PROCESS AND RISK-BASED PRINCIPLES OF INTERNAL CONTROL IN THE ORGANIZATION'S MANAGEMENT SYSTEM

INTRODUCTION

The legislation in the field of control and supervision is currently focused on the maximum possible reduction of the control burden on business entities and non-profit organizations due to the introduction of a risk-based approach. In this regard, legislation on internal audits of business entities is being actively developed, which allow them to independently and without the involvement of third-party organizations to control various aspects of their activities. Nevertheless, the importance of studying this issue is dictated, from our point of view, by the following problem: modern Russian legislation does not fully correspond to the trends of the time and does not reflect the concept of internal audit as a complex, complex system operating on the basis of a process and risk-oriented approach. The simple reduction of control in the organization to the annual analysis of accounting reports leads to the bureaucratization of the procedure, reducing its efficiency and effectiveness.

MATERIALS AND METHODS

The information base of the research is data obtained from open sources: legal systems (Garant, Consultant Plus, etc.); websites of public administration bodies; electronic libraries, etc. The author's research was also used in the work. The methodological basis is the methods of theoretical (analysis, synthesis, induction, deduction, etc.) and empirical research (questionnaires, surveys, etc.).

RESULTS

Control and supervisory activities will only achieve their goals and objectives when a systematic, integrated approach is implemented. E. V. Shchipanskaya (2019) believes that modern management or quality management systems of an enterprise should provide for a chain of events, including planning (including assessment and identification of critical risks), organization, control and updating of the control system. This approach creates a closed loop, or process, and is characteristic of the process management of the enterprise, as shown in Figure 3.

At the same time: planning includes an assessment of the need for control measures, including risk assessment, the creation of risk maps or matrices, and an assessment of their potential consequences. Organization is the preparation of events. Control is the very process of conducting, drawing up final reports, identifying violations. Control, according to E. V. Shchipanskaya (2019), is an effective feedback mechanism that allows one to identify shortcomings or errors in the existing system. Actualization is changes in approaches to monitoring the results of the activities carried out, the development of new areas of activity.
The process approach is implemented in quality management systems (hereinafter referred to as QMS), the relationship of which with the internal control system in the literature has not yet been resolved. Thus, Kolodin (2017) considers these systems as different, albeit in some way related, since, on the one hand, control is often formal (“goes to the stage of bureaucratization”). On the other hand, the quality management system does not indicate exactly what problems or risks were realized, what was their damage, respectively, the algorithm for minimizing them in the future is not always clear. E. V. Shipanskaya herself believes that the QMS in the case of modern approaches to the organization can be a broader concept, that is, it includes both control and risk management methodology for a particular enterprise as systems. “The modern QMS, which is already commonly called a system of quality management, in a certain sense, develops from a narrowly functional system into a general management system, and in this status it can include control and risk management” (SHCHIPANSKAYA, 2019).

According to this, we can talk about a process approach that applies to the control and supervisory activities of enterprises. The process approach in quality management systems is first implemented in the ISO Quality Management Standards, which include the following standards: ISO 9000-basic, fixes the main provisions of the quality management of the enterprise, references to it are present in other standards. ISO 9001-contains more specific requirements for the development and implementation of quality management systems, including a process approach or Plan/Do/Check/Act. ISO 9004 is methodological recommendations for improving the effectiveness of quality management systems, while this document is not a requirement and is not suitable for certification (it should be based on the requirements set out in ISO 9001. In addition, there is an ISO 19011 document-requirements for the control or audit of quality management systems. Let’s look at its text in more detail. First, a three-pronged approach to the organization of audit activities is striking, while:

- first-party audit is an internal audit system of the organization itself, the modern approach recommends that organizations include an internal audit system or at least an internal auditor in the organizational structure;
- second-party audit is an audit of concerned organizations (suppliers, contractors, etc.);
• third-party audits, which are usually audits of the state control or other independent institutions.

The document establishes the concept of "Audit Criteria" as a set of policies, procedures or requirements used as a reference, in relation to which audit evidence obtained during the audit is compared. It is established that they may include mandatory legal requirements – in this case, the rating will be "is compliant with" or "is not compliant with". The document itself indicates the requirements for auditors, who must have special knowledge in the field of audit, as well as knowledge of the legislation and language of the country where they perform their functions. There is also the concept of "competence" as the ability to apply knowledge, skills and abilities in the field of activity. The document establishes the following principles of internal audit systems in quality management systems.

Table 1. Principles of internal audit (internal control) in quality management systems based on GOST 19011

| Principle          | Essence                                                                 |
|--------------------|-------------------------------------------------------------------------|
| integrity          | Auditors are required to perform their actions honestly, impartially, responsibly, in accordance with the legislation and the auditor's code of honor. The importance of the professionalism and competence of the auditors is also noted. |
| fair presentation  | The conclusion of the auditors should be made without any external influences; therefore, there is a question of minimizing the conflict of interests in this area. |
| due care           | It implies thorough verification of all the necessary factors to exclude the possibility of professional error; this provision is largely related to the competence and professionalism of the auditors, as well as to the personal qualities (scrupulousness, attentiveness, perseverance) that help in the work. |
| confidentiality    | The auditor is obliged to keep the information obtained during the audits, including legally protected commercial and other equivalent secrets. |
| independence       | The situation is associated with the possibility of a conflict of interest, and therefore the selection of auditors should be carried out strictly in accordance with the principles of avoiding this conflict. |
| evidence-based     | All data should be verifiable and based on a sample of information obtained from periodically reproduced audits of the organization. |

Source: GOST ISO:19011/2012.

Currently, the following State All-Union standard - State All-Union standard R No. 56577-2015 "Quality management systems of government bodies" also applies to public administration bodies. Requirements" (http://docs.cntd.ru/document/1200124219). Introduced in May 2016. In addition to other provisions, this standard fix the following important concepts for this topic.

The risk of the authority is the possibility of an adverse event due to the activities of the authority, which can lead to negative consequences. The quality management system of a government body is a system of interacting elements of the quality management structure that allow this body to provide its own policy and goals for managing the quality of services provided to the population, and to achieve these goals.

The standard sets out the key data for analyzing the effectiveness of the quality system, and among the input data, the results of the internal audit and self-assessment of the organization are listed. Provision 8.2.2. of the standard under consideration is devoted to these methods of assessing the effectiveness of the QMS. It is noted that internal audits are a tool for determining the level of compliance and effectiveness of the quality management system of the authority in accordance with the planned goals and requirements of the consumer, as well as obtaining valuable information for continuous improvement of activities. The authority should plan for regular internal audits, considering the status, significance of processes and sites, as well as the results of previous audits.

Efficiency and impartiality are singled out as the principles for selecting auditors, but given that GOST contains a reference to GOST ISO 19011/2011 [13], it can be concluded that the provisions discussed in Table 2 also apply to audit in the system of public administration. This document does not discuss the principles of internal audit in more detail. At the same time, although the standard emphasizes that the QMS audit is not the same concept as the internal audit of the organization as a whole, referring to the opinion of a number of scientists A.M. Viktorov (Viktorov, 2017); M. V. Melnik (Melnik, 2017); E. V. Shipanskaya (SHCHIPANSKAYA, 2019), these systems can and should be integrated into each other.
Thus, E. V. Shipanskaya considers the process approach as a system of "processes, which can also be considered as an independent system, but not as a management system, but as the basis for management systems, including QMS, control systems, and risk management" (SHCHIPANSKAYA, 2019). As can be seen from the above data, one of the important components of the control system is a risk-based approach, which is the basis for the long-term strategic development of the Russian Federation.

In the future, the risk-based approach should become universal, the Decree says. The mechanism for the formation and implementation of the annual plan for conducting scheduled inspections of legal entities and individual entrepreneurs will be adapted to it. However, the modern management doctrine has not yet developed a consensus on the concept of a risk-based approach. They are mainly related to the concept of the very concept of risk, which some scientists consider as a potential threat; others - as an uncertain situation, the outcome of which is unclear for the company. In this regard, we will consider the essence of risk management or risk-based approach proposed by the authors in the modern practice of companies (Table 2).

Table 2. The essence of risk management of the risk-based approach in modern management theory

| Author, year | Description of the concept |
|--------------|----------------------------|
| L. Y. Maisigova (2014) | "The essence of the risk-based approach is that the planning of internal control activities (of the enterprise) is organized in pre-defined areas of significant risk". The author suggests that the concept of risks is based on the separation of significant risks from non-essential ones. |
| V. M. Bezdenzhnykh, K. A. Protasov (2016) | An approach to the management of an organization, the essence of which is to timely identify risks that can damage the financial and economic activities of the enterprise, contributing to a drop in its profits and a decrease in the overall efficiency of management. The authors associate risk management with their maximum possible minimization (reduction). |
| Korolkova E. M. (2016) | An approach based on a subjective assessment of the possible consequences of the occurrence of a situation of uncertainty (risk). To do this, you should understand: - the level of risk is an assessment of the totality of the considered consequences; - risk measure-a quantitative expression of such an assessment. The author notes that risk minimization is not always the best way of risk management, since uncertainty can have both negative and positive or zero consequences for a particular enterprise, and insists on a comprehensive approach to risk management. |
| V. V. Omelchenko (2019) | Provides a definition in the context of external SFC entities. This is an approach based on the assessment of the uncertainty of objects or control processes, including the identification (recognition, identification) and risk assessment. It implies the use of probabilistic and fuzzy (vague) |
| Ali A. J. (2020) | The risk-based approach in the financial sphere is an approach that is based on the fact that "it is necessary to consciously identify and calculate all possible risks that can lead to minimizing profits and reducing the efficiency of the enterprise. It is important to discover and understand what is the first obstacle to finding the best way to neutralize the negative impact. That is, the author also insists on a comprehensive approach to risk management: assessing the likely consequences of its occurrence, assessing the risk as a threat or as an opportunity, identifying critical and acceptable risks. |

Source: Compiled by the authors on the basis of a study of modern literature.

In general, we can say that the essence of the enterprise risk management system is still ambiguously accepted by scientists. This ambiguity is also visible in the regulatory documents of risk management. So, the COSO internal control model, developed by the American Committee of Sponsors of the Treadway Commission (COSO) in 1992, is essentially based on the concept of risk minimization. In addition, it connects the process and risk-based approaches through a methodology for identifying and assessing risks based on the study of the organization’s business processes and information about failures in the implementation of its development strategy, as well as quantitative and qualitative assessment of deviations from the declared regulatory indicators (KOROLKOVA, 2016). At the same time, the FATF international anti-corruption standards, which oblige each state to develop its own national risk management policy and strategy, nevertheless provides a more flexible definition: "where
countries have identified higher risks, they should ensure that their Internal Regulations on Counteraction of Legitimization of Proceeds of Crime and Financing of Terrorism regime adequately responds to them. Where countries have identified lower risks, they may decide to apply simplified measures to some of the FATF Recommendations under certain conditions" (FATF, 2019). In other words, the risk management system should in one way or another be based on risk assessment, identifying risks that are significant, non-essential, or carry opportunities for development. Consider the existing concepts of the risk-based approach more carefully (see Figure 3).

**Figure 2.** Risk-based approach concepts

![Risk-based approach concepts](source)

At the same time, E. M. Korolkova (2016) insists on the need to combine all three of these approaches, depending on the analysis and assessment of risks of a particular enterprise, and therefore the methodology of risk assessment is given sufficient attention in the literature today. At the same time, the position of the legislator on this issue is as follows - the only definition of a risk-based approach is given in Article 8.1 of the Law on the Protection of the Rights of Legal Entities and Individual Entrepreneurs in the Process of State Control: this is "a method of organizing and implementing state control (supervision), in which, in the cases provided for by this Federal Law, the choice of intensity (form, duration, frequency) of control measures, measures to prevent violations of mandatory requirements is determined by the attribution of the activities of a legal entity, an individual entrepreneur and (or) production facilities used by them in carrying out such activities belong to a certain risk category or a certain class (category) of danger. In addition, according to Part 5 of Resolution No. 806 (http://www.consultant.ru/document/cons_doc_LAW_203819/17.12.2020 the list of risk categories or hazard classes and the criteria for assigning objects of state control (supervision) to them are based on the need to minimize harm to legally protected values with optimal use of the resources of the state control body. It should also be noted that the risk-based approach in modern state control can achieve the following effects:

- it forms the basic principles and approaches of financial control of companies at the state level;
- it forms a system of control and risk management;
- it forms a general algorithm for risk assessment in the state financial control;
- it allows one to differentiate acceptable risks from risks of increased threat level.

**Source:** Korolkova (2016)
CONCLUSION
Thus, it can be concluded that, although the concepts of quality management system, internal control system and risk management system are not equivalent concepts, they are nevertheless closely related and interact with each other.

The process approach in the field of quality management is understood as a system of "processes, which can also be considered as an independent system, but not as a management system, but as the basis for management systems, including QMS, control systems, and risk management". The principles of the process approach applied to the audit in the quality management system are integrity, impartiality, professional prudence, independence, confidentiality and verifiability of data.

The risk-based approach in modern legislation is understood as a method of organizing and implementing state control (supervision), in which the choice of the intensity (form, duration, frequency) of conducting control and supervisory measures is determined by the assignment of the activities of the object of control to a certain risk category or hazard class.

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Resumo
Os principais critérios para uma gestão empresarial bem-sucedida são eficiência e eficácia, e o controle como uma das funções de gestão, na verdade, visa garantir-lhes. Ao mesmo tempo, o moderno sistema de controle interno muitas vezes vai além da regulação financeira e se torna uma única entidade com os sistemas de gestão da qualidade da organização, proporcionando monitoramento da eficiência e eficácia de todos os processos de negócios. A relevância das questões de controle interno aumenta devido ao crescimento da instabilidade econômica e ao surgimento de novos riscos. Ao mesmo tempo, atualmente não existe uma prática eficaz de implementação de sistemas de controle interno baseados em abordagens baseadas em processos e baseadas em riscos, e o escopo de regulação desses processos difere tanto na natureza metodológica (recomendatória) dos próprios atos quanto na inconsistência de seu conteúdo.

Keywords: Internal control system. Risks. Audit. Process and risk-oriented approaches. Risk management.

Palavras-chave: Sistema de controle interno. Riscos. Auditoria. Abordagens orientadas a processos e riscos. Gerenciamento de riscos.

Abstract
The main criteria for successful enterprise management are efficiency and effectiveness, and control as one of the management functions, in fact, is aimed at ensuring them. At the same time, the modern system of internal control often goes beyond financial regulation and becomes a single entity with the quality management systems of the organization, providing monitoring of the efficiency and effectiveness of entire business processes. The relevance of internal control issues increases due to the growth of economic instability and the emergence of new risks. At the same time, there is currently no effective practice of implementing internal control systems based on process-based and risk-based approaches, and the scope of regulation of these processes differs both in the methodological (recommendatory) nature of the acts themselves and in the inconsistency of their content.

Keywords: Internal control system. Risks. Audit. Process and risk-oriented approaches. Risk management.

Palabras-clave: Sistema de control interno. Riesgos. Auditoría. Enfoques orientados a procesos y riesgos. Gestión de riesgos.