



ANTICORRUPTION AUDIT AS THE MEANS OF COMBATING CORPORATE FRAUD

Gnilitskaya L. V.,

Doctor of Economics, Professor, SHEE «Kyiv National Economic University named after Vadym Hetman»

A The high level of corruption in all spheres of the life of society is one of the most significant problems of post-Soviet countries. Ukraine, where the corruption and fraud gained massive scale that considerably impedes its economic growth and poses threat to national security, is no exception either. In this regard, there raises the priority challenge on searching for mechanisms of countermeasures against these phenomena not only at the state level, but also at the level of a separate business entity. The anticorruption audit is one of such mechanisms. Consequently, the article is dedicated to substantiation of a modern concept of internal audit as the function of anticorruption management and the means of combatting corporate fraud. As the result of conducted investigation, the insight into anticorruption audit has been provided, its functions have been determined and the system of methods of conducting control procedures while fulfilling anticorruption and antifraud tasks was formed.

It has been proved that the anticorruption audit is an effective mechanism of combatting corporate fraud, which enables the decrease of negative trends, caused by illegal abuse of office for obtaining unlawful benefit. However, the implementation of anticorruption audit in operational activities of the enterprises of Ukraine requires that the organizational and legal coverage of activities of the anticorruption auditor be enshrined in legislation, and the training system of these experts in national educational establishments be improved.

K corruption; anticorruption audit; preventive control; reactive control; assessment of reliability.

АНТИКОРУПЦІЙНИЙ АУДИТ ЯК ЗАСІБ БОРІТЬБИ З КОРПОРАТИВНИМ ШАХРАЙСТВОМ

Гнилицька Л. В.,

доктор економічних наук, професор, професор кафедри бухгалтерського обліку
ДВНЗ «Київський національний економічний університет імені Вадима Гетьмана»

A Одна з найістотніших проблем країн пострадянського простору – високий рівень корупції в усіх сферах життєдіяльності суспільства. Не є винятком й Україна, де корупція та шахрайство набули масових масштабів, що істотно перешкоджає її економічному зростанню та загрожує національній безпеці. У зв'язку з цим постає першочергове завдання пошуку механізмів протидії цим явищам на рівні не лише держави, а й окремого суб'єкта господарювання. Одним із таких механізмів є антикорупційний аудит.

Отже, стаття присвячена обґрунтуванню сучасної концепції внутрішнього аудиту як функції антикорупційного менеджменту та засобу боротьби з корпоративним шахрайством. В результаті проведеного дослідження розкрито суть антикорупційного аудиту, визначено його функції та сформовано систему способів проведення контрольних процедур при виконанні завдань щодо протидії корупції та шахрайству.

Доведено, що антикорупційний аудит є дієвим механізмом протидії корпоративному шахрайству, який робить можливим зниження негативних тенденцій, спричинених незаконним використанням службових повноважень персоналом з метою одержання неправомірної вигоди. Однак впровадження антикорупційного аудиту в практичну діяльність підприємств України потребує закріплення на законодавчому рівні організаційно-правового забезпечення діяльності антикорупційного аудитора, а також удосконалення системи підготовки цих фахівців у вітчизняних навчальних закладах.

K корупція; антикорупційний аудит; профілактичний контроль; реактивний контроль; оцінка достовірності.

АНТИКОРУПЦИОННЫЙ АУДИТ КАК СРЕДСТВО БОРЬБЫ С КОРПОРАТИВНЫМ МОШЕННИЧЕСТВОМ

Гнилицкая Л. В.,

доктор экономических наук, профессор, профессор кафедры бухгалтерского учета
ГВУЗ «Киевский национальный экономический университет имени Вадима Гетьмана»

A Одна из наиболее существенных проблем стран постсоветского пространства – высокий уровень коррупции во всех сферах жизнедеятельности общества. Не является исключением и Украина, где коррупция и мошенничество приобрели массовые масштабы, что существенно препятствует ее экономическому росту и угрожает национальной безопасности. В связи с этим возникает первоочередная задача поиска механизмов противодействия этим явлениям на уровне не только государства, но и отдельного субъекта хозяйствования. Одним из таких механизмов является антикоррупционный аудит.

Итак, статья посвящена обоснованию современной концепции внутреннего аудита как функции антикоррупционного менеджмента и средства борьбы с корпоративным мошенничеством. В результате проведенного исследования раскрыта суть антикоррупционного аудита, определены его функции и сформирована система способов проведения контрольных процедур при выполнении задач по противодействию коррупции и мошенничеству.

Доказано, что антикоррупционный аудит является действенным механизмом противодействия корпоративному мошенничеству, который делает возможным снижение негативных тенденций, вызванных незаконным использованием персоналом служебных полномочий с целью получения неправомерной выгоды. Однако внедрение антикоррупционного аудита в практическую деятельность предприятий Украины требует закрепления на законодательном уровне организационно-правового обеспечения деятельности антикоррупционного аудитора, а также совершенствования системы подготовки этих специалистов в отечественных учебных заведениях.

K коррупция; антикоррупционный аудит профилактический контроль; реактивный контроль; оценка достоверности.

Statement of the Problem and Its Connection with Important Scientific and Practical Tasks. The challenges, associated with corruption and fraud, do not come off mass media during the whole period of existence of independence of Ukraine; meanwhile, the negative fact of active spreading of these phenomena and their enhanced penetration into all spheres of life of the state and society is constantly stated.

Under modern economic and political conditions, the corruption and fraud gained larger scale that considerably impedes the economic growth of Ukraine and poses threat to its national security. The Law on Preventing Corruption [1], which is aimed at determining the general principles of prevention of corruption and fraud within the activities of legal entities, was implemented for fighting against economic crimes in business relationships of the enterprises of Ukraine.

However, most anticorruption measures, undertaken by the authorities, have formal nature and are confined to the approval of documents, having the political nature. Meanwhile, as per the results of the Global Economic Crime Survey, the level of corporate fraud is increasing every year. As noted by survey results, 50% respondents in finances, 43% respondents in energy and mining, 40% respondents in telecommunications, regularly encounter fraud in their activities.

The fraud structure is also diverse enough. In particular, in 2015, 73% of surveyed companies stated that they suffered from illegal misappropriation of assets, 60% respondents regularly encounter the consequences of the conflict of interests, while 30% of the surveyed note that the most considerable losses from fraudulent activities are associated with manipulation of reporting data. Meanwhile, 85% of fraud victims do not get their funds back [2].

The *fraud* is understood as the intentional actions of persons from the managerial staff, employees, or third party, aimed at deception of company's owners, state or individual for obtaining an unfair and illegal advantage [1]. Therefore, the fraud is any illegal actions, which are characterized by the fraud, concealment and abuse of trust and performed by legal entities and individuals for obtaining money, properties or services, evasion from payment of funds, or for personal or corporate gain.

According to experts' estimates, the companies' losses from fraud, committed by their own employees, reach 90% from the total loss. According to the Association of Certified Fraud Examiners (the international anti-fraud organization), the western companies lose about 6% of their turnover because

of occupational fraud. The results of the surveys, conducted in Ukrainian firms, give worse indicators, but it is no wonder, because national companies spend, on average, less than 0.1% of their turnover on implementation of security measures. Nowadays, the fraudsters have a wide arsenal of methods, while security experts only start developing mechanisms for prevention and detection of economic malpractice. [3, p.185].

According to global surveys, in terms of corporate fraud, Ukraine ranks 6th in the global rating (45% of the surveyed companies proved fraud cases), yielding only to such countries as Russia – (71%), South Africa – (62%), Kenia – (57%), Canada – (56%) and Mexico, where fraud cases are fixed within the activities of 51% companies [2].

The fraud in the activities of business entities usually includes such main elements:

1. fraudulent reporting of financial indicators, i.e. entry of knowingly false data in the financial reporting. The purpose is the deception of shareholders, tax authorities or company's counterparties (fraud of C-level executives);
2. illegal misappropriation of assets: theft, embezzlement; use of assets for personal needs; payment for time not worked (fraud of direct dealers);
3. conflict of interests, i.e. the presence of person's private interest in the sphere, in which he or she performs all corporate or representative authorities that can impact the objectivity or impartiality of his decision-making, or fulfillment or nonfulfillment of actions during performance of specified authorities. For example, the use of information, which is a commercial secret, for a personal benefit, the conspiracy with counterparties on providing them with exceptional conditions for further receipt of «payoffs» (fraud of middle-ranking managers and direct dealers).

The published report of the Association of Certified Fraud Examiners proves the fact that most frauds were committed by employees (42%), managers (36%) and only 19% – company owners [4].

According to the survey of national companies, the main types of frauds, committed by company's senior executives and staff, include:

- use of property for personal gain and embezzlement of assets (31% of the surveyed);
- corruption – 24% of the surveyed point out this problem;

- misreporting of source accounting data – 21% of the surveyed consider this problem to be priority;
- illegal use of Internet for personal needs and other types of cybercrime is the priority problem of 15% of the surveyed;
- running parallel business at the company is practiced in the activities of 9% of respondents.

Therefore, the use of property for personal purposes and banal thefts traditionally remain the most widespread among commercial frauds. Almost each employee of the company does it: printing out papers for personal needs, using Internet resources, using the company car is considered a norm, but not an exception to the rule.

The second in terms of popularity is the fraud, associated with the corruption, which is understood as the use of official authorities, given to a person, or related opportunities, for obtaining unlawful benefit or accepting such benefit [1].

The corruption inside the company consists in the fact that the manager or employee of the company conspires with those, who do not work in this organization. The most popular and highly lossmaking types of internal corruption include:

- commercial bribery of company's employees by partners or rivals for accelerating or stimulating decision making process for their own benefit;
- unauthorized money rewards;
- intentional underpricing of products or overpricing of material valuables in agreement with the counterparties for obtaining «payoffs» from them;

The abuse of office by employees became the primary internal threat to the economic security of companies. According to PricewaterhouseCoopers, 62% of the surveyed managers stated that «payoffs», which the employees obtain from contractors or suppliers, inflict most damage [3, p.188]. The payoff allows the supplier to unreasonably overprice or supply low quality goods and services, while the purchaser ensures privileged terms for deferred payment, which becomes the uncollectable receivables in most cases.

The third in terms of its scale is the fraud, associated with manipulation of source accounting data. The employees of the financial, accounting, sales and procurement departments as well as company's senior management have most opportunities for committing these types of fraud (77%).

It is clear that the level of economic crime in Ukrainian companies could be much lower, if each fraud case were detected, and the fraudster were

punished. However, the statistics states that 51% of corporate fraudsters commit more 20 crimes, before being caught, while the other third manages to commit more than 50 crimes. In most cases, it takes three years to catch a fraudster and prove his guilt (if it is ever possible), while in 22% of cases it takes more than ten years to find a fraudster. As the researchers note [3, p.189], about 1 mln euros are transferred to the accounts of an average corporate fraudster for this time.

A significant number of measures, which have different degree of efficiency, are permanently taken in the national and international practice for combatting corporate fraud. As per the results of global surveys, conducted by Ernst and Young, in 2015, the respondents (72% of the surveyed) classified the anticorruption audit (control) as the most effective anticorruption measure. Due to its popularity, it got ahead even such traditional anticorruption measures as the availability of hotline for anonymous reporting about corruption and fraud cases (32%) and legal review of counterparties (10%).

Analysis of last researches and publications.

Despite the significant load of anticorruption audit while preventing fraud risks, the systemic scientific researches regarding this phenomenon were not conducted. The attention should be drawn to single publications, made by such national and foreign researches as L. Grechanyk [5], L. Rusnak [6], L. Sotnykova [7], L. Mykhalchyshyna and V. Kalashnyk [8], V. Chenash [9], in which the authors disclose separate audit instruments while detecting and preventing fraud risks.

Formulation of the purpose and task of the research. The purpose of this article is the substantiation of a concept of internal audit as the function of anticorruption management and the means of combatting corporate fraud. In this regard, there appears a need in investigating the essence of anticorruption audit and determining its methodological instruments.

Presentation of the main material of investigation with full substantiation of obtained scientific results. The anticorruption audit is understood as the system of inspections, conducted by the anticorruption auditor and aimed at identification of corporate fraud risks and assessment of implementation of anticorruption measures in the company.

The main differences in functions and methodology of the anticorruption and business audit are provided in **Table 1** for deeper understanding of the essence of anticorruption audit.

DIFFERENCES OF BUSINESS AND ANTICORRUPTION AUDIT

TABLE 1

CHARACTERISTIC OF DIFFERENCES	BUSINESS AUDIT	ANTICORRUPTION AUDIT
Regularity	Conducted with clearly established regularity	Conducted upon the availability of sufficient evidence of detected fraud; that is why it is not regular;
Purpose	Examination of reliability of financial data, provided in respective documents	Determination of existence of corporate fraud, guilty person and degree of his guilt
Nature of audit process	Audit process does not have hostile nature	Antifraud process is inherently hostile, because it is aimed at identifying the guilty person and degree of his guilt
Methodology	It is based on the traditional methods of investigation of reliability of accounting data	Except for the verification of financial data, it uses the methods of actual verification of assets, psychological methods, and special methods for ensuring economic security.

The control measures in the anticorruption audit have preventive (warning), reactive (current) and offensive nature. In particular, the preventive control is aimed at reducing fraud risks through implementation of the code of ethics, conducting awareness-raising activities and imposition of personal responsibility for the assets and decisions, which are controlled by certain official. For this purpose, the labor agreements and job description should have the provisions, which determine punitive measures while identifying fraud signs in the employee’s behavior.

The reactive control provides for the implementation of the system of control procedures, which will allow detecting corruption risks and the business operations, related to the deliberate violation of employees’ obligations through conducting internal investigations, anonymous surveys, unscheduled inspections, budgetary control of the performance, assessment of the dynamics of changes in key financial and economic indicators with a view to early diagnosing of fraud risks, management by difference etc.

The offensive control allows assessing the effectiveness of control procedures on prevention of corporate fraud risks and developing future anti-fraud measures.

Taking into accounting the components of economic crimes, caused by corruption and fraud, the anticorruption auditor performs the following tasks:

- Conducts unscheduled (thematic) audit of financial documentation and actual presence of assets;

- Monitors corruption and fraud risks;
 - Participates in conducting internal investigations of detected corruption and fraud cases (interrogation of witnesses, search for documentary evidence);
- For the performance of specified tasks, the anti-corruption auditor uses the methods of control, analysis, personnel management and security study, among which:
- Limited access to information;
 - Unscheduled inventory of assets;
 - Unscheduled (random documentary audit of activities of separate officials or middle-ranking managers);
 - Budgetary control of actually achieved indicators;
 - Actual and documentary audit of transactions and assets, which are characterized by the highest level of fraud risk (verification of «untraditional» agreements, verification of dynamics of overdue receivables, verification of changes in the status of settlements with receivables; verification of the actual condition of warehousing facilities);
 - Implementation of «hot line»;
 - Participation in staff appraisal (loyalty test);
 - Informing the company staff about detecting corruption schemes and fraud cases etc.
- The generalization of methods of anticorruption audit while performing anticorruption and anti-bribery tasks in the activities of business entities is provided in *Table 2*.

METHODS OF ANTICORRUPTION AUDIT
WHILE PERFORMING ANTICORRUPTION AND ANTI-BRIBERY TASKS

TABLE 2

TASKS OF ANTICORRUPTION AUDITOR	METHODS OF ANTICORRUPTION AUDIT
Conducting unscheduled (thematic) audits of financial reports and actual presence of assets	1) restricted access to information; 2) unscheduled inventory of assets; 3) random documentary audit of activities of separate officials or middle-ranking managers; 4) conducting the survey among the company staff for identification of fraud risks;
Monitoring corruption and fraud risks	1) blitz diagnostics of the company's financial standing with the use of tools of vertical and horizontal (dynamic) analysis; 2) assessment of the economic reliability of the contractors, who got into the area of higher attention of anticorruption auditor with the use of tools of the ratio analysis;
Conducting internal investigations of detected corruption and fraud cases	1) implementation of «hotline»; 2) participation in staff appraisal (loyalty test); 3) interrogation of witnesses; 4) actual audit; 5) search of documentary evidence; 6) informing the company staff about the detection of corruption schemes and fraud cases.
Assessment of reliability of financial reporting and early diagnosing of manipulations with financial indicators.	1) use of ratio analysis for assessment of the reliability of financial reporting; 2) use of methods of assessment of the reliability of accounting information through its comparison with unofficial data, obtained as the result of application of special methods of business intelligence.

The activities of anticorruption auditor are necessarily related to the monitoring of not just internal risks, but also external fraud risks (especially fraud with financial indicators). For the performance of this task, the anticorruption auditor has to concentrate his attention not only on traditional sources of information such as the data reporting system, but also focus on the alternative sources of information, which would enable detecting other (different from financial) risk factors of falsification of accounting data. Such factors include:

1. Corporate management system. In the meantime, it is worth paying attention to frequent changes of the organizational structure, decentralized management system, absence of the internal control service.
2. The staff and the reputation of the company management. The frequent change of company's senior executives, family or friendly liaisons, the negative business reputation of company executives may be the signs of possible fraud.
3. Interaction with external auditors. The companies, which are characterized by the frequent rotation of external auditors, location of

subdivisions in hard-to-reach places (for example, on the territory of restricted territorial entities) usually falsify the reporting.

For identification of risk factors, associated with manipulation of reporting data, in his practical activities the anticorruption auditor has to apply the methods of competitive intelligence (business intelligence), in particular the methods of personal search and specialized survey, except for traditional control methods.

It is not in doubt that the implementation of anticorruption audit in Ukrainian companies will become the effective mechanism for combatting corporate fraud and enable reduction of negative trends, caused by the employees' abuse of office for obtaining unlawful benefit.

However, the investigation of modern business practice of national companies showed that there exists a range of serious problems, which hamper implementation of anticorruption audit, among which most significant are:

- absence of organizational and legal coverage of anticorruption auditor activities at the legislative level;

- non-systemic nature of available methodological developments, associated with the use of control, analysis, staff management and security study technologies in the anticorruption activities;
- unadjustment of the training system in national educational establishments for the graduates, capable of fulfilling functions of anticorruption auditor.

In our opinion, in order to perform his functions, the anticorruption auditor should have basic economic education, preferably majoring in Accounting and Tax, and obtain specialized expertise in anticorruption management and ensuring economic security. For this purpose, we consider it appropriate to implement some disciplines in the training of accounting and audit experts, which unveil the ways of ensuring economic security of the company and methods of identification of corporate fraud risks, which will become an innovation step in education and will contribute to modernization of the national economy.

As the alternative, the option of improvement of qualification skills of the accountant or the auditor through professional certification that allows obtaining qualification «Certified Fraud Examiner (CFE)» or «Certified Independent Accountant, Detecting Fraudulent Financial Reporting» is possible. As L. Sotnykova notes in her investigation, such qualification is recognized in the whole world and includes expertise and experience in fraud detection and prevention [7, p.132].

Conclusions and prospects of further investigations in this direction. The conducted investigations enable formulating some general statements, which determine the modern format of the functional focus of internal audit in company's anticorruption management system.

1. The anticorruption audit is understood as the system of audit inspections, conducted by the

anticorruption auditor and aimed at identification of corporate fraud risks and assessment of efficiency of implementation of anticorruption measures in the company.

2. For the purpose of prevention of corporate fraud risks, the anticorruption auditor performs the following tasks: conducts unscheduled (thematic) audits of financial documentation and actual presence of assets; participates in conducting internal investigations of detected corruption and fraud cases (interrogation of witnesses, search of documentary evidence); carries out assessment of reliability of financial reporting for early diagnosing of manipulations with financials.
3. However, the investigation of modern business practice of national companies points out the existence of some problems, which hamper implementation of anticorruption audit, among which most significant are: absence of organizational and legal coverage of anticorruption auditor activities at the legislative level; non-systemic nature of available methodological developments, associated with the use of technologies of control, analysis, staff management and security study in the anticorruption activities; unadjustment of the training system in national educational establishments for the graduates, capable of fulfilling functions of anticorruption auditor.
4. For satisfying the staff «hunger» for relevant experts, we consider it appropriate to implement some disciplines in the training of accounting and audit experts, which unveil the ways of ensuring economic security of the company and methods of identification of corporate fraud risks, which will become an innovation step in education and contribute to modernization of the national economy.

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