

The Analysis of the Efficiency of the Intracorporate Financial Control System and its Influence on the Economic Security of the Coal Mine in Kemerovo Region

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Abstract: Work subject: system of intra corporate financial control. Subject: Efficiency analysis of system of intra corporate financial control and its influence on economic safety on the example of the coal entity of the Kemerovo region. Purpose: to analyze system effectiveness of intra corporate financial control of one of the coal entities of the Kemerovo region. Results of work: The offer and implementation of a complex of the actions directed on increase of efficiency of activities of service of intra corporate financial control of the entity, such as creation of the card of risks, development of policy of internal control at the entity. Scope of results: results can be applied, as in practical activities of the company.

Key words: Intra corporate financial control • System of the internal control

INTRODUCTION

Intercompany financial control-a complex of institutional measures, practices and procedures used by the leaders of the organization for effective management of financial activities, safeguard assets, detection, correction and prevention errors and distortion of information, timely preparation of financial statements [1]. The system of in-house financial control in international law is governed by international auditing standard number 315 “ Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment” In Russia one of the requirements of the law “ About accounting” number 402 [2], is the requirement that the economic entity is obliged to carry out internal control made by the facts of economic life.

Main Part: On the analyzed coal enterprise department of the Kemerovo region in-house financial control is a division of Financial Controller, the main function of which is to develop control procedures, monitoring the compliance of financial and economic activity of the enterprise to its interests, the formulation of tax audits, tax planning, reducing the impact of major risks on the

company. Functions of the Comptroller of the enterprise as a whole are similar to the functions that are described in the international and Russian law. Functions of the department in-house financial control is limited control over the efficient use of inventory.

The conducted research of the relation of a management and employees of the entity to internal control by a method of poll revealed that according to 100% of respondents in the organization requirements of regulatory legal acts are completely observed and responsibility for offenses is established. However only 37,5% of respondents specified that at the entity responsibility and powers are widely shared. Other part of respondents specified that at the entity moderate separation of responsibility and powers. Also it should be noted that only 70% of respondents emphasized that all recommendations of system of intra corporate financial control were implemented by the entity into practice. However the made audit inspection and also the report of financial management for 2012 emphasize that all recommendations about internal control system enhancement at the entity were performed. The management of the entity pays sufficient attention to formation of system of intra corporate financial control in

the organization, the system corresponds to the current legislation therefore by considered criterion the risk can be estimated as average. The enterprise has poprotsessny the division of responsibility and authority [3]. However, the presence in 2012, a large amount of residues in storage caused by the crisis in the industry has shown that the financial control department in-house businesses need to review the procedure for monitoring the material and industrial stocks.

The organizational structure of the company belongs to the linear-functional type [4], which has a number of advantages: rapid implementation of action to the orders and instructions given to the superiors subordinates, higher than in the linear structure, the speed of decision-making and implementation. However, the structure of the company has a number of significant drawbacks, such as the duplication of functions and functional head of the experts in the course of management, the reluctance of managers to take responsibility for their decisions.

The actual organization activity corresponds reference for 95,3%. For 2011-2012 there were no essential changes of a financial condition of the organization. However the financial condition of the entity is characterized as pre-crisis. In many respects this condition is caused by a lack of own means in the entity and also considerable (three times) increase in long-term obligations of the organization. The probability of bankruptcy at the entity had critical value, however in 2012 somewhat thanks to actions of system of the intra corporate financial control, directed on elimination of an illiquid remaining balance of property of the entity and also on minimization of tax risks, this indicator managed to be brought to acceptable value.

For enhancement of system of intra corporate financial control and the solution of a number of the problems connected [5] with high amount of a warehouse remaining balance and also with complexity of implementation of direct supervision behind activities of all branches and divisions the entity from the center it is recommended based on an existing Situation on internal control to develop and implement Policy of intra corporate financial control in which the following aspects shall be considered:

- Disclosure of the strategy of in-house financial control. This section should describe the levels of organization of CRS in the enterprise: in-house financial control department, office of the Comptroller and CEO.

- Description of the elements of the intracorporate financial control system, such as the control environment, risk assessment and analysis, test procedures, information and communication and monitoring.
- Creating a control slotting. This document will bring together and controlled from the center of the activities of all departments, organize, how to build in-house control of the company, to identify all staff responsibilities, increasing intra-financial control.
- Establish and monitor financial performance schedule. You need to create an enterprise financial performance schedule that will allow internal compliance department to monitor and adjust the activities of all services, to monitor the level of preparation for the upcoming Enterprise Financial Action.
- The base is a section in which to stabilize the financial situation of the financial services company is recommended to form a "risk map Enterprise", which include the main factors directly or indirectly influencing the changes in the cost and establish the relationship between the factors. If the entity expects that during the period it can increase the risk of incurring costs due to an increase in transportation tariffs, on the risk map should reflect the criteria by which you can reduce the cost of approximately equal to the projected increase in the tariff. Risks can be classified into the following groups:

Commercial risks-risks that may have an impact on the amount of proceeds from the sale of coal products. The main risks of this group: the risk of lower demand in the coal market, the risk of reducing the quality of the coal production. To reduce dependence on the group risk at the enterprise carries out measures to stabilize and improve the quality of coal products (upgrading processing plants, construction of the loading points, the introduction of an integrated management system, a component of which is the quality control system ISO 9001[6]).

Technical and operational risks-risks that could have an impact on the volume of production of coal products. The main risks of this group: the risks non-fulfillment of production schedules as a result of accidents caused by the mining and geological factors, the risks of incorrect planning of mining operations that result from incorrectly performed R and D, design and technological developments. To reduce the risk of this group in the

company are held control activities of suppliers and contractors carried out to staff training, comprehensive measures to ensure the safety and reduce injuries.

Market risks-risks related to changes in prices of purchased materials, components and services. To reduce the risk for this group of now, the following activities: enacted Standard "Doing procurement ", created network share that hosts all documents held by the company in the competitions, which made the procurement procedure transparent [7].

Financial risks-adverse changes in exchange rates, the risk of rising interest rates. Because of the possible worsening situation money markets, the company is exposed to risks of adverse changes in interest rates on credit obligations with a floating interest rate. Now is monitoring the potential impact of adverse changes in exchange rates and interest rates on the operations and, in the prediction of adverse market conditions, in respect of foreign exchange risk and interest rate risk is a policy of hedging.

Social risks-risks associated with the staff. The main risks of this group: the risk of injury from unsafe practices, the risk of low-skilled personnel, the risks associated with low wages. To reduce these risks, the company's internal control system addresses issues relating to staff training programs were being implemented to improve the motivation of employees. Activities aimed at reducing risks contributes to economic security. This is evidenced by both domestic and foreign experience [8-12].

CONCLUSION

In conclusion, it should be noted that effective internal controls aimed at reducing the risks of the company will increase its economic security and profitability.

Findings.

The assessment of organizational structure suggested measures for its improvement to improve the efficiency of intra-corporate financial control, which include the supervision of other units, including a reconciliation of the control planned and actual expenditure of resources, internal audit reports.

The system of internal financial control organization operates efficiently, but at the moment taken control actions cannot provide the improved financial condition of the company. In order to stabilize the financial situation of the system of internal corporate financial controls recommended to form a "risk map Enterprise", which will

be charged the basic factors that directly or indirectly influence the changes in the cost and set the interdependence between the factors.

We advice to create a graph of the enterprise financial arrangements that will allow the department of internal controls to monitor and adjust the activities of all services, to monitor the level of preparation for the forthcoming financial enterprise activities and to plan the budget of these activities.

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