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International approaches to organizing an internal control system at an enterprise in the digital era

Abstract

The purpose of the study is to analyze the existing approaches to the organization of the internal control system used to effectively support the activities of enterprises in foreign countries and determine its influence and possible application in domestic practice. The study found that all elements of the internal control system are closely interconnected and ensure the effective functioning of the enterprise, providing management with reliable and impartial information on its status for management decisions. Thus, international approaches to the organization of the internal control system at the enterprise are based on the assessment of the control environment of the enterprise along with risk assessment and monitoring. Approaches to the organization of internal control of some international companies specializing in industrial engineering and the basic principles that guide them in the implementation of internal control are identified. Among the areas of increasing the efficiency of the internal control system, the possibility of using innovative technologies related to the introduction of cloud technologies, artificial intelligence, robotization of automated processes, the use of drones or blockchains is highlighted. It has been revealed that most companies abroad are focused on corporate risk management.

The study determined that the internal control system should cover and organize financial and management accounting, strategic project management, operations, personnel, general management and should take into account the goals and objectives of the company.

The authors found that the system of internal control in private companies differs in conditions of fierce competition.

Keywords: Internal Control System; Enterprise Management; Elements of the Internal Control System; Risk Management; Robotic Automated Processes

JEL Classification: M41; M42

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Міжнародні підходи до організації системи внутрішнього контролю на підприємстві в цифрову еру

Анотація. Метою проведеного дослідження є аналіз існуючих підходів до організації системи внутрішнього контролю, що використовуються для ефективного забезпечення діяльності підприємств у зарубіжних країнах та визначення його впливу та можливості застосування у вітчизняній практиці. Під час дослідження було встановлено, що всі елементи системи внутрішнього контролю тісно взаємопов'язані між собою та забезпечують ефективне функціонування підприємства, надаючи керівництву достовірну й неупереджену інформацію про його стан для прийняття управлінських рішень. Таким чином, міжнародні підходи до організації системи внутрішнього контролю на підприємстві базуються на оцінці контрольного середовища функціонування підприємства поряд з проведенням оцінки ризиків та здійснення моніторингу. Визначено підходи до організації внутрішнього контролю деяких міжнародних компаній, що спеціалізуються на промисловому машинобудуванні.

Серед напрямів підвищення ефективності системи внутрішнього контролю виокремлено можливість використання інноваційних технологій, що пов'язано з впровадженням хмарних технологій, штучного інтелекту, роботизації автоматизованих процесів, використанням безпілотників чи блокчейнів. Виявлено, що більшість компаній за кордоном орієнтовані на корпоративне управління ризиками.

Ключові слова: система внутрішнього контролю; управління підприємством; елементи системи внутрішнього контролю; ризик-менеджмент; роботизовані автоматизовані процеси.

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Международные подходы к организации системы внутреннего контроля на предприятии в цифровой эпохе

Аннотация. Целью проведенного исследования является анализ существующих подходов к организации системы внутреннего контроля, используемых для эффективного обеспечения деятельности предприятий в зарубежных странах и определение его влияния и возможности применения в отечественной практике. В ходе исследования было установлено, что все элементы системы внутреннего контроля тесно взаимосвязаны между собой и обеспечивают эффективное функционирование предприятия, предоставляя руководству достоверную и объективную информацию о его состоянии для принятия управленческих решений. Таким образом, международные подходы к организации системы внутреннего контроля на предприятии базируются на оценке контрольной среды функционирования предприятия наряду с проведением оценки рисков и осуществления мониторинга. Определены подходы к организации внутреннего контроля некоторых международных компаний, специализирующихся на промышленном машиностроении.

Среди направлений повышения эффективности системы внутреннего контроля выделены возможность использования инновационных технологий, связанных с использованием облачных технологий, искусственного интеллекта, роботизации автоматизированных процессов, использованием беспилотников или блокчейнов. Виявлено, что большинство компаний за рубежом ориентированы на корпоративное управление рисками.

Ключевые слова: система внутреннего контроля; управление предприятием; элементы системы внутреннего контроля; риск-менеджмент; роботизированные автоматизированные процессы.

1. Introduction

The modern development of economic relations at both the macro and micro levels is aimed at ensuring economic growth and improving the well-being of the population, which depends on the successful operation of each individual economic entity. At the same time, in the current conditions of growing competition, the effectiveness of the enterprise is affected by a large number of internal and external hazards, so the issue of high-quality organization of the internal control system has its relevance.

In the face of globalization changes, business owners are trying to maximize revenues and, at the same time, take a worthy place among competitors. However, in this matter, the issue of corporate internal governance belongs to an important place, which, unfortunately, requires improvement, primarily at the legislative level. In this regard, there are contradictions regarding the relationship between minor and major owners of joint-stock companies. In Ukraine, the interests of major owners are legally supported, while minor owners have practically no rights in relation to the regulation or control of the company's implementation of its activities for the adoption of management decisions on strategic development. At the same time, it is stated that in countries of Western Europe or the United States, even one percent of the shares gives the shareholder much broader ways of protecting their rights, and, accordingly, expands their influence on corporation policy (Newman, 2020). At the same time, it should be noted that the rights of minor and major shareholders are differentiated depending on the form of ownership of the company - a closed joint-stock company (closely held corporation) or a private company. Of course, to develop companies in the market of goods, products or services provided, it should be taken into account the existing relationship between minor and major shareholders and form a control system that would satisfy the interests of both as much as possible.

The very system of internal control in private and closed companies varies. The lack of control in private companies does not allow them to compete effectively in the market because investors must be sure that companies are reliable and able to operate in conditions of fierce competition.

Studies conducted in various foreign countries proved the importance of the application of the internal control system at the enterprise and 70% of the total number of bankrupt companies in the United States was revealed due to the lack of an effective internal control system (Mengmeng Luo, 2017).

2. Brief Literature Review

In foreign countries, special attention is paid to the organization of the internal control system. All enterprises from small to large international corporations and consortia in making management decisions are guided by data that comes from the internal control system. At the same time, it should be noted that scientific publications aimed at studying approaches to the organization of the internal control system are closely related to the issues of effective corporate governance. Among the foreign authors who study the problems of the formation and organization of the internal control system, the following can be distinguished: Gad (2016), Brown Pott and Wömpener (2013), Oseifuah and Gyekye (2013), Lingyu Wang (2019), Chen Xiaofang (2011), Kazazi, Ulubeyli and Evren Imre (2019), D. Olson, D. Wu Dash (2017), Mengmeng Luo (2017), Essaides (2019) and any others.

The internal control system in the company should cover and help to properly organize and control all the activities of the company. Thus, according to most authors, internal control is a comprehensive activity in financial and management accounting, as well as in strategic management of projects, operations, personnel and overall quality management.

Lakis and Giriūnas (2012) stressed that the most important thing is that internal control should not only cover all the company's activities, but also take into account its goals, aims and tasks in order to make its economic and commercial activities as efficient as possible.

In her research, Harrer (2008) emphasizes the formation of a high-quality internal control strategy based on the implementation of sufficient risk assessment, the formation of an effective information and communication program to ensure an increase in the company's performance. In addition, the author gives a special place in the formation of the internal control strategy of small and medium-sized monitoring firms.

3. The purpose of this study is to analyze modern international approaches to the organization of the internal control system.

4. Results

The organization of enterprises in foreign countries is carried out in different ways. This is preceded not only by the features of the macroeconomic development of the country, its position on the foreign economic market, but also by general national traditions, mentality, level of education, culture of the population, personal business strategy for the development of each separate enterprise, etc.

Most enterprises have a defined strategy, plans and policies to ensure that they operate as efficiently and productively as possible. These plans or operational activities are designed to monitor the company's assets, prevent fraud, minimize errors, confirm the accuracy and reliability of accounting data and facilitate the company's effective operation, ensuring compliance with established management practices. In practice, such measures can be combined into one system, which is now defined as an internal control system. Such a system is used by accountants and auditors to check the performance of the enterprise (corporation) by established legislation.

In Ukraine, internal control was usually used to verify, evaluate and check accounting, financial transactions, information and data, and to ensure the accuracy and reliability of financial statements. However, current trends in the development of internal control are gaining development using information technologies that provide more complete quality management.

An underdeveloped internal control system can have the most common consequences:

- loss of assets and resources;
- unauthorized use of resources;
- unintentional errors that lead to misrepresentation of information in the financial statements;
- loss of consumer and customer trust and loss of market share;
- inability to achieve your business goals;
- non-compliance with management decisions and enterprise management policies in general;
- failure to comply with regulatory requirements and rules for external inspections.

Internal control that is organized in enterprises should extend to administrative and operating systems. It is important to take into account that the goals of internal control systems are to achieve: organizational goals; operational efficiency; compliance with general regulations; protection of enterprise assets from waste, fraud, abuse and unauthorized use of resources; accurate and proper reporting and recording of income and data.

In 2002, the Sarbanes-Oxley Act (SOX) was passed in the United States, the main goal of which was to restore investors' confidence and ensure transparency in corporate accounting and financial reporting, companies that have or plan business relations with commercial partners and their foreign divisions, whose securities are listed on the US open market. The law strictly indicates the need for the introduction of internal control systems. When planning the internal control system of the enterprise, it is worth relying on the generally accepted reliability model, which consists of several stages (Figure 1).

According to the law, business managers must evaluate the internal control system, disclosing all its significant shortcomings in the appendices to the financial statements and suggesting measures to eliminate them.

The company's internal control system should cover the following core processes and perform the following tasks:

- 1) promote its effective and efficient functioning, allowing timely response to operational, financial and other risks to achieve the company's goals, which also primarily provides for protecting the company's assets from misuse or loss and fraud, as well as ensuring identification and management of obligations;
- 2) contribute to ensuring the quality of internal and external reporting, which involves maintaining appropriate records and monitoring processes that ensure timely provision of complete, reliable information for making managerial decisions;
- 3) according to Stock (1999), it should be promoted in compliance with current legislation, as well as internal business policies.

World practice shows that the application of the internal control system today is an objective necessity, dictated by the desire of enterprises to increase investment attractiveness and the possibility of successful business on the international market.

Let us look at some approaches to organizing internal control in international corporations. For example, the International Company Minebea Mitsumi, specializing in Mechanical Engineering

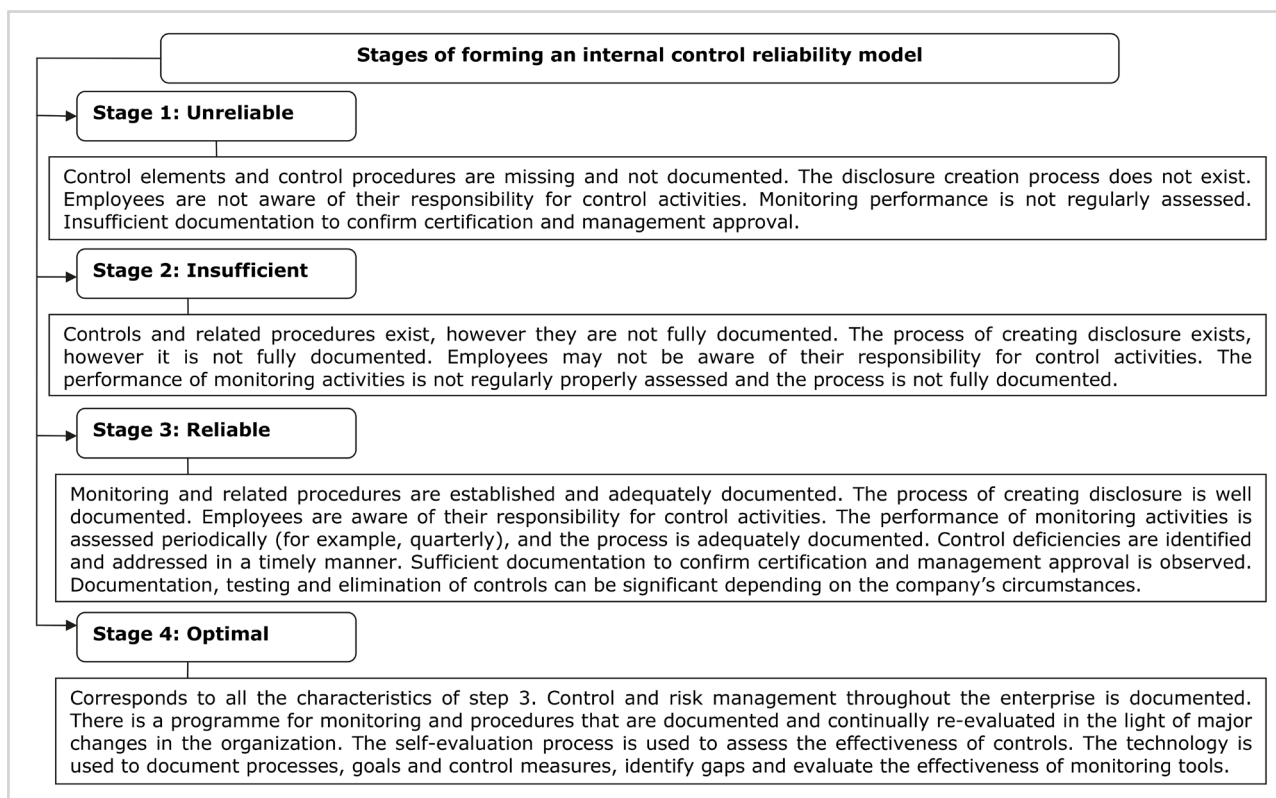


Figure 1:
Stages of forming an internal control reliability model
Source: Moving Forward - A Guide to Improving Corporate Governance
Through Effective Internal Control by Deloitte & Touche (2003)

and industrial equipment, founded in Tokyo in 1951, has a fairly extensive and versatile internal control system.

Practical experience in working and managing the company shows that such an internal control system ensures a high level of business management, strengthening corporate governance, taking into account social support of the personnel.

A distinctive feature of Minebea Mitsumi's internal control system is that management has approved a code of conduct to ensure the legality of their activities and fulfill their obligations to store and manage financial information related to ensuring the company's activities.

In addition, the Minebea Mitsumi group of companies has approved rules for risk management, which, in addition to the general principles of risk management on the part of management, also defines the specifics of organizing work to ensure internal control of individual risks that may arise within the framework of individual operations. The results of internal audits are regularly reported by the Risk Management Committee to the Board of Directors for effective management decisions.

Let us consider the quality of internal controls in advanced US industrial equipment companies. Among such companies are the following (Table 1).

Fiat and Chrysler are some of the most prominent names in the automotive industry. FCA US, LLC (in 2021, a future part of Stellantis company) employs 15,000 people. The company has 12 research and development centers and 35 factories in different regions.

Naval Surface Warfare Center, Crane Div. specializes in naval prototypes, electronic systems and special combat weapons. Its 123,000-square-foot facility is enough for its personnel numbering 5,000 military and civilian workers.

John Deere Waterloo Works is a major manufacturer of tractor transmissions, axles, gears, OEM components, chassis parts and tractor assembly. With annual sales of USD 100 million and 4,200 employees, the Waterloo business is a major hub in the Midwest.

General Motors Global Propulsion Systems is actively investing in the development of 4, 6 and 8-cylinder gasoline and diesel engines. It has about 4,000 employees. Today, the company is completing work on prototypes of automatic and mechanical transmissions for automotive, marine and industrial manufacturers.

Table 1:
Advanced industrial equipment companies, in USD million (2019)

Place	Name	City	Net revenues	Cost of revenues
1	FCA US, LLC (in EUR million)	Auburn Hills, Michigan	108,187	93,164
2	Naval Surface Warfare Center, Crane Div.	Crane, Indiana	32,079	29,827
3	John Deere Waterloo Works	Waterloo, Iowa	39,258	34,912
4	General Motors Global Propulsion Systems	Pontiac, Michigan	37,800	35,500
5	Rolls-Royce Corp.	Indianapolis	16,587	15,645
6	Lancer Corp.	San Antonio	19,520	17,251
7	GE Power Electronics, Inc.	Plano, Texas	20,510	18,630
8	Honda of America Mfg., Inc., Anna Engine Plt.	Anna, Ohio	18,230	15,420

Source: Compiled by the authors using information of Top 9 Industrial Machinery Manufacturers in the US (2020); Fiat Chrysler Automobiles N. V. and Subsidiaries Consolidated Income Statement (https://www.fcagroup.com/en-US/investors/financial_regulatory/key_financial_data/Pages/consolidated_income_statement.aspx); Department of the navy fiscal year (fy) 2019 budget estimates; Global net sales and revenues of John Deere from 2001 to 2019; Analysts expect over 2019 decreasing revenue John Deere, quite high dividend; General Motors; Honda Of America Mfg., Inc., Anna Engine Plt.; Akhmetshin et al. (2018)

Rolls-Royce Corp. is engaged in the production of cars and a fully electric aircraft. The company has 4,000 employees working on gas turbine engines that serve the civil and defense aerospace industries, as well as the marine and energy markets.

Lancer Corp, located in San Antonio (Texas), manufactures beverage spill equipment. Founded more than 50 years ago, Lancer Company has grown to 3,858 employees. With sales of USD 125 million, Lancer is mainly engaged in international distribution. They were bought by Hoshizaki Corp. in 2006 and are now a subsidiary of Hoshizaki.

GE Power Electronics, Inc. is a division of General Electric, specializing in manufacturing industrial and utility steam turbines, as well as generators and batteries.

Honda of America Mfg., Inc., along with Anna Engine Plt. in Ohio, manufactures Honda automobile engines and employs 3,200 people. In the summer of 2019, Honda announced plans to invest USD 15 million in the expansion of the plant, adding 74,374 square feet of production space.

The internal control system of the companies under consideration is primarily focused on the study of performance indicators in comparison with previous years.

The activities of the internal control system of selected companies are aimed at forming strategic guidelines and meeting the needs of shareholders, ensuring stable growth in the value of shares on the international market. In this aspect, the company independently chooses a specific set of resources, behaviours, procedures and actions that are adapted to its specific activities and the selected market segment. This selection makes it possible to:

- contribute to the monitoring of activities, the effectiveness of their implementation, the effective use of resources;
- enable the company to assess all significant operational, financial and compliance risks.

At the same time, more specifically, the system aims to provide:

- a) compliance with legislative and regulatory acts;
- b) execution of instructions and instructions provided by executive management or executive board;
- c) proper functioning of the company's internal processes, especially those related to the protection of its assets;
- d) reliability of financial information.

It is also worth noting that an effective model for managing a flexible internal control system includes:

- 1) determining the main parameters of cost centers and profit centers in time, and in the future, their comparison;
- 2) analysis of each process of the model with the construction of a model of such a process;
- 3) creating business processes and mapping financial flows;
- 4) reorganization of the system of interaction between different organizational divisions of the company as part of the adjustment of various processes during the current activity, if necessary (Akhmetshin, 2018).

In international practice, several elements of the internal control system are distinguished:

- control environment, which is a formation of principles and standards of internal control of the activities of a particular enterprise;

- internal control procedures, a set of actions aimed at minimizing the risks that the company may face;
- risk assessment-analysis of factors that create risks for the business and identification of tools for their management;
- information and communication, which is timely provision of the company's management with the necessary information for making managerial decisions and implementing internal control;
- necessary monitoring of control methods (Al-Zwyalif, 2015).

These elements should work closely together to provide the company's management with the necessary timely and reliable information that helps them make managerial decisions in a constantly changing external operating environment.

At the same time, the International ITOCHU Corporation uses an internal control system together with a corporate governance system in order to increase the transparency of the decision-making process and ensure the effective execution of operations, which includes monitoring functions. Every year, the corporation's internal control system is improved in order to enhance the accuracy and efficiency of information. The internal control system of ITOCHU Corporation is aimed at ensuring reliable financial statements, business performance, asset protection and compliance with current legislation on the implementation of activities.

Speaking about corporate governance in international companies, special attention should be paid to the interaction of the internal control system and the risk management system.

Risk management and internal control systems complement each other in controlling the company's activities:

1. The risk management system is aimed at identifying and analyzing the main risks of the company. Risks exceeding acceptable levels established by the company shall be considered and, as the case may be, subject to elaboration and subsequent preparation of a settlement action plan. Most often, such plans relate to the adaptation of the organizational structure.
2. The internal control system relies on the risk management system to identify the main risks that need to be controlled.
3. The risk management system should include controls that are part of the internal control system and are aimed at ensuring the proper functioning of the risk management system.

Foreign enterprises (corporations) focus on corporate risk management (Olson, Wu Dash, 2017), while domestic enterprises are more focused on traditional risks management (Table 2).

Olson and Wu Dash (2017) considered that foreign enterprises (corporations) focus on corporate risk management, while domestic enterprises are more focused on traditional risks management (Table 2).

Reno De Medici Group's internal control and risk management system refers to a set of procedures, organizational structures and related measures aimed at ensuring, through an adequate process of identification, measurement, management and monitoring of major risks, the right company.

The main objectives of the internal control system of the Reno De Medici Group are to:

- ensure efficient and efficient implementation of the company's activities;
- guarantee the reliability and accuracy of accounting and the safety of the company's assets;
- ensure compliance with the company's external and internal regulations.

The main elements of Reno De Medici Group's internal control system are:

- separation of roles and functions in the execution of key operations;
- continuous tracking of transactions;
- management of decision-making processes based on the most objective criteria.

Table 2:
Characteristics of traditional and corporate risk management (2017)

Characteristics	Traditional risk management model	Corporate risk management model
Threat assessment	each one is examined separately	considered in the context of the overall business strategy
Risk identification	separately	in the total risk portfolio
Orientation	on damp dipsticks	on critical risks
Orientation	risk reduction	risk optimization
Limited evaluation	defined by risk limits	defined by the risk strategy
Subjectivity	risks without owners	defined risk responsibilities
Analysis and practical assessment	quantifying the risk of randomness	monitoring and measurement
Approach to responsibility	«My responsibility»	«Everyone's responsibility»

Source: Olson and Wu Dash (2017)

A certain system is implemented through procedures, organizational structures and controls introduced by the Reno De Medici Group and the Group's operating companies regarding the most significant corporate processes in terms of risk.

The organization and functioning of the internal control system in the company is most often based on the following key principles:

1. Integration - consists in informing the management of the appropriate level of management about the identified significant violations of financial and economic activities with an analysis of their causes, shortcomings and weak points of control, about corrective measures that have either been taken or should be taken.
2. Continuity - consists in ongoing internal control at all levels of management, allowing the company to identify and analyze deviations in the internal control system in a timely manner and to prevent them from occurring in the future.
3. Methodological unity - consists in the unity of requirements and approaches for all divisions of the company.
4. Complexity - means that the control system operates at all levels and in all divisions of the company, covers all objects of internal control and areas of activity of the company and, accordingly, all emerging risks.
5. Responsibility - means that all employees and management at all levels of the company are responsible for the functioning of the internal control system within the limits of their authority.
6. Focus on risk management - internal control should be in close cooperation with the company's risk management system, which contributes to the timely and effective implementation of measures to influence risks. When conducting control procedures, both the magnitude and probability of risks should be evaluated, as well as the degree of their impact on financial results.
7. Optimality - means that the volume and complexity of control procedures used in the company are necessary and sufficient for effective risk management and achieving the set goals, which means that the cost - economic effect ratio must be met. The costs of implementing and further operating control procedures should not exceed the consequences of risk implementation, and the total level of residual risk should correspond to the permissible amounts established by the company.
8. Relevance and development - means that all documentation on the internal control system (risk description, control results, etc.) should be updated in a timely manner and constantly improved in order to improve the effectiveness of risk management. For the continuous development of the internal control system, the company's management must create certain conditions, since it is necessary to solve new tasks that arise as a result of changes in internal and external operating conditions.

Especially relevant in the formation of an internal control system at an enterprise in foreign countries is the issue of risk management. In modern conditions, this process should be comprehensive, systematic, aimed at ensuring the assessment of possible threats and identifying possible consequences of their action on the development of a particular enterprise.

The effectiveness of the enterprise control system depends on the ability of management to ensure the quality of accounting information generated at the enterprise and its reliability.

We believe that every management decision made at the enterprise should have a high-quality basis, which is formed precisely due to the presence of such information.

One of the goals of internal control is to ensure the reliability and integrity of accounting information. Therefore, the quality of internal control can play a vital role in improving the quality of accounting information, ensuring the safety of enterprise assets, reducing financial fraud and improving risk prevention capabilities, effective use of material, labor and financial resources.

Technological progress affects how organizations work. While the focus on transformation is often given priority to customers over operations, companies begin to realize that in order to have greater business resilience they must disrupt the organization (including internal control) comprehensively.

In modern conditions, companies are increasingly trying to adapt their strategies and business models to the use of innovative technologies in terms of ensuring control. To ensure the reduction of various types of loss risks internal control systems are increasingly used:

- cloud technologies (for quick data analysis and identification of possible violations);
- robotization of automated processes (use of bots for processing certain business processes and control with a high level of company activity);

- artificial intelligence (to check values, their accuracy and consistency with other documents);
- unmanned (to check the quality and quantity of assets in hard-to-reach places, such as high buildings or construction);
- blockchains (distributed books of cryptographically protected transactions in the network of supply chains, which reduce the risk of unauthorized changes in records).

The use of such innovations provides all stakeholders with high-quality information about the company's activities.

A study by the Hackett Group shows that financial executives are eager for intelligent automation to increase control while increasing their flexibility. Using tools, such as robotic process automation (RPA) and artificial intelligence analytics, they begin to automate compliance monitoring and remediation actions. They also use machine learning solutions to identify suspicious activities, identify emerging checkpoints, and continuously learn from experience.

Essaides (2019) says that the expected growth in the introduction of intelligent tools for automating internal control systems is predicted over the next two years. At the same time, he adds that the greatest impact of automated internal control systems will primarily affect the reduction of the number of necessary controls and the reduction of testing time. Practical studies of the introduction of elements of automated internal control systems have shown that the introduction of high-tech internal control tools can reduce production costs by 69%, and the number of employees - by 62%. At the same time, we should note the possible savings on external audit costs by 80%.

Speaking of large corporations or companies with many branches in different countries, such as John Deere, General Motors Global, Honda, Rolls-Royce Corporation, the internal control management system makes extensive use of robotic process automation (RPA) software, which is aimed at providing:

- control of operational processes performed by business units;
- evaluation carried out by business units along with proper monitoring of suppliers;
- modern realities prove the importance of expanding the functions of internal control in private campaigns, since it is the control of the environment of its functioning that ensures;
- strengthening accountability across all organizations;
- reducing the risk of fraud;
- improving processes and financial reporting;
- more efficient operation of the board of directors.

Kloch and Little (2019) find that blockchain technologies for organizing internal control become widespread, allowing company management to focus more on problems related to company security, manage existing risks, and then form a strategy for improving operations.

In order to facilitate the effective implementation of the internal control system based on comprehensive risk management and the implementation of digitization tools, we propose the following:

1. Continuous awareness-raising among managers in terms of risk management, which is possible by improving the risk management concept of the management team, conducting training and trainings on advanced innovations in the organization of the internal control system. In addition, when developing appropriate internal control regulations at the enterprise, the responsibility of the heads of individual departments should be clearly defined, as well as measures should be taken to increase the responsibility of each individual employee to meet the requirements of internal control and promote the strong development of internal control.
2. Formation of a high-quality corporate culture, optimization of the internal control environment. A healthy corporate culture can have a positive impact on internal controls. Small and medium-sized enterprises can create a comprehensive concept of risk management and involve all personnel in the performance of control functions. Thus, the efficiency of the enterprise will increase, and the risks will decrease. The level of management decision-making will be ensured by clear and timely information provided by improving the internal control environment throughout the enterprise.
3. Building a rational organization. The organizational structure should have clear authority and responsibility for the work of various units and posts, which can be achieved through a high-quality incentive and deterrence mechanism, rules of democratic governance, a transparent decision-making process, a clear and effective system for implementing decisions and tasks, and the reliability and effectiveness of the monitoring system. To ensure the effective implementation of

the internal control mechanism, companies can establish a dedicated internal management unit to carry out internal control responsibilities, which will guarantee smooth implementation of internal control over functions.

4. Creating a reliable internal control system based on comprehensive risk management. Firstly, by improving the overall risk management control system to help managers prevent corporate financial and other risks. Secondly, by installing an internal verification sound system. The need to create internal Deterrence Systems, which includes an internal audit system, a financial approval body, a signature combination system, cost analysis and a financial accounting system. Thirdly, by regulating the construction of the business process. Small and medium-sized manufacturing enterprises should sort all aspects of their business and use a unified process specification to manage business processes using cutting-edge innovative technologies, RPA software and blockchains.
5. Introduction to the use of modern innovative internal control tools that save time and resources (labor, material, financial) for the implementation of internal control and risk assessment procedures and contribute to improving the efficiency of the company's activities and stabilizing its position in the market.

5. Conclusions

The results of the conducted research prove the need to organize and continuously improve the internal control system at enterprises. The considered international approaches to the organization of an internal control system are focused more on risk management and constant monitoring of the market to identify potential threats to business, as well as the possibility of implementing innovative digital solutions in risk management and developing internal control through the use of blockchains, robotization of automated processes, artificial intelligence or drones. Therefore, the identified features made it possible to form a number of proposals for improving risk management at enterprises as one of the elements of the internal control system.

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