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Research paper



Formation of the Mechanism for Conducting Internal Audit at the Railway Transport Enterprises

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Abstract

The article deals with the issues of conducting internal audit at the railway transport enterprises. The difference between the concepts of "internal audit" and "internal control" is defined. The main principles and objectives of the internal audit, information base and main tasks are revealed. The authors' classification of types of internal audit at the enterprises of railway transport is offered. It has been determined that for conducting internal audit at the enterprises of railway transport, it is necessary to use general scientific and special methods and techniques. The authors gave a comprehensive description and specific recommendations for their application. The goals of the internal audit department (committee) at the enterprises of railway transport are singled out separately. It is determined that during the work the internal audit department receives a lot of information from internal and external sources. The authors' mechanism of conducting internal audit at the enterprises of railway transport is prepared.

Keywords: *efficiency; internal audit; enterprises of railway transport; classification; mechanism.*

1. Introduction

In modern dynamic conditions of management from the guidance of railway transport enterprises a quick reaction is required to produce effective management decisions that should take into account permanent internal and external requirements. There is a great necessity to obtain reliable information on the financial and economic activities of transport enterprises as quickly as possible in order to plan tactical and strategic development measures and their level of competitiveness. For the solution of these questions, rail transport enterprises should form and implement an internal audit system for carrying out comprehensive analytical work of financial and economic activities in order to reduce the risk of bankruptcy, by optimizing the level of solvency, financial stability, profitability, the share of borrowed funds in the overall capital structure.

2. Literature Review

Many Ukrainian and foreign scientists were engaged in the issues of the advisability of implementation an internal audit system at enterprise, namely: A. Arens, J. Lobbek [1], J. K. Robertson [2], N. Berenda, N. Diakova [3], F. Butynets [4], L. Hutsalenko, A. Yarova [5], O. Dmytrenko [6], I. Kolos, N. Radionova [7], T. Kamenska [8].

However, the problem of the expediency of introducing an internal audit system at enterprises has many undiscovered issues, and therefore it is actual in the modern economic conditions.

The purpose of the article is studying aspects of formation of the mechanism for conducting internal audit at the railway transport enterprises in the modern economic conditions.

3. Research Findings

A special attention in modern conditions of management causes interest in the practical use of financial indicators of enterprises in the management of economic processes, especially in the areas of investment, lending, storage, distribution and redistribution of property and in the formation of financial, tax relations and in other situations.

These indicators should be reliable and confirmation of this reliability is related to the competence of the auditors. It is necessary to clearly distinguish the difference between the concepts "internal control" and "internal audit".

Internal control is a type of management activity carried out by the management of a railway transport enterprise for assessing the level of accomplishment of tasks and achieving goals by identifying the weaknesses of the internal environment and avoiding additional resources.

Internal audit is the activity approved by the management of the railway enterprise for controlling managerial decisions and their results at different levels of functioning in general, establishing the legality of economic transactions carried out by the personnel and their efficiency and compliance with all legislative acts on accounting and taxation.

So, during formation of the structure of the internal audit department at the railway transport enterprises highly qualified specialists should be selected who know the methodology of financial and economic control and audit, accounting, analysis of economic activities, statistics, financial and banking matters, and also have the necessary professional training in the field of jurisprudence, forensic accounting expertise, economic research methodology, production technology, etc. [6].

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Research on the types of internal audit was analyzed and the authors' classification, shown in Figure 1, was formed.

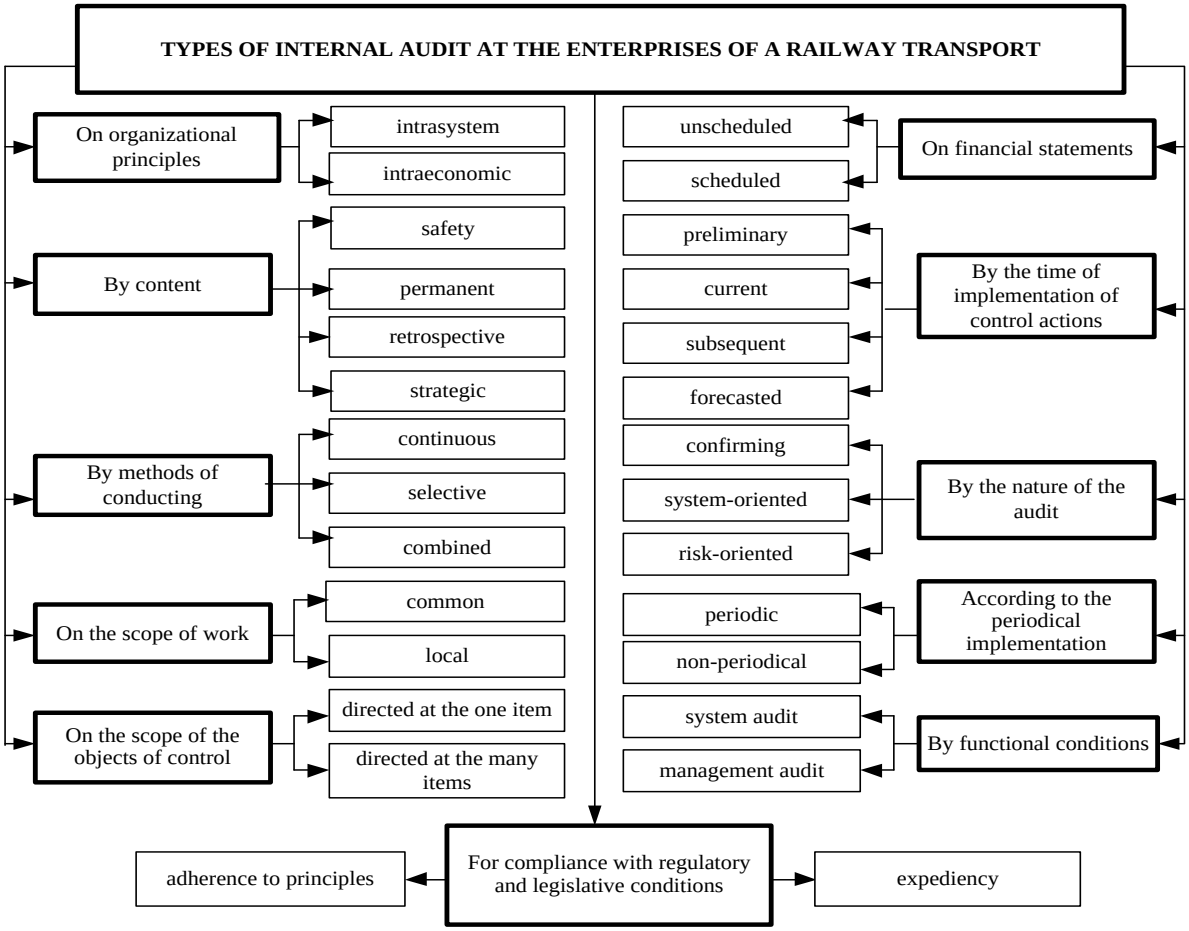


Fig. 1: Types of internal audit at the enterprises of a railway transport

In general, internal audit is quite a broad concept. At the railway transport enterprises the following objects of internal audit can be: documents of accounting and taxation; reports on financial transactions; enterprise management system; work of economic and technical services of the enterprise; carrying out industrial and economic activities in accordance with the existing legislative acts; veracity of the estimate documentation; the level of personnel qualification; compliance with legislation in the framework of the mission of enterprises, etc.

For conducting internal audit at railway enterprises, general scientific and special methods and techniques, should be used which are given in Table 1.

Table 1: Essence and characteristic of general scientific and special methods and techniques of internal audit

General scientific methods and techniques of audit	Special methods or techniques of audit	The essence and characteristics of the methods and techniques of audit
Dialectical method	Induction	Using of partial, separate information and facts to obtain general conclusions
	Deduction	Receiving partial conclusions based on knowledge of general provisions and facts
	Analysis	Studying of separate components, elements and parts of a common problem with the purpose of thorough research
	Synthesis	Combination of different elements, facts into a single whole in order to obtain reliable information
	Analogy	Estimation of such facts by the nature of the consequences of the impact of adverse risk factors
	Modeling	Substitution real objects with conditional samples, analogues, models and determining possible consequences of alternative solutions
	Abstraction	Selection of one of the properties of the phenomenon and the deviation of all the others
Methodological methods and techniques	Organoleptic	Generalization of the assessment by formal verification, legal verification, arithmetic verification, counter-checking
	Settlement-analytical	Using in the process of checking the results of economic analysis, statistical calculations, economic-mathematical methods and models
	Documentary	Obtaining audit results by examining documents, identifying and grouping shortcomings
	Generalization and implementation	Conducting by documenting the results of control, the economic evaluation of shortcomings and developing measures to eliminate them, systematizing the facts in the auditor's opinion.
Methods in accordance with the stages of the audit process	Methods at the initial stage	At an early stage, surveys, analytical reviews, and evaluations are used
	Methods at the research stage	At the stage of research, such techniques as inspection, surveillance, control, confirmation and counting are used
	Methods at the final stage	At the final stage - evaluation and synthesis of results, grouping of identified shortcomings

Carrying out of internal audit at the railway transport enterprises should correspond to following principles: independence,

autonomy, objectivity, impartiality, honesty, confidentiality, professionalism, observance of laws (Fig. 2).

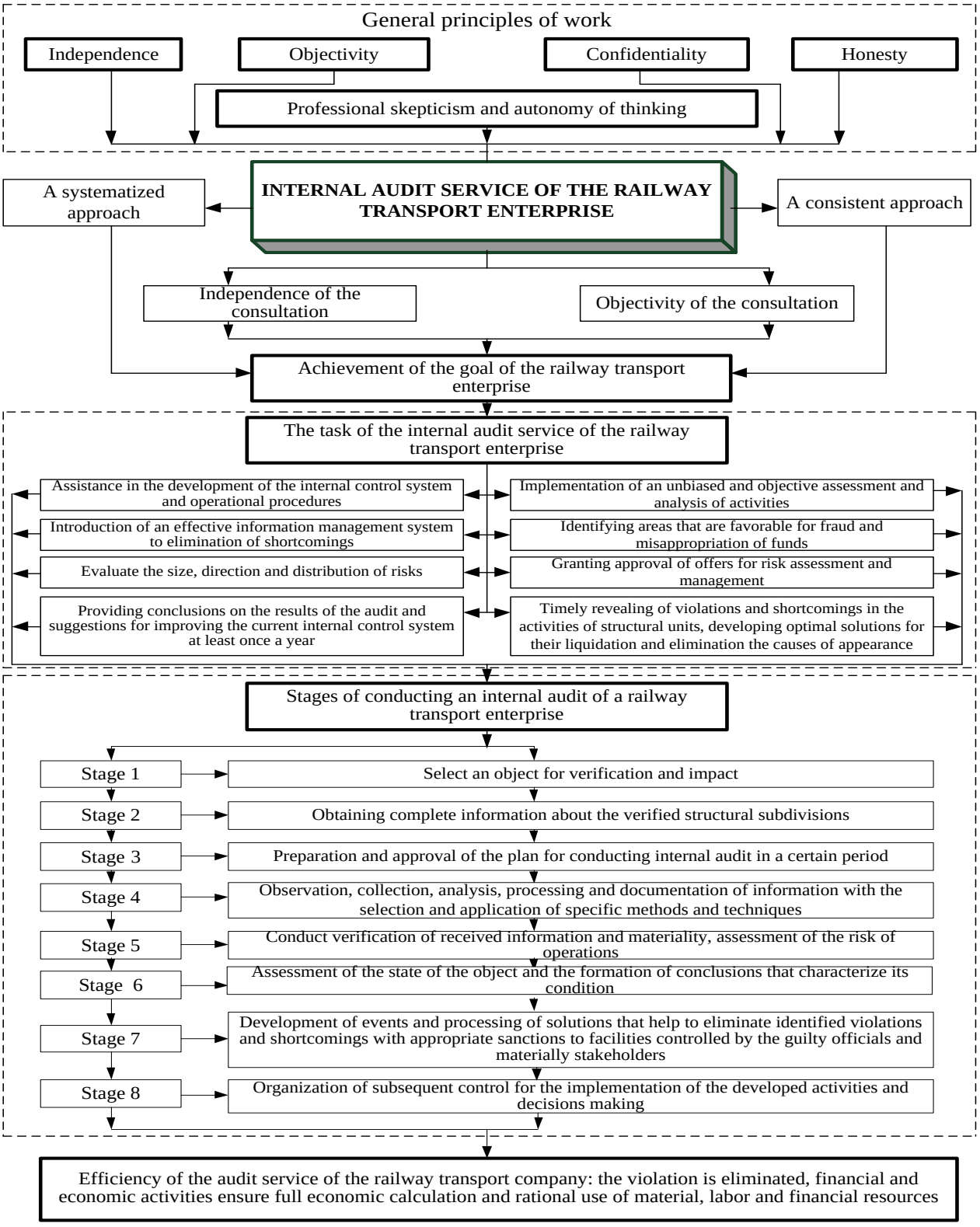


Fig. 2: The mechanism of conducting internal audit at the enterprises of railway transport

The objectives of the internal audit department (committee) in the railway transport enterprise should be:

1) development and implementation of activities to support or for providing the effective operation of the railway transport enterprise;

2) supporting the developed policy and its compliance with each employee;

3) formation of a property saving policy;

4) formation of open and transparent relations with external auditors, representatives of tax and controlling authorities;

5) conducting a procedure for diagnosing the bankruptcy of a railway transport enterprise, developing measures to prevent and reduce risks.

In accordance with the objectives, the department (committee) of internal audit at the railway transport enterprise should solve the following tasks:

1) Conducting the regular monitoring and comprehensive analysis of the financial and economic activities of the railway transport enterprise;

2) Conducting an integrated assessment of existing and

prospective investment projects;
3) Conducting of diagnostics and conformity of standards of systems of accounting and the taxation established by the legislation;
4) Organization and assistance in conducting seminars and improving the qualifications of the personnel of subdivisions responsible for accounting for the financial and economic activities of the railway transport enterprise;
5) Development of comprehensive training activities of the staff and providing recommendations to the staff service regarding modern requirements and criteria for the selection and certification of personnel of subdivisions that are responsible for accounting of financial and economic activities of the railway transport enterprise;
6) Development and implementation of activities for conducting seminars and conferences with external auditors and specialists of the relevant departments of leading railway transport enterprises and with scientists, in order to improving accounting, taxation, analysis of the financial and economic activities of the railway transport enterprise;
7) Improvement of information services on the issues of integration processes of production and administrative subdivisions in order to save time for the receipt of necessary information for conducting internal audit;
8) Provision of consultation services to heads of subdivisions of the enterprise of railway transportation on questions of optimization of their financial and economic activity.
The implementation of an internal audit system at the railway transport enterprise will help in the timely prevention of financial and economic crises will help to develop an effective risk management system and to consolidate the consistency of effective corporate governance.

4. Conclusion

The main goal of the internal audit is not only to check the financial documentation of the enterprise and its legitimacy and reliability, but to identify sources of possible threats and risks that could adversely affect the efficiency of the railway transport enterprise. Therefore, at the present stage of economic development, internal audit is a tool of diagnosing the activities of railway transport enterprises in order to identify risks and develop recommendations for their minimization or elimination.

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