal control and internal audit and adaptation of Western experience. The purpose of the dissertation research is defined as the improvement of the theoretical aspects of the formation of the internal audit system and the concretization of methodological approaches to the creation of an effective internal audit system. The scientific novelty of the dissertation research is the improvement of the theoretical aspects of the formation of the internal audit system and the concretization of methodological approaches to the creation of an internal audit system at the federal university.

Key words: Internal, audit, control,

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INTRODUCTION

Relevance of the research topic. At present, internal audit is widely spread in various spheres of economic activity, since a large organization prefers to have its own structural unit whose main duties are related to internal audit, rather than use consulting services or outsource outsourcing experts to perform identical tasks. There is a growing interest in internal audit, but there are a number of problems that hamper its development. The main difficulty is connected with the lack of a conceptual apparatus of internal control and internal audit and adaptation of Western experience.

Internal control is organized on economic entities, including in the sphere of education, since this requirement is fixed by law (Danilevskii and Ovsyannikov , 2006: 71)

The manager of the enterprise is responsible for this process. The internal control system at the enterprise is formed by all employees, as well as the mechanisms and procedures that they use. Internal audit, in turn, is designed to solve two problems. This is an assessment of the effectiveness of the internal control system and conducting internal audits. Internal audit can be in a different relationship with internal control in the enterprise. On the one hand, it is an independent mechanism that should assess and influence the development of the internal control system.

On the other hand, internal audit is a part of the internal control system in the enterprise, since carrying out control activities is one of the main functions of this type of activity.

The federal universities have set serious goals and objectives in the sphere of higher education and science, which must be achieved in a short period of time. The introduction of such a mechanism in the management system as an internal audit will increase the efficiency of

the activity. An effective system of internal audit will allow to solve a spectrum of various questions in the field of management of business processes and risks. For federal universities, the introduction of internal audit units into the structure is an innovation, it is necessary to formulate basic principles for building an internal audit system in federal universities in accordance with international standards.

Therefore, the relevance of the dissertation research chosen by the author is conditioned by the need to establish an internal audit system in the field of higher education that will meet international standards and will improve the efficiency of using funds under the current funding programs, the development program and the competitiveness enhancement program, and eliminate risks when achieving the targets.

Theoretical, methodological and practical aspects of internal audit are sufficiently deeply and fully reflected in the works of Azerbaijan scientists: A.I. Ageeva, R.A. Alborova, V.D. Andreeva, A.M. Bogomolov, V.V. Burtseva, S.M. Bychkova, N.G. Gadzhieva, M.A. Gorodilov, Yu.A. Danilevsky, S.I. Zhminko, T.V. Zyryanova, Zh.A. Kevorkova, G.Ya. Ostayeva, S.V. Pankovoy, V.I. Podolsky, M.F. Safonova, A.M. Sonina, T.A. Terentyevoy, O.I. Shvyrevoy, A.D. Sheremeta, TG Sheshukova and others, as well as foreign authors: R. Adams, E.A. Arens, R. Dodge, J. Lobbeck, and others.

The purpose of the dissertation research is defined as the improvement of the theoretical aspects of the formation of the internal audit system and the concretization of methodological approaches to the creation of an effective internal audit system. The scientific novelty of the dissertation research is the improvement of the theoretical aspects of the formation of the internal audit system and the concretization of methodological approaches to the creation of an internal audit system at the federal university.

CHAPTER I:

Conceptual foundations of the organization of the system of internal control and internal audit in agricultural organizations

1.1. Investigation of the essence and role of internal control and audit in the current conditions of management of agricultural organizations

Internal control and internal audit are inseparable dualities that interact with each other. Internal control is a process driven by an organization's board of directors, managers and other personnel and designed to ensure reliable financial reporting, efficient operations and legality. The internal control system is a system designed to provide reasonable assurance that the operations and transactions are carried out effectively and that the laws and regulations are complied with in reaching the objectives of the operator. It is the duty of internal control to control the execution of control activities in the enterprise and to subject the internal control system to continuous monitoring and evaluation. Internal audit investigates the efficiency and success level of the internal control system and investigates whether the system works as intended and to what extent the objectives and objectives of the enterprise are met (Popa, Breban and Bochis, 2013: 1354).

Internal audit provides effective internal control. Internal auditing checks whether the pre-determined standards are met in accordance with the policies. Internal audit communicates management reports and is available in recommendations. Internal audit provides an independent and impartial view of business management on risk management, control

and governance by measuring and assessing the effectiveness of the entity's planned objectives.

Internal control; it does not mean internal audit. The internal control system is divided into internal audit activities as well as internal interdependent points. Internal control; It ensures that the activities are conducted in an effective, economical and efficient manner in accordance with the policies and objectives of the management.

The importance of the internal control system is great for the enterprise to achieve its objectives. Internal control is helping to achieve its goals.

Internal audit carries out services to assess and improve the effectiveness of internal control processes. Internal audit is also considered to be a function outside of internal control in some measure while it is evaluated within internal control. An important distinguishing characteristic is that the standards for the internal control processes are determined by the Ministry of Finance and the internal audit standards are determined by the Internal Audit Coordination Board. The internal control system is also a guiding system for activities to be carried out at the same time.

With the globalization in today's world, developments in the economy and business environment, changes, changes in competitive environment and conditions, economic and financial crises, advances in the field of technology, the institutional management approach and an internal control system that works effectively and efficiently and internal control mechanism has become compulsory. Especially in recent years, the importance given to internal audit and internal control activities in organizations has gained increasing importance (Kontsevaya, 2014: 103).

Internal control systems and activities as well as internal control mechanisms are independent and objective assurance services designed to enhance and enhance the activities of enterprises and organizations. The most important advantage that these activities provide to enterprises and organizations arises from the fact that assurance and consultancy activities are carried out together. Internal audit and internal control activities provide significant contributions in the direction of disciplined and systematic evaluation approach in achieving the objectives of enterprises and organizations. While internal control provides for the establishment and implementation of control systems necessary to reduce risks, internal audit provides, evaluates, and proposes management information related to internal controls.

In enterprises, the activity has a strong internal control system and a good internal duties, which is one of the basic elements of the internal control system, in order to determine the scope of the audit methods to be applied in many fields from design, implementation and revision reporting together with internal control. Internal auditing regulations must be in accordance with international internal audit standards for the execution and management of an effective internal audit activity, and this regulation should be updated in a permanent manner. The establishment of a strong internal control system in the achievement of the objectives of the enterprise will increase the performance of the internal audit, taking into account the laws and regulations.

The control environment provided by the internal control system will protect the operation against the losses caused by the lack of knowledge of the employees and will reduce possible errors and irregularities.

Determination of objectives in the internal control system is important for a quality control. It is not possible to carry out control activities in a healthy manner without the system's objectives being determined. In other words, once the objectives have been identified, the necessary control activities and policies for these objectives need to be identified. From this, it is possible to divide the purposes of the internal control system into general and special purposes.

1.2. Features of the organization of internal control and internal audit in agricultural organizations

The internal audit service, having studied all aspects of the effectiveness of the internal control system, offers various ways to improve it, which management can take into account and turn into life, or reject. It is necessary to ensure the independence of the internal audit service from the management of the organization in order to achieve the successful operation of the internal control system.

For the effective functioning of an agricultural organization, complete independence of internal audit is required from the executive bodies. Only in this case will the work of the auditors be successful. (Popeanga and Vatuiu, 2009: 1088)

Due to the large number of facilities that need verification, many organizations of agriculture in the Republic of Kalmykia are conducting preliminary work on the organization of the internal audit service.

However, this service is expedient to create in large, organizationally complex agricultural organizations, with a large volume of production, which will allow (Dobre , 2012:695):

- Collecting information necessary for making managerial decisions;

- Constant monitoring of the state of structural units;
- Coordination of work of structural divisions on the responsibility centers (plant growing, cattle breeding, auxiliary services)

In small organizations, personal part-time farms, managers consider irrational the creation of an internal audit service, since the costs of creating an internal audit service may exceed the economic benefit from its organization

In practice, many heads of agricultural organizations, realizing the importance of the objectivity of internal audit, can not ensure its implementation.

When investigating organizational aspects of internal audit in agricultural organizations, it is necessary to identify subjects and objects of internal control. Agricultural organizations are inherent in the existence of a large number of subjects that are dependent on each other in terms of subordination and internal relations: the chairman of the cooperative, the director is the main subjects of internal audit, which ensure the regularity, consistency of the work of the internal audit service; accounting service ensuring compliance with the requirements of legislation, rational use of productive resources, economic service, chief agronomist, chief livestock specialist, human resources specialist, employees of the organization, legal service, audit commission. In internal regulations of agricultural organizations, the responsibility for the behavior of internal control is usually not reflected: for example, verification of the compliance of documentation on the posting of crop production, livestock with documents for payment, sale on the side is not carried out (Sheremet, 2014: 24)

The duties of internal audit include checking the work of subjects of internal control in relation to the performance of control functions assigned to them.

It is possible to identify the main objects of internal audit of an agricultural organization receiving activity from the subject (Table 3): the position of the complex of accounting and internal control, the formation of payroll calculations, posting and release of materials (fuel, feed, seeds), finished products, the process supply, the correctness of accounting income from the sale of products, the rational use of investment in the development of crop production, livestock, an analysis of their effectiveness.

Along with the objects of internal audit, we note the objects of internal control of the agricultural organization: production resources that are difficult to reproduce (soil, water resources), resources possible for restoration (labor, financial, material), extensive reproduction (production, distribution, exchange, consumption) . For the convenience of checking behavior on the responsibility centers, it is more reasonable to streamline the objects of control over homogeneous areas reflecting the production sectors (plant growing, livestock, auxiliary production, repair production) and internal divisions.

Control over activity on the centers of responsibility makes it possible to assess the work of specialists, heads of departments, improve the work of a particular unit, knowing its weaknesses (Bobkova, 2006: 30)

Therefore, for the failure to maintain a combination of production methods and processes in growing crops, feeding animals, shearing, which resulted in non-compliance with contractual agreements, penalties, inappropriate use of funds, certain individuals who have caused damage to the organization must be responsible.

Improvement of internal audit consists in the introduction of promising measures, procedures, the appropriateness of certain aspects of the internal audit activity, the identification of shortcomings based on

a systematic continuous analysis of the internal and external environment of the organization. The use of a directing, program-targeted, risk-oriented internal audit facilitates the development of internal audit.

Having studied the works of many authors, it is possible to develop the main ways to improve internal audit in agriculture, by adding an information and analytical base, introducing methods of economic analysis in conducting audits, improving regulatory and legal support, improving the professionalism of employees, etc. Define the main prospects for the development of internal audit in the agricultural organization (Table 1).

Table 1 - Main prospects for the development of internal audit in agricultural organizations

AUDIT LENS	STAKEHOLDER GROUPS
1. TECHNICAL	<ul style="list-style-type: none"> • Technical Resource • Technical Personnel in Project
2. REGULATORY	<ul style="list-style-type: none"> • Regulatory Personnel • Agro-biotech Regulatory consultants
3. CAPACITY BUILDING	<ul style="list-style-type: none"> • National Agricultural Research Services
4. DEPLOYMENT	<ul style="list-style-type: none"> • Farmers • Agricultural Extension services • Maize processors/Millers • Farmers Groups • Consumers
5. GOVERNANCE	<ul style="list-style-type: none"> • Grantors • Legal Consultants • Partners
6. CHARITABLE GOAL	<ul style="list-style-type: none"> • Partner Organizations • National Authorities • NGOs
7. COMMUNICATION	<ul style="list-style-type: none"> • Media Outreach • General Public

The increase in production and sales of agricultural products is due to the state of internal audit in the organization, the position of the organization itself on the market.

An analysis of the changes in the agricultural sector of the Republic made it possible to determine that in the process of destruction of large organizations of the agricultural sector of the Republic, a structural shift in agriculture towards small-scale production occurred (Voloshin and Suits, 2014: 100)

Personal subsidiary plots that adapt easily to a changing market environment, with little material and financial resources, technical equipment, allow financial sustainability of agriculture only in conjunction with large-scale commodity production.

According to the data of the Territorial Body of the Federal Statistics Service for the Republic, the profitability of agricultural production was 19% in 2005, the number of unprofitable enterprises increased by 9 units in 2005 compared to 2001, and the profitability decreased to 82 units (Dudukalova and Ovsichuk, 2010, 288).

1.3. Difference between internal control and internal audit

The goal of entrepreneurship is to get profit, and this process is inextricably linked with the voluntary acceptance of entrepreneurial risks, which is fixed by the Civil Code. Therefore, the effective functioning of any business depends on the ability to manage risks.

During the activity of the enterprise, they are exposed to risks of bankruptcy, liquidity, credit, market, currency, interest, price risks, as well as legal risks, including loss of business reputation and operational

risks. Taxes use a risk-based model of tax control. Most business owners are aware of the tax authorities' requirements for due diligence in choosing a counterparty and documents requested from contractors (Mel'nik, 2012: 118)

Typically, the risk management process includes risk analysis, its quantitative and qualitative assessment, monitoring (taking measures to identify them in a timely manner), minimizing the risk (developing strategies for each type of risk to minimize the negative consequences of them). About that when the estimation and diagnostics of business is necessary it is possible to read in article "When and what for an estimation and diagnostics of business and how them to spend" are necessary"

There are various ways to manage risks, in particular, they include (Akhmetzyanov , Markovina and Ostaev 2012: 21)

- avoidance of risks (is strictly limited);
- procedures and development of risk management rules;
- insurance of risks;
- creation of reserves to cover possible losses.
- Each method of risk management has certain financial consequences and depends on the specific situation.

The most interesting as the most effective of the above methods is the conduct of procedures and the development of risk management rules, one of the components of which is the development of an internal control system.

For the first time, the need to build internal control systems by corporate companies was stated in the so-called Sarbanes Oxley Act (passed by the United States Congress on January 23, 2002) to strengthen control over the financial performance of companies, their

performance, and prevention and detection of corruption violations in their activities.

The internal control system is a set of organizational structure, methods and procedures adopted by the management of an economic entity as means for the orderly and efficient conduct of economic activities, including supervision and verification of compliance with the rules and procedures established by the economic entity and its forces, and also requirements of the legislation (Danilevskii and Ovsyannikov =2006: 69)

Internal control is necessary first of all for large companies with complex organizational structure, geographical fragmentation, etc. The system of internal control allows to avoid serious systematic mistakes in making managerial decisions, managing resources and cash flows. However, in the present conditions of economic instability, such a system becomes vital for small and medium-sized enterprises, while creating small competitive advantages for small enterprises.

A legitimate question arises: how does internal control differ from external audit, as well as from previously existing systems of internal audit and control and audit activities? Is this another formal burden on the business or can it really benefit from it?

Let's start in order. The main objective of the external audit is to conduct an independent audit of the accounting (financial) statements for its reliability. External audit is carried out by independent specialized organizations. The result of the audit is an audit report that is provided to the owner, as well as to external users in accordance with the legislation (shareholders, banks, statistical bodies, tax authorities). The external audit is based on a formal balance sheet approach that does not take into account the specifics of business processes in the audited organization. (Alborov , Balashova and Bychkov 2013: 36-38)

For management personnel, middle and senior managers to make managerial decisions, the correctness of debit and credit turnover and balances on balance accounts is inefficient information. It is this task that internal control system, or internal audit system, or control and audit activity is called upon to solve. On the one hand, they are called upon to solve internal tasks of the enterprise, on the other, there are fundamental differences between them, each of them has its own goals and objectives.

So, internal audit is aimed at increasing the efficiency of the enterprise, that is, for the future and is intended for top management. It includes the analysis and construction of business processes and the further effective management of them. Internal audit, as a rule, is carried out by the internal audit service. The main document prepared by this service is a business process map, which contains a description of each process, the main tasks that it addresses, its inherent risks, as well as regulations for interaction with other business processes, staff responsibility for solving problems, reducing risks and compliance with regulations.

The tasks of audit and audit activity (audit) are primarily to identify and prevent abuses and to prevent inefficient use of resources. These tasks are relevant for owners and senior management and is aimed at a retrospective (on the events that have already occurred and their consequences). Such activities are always carried out by a special department, usually subordinated to the head of the financial service (for example, to the chief accountant), the final document is an audit of financial and economic activities, which reflects the violation of financial discipline by the business units (Alborov , at all, 2006: 53).

CHAPTER II:

ORGANIZATION OF INTERNAL CONTROL AND AUDIT IN AGRICULTURAL ORGANIZATIONS

2.1. Features of planning of inspection in the agricultural organizations

Accounting at enterprises related to agriculture differs from accounting in other manufacturing industries. These differences can be explained by the specifics of agricultural production (Danilevskii and Ovsyannikov , 2006: 69)

- the presence of multiple branches: public catering (especially when video surveillance is required in restaurants and cafes), livestock and crop production, transportation services, processing, trade;
- it is seasonal;
- has a lot of additional productions: production of feed, boiler rooms, etc .;
- It is necessary to keep records of a wide range of activities, to calculate the cost of production, sales, production.

In this plan, different types of audit services can be carried out - either an inspection of one balance sheet item, or a general audit. During the inspection, special attention is paid to the formation of the cost of production and the formation of selling prices.

The list of items of expenditure, their composition and ways of sorting by product type, type of work or service are formed using methodological guidelines for their planning, accounting and calculation.

For agricultural organizations, there are certain typical items of expenditure (Sheremet, 2014: 25):

- salary in view of social deductions;
- work and services;
- seeds and seedlings;
- feed for livestock;
- damage caused by the loss of livestock;
- Means for the protection of plant and animal species;
- processing of primary raw materials;
- purchase of mineral and organic fertilizers;
- Credit payments.

For each direction a separate nomenclature of cost items is formed.

It is also important to audit information about agricultural land, that is, their availability and use. Sometimes in the accounting records of land there are some errors (Voloshin and Suits, 2014: 100):

- land registration activities are not available in the primary account and are reflected only in the register of registrations;
- The materials of the land council are different from those of agricultural organizations.

Therefore, during the audit, legal documents for land are verified: the confirmation of the form No. 1o of the value of land and form No. 5 on the movement of land, as well as the audit of land inventory.

The audit of the presence of animals, their cultivation and fattening is specific, as it is inseparable from the audit of agricultural departments, agro-industrial holdings. The control is aimed at creating an opinion on the accuracy of accounting reports, compliance with their current legislation.

The check is carried out according to the following parameters:

- revision of the availability of livestock, the reflection of data in reports on a specific date, formal certification of rights to them;

- establishing the reliability of transactions in livestock movement, analyzing actions and checking the accounting and completeness of their reflection in registers and reports;

- Inspection of the correctness of the displayed data on operations with animals for growing and fattening in accounting documents.

Audit of actions with animals differs from other audits by the composition and content of the inspection processes. The procedures for the movement of livestock are usually numerous, conducted regularly and differ in the characteristics characteristic of biotransformation processes (Dudukalova and Ovsichuk, 2010, 288):

- an account of an offspring, a gain;
- livestock moving;
- marketing, slaughter and animal disease;
- Acquisition of animals from the population.

For the successful functioning of all activities of the organization, increasing production and reducing its cost, improving the economic mechanism and the mechanism for managing all levels of activity, daily on-farm control and examination of individual processes are necessary.

In modern conditions, there is a need for day-to-day monitoring of rational expenditure for the purpose of material and monetary funds, fulfillment of obligations to the state on taxes and other payments, to suppliers and contractors, timely repayment of receivables of economic entities, etc., and also the correctness of the organization and accounting. In addition, there is a need to represent the interests of this organization in court or in an arbitration court in order to protect legitimate property interests in various property disputes with legal and physical persons, tax authorities, etc.

In order to qualify a particular audit, a special internal audit service is needed, whose employees must know the specifics of the

organization, its organizational and economic structure and management structure, objects of control, and a range of issues. which must be disclosed during inspections, know the technique and methods of conducting inspections, have a good knowledge of legislative and regulatory acts, be able to summarize audit materials, identify ways to eliminate and prevent shortcomings and losses, and reserve efficiencies of all activities of the organization. represent and protect the legitimate property interests of owners in court and arbitration court (Danilevskii and Ovsyannikov, 2006: 70)

The internal audit service can be created in the form of an internal audit department. This service should be an independent division of the administrative apparatus and be subordinate only to the head of the organization.

It is advisable to appoint highly qualified specialists with higher economic education, experience in accounting and economic work, lack of criminal record, having a certificate of the auditor, that is, the head of the service and leading specialists. Qualified professional auditor or professional accountant-expert, financial manager.

As part of the internal audit service, highly skilled specialists in technological profiles can also work to monitor production and financial activities.

The effectiveness of the internal audit service largely depends on how well-thought-out, detailed and well-founded the provision for this service is, how much it takes into account the policy of the enterprise. The internal audit provision is a kind of contract that reflects the rights and duties of the internal audit service, on the one hand, and management on the other.

The provision should also reflect the objectives of the audit, its scope, determine the responsibility for the state of the internal control

system and for identifying abuses (Dudukalova and Ovsichuk, 2010, 288).

The position should be prepared by interested employees of the enterprise, first of all, the director for economics and finance, the chairman of the audit commission and the chief accountant. It is advisable that this document is approved by the highest management body of the enterprise, for example, the board of the joint-stock company or the shareholders' meeting, since this significantly enhances the independence of internal auditors.

The introduction of internal audit significantly changes the content of the work of the heads of structural divisions and specialists in ensuring the organization's property interests and causes the need to amend the job descriptions of all management services for processing business transactions, compile primary documents and analytical registers, ensure proper control over the performance of technological processes and other operations .

Therefore, the actual organizational task is to revise the job descriptions of all services and develop job descriptions for employees of the internal audit service, in which it is necessary to provide general provisions, specific duties, rights and responsibilities of each employee of the internal audit service.

The head of the internal audit service is appointed and dismissed from the post by the head of the organization in accordance with the generally established procedure (in accordance with the job descriptions).

In the practical work, the internal audit service should be guided by the laws of the Russian Federation, the decisions of the Government of the Russian Federation, instructions and orders of the Ministry of Finance, the Ministry of Taxes and Duties, the State Statistics

Committee of the Russian Federation, as well as the constituent documents, orders and orders of the head of the organization, job descriptions.

The head of the organization should create the necessary conditions for the work of the audit service: provide the premises, allocate specialists (as necessary), provide transportation, etc.

The audit service should not interfere with the operational, administrative and production activities of officials of the organization.

The state and structure of the service depends on the characteristics of the organization's production, economic and financial activities. volume, complexity and conditions of work performed (Mel'nik, 2012: 119).

The number and remuneration of employees of the internal audit service may be provided in the staffing table. The head and employees must perform the duties assigned to them by job descriptions. At the same time, they must follow the ethical principles of auditing and carry out inspections in accordance with the requirements of audit rules (standards).

2.2. Standardization of the system of internal control and audit in agricultural organizations

The auditor should check the correctness of the description of business processes and compliance with their standards. It is important to establish the correspondence of the business organization's strategy to the agricultural organization. We fully share the opinion of G. Osterloh, who notes "... the subordination of the structure to processes, and the processes of strategy", which means that first we need to build a strategy, i.e. form a vision of the future of the company and determine its strategic goals, then build business processes in such a way that each of them was

focused on achieving a specific goal, and only then form the organizational structure of the enterprise that would ensure the effective execution of business processes (Danilevskii and Ovsyannikov , 2006: 70)

The UCW development strategy should ultimately ensure the coordination of the objectives and capacities of the agricultural organization with regard to exercising control functions with the interests of all stakeholders (owners, managers, personnel, society as a whole). Since the control function is tightly intertwined with other management functions, improving the quality of the implementation of this function will contribute to the improvement of analytical, accounting, planned, motivational functions. Within the JMC it is necessary to use the process approach, which involves the description of business processes and their regulation, the development of criteria for assessing their effectiveness. This approach can also become a basis for improving the JMC of an agricultural organization. Thus, the process and strategic approaches are advisable to unite and talk about a process-strategic approach that involves an assessment of the business processes of the JMC, internal resources of the JMC, its capabilities and the characteristics of the external environment. In our opinion, the methods of strategic management are applicable to the system of internal control of the agricultural organization. Besides, the interrelations between the processes of strategic management and internal control are undoubted. Thus, data of monitoring and analysis of external and internal factors can be used both for management purposes and for improvement of JMC. In developing solutions and modeling the future state of the agricultural organization, it is important to pay attention to the CWU as one of the most important subsystems of management. In our opinion, it is important in large agricultural organizations to have a strategic plan for

the development of the JMC and to regularly monitor its effectiveness in order to adjust its development strategy. The purpose of UCW development is determined by the management of the agricultural organization. In our opinion, this goal is to early diagnose distortions in accounting (financial) reporting and develop recommendations aimed at identifying in-house reserves. According to R.V. Makeeva, the effectiveness of the internal control unit is determined by its contribution to the creation of value added. The operation of the "formal" JMC is aimed at ensuring the reliability of accounting (financial) reporting, establishing the compliance of the activities of the agricultural organization with legislation, and the "informal" JMC is aimed at ensuring managerial effectiveness by developing recommendations for optimizing business processes (Alborov , at all, 2006: 55).

Audit of business strategy should be used as a starting point for developing recommendations for the implementation of identified in-house reserves. Audit of the business strategy allows assessing the compliance of the strategy with the external environment and with the available opportunities and resources of the agricultural organization. If it is not available, the internal auditor can identify the intuitive strategies being implemented and develop a strategy that meets the objectives of the agricultural organization.

Traditionally, the audit of the business strategy includes three stages: 1) assessment of the external environment; 2) evaluation of a commercial organization; 3) linking the capabilities of the organization with the conditions of the external environment (Akhmetzyanov , Markovina and Ostaev 2012: 22).

At the first stage of the audit of the business strategy, an external environment is assessed based on an analysis of the external environment at the macro level, detailed analysis of the external

environment, which involves analysis of competitors, consumers, other stakeholders, and integration of the data.

At the second stage, the agricultural organization is evaluated according to the main directions presented in the table .2.

Table 2. Agricultural organization

Country	Average annual population growth rates (percent)		Average annual agricultural production growth rates (percent)		Average daily per capita calorie consumption		Population food insecure (percent) ^a		Deforestation rates per year (percent) ^b		Total land under crops (percent)		Wilderness area as percentage of total area	
	Target		Target		Target		Target		Target		Target		Target	
	2020-2025 ^c		1990-2020		1988-89 2010		1980-81 2020		1980s 2020		1987 2020		Present 2020	
	1980-90	2025 ^c	1980-90	2020	1988-89	2010	1980-81	2020	1980s	2020	1987	2020	Present	2020
Sub-Saharan Africa	3.1	2.05	2.1	4.0	2,027	2,400	25	5	-0.5	-0.35	7.0	8.3	27	23
Sahelian Countries														
Burkina Faso	2.6	2.12	3.3	4.0	2,002	2,400	32	5	-1.7	-0.6	11	22	3	3
Chad	2.4	2.00	2.7	3.0	1,821	2,200	54	10	-0.6	-0.6	3	6	52	44
Mali	2.4	2.58	2.3	3.0	2,114	2,300	35	10	-0.5	-0.5	2	4	49	42
Mauritania	2.6	2.59	0.7	3.0	2,465	2,400	25	10	-2.4	-0.6	0	1	74	63
Niger	3.5	2.92	—	3.0	2,321	2,450	28	5	-2.6	-0.7	3	6	53	45
Coastal West Africa														
Benin	3.2	1.60	3.6	4.0	2,115	2,400	18	0	-1.7	-0.3	17	20	15	13
Cape Verde	2.4	1.64	—	3.0	2,500	2,800	—	0	—	-0.3	10	12	0	0
Côte d'Ivoire	4.0	1.95	1.0	4.0	2,405	2,700	8	0	-5.2	-0.3	11	13	10	9
Gambia, The	3.3	2.22	7.1	4.5	2,339	2,700	19	0	-2.4	-0.3	17	20	0	0
Ghana	3.4	1.65	1.0	4.5	2,167	2,400	36	0	-0.8	-0.3	12	14	0	0
Guinea	2.4	2.25	—	4.5	2,007	2,400	—	0	-0.8	-0.3	6	7	6	0
Guinea-Bissau	1.9	1.61	5.7	4.5	2,437	2,400	—	0	-2.7	-0.3	12	14	0	0
Liberia	3.2	1.73	—	4.0	2,344	2,500	30	0	-2.3	-0.3	4	5	17	14
Nigeria	3.3	1.69	3.3	4.0	2,033	2,400	17	0	-2.7	-0.3	34	40	2	2
Senegal	3.0	2.21	3.1	4.0	2,162	2,500	21	0	-0.5	-0.3	27	32	11	9
Sierra Leone	2.4	2.24	2.6	4.0	1,813	2,400	23	0	-0.3	-0.3	25	30	0	0
Togo	3.5	1.90	5.7	4.0	2,110	2,400	29	0	-0.7	-0.3	26	30	0	0
Central Africa Forest Zone														
Angola	2.5	2.36	—	4.0	1,742	2,400	—	0	-0.2	-0.3	3	4	26	22
Cameroon	3.2	1.83	1.6	4.0	2,142	2,400	9	0	-0.4	-0.3	15	18	3	3

Assessment direction Implemented procedures

(Kontsevaya, 2014: 104).

1. Clarification of the strategy 1. Identification of the main lines of business (types of activity) of the commercial organization.

Identification of the current strategy. Identification of the distinctive characteristics of the business of a commercial organization. Evaluation of the understanding of the strategy of a commercial organization and its support at all levels of management

2. Measurement of viability and sustainability Evaluation of the dynamics of indicators characterizing the viability and sustainability of a commercial organization (for example, market share, the number of successfully implemented projects, the return on investment, etc.)

3. Definition of business processes 1. Classification of business processes in the following areas: - processes that create a competitive advantage, - value adding processes that support the previous processes, - processes necessary for the activity, - unnecessary processes. Benchmarking, which involves comparing the execution of processes in a commercial organization and in other firms engaged in similar activities

4. Identify abilities Identify the abilities that employees must have for successful implementation of the strategy (managerial knowledge, technical, etc.), assessing the current abilities of employees, their skills and educational level, developing, based on a comparison of the two evaluations, a capacity development plan that includes an additional training, rotation within the organization, as well as performing responsible work under the supervision of a more experienced employee (mentoring)

5. Org structure and distribution of resources Audit of the organizational structure for its correspondence to the implemented strategy

6. Evaluation of culture Research of the history of the commercial organization, beliefs and assumptions on which the business is built, the style of leadership

7. Integration of the elements of the organization's evaluation
Combining the results of the evaluation performed in the previous evaluation areas

After the audit of the business strategy, the auditor should evaluate the correctness of the description and consolidation of business processes in the regulations. The regulations should also reflect a set of indicators used to monitor and evaluate their effectiveness. The object of audit can be solutions related to the optimization and reorganization of business processes.

The approaches to the evaluation of the effectiveness of the internal control and audit service have been explored. In particular, this assessment can be carried out on the basis of an assessment of the ability to achieve the expected results or the ability to optimize costs (resources, funds, time), i.e. financial efficiency. The most developed are approaches to assessing efficiency in the banking sector. Their critical analysis and evaluation was carried out.

To determine the effectiveness of the internal control system, we developed a questionnaire, which was approved by LLC "Uchkhoz Donskoe" DonGaU ", focused on the model COSO (Dudukalova and Ovsichuk, 2010, 290).

It is established that the effectiveness of risk management and internal control is enhanced by using process standardization, which is updated in the context of transition to process management. The need for standardization of risk management processes and internal control in agricultural organizations is studied, the experience of standardizing business processes in other countries and industries has been studied, the plan for implementing such standards has been developed, and mass training of specialists has been carried out; the definition of a list of aspects unresolved unequivocally in international practice or generally

remaining unformalized but relevant; a clear definition of the final list of local technological and legislative features that should be taken into account when adapting international standards.

2.3. Prospects for the development of the internal control and audit system based on the risk-oriented approach and standardization

Each organization sets itself the goals that it wishes to achieve through its activities. In the course of its activities, the organization faces such events that may become an obstacle to their achievement. It is these circumstances that entail risks that the organization is obliged to identify, first of all, then analyze, evaluate and draw up a plan for further action. In Russian practice, risks are often considered as the probability of undesirable, negative consequences, and the costs associated with them, as inevitable costs or losses (Bulyga, 2010: 76).

The very concept of "risk" in the classical form is an event that can occur with a certain probability in the space of different time (past, present, future) (Alborov, et al., 2006: 74).

Some risks may be permissible (fully or partially), and some may be partially or completely minimized to a level acceptable to the organization.

An important method for minimizing the risks identified and existing for the organization is the development and application of a rational internal control system. This system should ensure the efficiency of economic activity, i.e. should prevent:

expenses caused by mismanagement and inefficiency. This expense item is the result of insufficiently precise work.

irrational use of resources;

compliance with accounting principles.

The management of companies actually turns out to be in a situation when it is necessary to ensure business growth, reducing operational, financial and other risks while achieving the lowest cost of business financing (Burtsev, 2006: 27)

Therefore, the internal control of the organization is necessary to assess the risks of various operations and facilities, the introduction, and further increase of its efficiency will allow the enterprise to reduce to the minimum level various significant risks.

There is also a conflict between two models of internal control - a traditional and a risk-based model (risk-based approach). The essence of the risk-based approach is to understand what primarily prevents the enterprise from achieving its goal, and to find the best way to reduce the negative impact (Burtsev, 2006: 139).

Under the conditions of the traditional model, the presence of such components as:

- normative acts and internal regulations;
- certificates of inspection;
- plan of internal control activities;
- report with a list of significant violations provided to management;
- irregular control of the execution of orders.

The world-famous model of internal control - the COSO model - considers risk assessment as one of the five basic components of the internal control system (Alborov , at all, 2004: 469).

This committee was established to establish the definition of "internal control" and to provide assistance to management in determining whether the effective control is effective. The mentioned committee developed and issued a number of documents, one of which is the "Conceptual framework of internal control", which is now a good

basis for application in many organizations that understand that the attainment of established goals is impossible without effective internal control. Especially the internal audit system is especially needed for companies with a branch network. On the one hand, the management company has the opportunity to receive timely and objective information about the activities of the branches. On the other hand, branches are most fully aware of the policies and procedures of the parent company (Alborov , at all ,2006: 351).

Another model based on a risk-based approach differs from the traditional model in that it requires the system of internal control of the presence of such items as:

- level of risk;
- an analysis of the work of internal control for each significant fact and informing management;
- an action plan prepared by the units;
- preparation of the final report, which reveals the main problems, assessment of the adequacy of the proposed actions;
- monthly monitoring of the implementation of the action plan.

The COSO report "Internal Control. Integrated model ", internal control is interpreted as a process implemented by the board of directors of the organization, management and other personnel in order to ensure the maximum level of achievement of the organization's goals in the categories:

- effectiveness and availability of results from operations;
- reliability and completeness of financial reporting;
- observance of proper laws and regulations.

The basis of the internal control system is five interrelated components:

The control environment. This component contains the philosophy of leadership, organizational structure of the organization.

Risk assessment. This component includes the identification and analysis of external and internal risks. The internal control system is designed to ensure timely detection of all potential risk events and to assess the probability and consequences of their occurrence.

Control activity. Examines the procedures and principles that guarantee the execution of management orders. The organization must have a detailed description of the business processes, job descriptions for employees and instructions for the operation of all services, as well as operating procedures.

Information and communication. Responsible employees should be aware of the regulations in force in the organization. In the event of a failure in the work of the organization or the sale of the transaction, the relevant information should be immediately provided to the managers of the appropriate level.

Monitoring. All components of the internal control system should be checked for efficiency of work (Khorokhordin, at all, 2004:34).

The conclusion on the effectiveness of the internal control system can be made, with all five components considered and their effective functioning in relation to all declared objectives in all organizational units and in each of its business processes.

Therefore, a risk-oriented approach to planning internal control and audit work allows you to identify the types of risks in the company's activities, classify them into groups, identify key business risks, link them to goals and businesses - the processes of the enterprise, and evaluate them. This approach in the activity of the internal control

service will allow to organize the work taking into account the best foreign experience, which assists in the proper choice of the objects of internal control, and thereby qualitatively improve the efficiency of the work of internal auditors during inspections (Alborov , Balashova and Bychkov 2013: 164)

The conducted research allows to draw a conclusion that risk-oriented internal control personifies a process controlled by the parent body of the company that establishes its policy implemented by top management and other employees, which, in an appropriate and justified manner, ensures that the business entity achieves operational goals, reporting objectives and compliance with legislation.

Risks that have a large share to the total amount of risks pose a threat to its objectives, whereas the essence of internal control is to mitigate this threat. Internal control is something other than the process of achieving the goal, and not an end in itself, while internal control can guarantee owners and management of the business entity only a reasonable level of achievement of the set goals, but does not guarantee absolute error-free work.

The COSO model with full use will allow organizations to promote the practical implementation of a risk-oriented approach to the internal control system at enterprises, which is an actual and promising concept for Russian enterprises. It is very obvious that it is not easy to implement the Western model in Russian organizations, since the formation of effective work of risk management is at the initial stage, but there is still a prospect for the development of this direction, and due to this development, its role in managerial decisions will grow over time.

Risk is an event that can happen in the future with a certain probability and cause some damage. Risk can be the result of both action

and inaction. From this it follows that even if we do nothing, we still run the risk. Therefore, risk is an integral part of our daily lives.

The main difficulty in building a risk management process is the dual nature of risk. This is expressed in the fact that risk is both a risk and a risk factor for other interrelated risks. Let us illustrate this duality in the following example. Let's take a chain of three interrelated events - the employee came to the enterprise drunk, he made a production mistake, an accident occurred in the production. Each of these events separately can be a risk. The above chain of risk events is one of the most common variants of the cause-effect relationship in this situation. Of course, each of these risks can have several causes. For example, an employee can make an industrial error not only due to alcoholic intoxication, but also due to inattention, negligence, because of a bad mood, a distracting factor. Also, an accident at work can occur not only as a result of the mistake of a drunken worker, but also because of outdated equipment, force majeure, wrong process technology, etc. Let us return, however, to our chain. After the first risk has been realized, that is, a negative event has occurred, this risk becomes a risk factor for the next negative event (production error). The presence of a drunken employee in the workplace increases the likelihood and increases the negative effect of a production error, which means that it is a risk factor for this event. The same logic is used in the analysis of the next element of the chain - a production error-failure.

From a practical point of view, it is also useful to understand the concepts of "source risk" and "residual risk". Under the original is understood the risk in a particular situation without any intervention in the course of events (what will happen if nothing is done). Accordingly, the residual is understood as the risk in a particular situation after all reasonable management measures for this risk have been taken. Quite

often in the process of identifying and assessing risks, for various reasons, there is a mixture of source and residual risks. This, of course, affects the effectiveness of the risk management process.

The risk factor. A risk factor is the result of an action or inaction that increases the likelihood and intensifies the negative effect of the subsequent and interconnected negative event. You can decide that the risk factor is equivalent to the reason for implementing the risk, but this is not entirely correct. The reason for the implementation of risk is a risk factor, but not every risk factor is the reason for its implementation. Consider these concepts for an example. Unexpected cigarette butt can cause a fire in the house. With this, no one argues. However, the risk of a fire in the house can be several reasons, if the reason to understand the appearance of an uncontrolled source of fire. If the house is wooden, stuffed with a scarf made of combustible and flammable materials, a fire will occur with a high probability and the house will burn to ashes. These circumstances (wooden house and belongings) do not in themselves cause a fire, but form the risk factors of this event - they increase the likelihood of its occurrence and increase the negative effect. Having found out the differences between the concepts "cause of risk" and "risk factor", I suggest ... forget about them. For simplicity, we will only operate with the notion of a "risk factor".

The owner of risk. This is the owner of the process, most interested in managing the selected risk. This interest is explained by the fact that the elimination of a specific risk contributes to the achievement of the objective of the process. There are many risks for which, at first glance, it is rather difficult to identify one owner. These are primarily the risks that have several causes. For example, take the risk of overstocking warehouses with finished products. He can have three main reasons (Dobre , 2012:15):

decrease in the rate of sales of the enterprise's products;
untimely shipment of products;
unreasonable increase in production volumes.

At first glance, this risk has several owners, since the reasons indicate different variants of the development of events. However, on the one hand, the initial formulation of the risk can be clarified by adding the cause of the risk (for example, overstocking warehouses with finished products due to a slowdown in the sales of the enterprise's products). Thus, we get three risks. They have personal owners more obvious than the original risk:

Sales and Marketing Directorate;
Logistics Directorate;
production management.

On the other hand, you can refrain from clarifying the wording of the risk and determine the owner of the initial risk based on an assessment of the interest in managing this risk. With this approach it is necessary to understand the goals of the processes. We define them as follows:

the "Sales" process is the timely sale of the enterprise's products at the optimal prices, ensuring the maximum financial result in the short term;

the process "Warehouse logistics management" - the timely placement of products in warehouses that ensure safety during the optimal shelf life;

process "Production management" - the timely production of the products of the established assortment and quality in the required volumes (Akhmetzyanov , Markovina and Ostaev 2012: 9).

In the light of the above process goals, the owner of the process "Warehouse logistics management" is the most interested in managing

the risk of overstocking warehouses with finished products. To achieve the objectives of this particular process, the implementation of this risk will have the maximum impact provided that the enterprise has limited storage facilities and its products are sensitive to storage conditions. The owner of the process "Production Management" said risk is indifferent - his goal will be achieved regardless of whether there is overstocking or not. The owner of the "Sales" process is also not particularly attached to the risk of overstocking, since its purpose is to implement at the best prices. If the products lose some of the properties during the storage process but will be sold at a good price (in proportion to the cost of quality products), the owner of the "Sales" process will fulfill the task assigned to him.

Summarizing the above, let us once again focus on the key points. First, you can use two ways to determine the owner of the risk: splitting the initial risk into smaller risks (it is necessary to correctly determine the full list of key risk reasons) or to determine the interest in risk management (it is necessary to start from the process goals). The disadvantages of the first method can be attributed to the fact that as a result of the fragmentation of risks may be too much to effectively manage them (automation of the process may be required). The drawbacks of the second method can be attributed to the fact that the objectives of processes, in contrast to the causes of risks, change more often. In this regard, with each change in objectives, it is necessary to review the linking of risks to existing processes. For example, using the parameters of the previous example, suppose that the company began to produce products that do not care where to store. In parallel to the owner of the "Sales" process, the goal was "to timely sell the enterprise's products at optimal prices, ensuring maximum financial results in the long term," which may lead to the adherence of products for a more

profitable sale in the future (in the calculation, for example,). In this case, the owner of the "Sales" process becomes the owner of the risk of overstocking the warehouses, since it is his goal that suffers most from the risk realization (Khorokhordin, at all, 2004:35)

Secondly, it is necessary to establish the sole owner of a specific risk. When the owners of one risk are several, it is extremely difficult to determine who is more responsible for managing this risk.

The activity of any enterprise is subject to the influence of many risk factors. Some risk factors are capable of provoking the realization of a particular risk on their own, others - only in combination with other risk factors. Risk factors affect the efficiency of the functioning of enterprise processes. The system of processes always has one goal: the fulfillment of the assigned tasks. This should ensure the achievement of the key goal of any commercial enterprise - to increase its value. Analyzing the risk factors in relation to the processes in which they originate and / or which they affect, the internal auditor can form the optimal theme of his work. This is the essence of the risk-oriented approach to internal audit - to understand what first of all prevents an enterprise from achieving the goal, and to find the best way to level the negative impact.

Within the framework of the risk-oriented approach, two basic methods can be distinguished, namely (Burtsev, 2006: 27):

- simplified method;
- advanced method.

The auditor should clearly understand one important relationship. The effectiveness of using any of these methods increases with the skills and experience of the internal auditor. For example, advanced auditors may not engage in detailed assessments of processes using risk factors, but immediately operate on both individual risks and risk chains of

varying complexity, with only fragmentary information about the audit object, even if they have not previously visited it.

CHAPTER III:
**DEVELOPMENT OF METHODS OF INTERNAL
CONTROL AND AUDIT IN AGRICULTURAL
ORGANIZATIONS ON THE BASIS OF THE
PROCESS APPROACH**

**3.1. Process approach as a basis for improving
internal control and audit in agricultural
organizations**

The peculiarity of the Russian audit industry is that often middle and large business companies use poorly trained personnel for carrying out procedures. The management of a specific test, like its planning, is certainly always carried out by a qualified (certified) specialist, but the executors are usually the assistant auditors. Often, these are graduates of higher education institutions who have accounting and audit specialties, or students of the latest courses.

In small companies, auditors themselves conduct audits most often. However, companies of all sizes face the same problems, namely: a large and complex regulatory framework for auditing, the lack of a unified approach to the audit and, as a consequence, different types of audit results and the complexity of systematizing these results in preparing the report. Therefore, there is a problem - providing a unified approach from different experts to the verification. But it is even more difficult to implement. Indeed, in order to force both experienced auditors and students to work according to a unified methodology, the approach should be universal (Khorokhordin, at all, 2004:36).

Accounting for fixed assets in practice raises many questions both in terms of taxation and accounting. In this connection, the need for

their audit increases. And the effectiveness, for example, of the audit of fixed assets in agriculture largely depends on the ability to take into account the specifics of this industry in the audit process.

In the available Russian and foreign specialist literature, issues related to the development of specific methodologies and recommendations to them are covered fairly fully. Techniques that address the issues of direct audit, described in the literature, are quite general in nature and, with their practical application, there is a need for detail. They often give only procedures that need to be performed by the auditor, specific recommendations for their implementation are absent or are described superficially.

In addition, the methods described in the literature do not take into account the specific features associated with the industry affiliation of the enterprises being inspected. The least elaborated in the methodical plan are the issues of conducting an audit at agricultural enterprises. At the same time, the approaches suggested by various authors to the methodological support of the audit make it possible to develop easy-to-use methods that allow organizing the audit of agricultural organizations more rationally and efficiently.

Thus, the analysis of literary sources (author VI Podolsky, OV Kovaleva, Yu.P. Konstantinov, DA Pakhomov, etc.) makes it possible to identify four main approaches to the creation of audit techniques: accounting, legal, special and branch (Alborov , at all ,2006: 50).

Alexandrov OA, turning to the description of the sequence of the audit of fixed assets notes that the specificity of the audit of fixed assets derives from the specifics of accounting for fixed assets in organizations that carry out various activities. For example, in agriculture, the largest share in fixed assets is occupied by production, power equipment,

buildings in the form of cowsheds, granaries, structures, vehicles (tractors, combines), etc. (Khorokhordin, at all, 2004:40).

However, in addition, when conducting an audit of the movement of fixed assets, it is necessary to take into account such a feature of agriculture as the seasonality of production.

Golubyatnikov S.P. and Lekhanova E.S. (Alborov , at all, 2006:52).

Believe that the audit of fixed assets can be carried out in four main stages in the activities of the auditor.

The first stage is preparation for the audit.

The second stage in the activity of the auditor is urgent control actions.

The third stage is the direct conduct of an audit.

The fourth stage is the preparation of final audit materials, which include an auditor's report and written information of the auditor for the management of an economic entity based on the results of the audit (auditor's report) (Alborov, at all, 2006: 51).

The purpose of the audit of the movement of fixed assets is to establish the compliance of the accounting methodology used in the organization, the taxation of operations on the movement of fixed assets by the regulatory acts in force.

Various procedures and consistency of the audit are offered by other authors, such as: Bychkova SM. Sheremet AD, Suits VP, Philip L. Defliz., Alvin A. Ahrens and a number of other authors (Alborov , Balashova and Bychkov 2013: 37)

Thus, the analysis of sources proves that there are many approaches to the audit of fixed assets, but none of the existing methods does not consider the specifics of recording their movements at the enterprises of the agroindustrial complex. Nevertheless, the constantly

changing regulatory framework in terms of fixed assets causes the occurrence of various errors at the stages of accounting for the receipt and retirement of fixed assets. In this connection, an objective necessity arises to develop a methodological approach to the verification of this section of accounting, taking into account the specifics of agriculture.

This served as an occasion for the development of the author's methodology for auditing the movement of fixed assets, which involves dividing the inspection into two blocks: the receipt and disposal of fixed assets. Within each of them, audit procedures are envisaged from the positions of each of the channels of the movement of fixed assets, the implementation of which is carried out by filling in specially developed working documents of the auditor.

Since the original purpose of the methodology was to maximize its adaptation to the conditions of accounting in agricultural organizations, the author took into account the fact that a certain number of organizations switched to a single agricultural tax, and this introduces its specifics into the accounting of fixed assets. The availability of working audit documents for each procedure and instructions for its conduct makes this technique convenient, economical and more visual.

In this regard, we believe that the qualified use of the proposed methodological approach for auditing in agricultural organizations will ensure the improvement of its quality.

The effective work of the internal audit service in the agricultural organization is largely determined by how the planning of the activities of internal auditors is carried out. In this regard, the issues of the development of methods for planning internal audit in agricultural organizations are being updated. Increasing the effectiveness of internal audit is facilitated by the use of a risk-based approach, which should be taken into account in planning. Viktorov P. draws attention to the three

most important functions of internal audit, which intersect with the direct responsibility of the internal audit service:

Management of risks;

assessment and improvement of the internal control system;

corporate governance (effectiveness evaluation) (Mel'nik, 2012: 119).

In accordance with the International Professional Standards of Internal Auditing, companies develop risk-based audit plans that take into account the number of auditors and the expected duration of each assignment, which allows the audit resources to be rationally distributed by referring them to the audit of the most risky areas of the accounting and internal control system. The budgets developed in this way allow setting priorities in conducting audits, identifying the most significant areas of audit. Both individual inspections and activities of the entire internal audit department are planned. International professional standards of internal audit consider planning and monitoring compliance with time budgets as an obligatory component of monitoring the activities of internal audit. The formation of audit plans is expedient to implement using the process approach. Observance of time budgets is facilitated by:

Establishment of clear and understandable goals in the audit plan (audit of compliance, management audit, business process audit, etc.), the reasons that caused particular attention to the identified audit object, the period that will be covered by the audit;

the definition of a clear audit objective that should be consistent with the reasons for its implementation and inclusion in the annual plan;

Establishment of a clear date for the final meeting for the purpose of the presence of managers;

consistent generation of a report on the audit results;

use of electronic document circulation, unified forms of working documents of internal auditors in order to control the progress of work, ensure their coordination, which can be achieved through standardization and description of business processes taking place in the internal audit service.

In accordance with the Pareto principle, it is necessary to identify the most problem areas in the internal control system and focus on them the most attention. Thus, in the course of planning, the concept of a system-oriented audit, involving a thorough study of the internal control system, as well as a risk-oriented approach, will be used. Due to the absence of regulatory documents regulating the internal audit planning process, we consider it expedient to use the approaches that are laid down in the Federal Rule (Standard) of Audit Activity No. 3 "Audit Planning" in terms of the non-contradictory activity of internal auditors (Khorokhordin, at all, 2004:36).

In view of the specifics of internal audit, two main stages of planning can be distinguished:

- preparation and preparation of a general internal audit plan;
- preparation and preparation of an internal audit program.

It should be noted that such a stage as preliminary planning is relevant in the event that outsourcing is used in the implementation of internal audit and this service turns out to be an audit firm. In this case, external auditors will need to familiarize themselves with the financial and economic activities of the economic entity at the stage of preliminary planning.

In the planning process, the internal audit service can use three approaches. The first, the most common approach - on-object, consisting in the allocation of segments of internal audit, coinciding with the objects of accounting with subsequent testing of business transactions in

terms of obtaining evidence for individual accounts. This approach is very productive, provided that proper documentation of the internal audit results and coordination of the work of the internal audit service are documented in order to avoid duplication of audit procedures. The low efficiency of this approach is associated with the use of return sampling, which does not allow to implement the principle of optimality of planning to the proper extent, as well as the increase in the complexity of inspections, with a possible decrease in the quality of inspections. The second approach to planning is cyclical? provides for the allocation as segments of internal audit of the relationship between the objects of accounting, formed during the execution of business transactions, called cycles.

3.2. Development of the internal control methodology for auditing business processes in agricultural organizations

When conducting internal audit in the organizations under study, an important role should be assigned to the evaluation of the internal control system. In accordance with regulatory enactments, the internal control system is understood as a set of organizational methods and procedures that are used by the organization's management for the orderly and efficient conduct of financial and economic activities. In addition, an effective system of internal control ensures the safety of assets, helps to identify, eliminate and prevent errors and distortions of information, as well as timely preparation of reliable accounting (financial) reporting (Mel'nik, 2012: 119).

Consequently, the main areas of the internal control system in the organization are (Danilevskii and Ovsyannikov, 2006: 72):

- compliance with the requirements of federal legislation and regulations;
- determination in documents and observance of established procedures and authorities in making decisions affecting the interests of the organization, its owners and partners;
- adoption of timely and effective decisions aimed at eliminating identified shortcomings and violations in the financial and economic activities of the organization;
- meeting the requirements for effective risk management of business;
- ensuring the safety of the organization's assets;
- full reflection of the facts of economic life in accounting and the proper state of reporting, which allows to receive reliable information on the activities of the organization;
- effective interaction with external auditors and other state control bodies.

Since the effectiveness of management decisions largely depends on the reliability of financial accounting and management reporting, and the distortion of data in the reporting may be due to errors in the processing of primary, consolidated documents, unfair behavior of personnel, it is necessary to assess how effectively internal control is carried out in the organization for which influence of external and internal factors.

The evaluation process consists of several stages (Khorokhordin, at all, 2004:36):

- an overall assessment of the internal control system,
- initial assessment of reliability,
- Proof of the reliability of the assessment.

To study accounting systems and internal control, we used audit procedures, since it was required to determine what information about the state of the internal affairs of the enterprise can be obtained.

The simplest and most effective way of obtaining preliminary (necessary) information on the status of the organization's internal control is testing, which we conducted on the issues presented in Table 3. Table 3 - Questionnaire for the evaluation of the internal control system,

XYZ Co., Dubai		[Internal Control Questionnaires]		
3.22	Is there an organization chart clearly defining the lines of the management authority and responsibility?			
3.23	Is the organization chart current and accurate?			
3.24	Does the organization chart enhance work performance?			
3.25	Are all the company's operations centralized or decentralized?			
3.26	If decentralized, is monitoring of the areas adequate?			
○ Assignment of Authority & Responsibility				
3.27	Has the management provided resources to ensure compliance with the requirements of the UAE Laws?			
3.28	Are there sufficient training opportunities to improve competency and update employees on new policies and procedures available?			
3.29	If known areas of knowledge are limited, has help been enlisted from peers, auditors or outside consultants to identify alternatives and suggest solutions?			
3.30	Have the managers been provided with clear goals and direction from the governing body or top management?			
3.31	Are responsibilities divided so that no single employee controls all phases of a transaction?			
4 Monitoring Overall Performance				
No.	Description	Ref.	Y/N	N/A
4.1	Does the management assess progress toward goal achievement periodically?			
4.2	Does this periodic assessment include comparison of actual financial data to budgets and explanation of variances?			
4.3	Is this assessment based on reliable and objective measurements?			

Based on the results of testing that was conducted in the organizations under study, it can be concluded that internal control over the ongoing financial and economic processes is carried out by the manager. There is no internal audit service, but there is an Audit

Commission, which works formally and there is no economic effect from its work

Currently, the control activities in organizations are limited to carrying out an inventory at the end of the year before drawing up annual financial statements. For this purpose, an inventory commission is created by the order of the head, which checks mainly the safety and proper use of material and industrial reserves. Other assets and liabilities are generally not verified, or are verified formally. Thus, within a year the control of the property of the organization and its financial obligations is absent.

According to the received data, it is possible to evaluate the internal control system as corresponding to the "average" level. (Alborov , at all ,2006: 50).

In addition, as a result of the evaluation of the internal control system, we established that there are some irregularities in the organization of records in the organization, which entailed the imposition of penalties.

According to the accounting data for 2012 ZAO "Plamzavod Razumenskiy" paid fines in the amount of 1372.69 thousand rubles, CJSC "Skorodnyanskoe" 3,872 thousand rubles. In this connection, the question arises about the expediency of creating an internal audit service at the enterprise.

One of the most important aspects of the internal audit activity is the identification and analysis of possible external and internal risks that arise in the development and implementation of new projects, as well as the development of recommendations to reduce the level of risk or minimize possible losses. Internal auditors also monitor the expenditure of funds for various projects, programs (for example, a capital construction project or a product promotion program on the market),

analyze the financial and management reporting of the firm, its reliability and timeliness. In addition, they assess the concluded contracts and the fulfillment by the parties of their contractual obligations (Bulyga, 2010: 77)

CONCLUSION

In this local document it is determined that the head of the internal audit service is subordinated to the functionally - general meeting of shareholders and to the administrative and general director of the organization. In addition, it was noted that the general meeting of shareholders approves the terms of the employment contract with the head of the internal audit service and approves decisions on his promotion or punishment. The function of the general meeting of shareholders includes the approval of the annual plan for the activities of the internal audit service, its structure and budget.

Under this provision, the head of the service independently forms the personal composition of the internal audit service. Section 5 defines the duties of internal audit staff. According to which the head and employees of the internal audit service:

- Based on the conducted risk analysis, the audit plan and program are developed, where the main areas of internal audit are determined;
- timely and at a high professional level implement the audit plan and program and provide management personnel with reports on the results of their work;
- Assist management personnel in the development of activities based on the results of conducted audits, as well as monitor the results of the implementation of actions taken
- Advise administrative and management personnel on the issues related to risk management, control and management
- Are in constant relationship with other departments of the enterprise on internal audit issues
- Carry out activities and interact with other monitoring services (legal department, security service).

It should also be noted that in the proposed local document we additionally included section 8 "Professional requirements for employees of the internal audit service". It defines the main requirements for employees of the internal audit service in accordance with the standards of the International Standards of Auditing. So employees of the internal audit service should:

1. Have a higher economic education, knowledge of legislation, practical work experience of at least 3 years, knowledge of management accounting

2. Knowledge of English

3. To improve qualification:

- 40 hours per year for practicing internal auditors

- 20 hours per year for non-practicing internal auditors

4. At least 25% of the number of hours of in-service training must be obtained in the specialized field of knowledge.

In order to ensure the conscientious fulfillment of our duties by the employees of the internal audit service, we have also developed responsibility measures, which are defined in Section 9 of the Regulation "On Internal Audit Service":

1. In the event of inadequate performance of their duties by employees of the internal audit service or non-compliance with the provisions of these Regulations, internal disciplinary sanctions may be imposed on internal auditors.

2. If the employee of the internal audit service, in the course of improper performance of his official duties or non-compliance with the provisions of this Regulation, causes material damage, he will fully recover the indemnity.

3. In the event of repeated violation of the provisions of this Regulation and negligent attitude towards the performance of their

official duties by employees of the internal audit service, they may be penalized in the amount of 1,000 rubles.

4. If the employee intentionally or in personal interests does not properly perform official duties or comply with the provisions of these Regulations, the employee may be fined 5000 rubles.

5. If the employee intentionally or in personal interests does not properly perform official duties or comply with the provisions of these Regulations, and as a result of this organization material damage is inflicted, the employee may be fined 7000 rubles. with full compensation for material damage.

Thus, the adoption and approval of the proposed Regulation "On Internal Audit Service" will allow to give an official status to the internal audit service and regulate the work of this service. Inclusion of specific requirements for the professional skills of employees of this service will allow organizing the activity of this service at a high professional level. At the same time, the proposed system of material liability will minimize the risk of fraud and unfair performance of duties by internal audit staff, which ultimately will have a positive effect on the functioning of the organization as a whole.

As it was mentioned earlier, the code of professional ethics of the internal auditor refers to the number of internal normative documents regulating the activity of the internal audit service. It establishes rules of conduct and principles of ethics, which should guide the internal auditor. Thus, the code of professional ethics of the internal auditor is a set of moral principles, as well as rules for the professional conduct of the auditor, in order to ensure a high quality of the work of internal auditors. It should be noted that, as a rule, the internal auditor, in the course of fulfilling his duties, discusses with the management bodies the results of the conducted inspections. Often the management of an enterprise may

have different opinions on the proposed recommendations, which can lead to disagreements. In this regard, on how much the internal auditor is endowed with personal qualities and from his professional skills, his ability to prove his or her faithfulness depends. But, despite this, he should always adhere to the principles of independence and objectivity in his judgments and be guided by the Code of Ethics of the internal auditor.

Based on the Code of Professional Ethics of Auditors approved by the Board of Auditors on 22 March 2012, Protocol No. 4, we developed a code of professional ethics for internal auditors (Appendix 3). The auditor must adhere to moral and moral rules and norms in his actions and decisions, live and work according to his conscience. The internal auditor should act in the interests of the owner of the organization, protect their interests in the tax, judicial and other authorities. Also, employees of the internal audit service should be objective and considerate in relation to the management, specialists and the accounting service of the organization. Objectivity in the conclusions, recommendations of the internal auditor can be achieved only if sufficient information is obtained. Studying the received information, internal auditors are obliged to objectively consider and evaluate all emerging situations and real facts without showing personal bias and avoid pressure from the leadership. Also, the internal auditor should increase his professional knowledge in the field of accounting, taxation and financial activities. In addition, this document specifies the mandatory conditions for upgrading the skills of employees of the internal audit service, as defined in the Regulation on the Internal Audit Service.

Thus, the adoption of the Code will increase the status of internal auditors and the internal audit service in general at the enterprise.

However, the proposed documents contain general provisions for the work of internal auditors. For a more precise definition of the rights and duties of each employee of the internal audit service, we recommend that you approve the job description of the internal auditor developed by us and presented in Appendix 4. This document reflects the general provisions in which it is determined what the internal auditor should be guided in his activity, what normative documents he should know. A separate item defines the duties of the internal auditor, as well as his rights and responsibilities. For more precise definition of the level of qualifications of internal auditors, item 3 specifies the requirements for internal auditors in different categories. In addition, this document introduces measures of responsibility of employees of the internal audit service, which are defined in the Regulation "On Internal Audit Service". At the end of the document, requisites are provided, in which the signature of the head of the structural unit, the head of the personnel department, is put. Separately, there is a prop for a written acquaintance of the employee with his job descriptions. Thus, the introduction of the proposed document will increase the responsibility of employees of the internal audit service and raise the level of the internal audit system at the enterprise to the appropriate level.

Thus, an effective system of internal audit will allow timely detection and elimination of shortcomings in the activities of the enterprise, as well as provide an opportunity to avoid fraudulent actions on the part of responsible persons. In addition, a reliable system of internal audit in the organization will create a healthy climate in the team of employees of the organization, improve their work discipline, improve the quality of the orders that will benefit the quality of accounting and the company as a whole.

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