

ISSN 2661-5169

**GREEN,
BLUE
& DIGITAL
ECONOMY
JOURNAL**

VOLUME 4 | NUMBER 2 | 2023

Green, Blue & Digital Economy Journal

Vol. 4 No. 2 (2023)



Riga 2023

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Green, Blue & Digital Economy Journal, Volume 4 Number 2. Riga, Latvia : “Baltija Publishing”, 2023, 66 pages.

The journal "**Green, Blue & Digital Economy Journal**" publishes scientific researches on economic analysis related to the use of natural resources, the solution of environmental and economic problems. The last decade has been characterized by numerous economic crises and the development of global environmental problems. In response to the negative effects of economic development on the environment, as well as the financial crisis, the international community is looking for solutions to develop a sustainable economy and society. In this context, concepts such as "green economy", "blue economy" and "digital economy" have emerged and become more widespread at the international level. Integration between them leads to new paradigms and creates opportunities for recovery of the economic processes. The "green economy" is based on practical and theoretical knowledge related to climate change and environmental policy development. In turn, the "blue economy" becomes an alternative development paradigm, which combines the economic use of the oceans with environmental sustainability.

Green, Blue & Digital Economy Journal, a Scientific Journal of the Publishing House “Baltija Publishing”, is published four times per year.

Latvia registered mass information mediums (MIM). Registration No. 000740447.

Indexed in the following international databases:

Index Copernicus; Research Papers in Economics (RePEc); Google Scholar.

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Transport and Telecommunication Institute is a co-publisher of this periodical.

Printed and bound in Riga by LLC Publishing House “Baltija Publishing”.

Journal is available: www.baltijapublishing.lv/index.php/gbdej

DOI: <https://doi.org/10.30525/2661-5169>

ISSN 2661-5169 (PRINT)
ISSN 2661-5282 (ONLINE)

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Green, Blue & Digital Economy Journal. Volume 4 Number 2 (2023).

Publicētie materiāli ne vienmēr atbilst redakcijas viedoklim.

Par skaitļu, faktu pareizību un sludinājumiem atbild autori.

Izdevniecība "Baltija Publishing"

Valdeku iela 62-156, Rīga, LV-1058

Iespiests tipogrāfijā SIA "Izdevniecība "Baltija Publishing"

Parakstīts iespiešanai: 2023. gada 31. maijs

Tirāža 100 eks.

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ORGANISATIONAL AND THEORETICAL FOUNDATIONS OF INTERNAL CONTROL OVER LABOUR COSTS

Anzhelika Mashevskaya¹

Abstract. The article reveals the nature and economic content of the concepts of "remuneration", "wages" and "employee benefits" from the point of view of various scholars and regulations, and identifies their main characteristics and differences. The article also states that wages are defined as monetary compensation to an employee for work performed, services rendered in accordance with labour legislation, as stipulated in the employment contract. *Methodology.* Given the complexity of socio-economic processes at the micro level and their impact on macroeconomic indicators, the system of control over labour remuneration transactions at the enterprise level needs to be revised. In market conditions, the need to improve the methodological and organisational aspects of control in the Ukrainian economy is growing. The article proposes a methodology of internal control of payments to employees with a theoretically substantiated ranking of control procedures at the methodological stage of control. *Results.* The scientific work reflects the organisation of internal control of payroll accounting and shows how responsible and important this stage is, since the correctness of its assessments and the management decisions made on its basis affect the performance of employees, the costs of the enterprise, the formation and determination of income. It should be noted that the main purpose of the controller in the verification of payroll is to determine the strength of the control, which will make it possible to ensure that there are no errors in the company or, conversely, to identify certain inaccuracies. *Practical implications.* In turn, it is also noted that the control is aimed at carrying out the social function in management, regardless of the socio-political system in which the organisation operates and, moreover, is an objective need for social and labour relations, on the one hand, allows to activate the mechanism of labour resources, and on the other hand, carries out a clear distribution of costs for their optimization. In accordance with the dynamics of activity of civil and economic cases on payroll accounting in Ukraine in recent years, the necessity of improvement of methodological directions of internal control of payroll accounting is considered. It has been established that the control of labour costs and accounting with personnel occupies an important place in the system of enterprise management at various levels of management. Attention is paid to such primary structural elements of internal control as purpose, objectives, subjects and objects, methodological and organisational aspects of functioning of the internal control system are reflected and their characteristics are studied. The article states that remuneration is one of the most important expenses of enterprises-organisations. As a result, salary, fulfilling its main functions, is the main incentive for activation. *Value/originality.* On this basis, it is important to identify remuneration risks, correct errors and prevent possible consequences. All this requires the organisation of an effective internal control system. Having studied the international experience in the organisation of internal control, the currently developed concepts, regulations, internal audit standards, etc. for companies, certain directions for improving internal financial control, in particular in the field of remuneration, are proposed. In order to improve the directions of control, some criteria for evaluating the work of the internal control service have been proposed. The basic methodical techniques used in the process of internal control of labour costs and settlements with personnel are considered.

Key words: on-farm control, continuity, audit, analysis, employee, benefits wages remuneration.

JEL Classification: J31, J30, M40

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1. Introduction

Given the negative dynamics of the initiation of civil and commercial lawsuits on wage settlements in Ukraine in recent years, there is a growing need to improve the methodological aspects of internal control.

On this basis, objective, personal and everyday information about the state of affairs and relationships of all subjects of public and social relations – states, employers and individuals – becomes visible.

As a result, information support for the process of managing labour costs and personnel accounting occupies an important place in the company's internal control system. The process of regulation of social and labour relations between employers and employees is designed to perform an important social function of internal control.

The need for effective organisation of internal control over payroll accounting is becoming more and more important, taking into account the dynamics of growth in the number of violations of current legislation in the field of labour relations.

Organisational and theoretical bases of internal control of labour costs in general and verification of payroll accounting in their works were studied by many scientists, in particular, F. F. Butynets, V. D. Bazylevych, T. A. Butynets, R. M. Voronko, M. D. Korinko, L. V. Gutsalenko, O. F. Tomchuk, A. A. Mashevskaya and others.

In their works, scientists study the issues of organisation and methodological principles of payroll control, as well as the functional purpose of control in the enterprise management system.

The organisational levels of internal control over payroll accounting are the top management, which is directly responsible for its construction, and the structural units, where the processes of establishing labour relations, documenting and recording employees' working time and production, calculating and paying wages, summarising data on employees' payments in accounting and reporting take place.

In our opinion, the most effective system of organising the internal control of payroll accounting in companies is to create separate departments for this purpose and to assign their powers to special regulations. Obviously, large and medium-sized companies can financially afford to create such services.

Employees of the internal control service have special skills in its organisation and implementation, have experience with the relevant software, carry out activity planning, define objects, tasks, performers and control conditions, and are familiar with their duties and responsibilities. This leads to significant advantages of such employees in comparison with control participants who are entrusted with additional control functions by job descriptions.

The main criteria for assessing the performance of the internal control service in reviewing labour costs and personnel settlements are as follows:

- efficiency – the ability to respond quickly to potential risks, changes in remuneration legislation, the timeliness of providing management with the necessary information to make quality management decisions;
- continuity – continuous monitoring of all employee benefit information to avoid non-compliance and inaccurate disclosure in the company's accounting and reporting;
- comprehensiveness – coverage of all elements and indicators related to payroll calculations and a systematic approach to their verification;
- objectivity – lies in the independent judgement of Internal Audit staff and the validity of conclusions and proposals on the status and improvement of payroll accounting.

In connection with the changes in the economic conditions of enterprises and their legal regulation, it became possible to mobilise new areas of scientific research, namely in the field of control of personnel payments.

The concept of internal control of labour costs and settlements with personnel requires a modern vision, as well as disclosure of its main elements, aimed at identifying ways to improve its organisation and methods that will ensure proper efficiency in the management of payments to employees of the enterprise and the elimination of violations in this area (Voronko, 2019).

Taking into account the existence of unresolved issues of a scientific and applied nature, and without diminishing the importance of the research, attention should be paid to the following: methods of on-farm control of employee benefits in the context of socio-economic processes occurring at the micro level. These problem areas identified the relevance and outlined the main research directions.

The purpose of writing a scientific article is to research and develop theoretical foundations for improving the process of controlling employee payments on the farm in order to increase the manageability of payments by both owners and employees (Sholyak, 2009).

2. The Impact of the Economic Crisis on Consumer Behaviour

Internal control is one of the functions of managing the economic activity of the company. One of its key tasks is to provide information on the company's activities for making effective management decisions, which is possible only if the company is organised rationally.

When organising the internal control system in an enterprise, it is necessary to follow a systematic approach that ensures its maximum effectiveness and, in turn, determines the rationality of control activities. Effective organisation of internal control is one of the measures aimed at improving the management of the company, which ensures a high level of fulfilment of its tasks, a clear order in its management.

Thus, the proper organisation of internal control in the company provides management and owners with reliable information about the state of affairs and, on this basis, determines the prospects for further activities.

The subject of internal control is a person or group of persons who have the rights and duties to exercise control over the subject of control.

The subjects of internal control are

- a) subjects of the organisation (head, owner or subordinate body – they are obliged to organise control activities in the enterprise);
- b) subjects of control (employees of the enterprise who are subordinate to the head of the enterprise; departments of the management apparatus to which control functions are delegated by the administration) (Sholyak, 2009).

Timeliness and correctness of payroll accounting are the main criteria for achieving an increase in employees' interest in the results of their work, its productivity, increasing the volume of production of products (works, services), improving their quality and range (Voronko, 2019).

The economic content of the category "wages" is diverse and requires an integrated approach to its definition. Modern economic theory under labour as a factor of production understands the physical and intellectual activity of a person

aimed at the production of economic goods and provision of services (Bazylevych, Popov, Bazylevych, Ghrazhevsjka, 2007).

The main legal acts regulating remuneration are: The Constitution of Ukraine, the Labour Code, laws, resolutions of the Cabinet of Ministers of Ukraine, and instructions approved by the Ministry of Statistics. The main legal act defining the nature and principles of remuneration in Ukraine is the Law of Ukraine "On Remuneration of Labour" (Mashevskya, 2019).

Mocherny S. V. notes that wages are the price paid for the use of a hired worker's labour, so he considers the nature of wages from several perspectives:

- From an entrepreneur's point of view: firstly, it is an expense that reduces profits; secondly, the right motivational policy is the key to improving the efficiency of the organisation by increasing the interest of employees in the productivity and quality of the work they perform.

From the perspective of an employee:

It is the main source of income and, as a result, a determining factor in improving living standards.

As an element of the labor market:

- Its level affects the demand and supply of labour as a monetary expression of the value and price of goods, its level affects the demand and supply of labour (Mochernyj, 2000).

At the legislative level in Ukraine, wages are interpreted as remuneration, usually calculated in monetary terms, paid by the employer to the employee under an employment contract for work performed by the employee.

According to this, accounting in the enterprise should ensure accurate calculation of wages of each employee in accordance with the quantity and quality of work performed, rational selection of forms and systems of remuneration, monitoring of labour discipline, use of time and compliance with production standards by employees, timely identification of reserves for further growth of labour productivity and distribution by areas of expenditure in relation to a single social contribution (Mashevskya, 2017).

Wages are an integral part of the system of mechanisms of functioning of the labour market and one of the main factors regulating its development in professional, regional and sectoral aspects. The standard of living of all employees and their families depends mainly on the level of remuneration and the mechanism of its payment.

After all, wages are the main component of the population's income, the basis of workers' livelihood and, therefore, the strongest incentive to increase labour productivity. However, among all factors of labour theory, the mechanisms of formation and regulation of the organisation of wage accounting are the least developed (Mashevskaya, 2019).

Some scholars differentiate the concept of "remuneration", considering it broader in relation to the category of "wages" and understanding by it a system of legal norms aimed at organising the entire system of legal relations in this area and regulating its individual elements related to the provision and implementation by the employer of payments to employees. And salary is a remuneration, including incentive payments, which the employer pays to the employee in a timely and systematic manner for the work performed by him under an employment contract (Laptij, 2005).

Payments to employees are the most important component of all expenses of the enterprise, and their accounting is one of the most important aspects of the accounting process. The introduction of innovations in wages and salaries in enterprises makes it possible to use human resources more efficiently and to adapt them to changes in the enterprise management system. With the development of the market economy in agricultural enterprises there are a number of problems of different nature, in particular in the organisation of accounting for employee benefits.

Contemporary theorists have provided a wide variety of justifications for different aspects of the nature of remuneration. In the context of the administrative command economy, which was called socialist, it was argued that an employee does not sell his or her labour power, and that wages are a form of labour distribution. This understanding was generally in line with the existing ideology, but was not confirmed in practice (Kostyshyna, 2015).

The instruction on wage statistics describes employee benefits as a wage fund comprising the following three components: basic wage fund, additional wage fund, other incentive and compensatory payments. According to national regulations, employee benefits include current benefits, severance pay, benefits at the end of employment, payments through equity

instruments of the enterprise and other long-term benefits.

In his writings, R. M. Voronko notes that the salary is the employee's monetary remuneration received from the employer for work performed or services rendered in accordance with the labour agreement and is intended to motivate the employee to increase labour productivity and satisfy his vital needs. It is a separate element of the wage system and an integral part of employee benefits (Voronko, 2019).

Internal control is one of the functions of managing the economic activity of the enterprise, providing the necessary information for making effective management decisions, which is possible only with its rational organisation. When organising the internal control system in the enterprise, it is necessary to adhere to a systematic approach that ensures its maximum effectiveness and determines the rationality of control activities (Voronko, 2019).

The need and importance of employee benefit control is determined by its positioning in the enterprise management system. And it is displayed in stages:

- during the target setting stage, the current pay system is assessed for compliance with current legislation and the company's operational, current and strategic objectives;
- at the problem analysis stage, by monitoring payroll calculations, possible infringements and their causes are identified;
- at the decision-making stage, control allows for the exploration of possible compensation alternatives in order to find the best options for action and to improve the methodology and organisation of payroll accounting.

Implementing decisions requires monitoring their implementation and assessing deviations from planned actions in order to provide feedback and make possible adjustments (Voronko, 2019).

The rational organisation of internal control contributes to improving the efficiency of the management system and ensures its optimal functioning.

The conceptual basis for the formation of the internal control system, which has been defined earlier, provides for the existence of its interrelated structural elements, such as:

- the purpose and objectives of internal control;
- principles of functioning of the internal control system;

– subjects and objects of internal control;
 – control measures;
 – methods of functioning and evaluation of the internal control system; users of control information (Voronko, 2016).

According to Saukh I. V., the definition of the essence of internal control over employee benefits should be associated with the goals of this process – making or adjusting management decisions to carry out the effective operation of a business entity (Saukh, 2011).

In his article, Sholyak O. Yu. notes that when organising the internal control system at an enterprise, it is necessary to adhere to a systematic approach that ensures its maximum effectiveness and, in turn, determines the rationality of control activities.

Effective organisation of internal control is one of the measures aimed at improving the management of the company, ensuring a high level of fulfilment of its tasks and a clear order in its management.

Thus, the proper organisation of internal control at the enterprise will provide management and owners with reliable information about the state of affairs and, on this basis, will determine the prospects for its further activity (Sholyak, 2009).

Internal control subjects are a person or a group of persons who have the appropriate rights and obligations to perform control functions in relation to the objects of control.

On-farm controls should be continuous and provide for the verification and assessment of the legality of payment transactions in order to identify deviations and possible infringements, to eliminate them and to prevent them in the future by adopting new management decisions or adjusting previous ones.

In his scientific research, Luchko M. R. notes that the main purpose of monitoring payroll accounting is to establish the reliability of

primary data on obligations, the legality and expediency of the calculations made, the completeness and timeliness of data display in primary documents and accounting registers, the validity and efficiency of spending money on remuneration of labour and existing personnel of the institution, the reliability of reflecting the status of obligations in reporting (Luchko, Zorij, Khorunzhak, 2015).

The main tasks of the internal control audit are:

- legality and economic viability of labour costs;
- compliance with the rules of labour relations in the company;
- documentation and reflection of these operations in accounting and reporting;
- correctness of payroll, bonuses, allowances, additional payments;
- accuracy of accruals, withholding and payment of taxes and payments related to wages.

It should be noted that the presence and condition of items is the main focus of internal control.

Thus, the objects of control over payroll settlements with staff include:

- legislative, regulatory support and internal regulation of labour relations on remuneration, accounting policy of the company on these issues;
- human resources, their planning and use;
- the state of labour discipline and compliance with legislation regulating labour relations;
- remuneration and bonus systems and the feasibility of their use in the company;
- primary documentation on accounting for the costs of working time and wages; payroll accounting system;
- formation and spending of funds for social insurance;
- synthetic and analytical accounting of labour, its payment and social insurance settlements;
- reporting indicators related to payroll accounting;
- losses from wage offences, their validity and responsible persons.
- practical implications.

Table 1

Internal control subjects

№	Subjects of internal control
1	Entities of the organisation (manager, owner or subordinate body – they are obliged to organise control activities at the enterprise).
2	Subjects of control (employees of the enterprise who are subordinate to the head of the enterprise).
3	Subdivisions of the management apparatus to which the administration delegates control functions.

Source: compiled by the author on the basis of (Sholiak, 2009)

3. Differences in Consumer Behaviour by Age Group

One of the objects of internal control of any company is costs. In order to effectively control labour costs, it is necessary to qualitatively and correctly apply the system of approved and developed standards, establish piecework rates, approve official salaries for each individual category of employees depending on the conditions, volume and complexity of work (Tomchuk, Mashevskaya, 2018).

The tasks of this department include:

- checking primary documents and accounting calculations with regard to the legality and existence of payroll bases;
- verification of the consistency of the payroll base with the volume of work performed in crop production, animal husbandry, auxiliary operations, piecework remuneration and actual hours worked – on an hourly basis;
- correct recording and accrual of components of remuneration: basic wages, additional wages, additional payments, bonuses, compensations, payments for time not worked (payment for holidays and temporary disability), and the like;
- checking the costs of payment for work performed under contracts, other civil law contracts, payments to seasonal workers, and so forth;
- checks on the correct inclusion of labour costs in the cost of crop production, animal husbandry, cost of work, services, etc;
- verification of the correctness of the accrual of the single social contribution to the wage fund (Korinko, 2007).

Management personnel and accountants perform preliminary, ongoing and subsequent controls in accordance with their job descriptions.

Accounting entities perform the following control procedures regarding the accounting of economic facts related to employee benefits in primary documents, accounting registers and in regulatory and management reports:

- verification of compliance with current legislation, collective agreements and the social package regarding the accounting of employee benefits;
- determining the correctness of the calculation of the value of social guarantees that depend on the productivity of the performance of work duties;
- ensuring uniform methodological principles of accounting for employee benefits and preparation

and submission of financial, tax, statistical and management reports on this subject of accounting (Sholyak, 2009).

– internal control of payroll accounting is subject to the relevant organisation, which is understood as the order, adjustment of a certain system in compliance with the appropriate sequence of actions.

In the applied aspect, the organisation provides for streamlining and coordination of purposeful activities of participants in processes and systems to ensure their effective functioning and development, which includes:

- preparation for the implementation of a specific event;
- defining the programme of action; empowering the participants of the event, providing the necessary information and technical means;
- controlling the implementation of certain actions (Shhyrsjka, 2015). As mentioned above, the sequence of internal control of employee benefits operations includes compliance with the organisational, methodological, effective and inspection stages.

The organisation of the internal control of labour costs and accounting with personnel includes:

- formation of an order on the establishment of an internal control (audit) service, approval of regulations on this service and other internal regulations, identification of responsible persons and development of their job descriptions, work planning, control actions on operations with employee benefits, documentation of the process and results of internal control, development of proposals to eliminate identified shortcomings, constant monitoring of the status of payroll accounting and consideration of recommendations based on the results of internal control. It is advisable to agree that the methodology of internal control over payroll depends on the existing forms and systems of remuneration (Voronko, 2016).

4. Research Methodology

Methodical control stage. The methodology for controlling labour costs and personnel settlements involves the use of appropriate documentary and factual methods and techniques to verify all the components involved.

Such techniques can be used: survey (to determine the consistency of the actual availability of employees with their list),

inspection (visual verification of primary documents for their availability), comparison (comparison of data from accounting registers with primary documents), arithmetic verification (control calculation of amounts on the payroll, verification of amounts withheld from wages and their compliance with the provisions of current regulations), inventory of accounts payable for payroll calculations, and so forth (Voronko, 2019).

The effective stage involves analysing the causes of the deviations, developing a methodology for eliminating the identified violations and leveling their impact on the economic activities of the company and on the process of ensuring payments to employees.

At the inspection stage of on-farm control of personnel payments, the head of the control department or an authorised person checks the progress of the implementation of the decisions taken, the implementation of the measures developed at the effective stage (Sholyak, 2009).

5. Findings

The study of the specifics of the implementation of the internal control of payments to employees reveals that the control methodology is reduced only to the control of the calculation of remuneration and contributions to the relevant social funds, without taking into account the social component of labour relations and the antagonistic interests of the subjects of these relations, which may have a negative impact on other objects controlled by this system. The lack of scientifically based approaches to methodology requires its development taking into account the specifics of social and labour relations.

Special attention should be paid to the procedure of compliance with social security payments. The next step is to verify the correctness of the payment of the amount of holiday pay, compensation for not taking holiday in the current period and subject to compliance with the norms of the current legislation in this respect, as well as to establish the correctness of other payments, in particular temporary disability benefits.

After that, the correctness of accrual and withholding of taxes and contributions to social insurance funds for employee benefits and in accordance with enforcement orders is determined. At the same time, attention should be paid to risk areas, which outline the period of

changes in withholding rates and contributions to the relevant funds and taxes (Sholyak, 2009).

Scientists divide the general set of methodological methods of internal control into general scientific and their own (specific) (Ghucalenko, Kocupatryj, Marchuk, 2014).

Own (specific) include methodological methods of actual control, documentary control, calculation and analysis, generalisation of control results, implementation of control results. Methods of actual control of payroll accounting (inventory, observation, questioning, official investigation) allow to check the actual composition of full-time employees and those who perform work under civil law contracts, to establish the facts of fictitious employment, to confirm the status of settlements and debts of personnel of the enterprise (Voronko, 2019).

Documentary techniques constitute the main evidence base for the control of labour costs and personnel settlements, as they provide for the verification of documents (formal, regulatory, arithmetic) and business transactions (counter reconciliation, control comparisons of individual indicators, technical and economic calculations), desk verification of reporting indicators.

Calculation and analytical methods of control (economic analysis, statistical calculations, economic and mathematical methods) make it possible to assess the general state of human resources, the dynamics of personnel payments, to analyse the influence of factors on the level of labour costs, as well as to suggest ways of improving internal control in order to detect negative phenomena and their causes in a timely manner.

Methods of generalisation and implementation of control results are designed to establish the results of the control carried out and to develop proposals for eliminating the identified shortcomings in payroll accounting and preventing them in the future.

On the basis of the results of the intermediate control (information on the inventory of payments to employees, certificates, calculations, acts of control of individual issues) there is a grouping of deficiencies and analytical generalisation (drawing up tables, diagrams, graphs, statements), regulatory justification (consideration of declarations of employees on wage offences), presentation of the results of the audit in the final document (act, certificate), decision-making (issuance of orders, instructions)

based on the results control and monitoring of their implementation.

The accountant checks the legality of payments to employees both in accordance with the submitted documents and the valid legislation, and within the approved level of payments in the collective agreement. In order to clarify the specifics of the implementation of control procedures in relation to payments to employees as the subject of control, the tasks put to the subjects of control to meet the conditions of socially oriented activity in relation to the employee as the subject of social and labour relations were analysed (Sholyak, 2009).

6. Conclusions

Consequently, the effective organisation of internal control of labour costs and payroll accounting with a clear identification of its subjects and objects is one of the means aimed at improving the management of the enterprise as a whole, which ensures the achievement of certain goals and stable financial condition. Mutual coordination of the elements of internal control of payroll accounting contributes to its rational construction and provides the management with quality information for making effective management decisions (Voronko, 2019).

The creation of an internal control service in the company makes it possible to ensure compliance with the current legislation on labour costs and personnel accounting, to prevent violations and errors in the process of recording employees' working time (output), payroll accounting, deductions from it, settlements with the budget and social insurance bodies on deductions and accruals to the wage fund. This makes it possible to effectively use the funds allocated for the remuneration of employees and to avoid financial sanctions during the external control of payroll accounting.

Thus, it has already been mentioned that the organisational and methodological model of internal control of labour costs and payroll includes the implementation of organisational measures and the use of methodological techniques to ensure its effective functioning.

Hence, an important direction for further research is the development of effective mechanisms to improve the organisation and methods of internal control of labour costs and payroll accounting, in order to ensure that users are provided with objective information on human capital and employee benefits in the company's integrated reporting (management report).

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Received on: 14th of April, 2023

Accepted on: 21th of May, 2023

Published on: 31th of May, 2023