

Internal Audit of the Business Partner's Reliability for Sustainable Development of the Enterprise

Ruslan Dutchak¹^a, Olha Kondratiuk¹^b, Olena Rudenko¹^c, Andrii Shaikan¹^d
and Rustem Adilchaev²^e

¹State University of Economics and Technology, Department of Accounting and Taxation, street Medical 16, Kryvyi Rih 50000, Ukraine

²Karakalpak State University named after Berdakh, Department of Economics, Nukus 1, Ch. Abdirov street, Nukus, 230100, Uzbekistan

Keywords: Internal Audit, Sustainable Development, Reliability, Risk of Dishonesty, Business-Partner, Semantic Search, Discretion of Choice.


Abstract: This article is concerned with the study of the problem of dishonesty of business-partners in the sustainable development of enterprise and with the search of effective ways to solve it. The article reveals the essence of the concept of business partner's reliability, specifies its connection with the sustainable development of enterprise, and shows the analysis of factors of the negative impact on such reliability. The main risks of violation of the business partners' reliability were identified and an assessment of possible problems (damage) of enterprise due to interaction with a dishonest business partner was taken. It was grounded the applicability of the internal audit for the careful choice by top management of a reliable business partner's enterprise. The internal audit method has been improved by additional involvement of modern systems of semantic search of information on a business-partner in the Internet, inclusive in the state registers and data bases, electronic mass media, social networks and other sources. The basic requirements for the competencies of internal audit employees for a critical analysis of the risks of dishonesty of business partners and development of proposals to avoid or minimize the negative consequences of existing risks have been determined.


1 INTRODUCTION


The main strategy for the development of mankind at the beginning of the XXI century was the concept of sustainable development, adopted by Resolution 70/1 of the General Assembly of the United Nations "Transformation of our world: 2030 Agenda for Sustainable Development" dated September 25, 2015 (UN, 2015). Clauses 18 and 59 of this Resolution approve 17 global development goals of the countries for the period from 2015 to 2030. The paradigm of sustainable development has changed the traditional understanding of economic growth to a new theoretical and methodological model of balanced economic development with the simultaneous


preservation of the ecology and solution of social problems. The implementation of the indicated goals requires global cooperation of all countries of the world. Each country should take into account the goals and objectives of sustainable development in its strategic planning processes. A special place in the state's achievement of sustainable development goals belongs to its enterprises.


Sustainable enterprise development is a business model that operates on the basis of profitability, continuity, environmental friendliness and social responsibility. Such development of the enterprise requires its management to change traditional approaches to the new object "business-ecology-society", what should be reflected in the distribution

^a <https://orcid.org/0000-0002-4837-068X>

^b <https://orcid.org/0000-0003-1000-0568>

^c <https://orcid.org/0000-0001-7293-7773>

^d <https://orcid.org/0000-0002-4088-6518>

^e <https://orcid.org/0000-0001-7598-6298>

of finances, the definition of investment objects, the choice of contracting parties, personnel policy, the assessment of business performance indicators, non-financial reporting, etc. Especially relevant for management is the task of achieving continuity of enterprise development in conditions of uncertainty.

The modern business environment for any enterprise is extremely risky. The greatest source of danger for the sustainable development of an enterprise is its business partners. The main types of problems that its business partners can create at the enterprise are additional inspections of controlling state bodies, court disputes, seizure of assets, corruption scandals, sanctions of international institutions, reputational losses, boycott, termination of delivery chains, bankruptcy, conflicts with trade union organizations, environmental pollution and other. The moment of activation of the probability of occurrence of the indicated problems at the enterprise is the signing of a cooperation agreement with business partners. The moment of the real problem is the fact of a general business transaction (transfer of funds, receipt and transfer of goods, works or services) with a business partner. To minimize the existing risks, the enterprise needs to make sure of the business partner's reliability, as a law-abiding partner with moral and ethical owners, senior management and staff. The enterprise management must achieve this assurance till the moment of decision making regarding the signing of an agreement with a business-partner. In case of the long-term cooperation with a business-partner under existing agreements, the company must periodically review the observance of the business partner's reliability. To receive the specified assurance, the enterprise management may initiate a verification procedure for its business partner's reliability. The result of such a check depends on the informational support for making a management decision on safe cooperation with a business partner. This means that an internal audit unit must be created in the organizational and management structure of a traditional enterprise, one of the competencies of which will be the verification of the business partner's reliability.

The question regarding internal audit in the modern scientific literature was reflected in the researches of a wide variety of authors. The conducted analysis of the last publications regarding this question allows emphasizing of the main results of such researches. Salagrama S. presented in his/her article (Salagrama, 2021) a new model analysis structure of the information security requirements for the most reliable informational system and its assets in the organizations. Abbas D. S., Ismail T., Taqi M.,

Yazid H. found in their research (Abbas et al., 2021), that the availability at the enterprise of the authorized persons for independence and internal audit makes a significant positive influence on the transparency of the financial reporting and improvement of the enterprise's reputation. Rahahleh M. H., Hamzah A. H. B., Rashid N. (Rahahleh et al., 2021) explain how an artificial intelligence can operate in the audit of accounting information reliability, what allows to the managing directors to receive the qualitative accounting information and to relieve the manipulations with incomes by means of the reduce of informational risk. Handayani S., Kawedar W. (Handayani & Kawedar, 2021) asserts that the inner control is an effective factor for minimization of fraud possibilities at the enterprise. De Capitani Di Vimercati S., Foresti S., Paraboschi S., Samarati P. (De Capitani Di Vimercati et al., 2020) offer an approach for the safe use of cloud technologies to ensure the implementation of internal control and audit functions in corporate governance. Raji I. D., Smart A., White R. N., (...), Theron D., Barnes P. (Raji et al., 2020) developed a structure for the algorithmic audit, that supports end-to-end development of an artificial intelligence system and will be applied throughout the entire development life cycle of an internal organization of enterprise. According to the results of the study (Khersiat, 2020), Khersiat O. came to the conclusion that internal audit based on the COSO system has a very positive effect on the transparent performance of tasks for the insurance of reliability, improvement of quality and efficiency in the municipality of Velykyi Amman. Dutchak R., Kondratiuk O., Rudenko O., Shaikan A., Shubenko E. (Dutchak et al., 2021) grounded the reasonability of the use of internal audit for the system-based counteraction to the cybercrimes at the enterprise and they improved the internal audit method via additional involvement of tracking ways for electronic (digital) traces of lawbreakers in the enterprise's cyberspace. Turker I., Bicer A. A. (Turker & Bicer, 2020) proved in their study that the use of a blockchain system in the audit process improves the quality of the audit without increasing the time spent on data checking. Mocanu M., Ciurea C. (Mocanu & Ciurea, 2019) confirm that the internal audit remains as an independent and objective activity for provision of assurance, intended to increase in value and improvement of organization's activity. Bondarenko T., Dutchak R., Kondratiuk O., Rudenko O., Shaikan A., Shubenko E. (Bondarenko et al., 2020) grounded the reality of the perspective of the inner audit for resolving conflicts in enterprise accounting, using the instruments of an artificial

intelligence (artificial neural networks and machine learning). Korkushko O. N., Kushnir L. A. (Korkushko & Kushnir, 2020) proved that the internal audit service provides reliable protection of business from errors and abusive activity, gives the possibility to determine the “risk zones”, to identify and to eliminate the gaps in the enterprise management systems.

The conducted analysis allows us to deduce that the matter of internal audit of the business-partner's reliability for the sustainable development of enterprise does not have a systematic study. The scientific literature has the researches of individual fragments of this topic: internal audit, information security, reliability, cloud technologies, artificial intelligence, blockchain systems, cyberspace, etc. The traditional method of internal audit does not meet the modern management tasks for the sustainable development of enterprise in a part of the checking of the business partner's reliability. Therefore, the unresolved part of the identified problem remains the lack of a systematic approach of internal audit for the solution of the problem of the business partner's dishonesty for the sustainable enterprise's development.

The purpose of this article is to study the nature of the phenomenon of the business partner's reliability, to evaluate the negative consequences (damage) from interaction with a dishonest business-partner and the development of the theoretical and methodological provisions of internal audit for the enterprise sustainable development.

To achieve these goals, the authors of this article used the research methodology, which is based on the dialectical method of cognition. At the same time, the authors additionally used in the study the following scientific methods: historical - in the study of trends in the development of internal audit; analysis - in the study of the components of sustainable development of Ukraine, types of offenses in the field of economic activity, components of indices; synthesis - when determining the risks of the business partner's dishonesty, new competencies of employees and methods of internal audit; abstraction - when formulating negative consequences at the enterprise; induction - when determining the impact of a particular risk of the business partner's dishonesty on the general level of enterprise problems; deduction - in the study of a system of symmetric search for information about an individual business partner; explanation - when revealing the content of a business partner's reliability; classification - when determining the types of risks of the business partner's dishonesty; systematization – when regulating the components of

the company's internal audit methodology; concretization - when determining the methods of harm causing to an enterprise due to the risks of the business partner's dishonesty; generalization - in the preparation of internal documents for the use of methods to collect and to analyze information about a business partner in the practice of internal audit.

2 PRESENTATIONS OF THE MAIN RESEARCH MATERIAL

2.1 Analysis of Sustainable Development of Ukraine

According to clause 1 of the Decree of the President of Ukraine “On the Sustainable Development Goals of Ukraine for the period up to 2030” No.722/2019 dated 30.09.2019, Ukraine supported the global sustainable development goals proclaimed by the Resolution of the General Assembly of the United Nations No. 70/1 dated 25.09.2015, and the results of their adaptation, taking into account the specific of development of Ukraine, presented in the National Report “Goals of the sustainable development: Ukraine”, to provide the compliance with the Goals of the sustainable development (hereinafter referred to as GSD) of Ukraine for the period till the year 2030:

- 1) poverty reduction;
- 2) overcoming hunger, achieving food security, improving nutrition and promoting sustainable agricultural development;
- 3) Insurance of healthy lives and promotion of well-being for all at all ages;
- 4) provision of the integral and fair quality education and promotion of the possibility to study during all life for all;
- 5) provision of gender equality, empowering of all women and girls;
- 6) provision of accessibility and stable water resources and sanitation management;
- 7) provision of access to the low-cost, reliable, stable and modern energy sources for everyone;
- 8) promotion of the progressive, integral and sustainable economic growth, full and productive employment and decent work for everyone;
- 9) creation of stable infrastructure, promotion of the integral and stable industrialization and innovations;
- 10) reduction of inequality;

11) provision of openness, safety, vital capacity and ecological sustainability of cities and other settlements;

12) ensuring of the transfer to the rational patterns of consumption and production;

13) application of urgent measures regarding the fight with the change of the climate and its consequences;

14) Conserve and sustainably use of the oceans, seas and marine resources;

15) protection and restoration of terrestrial ecosystems and promotion of their rational use, forest conservation, desertification and stopping the process of biodiversity loss;

16) assistance in building a peaceful and open society in the interests of sustainable development, ensuring access to justice for everyone and creating effective institutions at all levels;

17) Revitalize the global partnership for sustainable development (Decree of the President of Ukraine, 2019).

According to the data of «Sustainable Development Report 2021: The Decade of Action for the Sustainable Development Goals» (UN et al., 2021), prepared by the UN together with the Bertelsmann Foundation and the University of Cambridge, Ukraine ranked the 36 place in the world ranking on the sustainable development index among 193 UN member states.

The following countries topped the top ten of the global ranking on the Sustainable Development Index in 2021: Finland (85,90), Sweden (85,61), Denmark (84,86), Germany (82,48), Belgium (82,19), Austria (82,08), Norway (81,98), France (81,67), Slovenia (81,60), Estonia (81,58).

The Index of Sustainable Development (ISD) of Ukraine according to the global assessment of the progress of countries in achieving of the GSD was 75,51. The specified indicator characterizes the general percent of the Ukrainian progress towards achieving all 17 GSD. Over the past 20 years, the dynamics of the Sustainable Development Index of Ukraine characterizes a positive growth trend. The Sustainable Development Index of Ukraine increased from 71,47 in 2000 to 75,51 in 2021, an increase was 4,04.

The rate of assessment of side effects in Ukraine in 2021 was 94%. The actual size of this assessment indicates that Ukraine causes more positive and less negative impacts on the ability of other countries to achieve the GSD.

In order to analyze the actual state of achievement 17 of GSD of Ukraine in 2021, guiding by the ISD

analytics of Ukraine for the year 2021, it is rational to emphasize the following groups of GSD.

Group 1: achieved or in the way of achievement of GSD. Such goals include the GSD 1 “Without poverty” and the GSD 10 “Reduction of inequality”.

Group 2: GSD, the problems of which remain unresolved. This group includes: GSD 4 “Quality education”, GSD 7 “Available and clean energy”, GSD 12 “Responsible consumption and production”, GSD 17 “Partnership for the sustainable development”.

Group 3: GSD, the significant problems of which are unresolved. This group includes: GSD 2 “Overcoming hunger, agricultural development”, GSD 3 “Strong health and well-being”, GSD 5 “Gender equality”, GSD 6 “Clean water and Good Sanitation”, GSD 8 “Decent Work and Economic Growth”, GSD 9 “Industry, innovations and infrastructure”, GSD 11 “Sustainable development of cities and communities”, GSD 13 “Mitigation of climate change”.

Group 4: GSD, the main problems of which remain unresolved. The problematic goals of this group include: GSD 14 “Life under the water”, GSD 15 “Life on the earth”, GSD 16 “Peace, justice and strong institutions”.

This tendency of sustainable development of Ukraine indicates a noticeable progress in the development of the state in terms of its economy, society and ecology. Over the past 20 years, Ukraine has maintained its position at a level that is not lower than the previously achieved GSD indicators. However, the speed of achieving the GSD in Ukraine remains low, and the availability of unsolved problems with the peace, justice, institutions, decent work, industry, innovations and infrastructure requires an urgent response, both at the state level and at the level of the individual enterprise.

The comprehensive achievement of the GSD of Ukraine in 2030 requires the implementation of the concept of sustainable development at the level of an individual enterprise. The GSD of Ukraine should become guidelines for the strategic planning of domestic enterprises, since the balance of economic, social and environmental dimensions of the sustainable development of the state depends on the results of each enterprise.

2.2 Business Partner’s Reliability of Enterprise

Each enterprise can make a difference in different way in the achievement of the state’s GSD. For example: apply resource-saving technologies, reduce

the amount of harmful emissions, recycle wastes, pay fair wages, participate in social projects (overcoming hunger, development of sport, available education, nature saving and other), counteract corruption and fraud, pay taxes and fees, etc.

Achievement of the systemic effect of sustainable development of the state is possible only when the enterprise interacts with business partners, who support the concept of sustainable development. The mentioned development is an objective necessity for enterprises, as they are all interested in a stable environment for their own business, in which it operates today and will function in the near future. This means that the business partners of the enterprise must carry out their economic activities in compliance with the following principles of the sustainable development: protection of human rights, supremacy of law, involvement of the society, corporate social responsibility, public-private partnerships, nature conservation, innovative technologies and other. The main condition for the implementation of the listed principles of sustainable development for the business partners of the enterprise is reliability.

The reliability of a business partner of an enterprise is a set of ethical determined by law principles and rules, which should be followed by the top management of enterprises in carrying out their own economic activities in order to achieve the GSD of a state.

According to the definition of reliability of a business partner of an enterprise, a list of basic ethical and legal norms should be provided and it compose a culture of reliability in business.

The ethical norms of business are intended to preserve the moral aspect of respect for universal values, state symbols, patriotism, culture, national traditions, history, human tragedies, religion, races, and other.

It is advisable to assume it to the basic ethical standards of the business partner's reliability: honesty; image; respect for property; legality; respect for human rights; preservation of ecology; responsibility to the state and society; counteraction to corruption, fraud and other offenses. The specific feature of the ethical norms of business is in the fact that they are not supplied with the means of state coercion. The state does not keep a systematic record of violations of these norms of a business partner. Moreover, information about a business partner's ethics violation persists for a long time in the history of media reports, social networks and people's memory.

As for the laws that must be observed by the business partners of the enterprise, they include absolutely all current regulatory legal acts of the state, which are applied to the scope of activities of enterprises.

It should be noted that violation by a business partner's reliability in the field of economic activity entails liability provided for by the norms of criminal, administrative, tax, labour and other legislation of Ukraine.

Violation of the business partner's reliability is shown in the form of certain legal actions, behaviour or public statements of their owners, senior management or personnel, which find their negative assessment from the public society and competent government authorities.

The Criminal Code of Ukraine No. 2341-III dated April 05, 2001 (Criminal Code of Ukraine, 2001), (hereinafter referred to as the CCU) defines a list of the main types of offenses in the area of economic activity, for which punishment is provided, namely:

- contraband (art. 201 of CCU);
- illegal production, storage, sale or transportation excisable goods for the purpose of sale (art. 204 of CCU);
- tampering of documents that are submitted for the state registration of legal entities and sole proprietors (art. 2051 of CCU);
- unlawful seizure of the property of an enterprise, institution, organization (art. 2062 of CCU);
- legalization (laundering) of property, obtained by criminal way (art. 209 of CCU);
- avoidance of payment of taxes, fees (mandatory payments) (art. 212 of CCU);
- fraud with financial resources (art. 222 of CCU).

2.3 Area of Sustainable Development of Enterprise in Ukraine

According to the data of the General Prosecutor's Office of Ukraine, which are reflected in the annual reports ("Unified Report on Criminal Offenses") for the period from 2017 to 2021 (General Public Prosecutor's Office of Ukraine, 2021), the total number of offenses, committed by dishonest enterprises in the area of economic activity of Ukraine was: 5308 (2021), 5342 (2020), 5947 (2019), 6334 (2018) and 6297 (2017).

Of the total number of these offenses, it is reasonable to emphasize the following types of them (Table 1):

Table 1: Offences in the area of business activity in Ukraine for the period from 2017 - 2021.

Articles of the CCU	Total number of offences, items.				
	2017	2018	2019	2020	2021
Art. 201	102	125	112	114	124
Art. 204	596	574	562	615	603
Art. 205 ¹	292	269	478	635	416
Art. 206 ²	82	70	130	90	76
Art. 209	243	242	283	348	360
Art. 212	1009	1099	852	910	746
Art. 222	61	58	76	142	146

According to the data of the General Prosecutor's Office of Ukraine (General Public Prosecutor's Office of Ukraine, 2021), the main reasons of material losses due to violation, by the dishonest enterprises, in the area of business activity were non-payment of taxes and fees, reception of unlawful benefit and arrest of a property. The detailed information is presented in Table 2.

Table 2: Losses due to offences in the area of business activity in Ukraine for the period from 2017 - 2021.

Indicator	Losses due to offences, millions of UAH.				
	2017	2018	2019	2020	2021
Unpaid taxes	3285	1254	1261	1252	2346
Unlawful benefit	55	207	34	73	392
Arrest for a property	4770	2917	7584	5700	5356

Analysis of quantitative (Table 1) and cost (Table 2) indicators of violations by dishonest enterprises in the area of business activity of Ukraine allows us to make the following conclusions:

a) the biggest number of offenses falls on avoidance of payment of taxes, illegal transactions with excisable goods and tampering of documents for business registration;

b) the tendency of a long-durable increase in the number of violations is observed in contraband, fraud with financial resources, illegal transactions with excisable goods, tampering of documents for business registration, legalization of property obtained by criminal means;

c) there is a long-term activity of offenses by dishonest enterprises in the area of business.

It is advisable to continue a systematic study of the business partner's reliability in the field of business activity of Ukraine by analyzing the relevant indices, ratings and assessments, carried out by international organizations in the area of economics, ecology and society.

According to the Index of Economic Freedom (IEF), Ukraine in 2021 took the 127 th place out of 184 countries of the world and the last place among 45 countries of the European region. The assessment of Ukraine's economic freedom is 56,2 (0 = worst, 100 = best), which is 1.3 points more than in 2020 (54,9). The total rate of Ukraine is below regional (70,1) and world (61,6) average indicators. Such data is published in the annual manual "The Index of Economic Freedom 2021" (Index of Economic Freedom, 2021) by the analytic centre No. 1 "The Heritage Foundation" in Washington. The detailed information on the constituent components of the IEF, - 12 economic freedoms, shown in Table 3.

Table 3: The assessment of the components of IEF of Ukraine in 2021.

IEF components	Evaluation, rating
Right of property	48,5
Judicial efficacy	41,1
Honesty of the government	37,9
Tax loading	88,7
State expenses	48,2
Fiscal health	87,7
Business freedom	63,5
Labor freedom	48,7
Monetary freedom	65,8
Trade freedom	79,2
Investments freedom	35,0
Financial freedom	30,0

The data, presented in Table 3 regarding the economic freedoms of Ukraine indicates the underdevelopment of the economic system, which cannot fully ensure the freedom of entrepreneurship, the movement of capital, investment, labour, production, consumption, government honesty, and other. The low level of economic freedoms in Ukraine has a negative impact on the observance of reliability by enterprises.

The Environmental Performance Index (EPI) of Ukraine in 2020 was 49,5 (0 = worst, 100 = best). The presented estimation puts Ukraine in the 60 th place out of 180 countries in the EPI rating. The ten-year dynamics of EPI for Ukraine is 0,7 (Environmental Performance Index, 2020). EPI determines the level of environmental health and ecosystem vitality within a state. To evaluate the degree of achievement of individual environmental policy goals of Ukraine, it is advisable to consider the components of the EPI (Table 4).

Table 4: Estimation of the EPI components of Ukraine 2020.

EPI components	Estimation, rating
Air quality	39,8
Sanitation, drinking water	55,1
Heavy metals	69,3
Waste management	73,1
Biodiversity	37,7
Ecosystem Services	30,2
Fishing	12,4
Change of climate	69,2
Pollution emissions	76,6
Agriculture	79,5
Water resources	14,1

The EPI component evaluation indicates that Ukraine has significant environmental problems with fisheries, water resources, lack of ecosystem services, biodiversity, air quality, etc. The overall EPI value shows that the environmental problems, faced by Ukraine are solved in the current period by 50 %. To achieve environmental progress, it is necessary to clarify the environmental policy of the state and to attract significant investments in "green technologies" of enterprises. The presence of unresolved environmental problems and the necessity for additional investment in their solution indicate that enterprises are not observing the reliability.

According to the data of the World Economic Forum, provided in 2019 Global Competitiveness Report (Global Competitiveness Report, 2019), the Global Competitiveness Index (GCI) for Ukraine in 2019 was 57 (0 = worst, 100 = best), what allowed it to take the 85th place in the rating among 141 countries of the world. The value of this index characterizes the economic prosperity in Ukraine, which in fact, corresponds to the level 2/3 of the possible. The detailed information on the evaluation of GCI components is given in Table 5.

Table 5: Evaluation of the GCI components of Ukraine in 2019.

GCI components	Evaluation, rating
Institutions	47,9
Infrastructure	70,3
ICT adoption	51,9
Macroeconomic stability	57,9
Health	65,6
Skills	69,9
Product market	56,5
Labor market	61,4
Financial system	42,3
Market size	63,0
Business dynamism	57,2
Innovation capability	40,1

According to the evaluations, given in Table 5, the main reasons for the low level of competitiveness of the national enterprises are low innovation ability, passivity of society, a high level of organized crimes, low qualifications of the personnel, ineffectiveness of the state institutions, problems in the financial system, macroeconomic instability, etc. Accordingly, a big competitiveness provokes the national enterprises to violate the reliability.

The analysis of the facts of offenses by dishonest enterprises in the area of business activity of Ukraine, its global trends in economic freedom, environmental efficiency and socio-economic competitiveness allows us to conclude that the reliability of the national business is in an unfavourable and aggressive environment. This means that the enterprise has a high probability to become a victim of a dishonest business-partner.

In order to achieve the reliability of its own business, an enterprise is forced to pay significant attention to the business partner's reliability in its external supply chains. The mentioned attention should be expressed in the form of monitoring of the risks from interaction with dishonest business partners and the ability to respond quickly to the potential threats to the sustainable development of the enterprise. This need is due to the fact that state institutions and public opinion are interested not only in the reliability of the enterprise, but are largely interested in its business partners, therefore the issue of the business partner's reliability is also very important.

2.4 Risks of Dishonesty of Business Partners for Enterprise

The violation of the business partner's reliability of an enterprise, as of the second side of economic legal relations, is potentially capable to cause a real damage to its sustainable development. In order to gain a deeper understanding of the essence of the problem, it is advisable to consider in detail the main types of its risks and to show the potential consequences (harm) for an enterprise.

Risk No.1: public statements by the top management of a business partner or its owner in the mass media or social networks about support for the occupation, aggressor countries, illegal armed groups; discrimination against the state symbols (flag, coat of arms, anthem), language, culture and history; racial intolerance; violation of human rights and other. The consequences for the enterprise: public condemnation on the part of citizens (buyers) and enterprises (contractors), which is expressed in the

deliberate refusal to purchase its goods or services; termination of agreements; supply interruptions; damages; decrease of the company's securities, quoted on the stock exchanges, etc.

Risk No.2: a corruption scandal with the involvement of a business partner's representatives. Consequences for the enterprise: involvement of senior management in public scandals; additional checks by regulatory authorities; damage to business reputation; suspension of contracts execution and other.

Risk No.3: inclusion of a business partner in the "lists of sanctions" of the UN Security Council, the USA, the European Union, the United Kingdom, Ukraine and other states. The consequences for the enterprise: arrest of assets; prohibition to the owners and senior management from entering certain states; the prohibition of trade at the regional markets; banking restrictions on obtaining loans and conduction of other financial transactions; a ban on transactions with shares and debt instruments; a ban to make the production and other economic activities.

Risk No.4: implementation of fictitious business transactions by a business partner. Consequences for the enterprise: loss of value added tax credit; illegal overstatement of costs during calculation of the financial result; court cases; fines; damages; criminal responsibility.

Risk No.5: conflicts between the top management of a business partner with the workforce and trade union organizations. Consequences for the enterprise: workers' solidarity strike; unplanned inspections of the regulatory authorities; journalistic investigations; damage to the image; staff turnover among senior management and leading specialists; bad reputation of the company at the labor market.

Risk No.6: contamination of the environment by a business partner. Consequences for the enterprise: scandal with violation of environmental safety at the place of production and in the region; lawsuits from injured workers and citizens; compensation to victims; additional checks by regulatory authorities; fines; stop of production; disruption of delivery timeliness and other.

Risk No.7: The business partner meets the criteria for a shell company that launders illegal funds (evasion of the payment of taxes, corruption, other financial crimes) and finances terrorism. Consequences for the enterprise: blocking of funds on current accounts by subjects of the financial monitoring; loss of funds (advances) or goods after their transfer to a business partner; unscheduled inspections by regulatory authorities; litigation;

additional expenses; criminal liability of top management and other.

Risk No.8: the business partner, registered in offshore. Consequences for the enterprise: violation of transfer pricing legislation; judicial disputes; additional expenses; non-fulfilment of agreements; loss of assets (advance payment or goods) and other.

Risk No.9: violation of customs regulations by a business partner and contraband. Consequences for the enterprise: termination of the supply chain; disruption of supplies and loss of time to find and replace a counterparty; shutdown of production; additional losses; damage.

Risk No.10: limited access to information on beneficial ownership and key persons of the business partner. Consequences for the enterprise: vulnerability of entry to the business of organized crime groups or terrorist organizations, using complex forms of corporate structures; judicial disputes; additional expenses.

Risk No.11: a close relationship between a business partner and political parties or politicians. Consequences for the enterprise: political pressure on the enterprise with the help of state regulatory bodies; unreliability of a business-partner, when changing political forces in the state.

Risk No.12: hiding of financial problems in the financial statements of a business partner. Consequences for the enterprise: there is a high probability of bankruptcy of the business partner; loss of assets (advances or goods); interruptions in production, supply, payment of receivables paid and other.

The abovementioned list of risks of violation of the business partner's reliability can cause significant financial losses to the enterprise, create problems with the law, the public and the counterparties, and most importantly, cause the termination of its business activities. However, a timely avoidance of interaction with a non-virtuous business partner allows an enterprise to achieve positive results in its work, namely: stability and reliability of the enterprise's business processes in the long term perspective; reliable reputation and significant customer loyalty at the market; absence of problems with the law; avoidance of unproductive expenses; financial stability; profitability; attractiveness for talented employees; helps to attract investments; introduction of resource-saving technologies; eco-friendly products; social projects; the success story of a reliable partnership and etc.

Based on the above threats and the perspectives for their absence, the enterprise needs to work out its own model of prudence, which will ensure that safe

management decisions are made on choosing a new business partner or continuing or terminating of cooperation with an existing business partner. The purpose of this model should be a deep understanding of the risks from the ways of doing business by a business partner, reception of the control and analytical information about the facts of violations of the business partner's reliability and avoidance of cooperation with a problematic business partner.

2.5 Improvement of the Internal Audit Method

For the practical implementation of the idea of prudence in the work with the business partners at the enterprise, it is advisable to create an internal audit unit, one of the main functions of which will be the monitoring of the risks of violation of the business partner's reliability. The advantage of internal audit over the ability to involve external audit is that such control will be carried out on an ongoing basis.

The effectiveness of internal audit in combating the risks of dysfunctional business partners requires proactive loans, rapid processing of large amounts of information, the use of innovative methods of searching for information on the Internet, a high level of awareness of auditors about legislation (criminal, tax, environmental, informational, administrative, and etc.) and moral and ethical standards in the society, critical thinking of auditors, rapid collection of evidences, development of proposals for solutions to avoid or minimize existing risks.

The traditional methodology of internal audit as a subject of control over the risks of dishonesty of business partners requires the addition of the following provisions:

1) about the object of internal audit, - the virtue of business partners in execution of their own economic activities, which can have the following risks: scandalous statements, corruption, international sanctions, fictitious business transactions, conflict with the workforce, environmental pollution, shell companies, offshore companies, contrabands, harboring of the beneficiary, political dependence and inaccurate financial statements. This list of risks is not exhaustive and may contain other risks depending on the specifics of the business partner's activities.

2) about the information sources of internal audit. The main feature of conduction of an internal audit of the risks of a business partner's dishonesty is complete distance - verification of reliability is carried out without personal contact with a business partner, without access to his internal documentation, without communication with his staff, without

acquaintance with his technologies, etc. The business partner does not need to know that the company is checking him. In modern conditions of the development of a digital society, to collect information about the reliability of a business partner, it is advisable for internal audit to use information from open sources, namely:

- open state registers and databases on business registration, tax information, licensing, permits, inspections of the state bodies, registered property, court decisions, legal actions, etc. For example: "The Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations"; "Learn more about the partner's business from DFSU"; "Unified License Register"; "State Register of Rights to Real Estate"; "Cadastral Map of Ukraine"; "Unified state register of the Ministry of Internal Affairs for registration of vehicles"; "Unified State Register of Court Decisions"; "Information about bankruptcy cases"; "Unified state register of persons who have committed corruption offenses";
- mass media (television, radio, press, internet, etc.);
- social networks (Facebook, Twitter, Instagram, YouTube, web forums, etc.);
- other sources (private databases of counterparties, reviews or interviews about a business partner from laid-off workers, etc.).

3) about special methods of information tracking on the Internet. In the modern conditions of the information society, the search of information about the facts of violations of a business partner's reliability requires the study of large amount of information in cyberspace, therefore, internal audit must use informational search systems. These systems allow you to collect the necessary information, process it according to certain criteria and save it in a user-friendly format. The disadvantage of traditional search systems is that much of the information on the Internet and local databases is practically inaccessible. The reason for this is that the search algorithm uses only the keyword matching criterion and completely ignores the semantic meaning of the words, that is, the context of the search query. One of the perspective ways to collect information about the reliability of a business partner of an enterprise is to develop its own semantic search system on the Internet. Such a search system operates with the use of data on the structural elements of the search object, its properties and relation with other information objects. The individuality of this system lies in the uniqueness of the search algorithm, which takes into account the content of words in the search query. Such approach

concentrates the search in the meaning of keywords instead of the traditional search for their matches. Semantic search is able to provide an internal audit not only of information about the sites on which the keyword was found on the request, but also specific information corresponding to the essence of the search request. The practical application of the semantic search system at the enterprise requires its development with the help of involved programmers and an individual technical task of internal audit. An example of such tasks can be the search for information about a business partner in the context of court decisions (decisions or judgments), enforcement proceedings, content of owners or top management in social networks, tax debts, founders and the size of the authorized capital, codes of the type of economic activity (CTEA), related counterparties through single directors (in parallel), being in the process of termination, financial state, media analysis, availability of licenses and permits, etc. The main indicators of the effectiveness of the search system for the needs of internal audit should be relevance, completeness of the base, taking into account of the semantics of the keywords of the query. The typical examples of such programs are: «Kngine», «Hakia», «Kosmix», «DuckDuckGo», «Evri» and other.

4) about a critical analysis of the risks of dishonesty of a business partner. It is advisable to analyze the selected information about a business partner exclusively through the critical thinking of internal auditors. Therefore, internal auditors must meet a high level of practical awareness of potential issues from a business partner in the moral and legal environment of business implementation. The identified risks of dishonesty for a business partner must necessarily be based on the verified evidences. Therefore, the information, obtained from the results of the search system's work, with the exception of information, obtained from open state registers or databases, requires additional verification at the level of the primary source (review of facts, familiarization with the original documents, communication with witnesses or participants of the events).

5) about informational support for confident management decisions for cooperation with a business partner. The practical result of the work of internal audit is control and analytical information about the business partner, which in an available form discloses to the top management the following:

- characteristics of the business partner, its owner and top management;
- existing risks of trouble for a business partner;
- evaluation of potential damage to the enterprise;

- a recommendation for cooperation with a business partner.

Depending on the level of evaluation of potential damage, the internal audit may recommend, not recommend, or not deeply recommend the cooperation of the enterprise with a specific business partner. Also, the internal auditor can recommend measures to minimize existing risks, namely: 100 % advance payment, additional terms of business agreements on compensation and fines for damage caused to the company, surety and guarantees. However, the final decision on cooperation with the business partner is made by the top management of the enterprise.

The abovementioned proposals for improvement of the traditional methods of internal audit should be reflected in the internal documents of the enterprise. For this, it is advisable at the enterprise to issue the Regulation "On the internal audit of the reliability of a business partner". This document must be developed by the head of the internal audit department and approved by the director of the enterprise. Based on this provision, the internal audit department develops job (work) instructions for auditors that are directly involved in the internal audit procedures for the reliability of a business partner.

It should be noted that the control and analytical information about the dishonesty of a business partner is intended only for the owners and senior management of the enterprise, therefore, access to such information for other employees should be limited.

3 CONCLUSIONS

At the beginning of the XXI century, Ukraine has joined the process of globalization of the world's sustainable development and has committed itself to fulfil 17 SDGs by 2030. Achieving these goals requires the creation of appropriate conditions for sustainable development of the enterprise, which will allow its management to balance economic, environmental and social factors of business activity. The actual indicators of Ukraine's implementation of the SDGs, economic freedoms, environmental efficiency, global competitiveness and crime rate in the field of economic activity together show that the state does not pay enough attention to the conditions for sustainable development of the enterprise.

The responsibility for the sustainable development of domestic enterprises is rested on their owners and senior management. Achieving sustainable development of the enterprise in an

unfavourable and aggressive environment requires management to exercise some caution to work with honest business partners.

The honesty of the enterprise's business partner should be understood as a set of ethical principles and rules set by law, which should be ruled by the top management of enterprises when carrying out their own business activities in order to achieve the SDGs of the state.

The main risks of the honesty breaching by business partners include: scandalous statements, corruption, international sanctions, fictitious business actions, conflict with the workforce, environmental pollution, shell corporations, offshore, smuggling, concealment of beneficiaries, political dependence, financial inaccuracy and others.

If the enterprise interacts with an unfair business partner it can cause problems (harm), such as additional inspections of regulatory authorities, litigation, unproductive costs, fines, reputational losses, environmental pollution, public conflicts, corruption scandals and others.

In order to increase the effectiveness of the enterprise's struggle against the risks of dishonesty of business partners, the traditional method of internal audit requires some improvements in the following provisions:

- internal audit object - the honesty of business partners in carrying out their own business activities with its inherent risks of corruption, international sanctions, fictitious business actions, conflict with the workforce, environmental pollution and others;

- information sources of internal audit include open state registers and databases, mass media, social networks and other sources;

- the internal audit usage of special software products for searching the Internet, which operate on the principles of the semantic search system;

- critical analysis of risks of business partner unfairness;

- information support for confident management decisions on cooperation with an honest business partner.

Thus, the internal audit of the honesty of business partners at the enterprise allows its management to achieve the appropriate level of deliberation in choosing safe business partners. This approach effectively contributes to the sustainable development of the enterprise in the long-term outlook.

REFERENCES

- Abbas, D. S., Ismail, T., Taqi, M., Yazid, H. (2021). The influence of independent commissioners, audit committee and company size on the integrity of financial statements. *Estudios de Economia Aplicada* 39 (10).
- Bondarenko, T., Dutchak, R., Kondratiuk, O., Rudenko, O., Shaikan, A., Shubenko, E. (2020). Internal Audit of Conflicts in Enterprise's Accounting with the Help of Artificial Intellect's Instruments. *Atlantis Press* 129, p. 39-46.
- Criminal Code of Ukraine No. 2341-III dated 5.04.2001.
- De Capitani Di Vimercati, S., Foresti, S., Paraboschi, S., Samarati, P. (2020). Enforcing corporate governance's internal controls and audit in the cloud. *IEEE International Conference on Cloud Computing, CLOUD 2020-October*, 9284333, p. 453-461.
- Decree of the President of Ukraine "On the goals of sustainable development of Ukraine for the period up to 2030" No.722/2019 dated September 30, 2019.
- Dutchak, R., Kondratiuk, O., Rudenko, O., Shaikan, A., Shubenko, E. (2021). Internal Audit of Cybercrimes in Information Technologies of Enterprises Accounting. *SHS Web of Conferences* 100, 01006 (2021).
- General Public Prosecutor's Office of Ukraine. (2021). <https://old.gp.gov.ua/ua/statinfo.html>.
- Handayani, S., Kawedar, W. (2021). Could the minimization of opportunity prevent fraud? An empirical study in the auditors' perspective. *Accounting* 7(5), p. 1157-1166.
- Khersiat, O. M. (2020). The efficiency of applying the internal control components based on COSO framework to transparently carry out tasks and services, ensure integrity and enhance quality and efficiency: Case study-the greater amman municipality. *International Journal of Financial Research* 11(2), p. 371-381.
- Korkushko, O. N., Kushnir, L. A. (2020). Internal audit at the enterprise: essence and specific features of organization. *Infrastructure of the market* 42, p. 363-366.
- Mocanu, M., Ciurea, C. (2019). Developing an index score for the internal auditor profile in Romania based on real data analysis. *Economic Computation and Economic Cybernetics Studies and Research* 53 (2), p. 93-111.
- Rahahleh, M. H., Hamzah, A. H. B., Rashid, N. (2021). The Artificial Intelligence in the Audit on Reliability of Accounting Information and Earnings Manipulation Detection. *Studies in Computational Intelligence* 974, p. 315-323.
- Raji, I. D., Smart, A., White, R. N., (...), Theron, D., Barnes, P. (2020). Closing the AI accountability gap: Defining an end-to-end framework for internal algorithmic auditing. *FAT* 2020 - Proceedings of the 2020 Conference on Fairness, Accountability, and Transparency*, p. 33-44.
- Resolution 70/1 of the UN General Assembly "Transformation of our world: the 2030 Agenda for Sustainable Development" dated September 25, 2015.

- Salagrama, S. (2021). An Effective Design of Model for Information Security Requirement Assessment. *International Journal of Advanced Computer Science and Applications* 12 (10), p. 1-5.
- Sustainable Development Report 2021: The Decade of Action for the Sustainable Development Goals. (2021). <https://dashboards.sdgindex.org>.
- The 2020 Environmental Performance Index. (2020). <https://www.epi.yale.edu>.
- The Global Competitiveness Report 2019. (2019). <https://www.weforum.org/reports?year=2019#filter>.
- The 2021 Index of Economic Freedom. (2021). <https://www.heritage.org/index/country/ukraine>.
- Turker, I., Bicer, A. A. (2020). How to Use Blockchain Effectively in Auditing and Assurance Services. *Contributions to Management Science*, p. 457-471.

