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INTERNAL AUDIT OF ENTERPRISE COSTS

Introduction. Restaurant enterprises are an important sector in the formation of the national economy, which ensures the safety of the population's consumption in food and contributes to the gross domestic product and tax revenues to the state budget. At the same time, the economic activity of restaurant enterprises is accompanied by the commission of a significant number of offenses related to the manipulation of costs. An effective tool for ensuring proper oversight of costs and counteracting economic violations and abuses is internal audit.

Problem. Effective internal audit of costs of restaurant enterprises requires the development of an audit process model that reflects the most significant tasks and the sequence of their implementation by an internal auditor.

The aim of the article is development and substantiation of the internal audit model of enterprise costs on the process approach basis.

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ВНУТРІШНІЙ АУДИТ ВИТРАТ ПІДПРИЄМСТВА

Вступ. Підприємства ресторанного господарства є важливим сектором національної економіки, що забезпечує потребу населення у харчуванні та робить внесок у формування валового внутрішнього продукту і податкових надходжень до державного бюджету. Водночас, господарська діяльність підприємств ресторанного господарства супроводжується значною кількістю правопорушень, пов'язаних з маніпулюванням витратами. Дієвим інструментом забезпечення належного контролю за витратами та протидії господарським порушенням і зловживанням є внутрішній аудит.

Проблема. Ефективне проведення внутрішнього аудиту витрат підприємств ресторанного господарства потребує розроблення моделі аудиторського процесу, що відображатиме найбільш суттєві завдання та послідовність їх виконання внутрішнім аудитором.

Мета статті – розроблення та обґрунтування моделі внутрішнього аудиту ви-

Methods. Such methods of theoretical and empirical research as dialectical, induction, deduction, analysis, synthesis, abstraction, and extrapolation were applied. Methods of building analog models, and system and structural were used for building a model of the internal audit process of enterprise costs.

Results. Based on the study results, the theoretical foundations for structuring the internal audit process of the restaurant business costs have been improved by developing a model that, as part of the organizational and preparatory stage, provides for the implementation of hypotheses and versions of violations with costs, the risk of which arises in the business processes implementation of enterprises: the supply and posting of raw materials and purchased goods, cooking, drinks and their sale. A list of versions of violations that cause information distortion about the restaurant business costs is proposed.

Conclusions. The developed model of the internal audit process of restaurant enterprise costs will contribute to the internal audit improvement of costs in terms of time, labor intensity and increase the probability of detecting illegal actions in case of their presence.

Keywords: internal audit, costs, model of the internal audit process.

Jel Classification: M42

Introduction. Restaurant enterprises are an important sector of the national economy, which, on the one hand, provides the population with food needs, and on the other hand, contributes to the formation of gross domestic product and the tax revenues to the state budget. In the current economic conditions, significantly complicated by the consequences of the COVID-19 pandemic and the war in the country, the efficiency of any restaurant business is determined by the achieved level of profitability. Expenses are a factor that directly affects the profitability level of any enterprise, determines the financial result of economic activity and the same possibility of functioning in the market of a business entity. At the same time, the manipulation of expenses is a tool for committing a significant number of economic offenses: theft of property, fraud with financial statements, understatement of the taxable base with income tax, etc. Internal audit is an effective tool for ensuring proper control over costs and counteracting economic violations and abuses.

Problem. Conducting an internal audit of activity costs is especially important for business companies, associations of business companies, network enterprises, where there is a significant probability of information

трам підприємства ресторанного господарства на засадах процесного підходу.

Методи. Застосовано методи теоретичного та емпіричного дослідження: діалектичний, індукції, дедукції, аналізу, синтезу, абстракції, екстраполяції – для аналізу наукової літератури; побудови аналогових моделей, системно-структурний – для побудови моделі внутрішнього аудиту витрат підприємства.

Результати дослідження. За результатами проведеного дослідження вдосконалено теоретичні основи структуризації внутрішнього аудиту витрат підприємства ресторанного господарства шляхом розроблення моделі, яка у межах організаційно-підготовчої стадії передбачає імплементацію гіпотез та версій порушень з витратами, ризик вчинення яких виникає під час здійснення господарських процесів підприємств: постачання та оприбуткування сировини і покупних товарів, виготовлення страв, напоїв та їх реалізації. Запропоновано перелік версій вчинення порушень, які зумовлюють викривлення інформації про витрати підприємства ресторанного господарства.

Висновки. Розроблена модель внутрішнього аудиту витрат підприємства ресторанного господарства сприятиме вдосконаленню внутрішнього аудиту витрат за часовим параметром, трудомісткістю та підвищенню ймовірності виявлення неправомірних дій у разі їх наявності.

Ключові слова: внутрішній аудит, витрати, модель внутрішнього аудиту.

distortion due to large financial flows and the risk of abuse by hired management. The effective conduct of an internal audit of PRG costs requires the development of the audit process model, which will reflect the most significant tasks and the sequence of their execution by the internal auditor.

Analysis of recent research and publications The theory and practice of internal audit were studied by both domestic and foreign scientists, in particular T. Kamenska, A. Korkushko, L. Kushnir, N. Spitsyna, S. Kravtsova, A. Shot, A. Yanchev, D. Shekhovtsova [1–5]. Scientists, who are studying internal audit based on the process approach mainly focus on the development of methodological procedures for its implementation in relation to various objects, which are most often corporate governance, risks, internal control, fraud. [1–4]. Such scientists as A. Yanchev and D. Shekhovtsova, considering the organization of internal audit of the enterprise's expenses, allocate resources, processes, economic results (expenses, cost), as well as management accounting and cost management systems as part of its objects [5, c. 122]. T. Kamenska, A. Korkushko, L. Kushnir, A. Shot pay considerable attention to the study of the features of planning and organizing internal audit in enterprises. [1; 2; 4]. N. Spitsyna and S. Kravtsova substantiate the main theoretical aspects of internal audit and its differences from external audit [3]. Recognizing the importance of scientific achievements of scientists, we note the lack of comprehensive developments in modeling the internal audit process of PWG costs and, at the same time, their need for applied application of the obtained theoretical generalizations, which indicates the relevance of the study of this topic.

The aim of the article is to develop and justify the internal audit model of the restaurant business costs on the basis of the process approach.

Methods. Methods of theoretical and empirical research were applied: individual, applied, deduction, analysis, synthesis, abstraction, extrapolation – for the scientific literature analysis; building production models, system-structural – for building models of internal audit processes of enterprise costs.

The information base of the study is the legal acts of Ukraine on economic activity, accounting, audit; documents of international professional organizations on audit and internal audit of enterprises; scientific works of leading foreign and domestic scientists, periodicals.

Results. Internal audit is one of the main forms of financial control, mandatory for the state and banking sector and proactive for other economic entities, in particular PRG. As defined in International Standard on Auditing 610 "Using the Work of Internal Auditors", an internal audit is an evaluation activity organized by or provided as a service to a division of an entity. Its functions cover, among other things, checking, evaluating, monitoring the adequacy and effectiveness of internal controls. [6]. This regulation also defines the functional purpose of the internal audit unit as a unit of the enterprise "which performs assurance and consulting activities designed to assess and improve the effectiveness of the entity's management, risk management and internal control processes" [6, c. 673].

The content characteristics and purpose of internal audit are also presented in the MSPPVA: "internal audit contributes to the achievement of the organization's defined goals with the help of a systematic, consistent approach to evaluating and improving the effectiveness of the processes of corporate management, risk management and control [7]. That is, internal audit, first of all, is a process organized and integrated into the economic activity of the enterprise. The internal audit process of costs is an element of the enterprise's internal audit system, which reflects the implementation of control procedures in accordance with the accepted methodology.

Achieving the goal of internal audit of the company's costs largely depends on the correct determination of the sequence of tasks provided for in the control process. Considering this, we will consider the scientists' views regarding the content characteristics of the internal audit process by structuring it into stages (stages, phases).

Exploring the content of the internal audit process, T. Kamenska suggests highlighting such stages as "defining the subject area", "planning", "checking the internal control system", "gathering and documenting evidence", "completing the check", "monitoring the implementation of recommendations" [8, c. 326].

As part of modeling the internal audit process of expenses, A. Yanchev and D. Shekhovtsov proposed the following phases: planning, collecting audit evidence, documenting the internal audit and its results [5, c. 122]. Similar in terms of content are the stages of internal audit identified by M. Shukhman: organization and planning, conducting, summarizing and implementing the internal audit results [9, c. 107]. We mainly share this position, since it allows us to distinguish successfully between the internal audit tasks by the nature of the actions performed. However, in relation to the last stage, we note that the internal audit prerogative is not the implementation of the results, but monitoring the implementation of the recommendations formed based on the control event results.

Internal audit should be considered a process of sequential execution of tasks within the organizational, preparatory, methodological and final stages (*Figure 1*).

Presented in *Figure 1* model of the internal audit of PRG costs reflects the sequential implementation of tasks, the actual results of which will change the control process content and accordingly modify the composition of the methodical procedures to be applied. The expediency of distinguishing individual stages of internal audit is determined by the significant difference in the content and work nature of the entity performing the internal audit at certain intervals of the control process

The result of the work at each stage is summing up and compiling effective information used in the next stage of the internal audit process, and so on until completion. After analyzing the work results, the internal auditor, after completing each stage, must decide whether he is moving in the right direction or some aspects (for example, the work plan) should be revised.

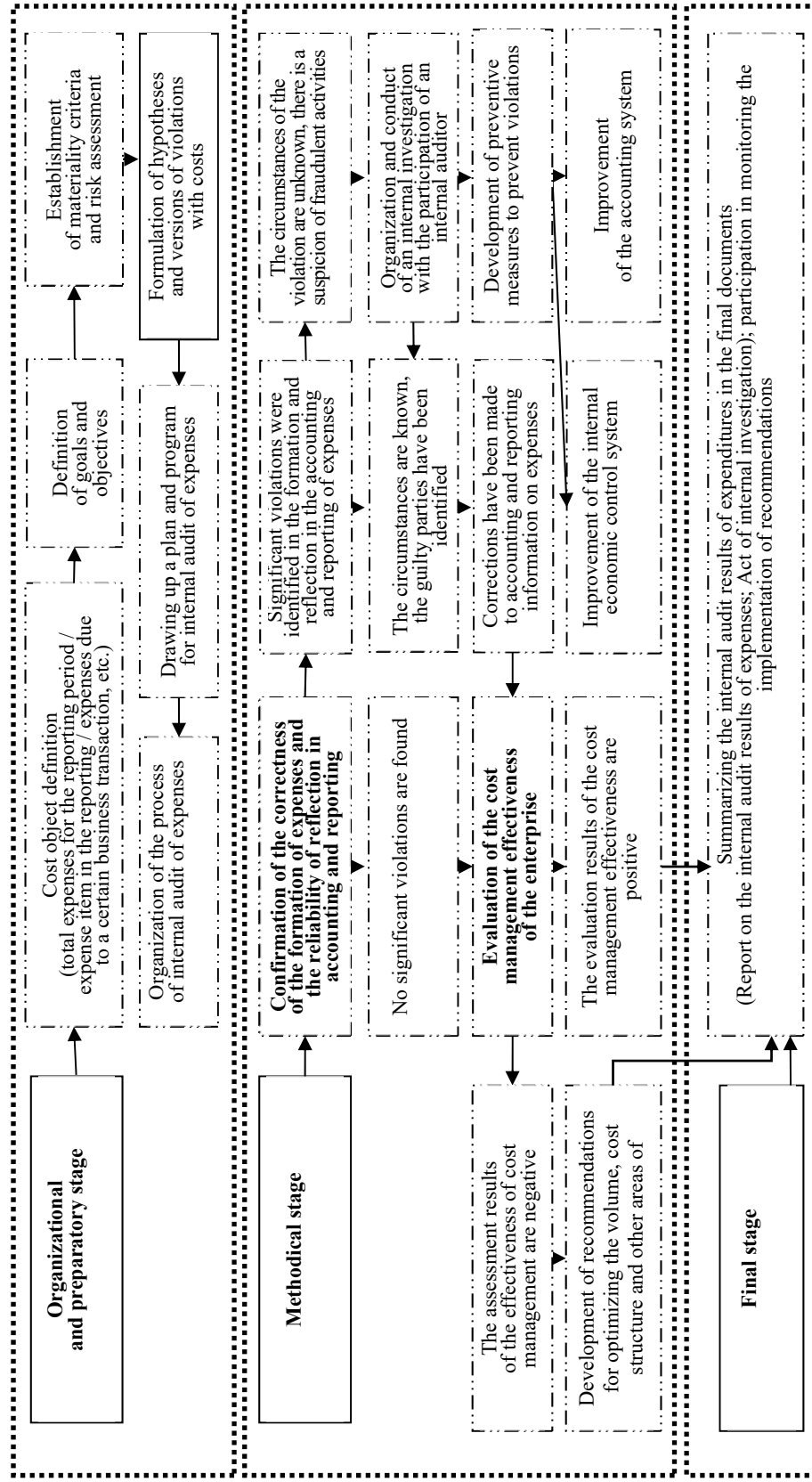


Figure 1. Model of the internal audit process of the restaurant business costs [author's development]

The organizational stage of the internal audit of the company's expenses, in accordance with its name, involves the performance of a set of tasks related to the definition of the object, purpose, tasks, establishment of materiality criteria and audit risk assessment, plan and program preparation of the internal audit, organization of the control measure process. In particular, within the organizational and preparatory stage, the list of tasks is supplemented by the formulation of hypotheses of typical violations regarding the display of expenses in the accounting and reporting of the business entity (*Figure 2*).

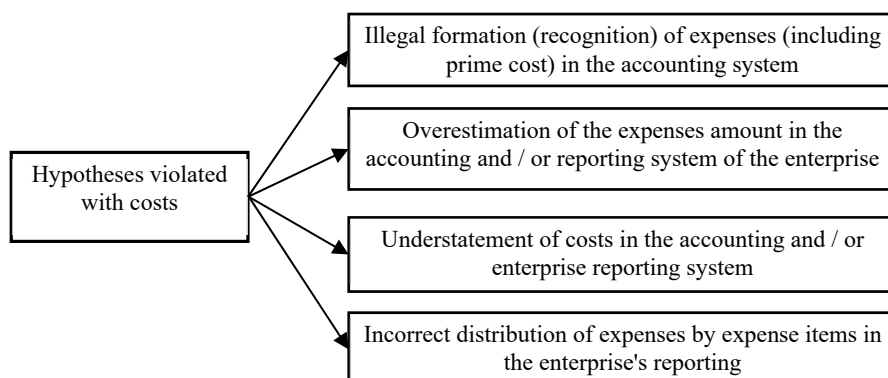


Figure 2. Hypotheses of violations that lead to information distortion on the business entity expenses [author's development]

Formulation of hypotheses regarding possible violations at the stage of preparation for conducting a control measure allows the internal auditor to plan an internal audit of expenses in the most risky areas that require increased attention, and accordingly reduce the time for conducting a control measure and increase the probability of detecting illegal actions in the event of their presence.

On the basis of the mentioned hypotheses, the versions of committing violations with the operational activity costs according to the economic processes of PRG have been developed (*Table*).

According to P(S)BO 16, expenses are recognized either together with the disposal of assets or with an increase in liabilities [10]. Since expenses are an economic indicator that is directly related to a decrease in assets and/or an increase in liabilities, after detecting signs of violations in the part of expenses, we form versions that will one way or another relate to these objects. Accordingly, the distortion of information about expenses in accounting or reporting may be caused by illegal actions regarding the manipulation of the assets/liabilities of the business entity. Versions of violations regarding economic transactions that affect the formation of the costs of operational activities of the PRG reflect the method, subject and circumstances of committing the violation.

The importance of formulating hypotheses and versions of violations during a control event lies in the fact that foreseeing the circumstances, opportunities, methods and subjects of committing illegal actions allows not only to identify already committed violations, but also to develop measures to prevent them, thereby shifting the focus on retrospective control to preventive.

Versions of the commission of violations that cause the distortion of information on the restaurant business costs

Economic process	Responsibility Center	Subject of violation	Contents of the infringement version
Acquisition and storage of food raw materials and purchased goods	Accounting	Chief accountant/ accountant	Non-compliance with the distribution method of transport and procurement costs, defined in the restaurant business accounting policy, which may lead to an overestimation of the initial cost (cost price) of stocks (as a result, the cost of selling ready meals and purchased goods) and an underestimation of the reporting period costs, and vice versa
	Warehouse (pantry); accounting; administration	Chief accountant + supply manager / manager + accountant	Inclusion of transportation and procurement costs not directly related to the purchase of stocks (transportation costs for delivery from the central structure of the network to enterprises and network branches, costs for the return of containers according to the contract) in the initial cost of food raw materials and purchased goods of the PWG
	Accounting; warehouse (pantry); administration	Manager / manager + chief accountant / warehouse manager (storekeeper) /	Inclusion in the initial cost (cost price) of food raw materials and goods of the cost of maintaining the supply service and the cost of maintaining the warehouse
	Accounting; warehouse (pantry), production workshop (kitchen)	Manager + staff of the institution	Forgery of amounts and / or volumes of food raw materials and goods in waybills, followed by the appropriation of part of the cash used to pay for the products, and writing off the actual shortage of products for company events, where it is more difficult to control its consumption (banquets, buffet breakfast)
	Accounting; warehouse	Chief accountant / accountant / warehouse manager (storekeeper)	Illegal use of orders from a restaurant business for personal acquisitions of personnel, primarily administrative
			Write-off of food raw materials within the limits of natural wastage before / without establishing and fixing the fact of shortage by the inventory commission. Assignment of food raw materials due to re-sorting during the inventory
			Posting and write-off of a part of products or raw materials of ordinary properties as of poor quality. Purchase of inventories in excess, resulting in deterioration and write-off

Continuation of the Table

Economic process	Responsibility Center	Subject of violation	Contents of the infringement version
Preparation of meals, culinary products, portioned drinks	Accounting; warehouse	Chief accountant/ warehouse manager (storekeeper)	Theft of food raw materials, purchased goods and other inventory items of a restaurant business by unlawfully writing them off as a loss from depreciation of stocks and shortages and losses from damage to valuables.
	Accounting	Chief accountant/ accountant	Attribution to the reporting period expenses and not including in the cost of food raw materials and purchased goods the costs of transporting stocks on their own (own vehicle, staff) of a restaurant business
	Production workshop (kitchen)	Chef/ chef + kitchen staff	The applicable method for assessing the disposal of food raw materials when leaving for the kitchen (in the production workshop) does not correspond to the one determined by the accounting policy of the restaurant business
	Accounting	Chief accountant/ accountant	Making a decision on changing the output of ready-made dishes portions, side dishes, without recalculating the norms of setting raw materials in technological and costing maps
		Chief accountant/ chef + accountant	Application of attrition rates to portioned dishes and culinary products
		Production manager (chef)	Display of "inflated" expenses for food for the company's personnel with the appropriation of food raw materials or ready meals
Production workshop (kitchen)	Chef/ chef + kitchen practitioners	Overestimation of the raw materials waste during its mechanical and culinary processing, which leads to the use of a larger volume of raw materials and a formal increase in the cost of production in the restaurant business accounting	
		Reflection in the accounting of the cost of food raw materials in accordance with the current technological documentation with the actual violation of the norms for laying raw materials (not adding dishes provided for by the ingredients in the technological maps)	
		Reflection in the accounting of the food raw materials consumption in accordance with the current technological documentation with the actual violation of the norms for the output of finished dishes or culinary products	

End of the Table

Economic process	Responsibility Center	Subject of violation	Contents of the infringement version
Realization of own production products and purchased goods	Trading hall	Waiter/ waiter-cashier/ hall administrator + waiter + cashier	In order to pay for the services (products) provided, the consumer is provided with an invoice (pre-check) instead of a cash receipt, which is an internal management document, and not a fiscal document. After cashing out, a cash receipt is not created, or it is created for an amount less than the actual one. The consequence of this is an underestimation of the real amount of income from sales and the cost of sales, which are reflected in the reporting of the restaurant business.
	Trading hall; administration	Waiter/waiter + cashier/ waiter + middle manager	Multiple usage of the same receipt (on an order such as "coffee", "business lunch"), cancellation of a paid order, deletion or transfer of dishes from a receipt, unreasonable provision of discounts on receipts (for the same discount card) with the assignment of a trading revenue. The consequence of this is an underestimation of the real amount of income from the sale of products and the cost of sales of the company's products.
	Trading hall;	Waiter/ waiter + middle manager	Inappropriate write-off of the cost of ready-made meals and drinks for meals of the owner of the restaurant business with actual appropriation of the products
	Administration; accounting	Manager + chief accountant/accountant	Unauthorized "compensation" of the shortage of the company's purchased goods with leftovers after banquets
	Bar	Bartender	Inclusion in the settlement and payroll of expenses for wages for waiters or other personnel who do not actually work at the enterprise with the subsequent appropriation of funds. Unreasonable bonus payments and allowances to managers
			Creation of underfilling portioned drinks and unauthorized sale of artificially created residues with misappropriation of proceeds
	Accounting	Chief accountant/ accountant	Underestimating the expenses volume by reflecting part of the reporting period expenses as part of the expenses of future periods (as a result, the net profit of the enterprise is overstated, which gives a false impression of the business profitability) If it is necessary to present a high level of profitability of the enterprise – under-statement of the reporting period expenses.
			Failure to comply with the rules for classifying expenses by items and elements of expenses in the restaurant business reporting

Source: author's development.

Given the risk of violations in cost accounting, it is advisable to evaluate the cost management effectiveness on the basis of accounting and reporting information only after the internal auditor receives evidence of its reliability. Establishing the reliability of information about the company's expenses may involve checking both the object of a separate business transaction and establishing the reliability of financial or management reporting. At the same time, the test will be more effective if you start by testing weaknesses in reporting and analytical procedures in order to identify unusual fluctuations in interrelated indicators. Identified weaknesses are checked more thoroughly (with a larger sample size or continuous method). This position should be followed during the preparation of procedures for the evidence formation of the reliability of the costs display (including the cost price formation) in the accounting and reporting of enterprises. Note that the procedure is a broader concept than methodological techniques, as it includes the latter. Regarding the results of the assignment to assess the reliability of information on costs, it should be noted that in the event of a significant violation, regarding which the circumstances of its commission are unknown and it is difficult to identify the guilty person, and there is also a suspicion that it was committed intentionally, the internal auditor may initiate an internal investigation.

At the regulatory level, conducting an official investigation by privately owned enterprises is not regulated. However, if the conflict could not be resolved locally, the materials of the official investigation, issued by the administrative document on the investigation and the act on its completion, are transferred to law enforcement agencies. In the materials submitted to law enforcement agencies, the internal auditor can provide descriptive and causal characteristics of the violation, but he should not provide a legal assessment of the violation, for example, in relation to the commission of fraud: firstly, this prerogative belongs only to judicial investigators authorities, and secondly, the definition of fraud in the International Standards for Quality Control, Audit, Review, Other Assurance and Related Services and the International Standards for the Professional Practice of Internal Auditing are significantly different from the conditions for recognition of fraud by the current Criminal Code of Ukraine.

Thus, according to the ISA, deliberate manipulations with expenses can be regarded as fraudulent actions, and according to the norms of the Criminal Code of Ukraine on crimes against property, expenses cannot be recognized as an object of fraud. The evidence obtained by the internal auditor of the reliability of the information about costs reflected in the accounting and reporting provides a basis for evaluating the level of cost management effectiveness on the part of PRG management, which also provides for a certain method of implementation, which will be disclosed and substantiated in further research.

Conclusions. Based on the study results, the theoretical foundations for structuring the costs internal audit of a restaurant business have been improved by developing a model that, within the organizational and preparatory stage, provides for the implementation of hypotheses and versions

of violations with costs, the risk of which arises in the implementation of business processes of enterprises: supply and posting of raw materials and purchased goods, cooking, drinks and their sale. A list of versions of violations that lead to the information distortion about the expenses of a restaurant business enterprise is proposed. This will contribute to the internal audit improvement of expenses in terms of time, labor intensity, and increase the detection probability of illegal actions in case of their presence.

Conflict of interests. The authors declare that they have no financial or non-financial conflicts of interest regarding this publication; do not have relationships with government agencies, commercial or non-profit organizations that might be interested in representing this point of view. Given that the authors work for an institution that publishes the journal, which may give rise to potential conflict or suspicion of bias, the final decision on the publication of this article (including the choice of reviewers and editors) was made by those members of the editorial board who are not associated with this institution.

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