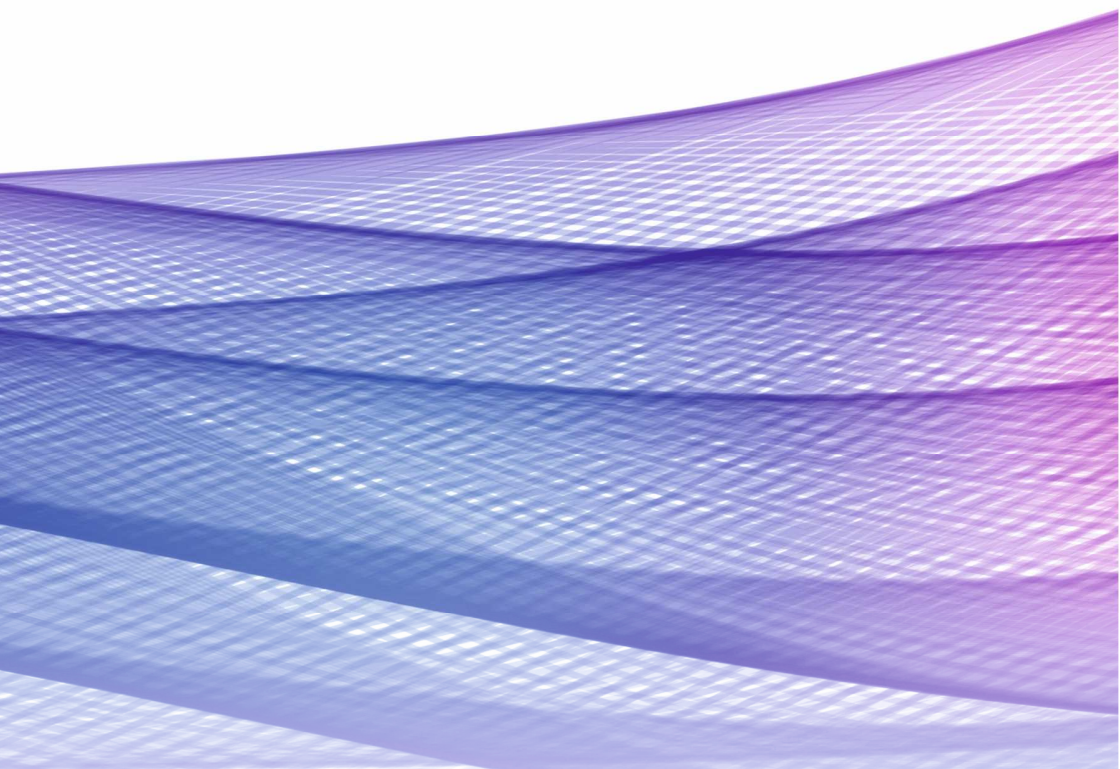


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XXXVI International Multidisciplinary Conference  
**PROSPECTS AND KEY TENDENCIES  
OF SCIENCE IN CONTEMPORARY WORLD**



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## **SECTION 10.**

### **ECONOMICS**

#### **THE IMPORTANCE OF THE COMPANY'S INTERNAL CONTROL IN THE DIGITAL ECONOMY**

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#### **ABSTRACT**

Increased competition in global and domestic markets, rapid development and change of technologies, business diversification, complication of business processes, rapid introduction of the digital economy have a significant impact on strengthening the internal control of organizations. The formation of conditions for the digital development of countries' economies also affects the improvement of the internal control system (ICS) as a tool for ensuring economic cybersecurity.

The article is devoted to the issues of digitalization of the ICS of an organization in order to ensure its financial security. Digitalization of internal control not only makes it possible to adequately respond to emerging

challenges and threats, but also saves time, labor and, in the future, financial resources of the organization.

One of the key circumstances that affects the strengthening of the modernization of internal controlling in the digital economy is the vast territory of the country where there is no access to the Internet, old-fashioned judgments, lack of office equipment, difficulty in using electronic applications.

Creating favorable conditions for internal control in the context of digitalization requires a special approach from both the government and local authorities.

Based on the information provided, the article is devoted to the relevance of digitalization of the internal control and audit system, discusses the main problems and advantages of its implementation, shows the current requirements of importance to the role of auditors.

**Keywords:** digitalization, economics, audit, accounting, internal control system (ICS), blockchain, Big Data, artificial intelligence (AI).

**Background.** The improvement of artificial intelligence and the use of generalized data, the use of information technologies in business conditions can help organizations to revise their management model, achieve significant effective goals for the long term. The article highlights various options for digitalization through modern high-tech platforms that will help improve the work of the internal audit. The engine of the internal control system for digitalization is the "manual" controls and the human factor as its main problem. The article also indicates the main advantages of the modernization of the internal control system (ICS) – the effectiveness of management information, as well as some disadvantages that arise today.

The usefulness of the organization's activities depends on the functioning of the accounting and control system (ACS), which is part of the management information support of modern companies. The most important component of the UCS of an economic entity is the internal control system.

**Methods.** There are a number of tasks that, in our opinion, will improve the internal control system, such as the development of a risk model for business development processes to improve the effectiveness of the company's accounting supervision, the development of tools and methods for automatic processing of the information flow of data, the introduction of tools for analyzing the same data and assessing the qualifications of employees who are in control and use of these automated tools [1, p. 45].

General scientific methods, analysis, comparison and literary review were used to study this topic of the article. The research methodology was

aimed at collecting data, as a result of studying the issues, advantages and disadvantages of digital systems for the modernization of the internal control system.

Based on the author Zueva S.N., the blockchain system makes it possible to form the automation of internal audit without errors that are associated with manual entry, with negligence and criminal motives of employees of organizations. The use of blockchain makes it possible to reduce the costs of checking reconciliation reports with counterparties [2, p. 179].

Vasilenko M.E., Ternovaya P.S. note that in the conditions of digitalization, the objects of the internal control system are not only reporting data, but also primary documentation and information. The identified errors and shortcomings in the processing of information allow us to correct only effective information and reporting data. [3, p. 47].

In addition, the shortcomings of software products, mainly related to the quality of the description of the capabilities of programs and algorithms for working with them, lead to distortion of information. Such typical distortions include incorrect data in reports, the difficulty of making corrections due to lack of access to information processing algorithms [4, p. 126].

Therefore, despite the study of the topic by many authors of scientific papers, the question of the impact of digitalization of the economy on the improvement of the internal control system remains unresolved: Are these innovative technologies so justified, how much will such an introduction facilitate the work of internal auditors?

**Discussion.** Today, information technology has become an integral part of all spheres of life, including internal audit and internal control. Digitalization makes it possible to automate the above-mentioned processes, increasing their efficiency and improving risk control and management.

These processes may include blockchain, artificial intelligence (AI) and machine learning (ML). These technologies can be used to reduce risks and improve monitoring of business processes. This article discusses the tools, requirements and main advantages of digitalization of internal audit and control [5].

The internal control system is an integral and important part of the management system in any modern organization. Innovations in the field of internal control are becoming increasingly important due to widespread globalization, digitalization of information flows, the massive transition of business to online mode and the need to create new competitive advantages. Digitalization creates new opportunities for the organization of internal control, but also imposes new requirements on it [6].

Coordination between several trading partners is simplified as much as possible due to the introduction of OT technologies, which saves significant

labor resources and time of employees. The use of cloud systems reduces the costs of data analysis, processing, management and storage.

We will briefly describe the advantages of digital technology in cases of internal control and audit. The advantages of using digital transformation are due to the five main trends presented in Table 1.

**Table 1.**

**The main trends of digital transformation**

|                         |   |
|-------------------------|---|
| Digital Destruction     | Mobile platforms, social networks, data analytics have produced a resolution in the business models of all industries.            |
| Business transformation | The development of business models and the massive transformation of applications have put some companies in an unusual position. |
| Big data                | The huge growth in the volume of transactions, the volume of data has increased the need for better management.                   |
| Privacy risks           | Cyber risks, including data theft, pose a threat to the global eco-business system  |

The information is stored not on physical media, but in the cloud, and it can be easily found in a digital catalog. This allows you to use the protection of Internet servers and integrate records into digital systems. Cloud storage provides ease of management and operation, optimizes processes, increases productivity, reduces costs and improves the digital perception of customers. The loss of paper documents is a serious problem. The use of electronic copies is convenient for the possibility of their recovery in the event of a disaster.

Among the requirements that arise during the digitalization of the ICS are new requirements for the professionalism of internal auditors. The role of specialists is changing and acquiring new opportunities. Global volumes of information are effectively used by specialists; OT-solutions are aimed at ensuring high-quality audit, understanding the specifics of the business and identifying risk factors [5].

That is, the audit community needs to work with advanced systems and technologies that ensure timely collection, analysis, processing and subsequent integration of the results obtained, including using large amounts of information and big data.

ACCA representatives conclude that the main indicators of automation and transformation of the audit sphere are global technologies, mass communications, media content and advanced professional programs that are



developing at an accelerated pace with the need to attract new financing models and substantiate audit results [7].

**Tasks and problems of digitalization of the internal control system.**

The prospects for the development of internal audit need to improve programming competencies and its technologies. This is the reason for the modernization of curricula in the educational system in the following areas: "accounting", "economic control", "forensic economic expertise", the creation of programming and advanced training for already working internal auditors, supervisors [8, p. 129]. The main difficulties of implementing digital systems in the field of internal control and audit are shown in Table 2.

*Table 2.*

**The main difficulties of digitalization of the internal control system**

|  |  |
|--|--|
| The emergence of new types of risks                  | Technological innovations not only provide enhanced opportunities and practical benefits, but also bring additional risks to the business.   |
| Increased volume of available information            | When a large flow of information occurs, a number of serious issues arise related to ensuring security, reliability of storage and preservation of data integrity.   |
| Growth of reforms                                    | Constant innovations and changes in legislation require serious attention from specialists. Dynamic skills of maneuverability and balancing, adaptation of organizational and managerial processes to rapid technological changes are required when implementing OT-audit. There is no relevant regulatory framework in the Republic of Kazakhstan, so auditors must continuously monitor current amendments to tax and other legislation. |
| High requirements for the qualification of personnel | When automating processes, specialists with economic and financial education should also understand the OT-sphere. An IT auditor should be well-trained, have in-depth knowledge and experience in modern trends in IT communications, and have specific knowledge about information security.   |
| High material costs                                  | The introduction of digital audit and control systems requires the purchase of software, payment for IT specialists, payment for employee training, sometimes you need to buy computers or rent virtual servers.   |

In other words, the main difficulties in implementing automation of the internal control system are:

a) the lack of appropriate regulatory documents for creating a digitalized economy.

b) the availability of appropriate personnel who must work in new constantly changing conditions.

c) the costs of implementing digitalization are insufficient financial resources of many companies that hinder the introduction of digital technologies.

In addition, with the introduction of digitalization of internal control systems, threats to information security are also increasing, such as hacking of information infrastructures, theft and falsification of information [9, p. 67].

**An example of the importance of ICS in the context of digitalization.** The importance and significance of the organization of internal control in the company was clearly demonstrated in the commercial sector during the Covid-19 pandemic. During this period, many business processes have changed dramatically, revealing the shortcomings and complexities of outdated business models and questioning the viability of established management and accounting schemes. Real entrepreneurs felt the need to introduce new digital solutions, modernize internal control systems and improve the quality of reporting.

The lack of modernization of internal audit and digitalization has led to the bankruptcy of a number of large financial institutions. The reasons for commercial failures were the human factor, manifested in the deliberate delay in the submission of financial statements, misleading investors and customers, accounting violations and forgery of documents.

The introduction of information technologies can contribute to maintaining competitiveness in the market, eliminating risk factors (including human ones) and improving audit efficiency. Digitalization of business processes, management and audit is extremely necessary due to the large amount of information that needs to be processed and analyzed.

In modern conditions, digitalization is not a free choice, but a fundamental business strategy. This process covers all the links of a commercial organization and ensures productive interaction between the company's divisions, customers and other companies. Digital transformation promotes business development, increases the probability of success, increases the accuracy of data processing and the productivity of personnel [5].

**Conclusion.** Thus, it can be concluded that the introduction of the digital economy will significantly reduce the costs of organizing internal control for business entities, public sector institutions by automating business

processes for processing and analyzing information necessary for verification.

Research results show that digital transformation has a positive relationship with the quality of internal control. It is important to publish new rules and laws regulating the use of digital transformation for internal control in order to ensure the safety and protection of users, to use digital transformation in all types of corporate activities to reduce costs. Finally, the modern economy must use its strategic ways and methods of work to adapt to the new generation of technologies, otherwise they will face the problem of the effectiveness of the organization.

In addition, state support is needed in the preparation and implementation of the digitalization of the internal control system – assistance in improving the skills of personnel, in ensuring the security of a large volume of information. The main business entities finance their funds in the formation of a traditional internal control system, and the modernized system creates a solution for technological renewal that excludes manual data entry.

As a result, information users have remote and unlimited access in time to assess the financial situation and practicality of the company's work. Moreover, it is possible to determine more accurate forecast data in the company's work.

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