

N. Lytvynenko

PhD in Economics, Associate Professor
Lviv Polytechnic National University

BASIC OBJECTS OF CONTROL ORGANIZATION

Abstract. Modern approaches to the organization of effective control system, which is considered as a component of effective activity and development of enterprises, institutions and organizations, are summarized. The following basic objects of control organization: the structure of the controlling authorities, work of responsible parties, control maintenance, technology of the control process, program of the control system development, are formulated. It is substantiated that the structured combination in the system interconnection of the above-mentioned objects of the control organization provides an integrated approach for rational construction of the system of organization of external and internal control.

Key words: control, the organization of the control process, objects of the control organization, the structure of the controlling authorities, control maintenance, the technology of control process, work of responsible parties, the program of the control system development.

Target setting in general and its interrelation with important scientific or practical tasks. Organization of the effective control system is a component of effective activity and development of enterprises, institutions and organizations in the conditions of rapid changes in the environment, the complication of management process, distribution and permanent redistribution of ownership and management functions.

The rational organization of control should ensure the creation of a flexible, optimal and multifunctional system aimed at minimizing (primarily in a preventive manner) the possibilities of occurrence of deviations, errors, violations and other types of information distortion for its objective and impartial interpretation and presentation to the parties concerned, as well as its use in the process of fulfilling the activity tasks.

The need for theoretical and practical solution to the basic issues of control organization as a system process and activity, the definition of key objects of the control organization for the

construction of a unified organizational model that would provide the prerequisites for creation an effective rational and optimal control system, determine the relevance of the topic, its purpose and main tasks of the study.

Analysis of recent research and publications.

The analysis of scientific publications on this issue indicates that the issues of structuring the basic objects of control, the combination of which in the interconnection provides an integrated approach for the rational construction of the organization of external and internal control, has not been much focused on, since the authors of the scientific publications primarily emphasize on the individual procedural and methodological approaches to the control process.

Thus, V. Pikhotsky (2015), in the context of the scientific study of the conceptual foundations of the theory and practice of the system of state financial control in Ukraine, considers certain organizational principles of a procedural nature regarding the modernization of the system of state financial control (1, p. 312–331). T. Boholib (2013) explores new approaches to reforming and organizing public financial control in Ukraine. The author analyses the normative maintenance of the state control and outlines some technical and procedural steps which, in her opinion, “help to adapt the state financial control to international requirements, make it effective and efficient” (2, p. 138).

T. O. Murenko (2012) (in the context of scientific research on the organization of financial reporting of enterprises of railway transport of Ukraine) points to the following objects of control: the state of accounting and internal control at the enterprise, information, methodological approaches to the generalization and implementation of control results (3, p. 19).

While researching the functioning of the internal control system in a budgetary institution,

N. V. Syniuhina and Ye. V. Deineko (2013) structure the organizational maintenance for the preparatory phase of internal control. Organizational maintenance, according to the authors, includes the following elements: legislative, normative, methodological, staff, technical, informational and material. In addition to the organizational maintenance elements, attention is focused on the stages of control, i.e. on the technology of the control process (4, p. 65). Similar issues of organizational maintenance and technology of the control process are studied in the context of the research of the organization of audit activity (5, pp. 177–183).

Recent research has mainly focused on the issues of control organization related to such organization objects as maintenance or technology without an integrated approach to identifying basic control objects. Consequently, the theoretical basis for the organization of control (in terms of determining the basic objects of its organization) requires further thorough research.

The aim of the article is to improve certain theoretical principles of the organization of control as a type of activity and process, adequate to modern management conditions.

According to the stated aim, a set of basic tasks aimed at its achievement is defined: to identify the basic objects of control organization as a systemic activity and formulate directions of practical organization of the control process for individual objects.

Presentation of basic research material with full justification of the received scientific results. “The notion “organization” is defined in different ways: as a process, as a state and as a system type. The functional purpose of the organization as a process is a creation of new and qualitative improvement of previously created, as well as operating systems of any type. Therefore, to organize means to create a system again or to improve its state in the process of functioning in accordance with changes in internal and external conditions” (6, p. 8).

“The object of organization is understood as the object (phenomenon or process), to which the organizational activity is directed” (7, p. 11).

Organization of control is the process of creating or improving a system that involves streamlining and coordinating the interaction of

control subjects and the complex application of their methods, techniques and means, norms and rules that ensure the effective functioning of control as a type of activity and process, and create the preconditions for its further development as a branch of scientific knowledge and sphere of practical activity.

The system approach to the organization of control (external or internal) involves its construction in two main directions:

1) the organization of the activity of the controlling authority or an entity performing this function within its functional purpose or type of economic activity;

2) organization of the control process.

The construction of this process combines the following objects in the logical interconnection: structure of the controlling authority, control maintenance, technology of the control process, work of the responsible parties, the program for the control system development (Fig. 1).

According to the form, control organization can be centralized or decentralized.

The end-to-end centralized form of control organization involves the full centralization of control over all its forms or only over one in the senior management authority, which is typical for state controlling authorities, departmental authorities or the main enterprise of a group of interconnected enterprises.

Under such an approach all subordinate controlling authorities are subordinated to the management authority of a certain level: ministries, departments or enterprises (auditing commission - general meeting of shareholders, internal audit service - supervisory board). That is, in essence, the centralization of control at the level of each individual authority or enterprise (which is part of a group of interconnected enterprises), but the work of each controlling authority within a controlled organization, institution or enterprise is autonomous (decentralized).

The centralized link(object)-based structure of the controlling authority can be considered as widespread and acceptable under current conditions of management for the internal controlling authority in the groups of interrelated enterprises. Under such a structure, “all primary control work is focused on the level of management and is carried out by a special service” (6, p. 94).

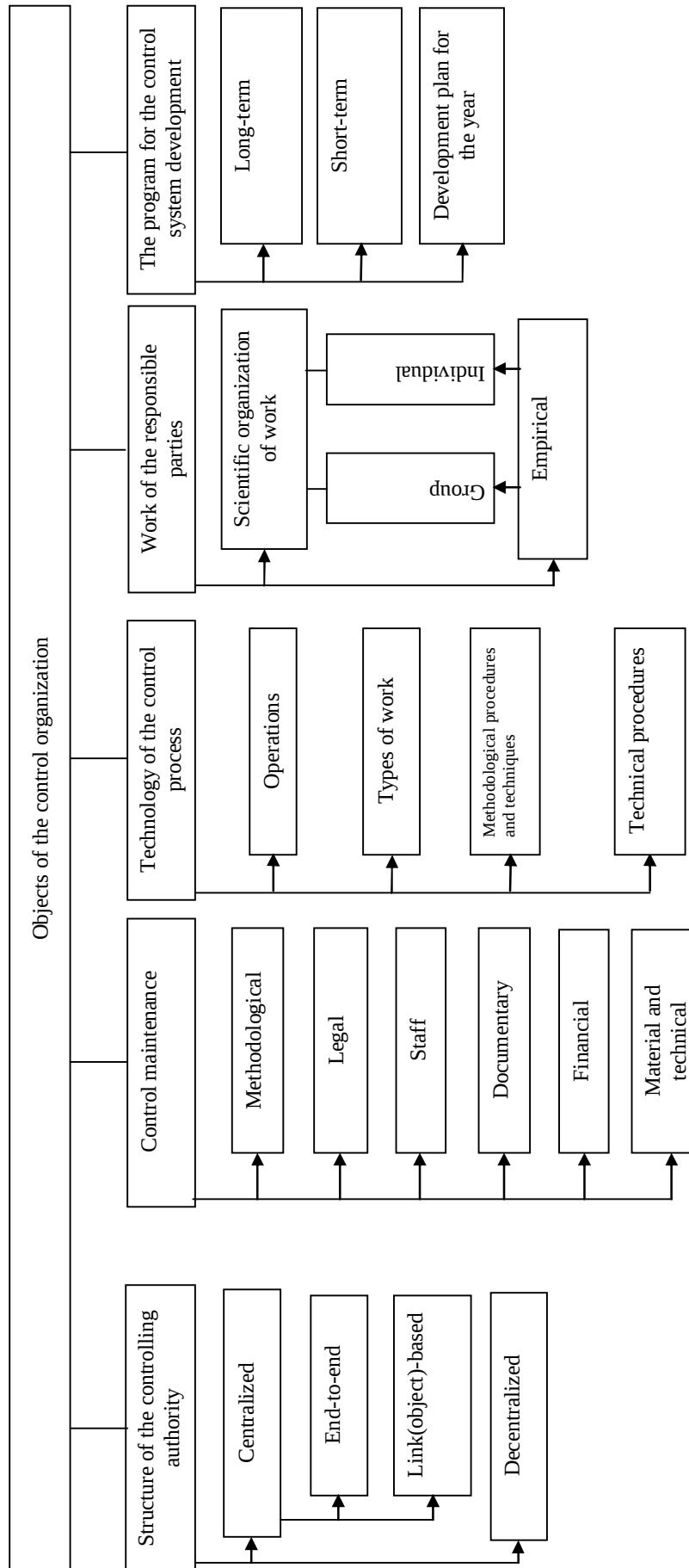


Fig. 1. Basic objects of control organization*

* The author systematized and structured according to sources: (6, p. 8–11; 7, p. 85–86).

Control maintenance is a system of measures to create conditions for the control of both the type of activity and the process for the implementation of control measures. The basis for this object of control organization are methodological, legal, documentary, financial, staff and material and technical maintenance.

“Methodology of economic control is a system of methods and rules, as instruments of control (the study of facts of economic life)” (8, p. 18).

Based on the definition of “methodology of economic control”, formulated by prof. Butynets T. A., methodological maintenance of control is seen as a set (in the system interconnection) of techniques and rules, as instruments of control.

Legal maintenance of control is the external organizational support that is established at the state level, i. e. the definition of general principles of external and internal control by consolidating the order of their implementation in legislative and normative acts of a regulatory nature (the first and second levels of regulation). Such regulations only outline the general features of control, without specifying the organizational principles of each of its separate stages.

The third level of legal maintenance is the internal normative and guidance documents, which (on the basis of documents of the first and second levels) are developed as business entities, whose activities are subject to control, as well as subjects of control.

“Staff maintenance – a complex of actions aimed at the search, evaluation and establishment of legal relations with employees, both in the institution, enterprise, organization for further career growth, and for the new hiring of employees on a temporary or permanent basis” (9, p. 43).

Staff maintenance of the control process as a set of specific procedures involves the calculation of the required number of employees of the controlling authority and the substantiation of its qualitative structure (position, education, the availability of additional competencies); the choice of the legal relationship between the employer and employee; recruiting and dismissing employees; management of staff documentation.

Documentary maintenance (the synonym is “record management” and “document support of management” (10) is a “sector of activity,

providing documentation and organization of official documents”. “There are two separate aspects of the record keeping process: document creation and organization of work with documents. The first part covers all work related to the preparation of documents, preparation and execution, the second – work with already created documents” (11, p. 216).

Financial maintenance involves the formation and use of financial resources by optimizing the ratio of all its forms and enables the creation of such volumes of financial resources of economic activity which allow the enterprise to function not only in a disadvantage but also to increase the efficiency of activity and strengthen the country's economy as a whole (12, p. 225–226). The initial form of financial maintenance for the subjects of control of the commercial sector is self-financing, which “is intended to cover costs at the minimum allowable level. Other resources are formed on the basis of borrowed capital” (13, p. 41). Financing of control subjects of the non-profit sector (state control authorities) is carried out at the expense of the state budget funds.

Material and technical maintenance is the process of providing the subject of control with the necessary means and objects of work and organization of workplaces.

The technology of the control process is formed by three main stages: preparatory (preliminary); executive or experimental, which involves the collection and processing of data; summary (summary of control results). The stages, in turn, consist of certain substages, and the substages consist of main operations.

The list of operations determines the type of work, as well as the methodical and technical methods that will be used at each stage of the control process. “The basis of such a division forms the content characteristic of the substage, which follows from its target function. There is no clear boundary among the substages of technological processes, they are closely intertwined” (7, p. 12).

The preparatory stage of the control process consists of the following operations: the choice of the object, the definition of the purpose of control and the formulation of its tasks; choice of information (data, indicators) and its

Basic Objects of Control Organization

systematization; drawing up a plan (program) of control measures; verification of output data and indicators (logical, arithmetic, technical, etc.); processing information on the object of control, data preparation and indicators to control.

Control data processing involves the selection of methodical and technical methods of control, coordination of indicators; construction of control and calculation tables, charts, diagrams; performance of methodical and technical methods (control calculations); systematization of calculations, their processing, determination of causes of deviations from the given parameters. The final stage of control is to summarize its results, which involves the following operations: the formation of conclusions and proposals, measures to correct deficiencies and violations, discuss the results, their design and implementation with the introduction of developed proposals and recommendations in practice.

To ensure the proper work organization of the controlling authority and working groups, this activity should be built in accordance with the principles of the scientific organization of work. We believe that the following elements of the scientific approach to the basic principles of the organization of work are relevant: “1) scientifically substantiated standardization of work; 2) specialization of work; 3) organization of workplaces; 4) establishment of a rational mode of work and rest; 5) improvement of methods of work, its skillful planning; 6) selection, training and professional development of staff; 7) improvement of methods for stimulating work” (14, p. 22).

The control organization of the responsible parties should be divided into three directions:

Representative of the profession;

Representative of the organization, institution, or business entity (audit firm);

Participant in the control process.

Particular attention should be paid to the managerial activity of the director, whose activity organization should be implemented in such a way that the senior manager has the opportunity to combine direct work on the implementation of control activities (participant in the control process) with the management activities.

As an applied area of activity, the organization of work is as follows:

- determination of the rights and official and functional responsibilities of participants in the control process;

- determination of the optimal terms of conducting control and supervision actions,

- clarifying the circle of persons participating in each separate control process (formation of a group or a brigade);

- development of a unified procedure for the implementation of control measures ensuring the coordination of both employees and individual controlling authorities authorized to control and organize the planning of the activities of all controlling authorities and internal control services;

- organizational, methodological and practical management of employees;

- determination of the order of interaction within various levels of control;

- elimination of duplication of control actions; development and introduction of a mechanism for controlling the scale and quality of control measures;

- analysis of working time and work achievements;

- forecasting the expected performance of controllers;

- organization of control over the execution of decisions.

The program for the control system development should outline the strategic direction of development for the long-term perspective and include a schedule for training(or retraining) employees, conducting internal seminars and training, rotation of staff for the short-term perspective and development of a plan for the year. This program should be brought to the attention of all employees who, in accordance with their responsibilities, perform control functions.

Conclusions and prospects for further research.

The research of topical organizational and theoretical control problems enables the generalized definition of the concept of “control organization” (which should be understood as the process of creation or improvement of the system, which involves organizing and coordinating the interaction of control subjects and the complex

application of their methods, techniques and means, norms and rules that ensure the effective functioning of control as a type of activity and process, and create the prerequisites for its further development as a field of scientific knowledge and practice) and formulation of the conceptual foundations of its organization through the identification and structuring of the basic objects of the control organization, which are: the structure (form, arrangement) of the controlling authority, work of the responsible parties, the control maintenance, the technology of the control process, program of the control system development.

The structure of the objects of the organization of the control process summarized by the results of the study can be used as a basis for external and internal control (as a type of activity and process) and regardless of the organizational and legal form of management of the control subjects, as well as for the organization of the accounting and analysis system.

Prospects for further research are the development of an organizational model of control.

References

1. Pikhotskyi, V. (2015). *Systema derzhavnoho finansovoho kontroliu v Ukraini : kontseptualni zasady teorii ta praktyky [The system of state financial control in Ukraine: conceptual foundations of theory and practice]* (Doctoral dissertation). Retrieved from: http://www.lnu.edu.ua/wp-content/uploads/2015/12/dis_pihotskyi.pdf. [in Ukrainian]
2. Boholib, T. (2013) *New approaches to the organization of state financial control in Ukraine*. *Ekonomichnyi visnyk DVNZ "Pereiaslav-Khmelnytskyi DPU imeni Hryhoriia Skovorody"*, (20/1), 134–138. [in Ukrainian]
3. Murenko, T. (2012). *Orhanizatsiia kontroliu finansovoi zvitnosti (na prykladi pidpriemstv zaliznychnoho transportu Ukrainy) [Organization of checking financial reports (on the example of Ukraine railway transport company)]* (Doctoral dissertation). Retrieved from: <http://dspace.oneu.edu.ua/jspui/bitstream/pdf>. [in Ukrainian]
4. Syniuhina, N. (2013) *The organization of internal control in a budgetary institution: scientific and methodological aspects*. *Ekonomika rozvytku*. 3 (67). 62–68. [in Ukrainian]
5. Yeremenko, D. (2011). *Organization of audit activity*. *Zbirnyk naukovykh prats Tavriiskoho ahrotekhnolohichnoho universytetu*, 1 (13), 177–183. [in Ukrainian]
6. Solovev, G. (1990, May). *Economic control: the theoretical aspect*, 5, 8–11. [in Russian].
7. Kuzminskyi, A. (1993). *Orhanizatsiia bukhhalterskoho obliku, kontroliu i analizu. [Organization of accounting, control and analysis]*. Kyiv, Vyscha shkola. [in Ukrainian]
8. Butynets, T. (2012) *Rozvytok nauky hospodarskoho kontroliu [Development of business control science: problems of theory, methodology, practice]* (Doctoral dissertation). <http://194.44.12.92:8080/jspui/bitstream/123456789/719/PDF>. [in Ukrainian]
9. Horzov, A. (2014, October). *Topical issues of staffing in the bodies of the prosecutor's office of Ukraine*. *Yevropeiski perspektyvy*, 10. [in Ukrainian]
10. DSTU 4163-2003 *Vymohy do oformliuvannya dokumentiv, Natsionalnyi standart Ukrainy [Requirements for maintenance of documentation, Natsionalnyi standart Ukrainy]* (2003) [in Ukrainian]
11. Tsybaliuk O. (2006) *Documentary arrangements for management*. *Universytetski naukovyi zapysky*, 1(17), 215–221. [in Ukrainian]
12. Kozii, I. (2008) *The role and importance of financial support in the structure of the financial mechanism*, *NLTU 18.9*, 223–229. [in Ukrainian]
13. Barskyi, Iu. (2011) *Financial support in social and economic regulation of regions*. *PoltNTU*, 3 (30), 39–43. [in Ukrainian]
14. Sosipatov, Ye. (1974). *Organizatsiia raboty narodnogo suda. [Organization of the work of the people's court]*. (Abstract to the doctoral dissertation) [in Russian].
15. Anistratenko, Iu. (2008) *Problems of organization of control activity of the bodies of the state control and revision service of Ukraine*. *Pivdennoukrainskyi pravnychi chasopys*, 2, 50–52. [in Ukrainian]