

Internal Audit as a Tool to Improve the Efficiency of Enterprise Management

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Abstract: *The article examines the role of internal audit as a tool for improving management processes in modern companies. The relevance of the stated topic is due to the increasing need of business structures for effective control mechanisms, optimization of management decisions (in conditions of economic instability, various kinds of shocks, crisis manifestations). The purpose of the work is to systematize theoretical provisions and practical recommendations on the integration of internal audit into the management system of business entities. During the analysis of existing approaches when writing the article, a contradiction was revealed between the significant potential of internal audit procedures and their insufficient use in practice, which is due to the lack of a systematic approach to the organization of activities, as well as an incomplete understanding of their capabilities by the management of enterprises. Based on the conducted research, it was possible to conclude that a well - designed audit system helps to prevent a significant part of management risks, significantly increase the effectiveness of business processes, provided that they are correctly positioned in the organizational structure, as well as the competent application of modern technological developments (which is emphasized in the form of an exposition of the author's view regarding the advantages and limitations of innovations). The materials of the article are valuable for company executives, specialists in the field of internal audit, risk management, management accounting, as well as researchers who are interested in improving corporate governance systems.*

Keywords: auditing activities, business processes, internal audit, control procedures, corporate governance, risk management, managerial efficiency, economic security

1. Introduction

In a dynamic economic environment, internal audit has transformed from a formal control mechanism into a powerful tool for improving management processes. In this context, it is crucial to highlight the key aspects of its organization and its impact on the performance of modern companies.

The research problem lies in the fact that today enterprises face the need to find truly effective tools for enhancing management efficiency while simultaneously reducing risks and optimizing costs. Despite the obvious importance of internal auditing procedures, there is a gap between their potential capabilities and actual application in practice. This is due to an insufficient understanding of integration mechanisms within the system and the lack of clear methodological guidelines for evaluating effectiveness. Additionally, there is a growing need to resolve the contradiction between the increasing demand for modern management control tools and the underutilization of the potential of internal audit by contemporary enterprises.

2. Methods and Materials

In preparing this article, comparative analysis, statistical data processing, systematization, and generalization were employed. The issues related to the topic are discussed in numerous materials and publications, which can be categorized into several groups based on their focus on theory, methodology, management, and digitalization.

The first group includes works dedicated to the theoretical and methodological foundations of internal audit organization. In his article, A. S. Zelenin [5] describes relevant conceptual principles, emphasizing the systematization of audit procedures in modern companies. A similar approach is demonstrated by J. E. Khalilov, who

highlights the importance of internal audit in corporate governance [9].

Another group of publications focuses on the digitalization and transformation of the field. A. S. Akimov [1] analyzes how digital developments are transforming audit activities, making them more integrated with risk management and internal control processes. I. F. Vetrov and M. V. Melnik [2] consider professional standards as a key component of transforming control and audit; they rightly argue that the introduction of new technologies requires a revision of the competencies of specialists.

A further group of works addresses the nuances of managing processes. A. N. Dodonov [3] focuses on the leadership qualities of internal audit department heads, who act as consultants. L. P. Dranenko [4] draws attention to the key tools for regulating the functioning of business entities, assigning internal audit a pivotal role. These approaches show that the field is viewed not only as a control function but also as a strategic element.

Some studies emphasize a risk - oriented perspective. E. Yu. Khusainova and T. Zh. Suranaev [10] point to the importance of using an approach that allows for the effective evaluation and minimization of risks within internal audits. L. N. Sorokina and A. Saifi [8] describe the prospects for risk management in terms of protecting control systems, which also ties into the need for risk management.

Finally, the results of a study on the current state of internal audit in Russia in 2023 [7] show that although there has been an increase in the use of digital technologies, many companies have yet to fully integrate these solutions into their practices.

The review of the publications suggests that there are certain contradictions in the approaches to internal audit. Some

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authors emphasize the need for complete digitalization of processes, while others advocate for preserving traditional methods (particularly leadership and consulting). Furthermore, the issue of practically integrating risk-oriented methods with digital tools remains underexplored and requires further scientific research.

3. Results and Discussion

Turning to the essence of internal audit, it should be noted that it represents an independent expert - analytical activity focused on evaluating the effectiveness of the business processes of an economic entity. Unlike external audits, the emphasis in this practice is on the specifics of the organization, allowing specialists to identify hidden reserves for productivity improvement [2, 5, 9].

Practice shows that a well-structured internal audit system helps prevent up to 80% of potential losses associated with inefficient resource utilization and various management errors [4].

Regarding organizational specifics, the effectiveness of the processes described in this article directly depends on the structural positioning within the organization. The optimal solution is the creation of a separate department reporting directly to the board of directors or business owners. Such positioning ensures the independence of judgments along with impartial evaluations.

Figure 1 presents the key areas of activity for internal auditors (Fig.1).

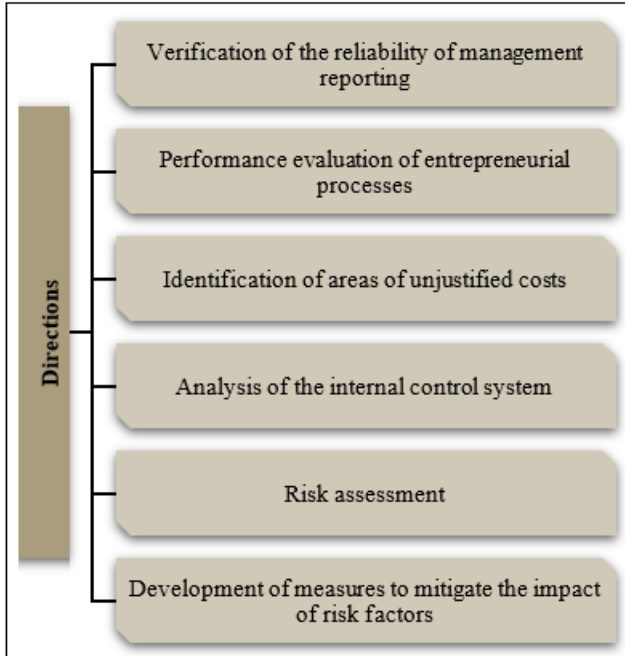


Figure 1: Systematization of the activities of internal auditors [3, 10]

It is worth emphasizing that functionally, modern internal audit relies on a risk-oriented approach, whereby resources are primarily directed toward investigating the most critical areas for the business. This approach allows focusing efforts on preventing significant losses and enhancing the

effectiveness of key processes. The specific actions are represented by the following steps:

- Conducting a preliminary analysis of documentation;
- Interviewing employees;
- Observing production processes;
- Testing control procedures;
- Analytics;
- Spot checks of operations.

Digitalization has significantly expanded the toolkit of internal audit. The use of specialized software allows achieving multiple beneficial effects (Fig.2).

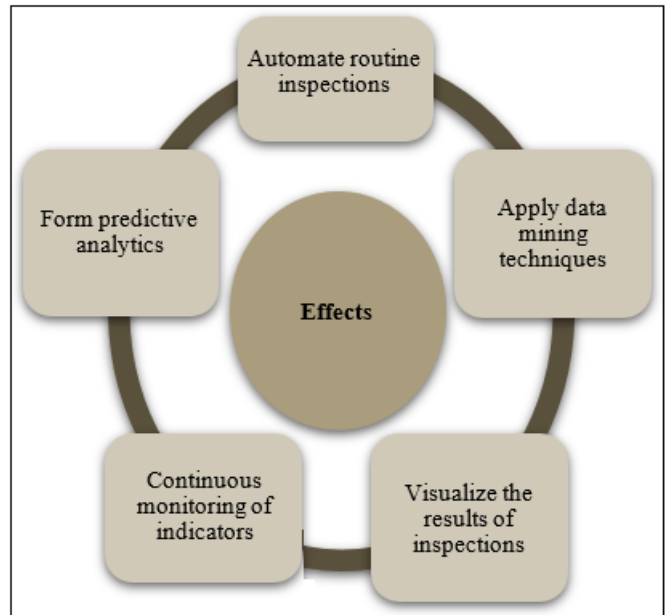


Figure 2: Highlighting the key effects of using specialized software in the framework of internal audit [1, 7, 9]

It is advisable to refer to the results of the study conducted in 2023 by the "Institute of Internal Auditors" Association and the "Technologies of Trust" organization. As shown in the diagram (Fig.3), approximately half of the respondents indicate that their companies have not yet employed specialized software for internal audit purposes.

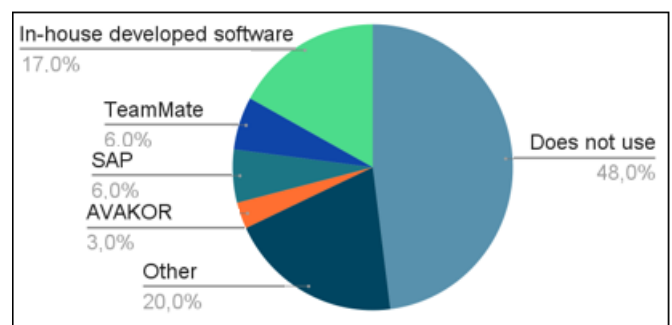


Figure 3: Application of specialized software (survey results of respondents), % [7]

Research shows that investments in this type of audit typically pay off within 1.5 - 2 years [5]. The main sources of economic benefits are represented by the following factors:

- reduction of production losses;
- optimization of costs based on identified reserves;
- prevention of financial fraud;
- improvement in the accuracy of management decisions;

- reduction of risks related to fines and penalties.

It appears that the future of internal audit is linked to its growing role in the strategic management of economic entities. Internal audit professionals are increasingly acting

not only as controllers but also as consultants who assist management in building effective business models.

Among the promising directions, the following vectors are worth highlighting (Fig.4):

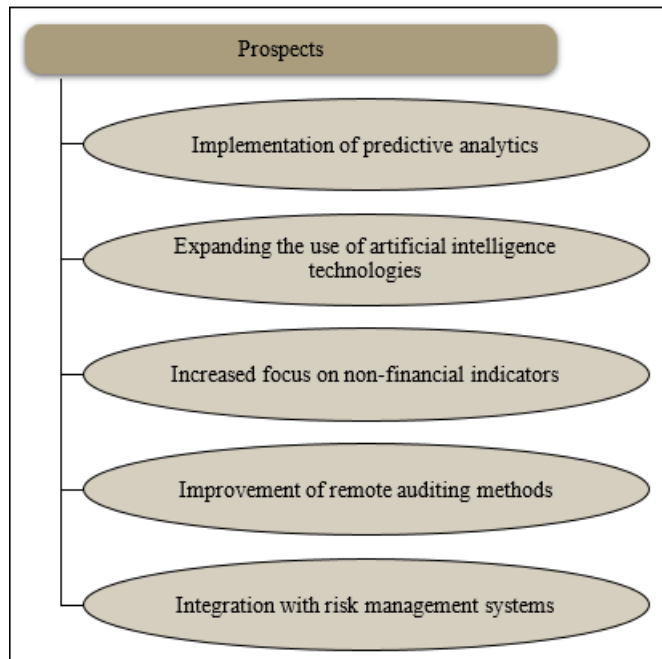


Figure 4: Identification of promising vectors for the development of internal audit [6, 8, 10]

Given the aforementioned future - oriented guidelines, the issue of implementing innovations becomes relevant, serving as a key element in improving enterprise management efficiency. Modern technologies and approaches significantly

enhance control processes, risk assessment, and decision - making. In this regard, Table 1 presents the author's perspective on the essence, advantages, and limitations of innovations that are transforming internal audit.

Table 1: Characteristics of innovative developments from the standpoint of internal audit (compiled by the author)

Innovation	Essence	Advantages	Limitations
Artificial Intelligence, Machine Learning	Use of AI in big data analysis, automation of repetitive processes, risk prediction.	Increased accuracy of analysis, reduced time for routine tasks, identification of latent risks.	High implementation costs, staff training, need for adaptation to business specifics.
Automated Reporting	Implementation of automated systems for real - time reporting and management.	Reduced errors, shortened information processing time, improved transparency.	Significant financial investments in infrastructure, software.
Big Data, Analytics	Analysis of large data volumes to detect anomalies and potential risks.	Ability to process vast amounts of information quickly, improved forecast accuracy.	Complexity in setting up analytical systems, need for highly qualified personnel.
Cloud Technologies	Use of cloud platforms for data storage and processing, providing access from anywhere in the world.	Increased data availability and mobility, reduced physical storage costs, flexible scalability.	Security and privacy risks, dependence on internet connection quality.
Blockchain	Distributed ledger technology ensuring high security and transparency in auditing transactions.	Enhanced data security, prevention of data manipulation, complete transparency of operations.	Labor - intensive implementation, high costs, limited applicability for all data types.

Thus, the innovations under consideration possess a high potential for significantly improving the effectiveness of audit functions. However, they require substantial financial investment, staff training, and careful adaptation to the specifics of business operations. Artificial intelligence and automated reporting greatly facilitate the work of specialists; however, the implementation of such technologies demands a high level of preparation and relevant skills for interacting with these new systems.

4. Conclusions

Internal audit has established itself as an effective tool for improving the management system of business entities. Its effectiveness is determined by the combination of a deep understanding of the business's specifics with the independence of judgments and the use of modern analytical methods. When properly organized, it becomes a "catalyst" for positive changes and transformations within the company, contributing to the improvement of the performance of all business processes.

The article emphasizes the characteristics of innovations in internal audit, which offer broad and diverse opportunities for the modernization of organizational management in the future (through process optimization and improved data analysis quality).

However, it is essential to take into account the limitations and various integration challenges associated with these technological developments to ensure that their implementation in practice is both successful and justified.

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