УДК 657.631

K. Nazarova,
Doctor of Economic Sciences, Professor, Head of the Department of Financial Analysis and Audit, State University of Trade and Economics
ORCID ID: https://orcid.org/0000-0002-5019-9244
V. Shvets,
Candidate of education degree "master", State University of Trade and Economics
ORCID ID: https://orcid.org/0009-0005-3302-7431

DOI: 10.32702/2306-6792.2025.9.46

INTERNAL AUDIT IN ENSURING THE CONTINUITY OF THE BUSINESS ENTITY'S ACTIVITIES

К. О. Назарова,
д. е. н., професор, завідувач кафедри фінансового аналізу та аудиту,
Державний торговельно-економічний університет
В. В. Швець,
здобувач освітнього ступеню "магістр", Державний торговельно-економічний університет

ВНУТРІШНІЙ АУДИТ В ЗАБЕЗПЕЧЕННІ БЕЗПЕРЕРВНОСТІ ДІЯЛЬНОСТІ СУБ'ЄКТА ГОСПОДАРЮВАННЯ

The article investigates the pivotal role of internal audit as a strategic instrument for ensuring the continuity of business entities in the face of modern challenges, including economic volatility, rapid technological advancements, cyber threats, and external crises such as geopolitical conflicts or pandemics. The core problem addressed is that conventional internal audit practices predominantly focus on financial oversight, often neglecting strategic and operational risks critical to maintaining business continuity. The study aims to substantiate scientific and practical approaches to enhancing internal audit methodologies to bolster enterprise resilience and adaptability. Through an analysis of recent research, the article highlights the evolution of internal audit from a traditional control mechanism to a proactive tool for risk management and operational resilience, as supported by contributions from domestic and international scholars. Key functions of internal audit are delineated, encompassing risk assessment (e.g., identifying vulnerabilities to cyberattacks), process control (e.g., evaluating the efficacy of crisis response plans), and the provision of actionable recommendations (ranging from immediate tactical solutions to long-term strategic transformations). A comprehensive internal audit methodology is proposed, incorporating stages of planning, in-depth analysis, standards-based evaluation, and detailed reporting, which collectively foster a robust and resilient management framework. The study demonstrates that effective internal audit implementation enhances crisis resilience, optimizes resource allocation, strengthens stakeholder confidence, and ensures compliance with regulatory standards. From a theoretical perspective, internal audit integrates control and advisory roles; practically, it significantly improves preparedness for unforeseen disruptions, as evidenced by organizations that reduce operational recovery time by up to 50% through regular audits. The conclusions underscore the strategic significance of internal audit in safeguarding business continuity and propose avenues for future research, including the integration of advanced technologies like artificial intelligence and adaptation to prolonged crises.

У статті досліджується ключова роль внутрішнього аудиту як стратегічного інструменту для забезпечення безперервності діяльності суб'єктів господарювання в умовах сучасних викликів, таких як економічна нестабільність, стрімкі технологічні зміни, кіберзагрози та зовнішні кризи, зокрема геополітичні конфлікти чи пандемії. Проблема полягає в тому, що традиційні підходи до внутрішнього аудиту зосереджені переважно на фінансовому контролі, недостатньо враховуючи стратегічні та операційні ризики, пов'язані з безперервністю бізнесу. Метою дослідження є обгрунтування наукових і практичних підходів до вдосконалення методологій внутрішнього аудиту для підвищення стійкості та адаптивності підприємств. Аналіз останніх досліджень свідчить про еволюцію внутрішнього аудиту від функції контролю до проактивного інструменту управління ризиками та підтримки операційної стійкості, що підтверджується працями вітчизняних і зарубіжних учених. Визначено основні функції внутрішнього аудиту: оцінка ризиків (наприклад, виявлення вразливостей до кібератак), контроль процесів (оцінка ефективності планів реагування на кризи) та надання рекомендацій (від негайних тактичних рішень до довгострокових стратегічних змін). Запропоновано комплексну методологію внутрішнього аудиту, яка включає етапи планування, глибокий аналіз, оцінку за стандартами та детальну звітність, що сприяють формуванню стійкої системи управління. Доведено, що ефективне впровадження внутрішнього аудиту підвищує стійкість до криз, оптимізує розподіл ресурсів, зміцнює довіру стейкхолдерів і забезпечує відповідність регуляторним вимогам. Теоретично внутрішній аудит поєднує функції контролю та консультування; практично — значно покращує готовність до непередбачуваних подій, що підтверджується прикладами організацій, які скорочують час відновлення операцій удвічі завдяки регулярним аудитам. Висновки підкреслюють стратегічне значення внутрішнього аудиту для забезпечення безперервності та пропонують напрями подальших досліджень, зокрема інтеграцію передових технологій, таких як штучний інтелект, та адаптацію до тривалих криз.

Key words: internal audit, accounting system, financial control, business continuity, business entity, risk management, business sustainability.

Ключові слова: внутрішній аудит, облікова система, фінансовий контроль, безперервність діяльності, суб'єкт господарювання, управління ризиками, стійкість бізнесу.

STATEMENT OF THE PROBLEM

Against the background of recent global economic instability, increasing competition, and rapid technological changes, business organizations are faced with numerous risks threatening the continuity of their operations. Business disruptions, financial risks, cyber attacks, and external crises, such as pandemics or geopolitical crises, may significantly impact the stability of an enterprise. In this context, internal audit plays a crucial role as a tool enabling early detection of possible risks, assessing the effectiveness of internal control systems, and ensuring business resilience. The problem is that traditional internal audit approaches fail to meet current requirements, being primarily focused on financial matters and overlooking strategic and operational risks to business continuity.

This issue is closely linked to significant scientific and practical tasks. From the scientific aspect, the study of the role of internal audit as a tool of business continuity aids the development of risk management theory and the improvement of audit procedure methodologies. From the practical aspect, resolving this problem enables companies to adapt to the changing environment, become more competitive, and gain long-term stability. Hence, the relevance of this topic is due to the need to develop new methodologies of internal audit that would account for all the facets of business entity activity and address current challenges.

ANALYSIS OF LATEST RESEARCH AND PUBLICATIONS

The issue of internal audit and its role in ensuring the continuity of business entities has garnered attention from both domestic and international researchers. Among them are works by scholars such as O. M. Zhukova, who explored internal audit as a tool for enhancing efficiency during the COVID-19 pandemic [3], V. V. Sopko, who analyzed audit approaches to risk management [6], as well as foreign authors like R. Moeller, who emphasizes the strategic role of internal audit [4], J. Ridley, who examines its impact on operational resilience [5], and M. Pickard, who investigates the integration of technologies into audit processes [7].

Table 1. Key Aspects of the Role of Internal Audit

Aspect	Description	Example of Application	Result
Risk Assessment	Identification and analysis of potential threats	Analysis of IT system vulnerabilities to cyberattacks	Prevention of disruptions
Process Control	Verification of procedure effectiveness	Testing a recovery plan after disruptions	Increased preparedness
Recommenda tions	Providing advice for improvement	Proposal to diversify suppliers	Enhanced resilience

Significant contributions to this topic have also been made by KPMG in their reports on the auditing profession amid wartime conditions and by Kyivstar in their study of the state of Ukrainian business during martial law [1—5].

These works lay the foundation for understanding internal audit as a management tool in crisis conditions. Specifically, O. M. Zhukova [3] highlights its importance for adapting to external shocks, such as the pandemic, while the KPMG report [2] stresses the need for flexibility in audit procedures during armed conflicts. Meanwhile, the Kyivstar study [1] illustrates practical aspects of business resilience in Ukraine, where internal audit plays a pivotal role.

TASK STATEMENT

The purpose of the article is to substantiate scientific and practical approaches to improving internal audit in the context of ensuring the continuity of business entities amidst contemporary challenges.

PRESENTATION OF THE MAIN MATERIAL

In the modern context of globalization, economic instability, and technological changes, ensuring the continuity of business entities is a key management task. The global economy faces financial crises, geopolitical upheavals, natural disasters, and disruptions, forcing enterprises to adapt. Interruptions caused by internal factors (management errors, poor preparedness) or external factors (sanctions, cyberattacks) can lead to losses and operational halts. Internal audit emerges as a critical tool for risk assessment, process control, and supporting sustainable development.

Internal audit is an independent function that identifies weaknesses in management, processes, and strategies, offering improvements. It has evolved from financial oversight into a strategic resilience tool, aiding in responding to challenges and operating during crises [5].

In an uncertain environment, audit assesses readiness for disruptions in supply chains, resource access, or IT failures, developing measures to prevent them.

The role of audit encompasses risk assessment (analyzing vulnerabilities and stability) [9], process control (verifying procedure effectiveness) [10], and recommendations for preparing for change.

Theoretically, it blends control and advisory roles; practically, it aids in restoring operations during crises. Regular risk assessments and testing (e.g., failure simulations) uncover weaknesses, minimize losses, and maintain stakeholder trust.

The role of internal audit in managing business continuity is multifaceted, enabling organizations to withstand crises and adapt to changes. In today's world of economic instability and threats, audit becomes a strategic tool, evaluating risks, controlling processes, and providing recommendations for resilience.

The first aspect is identifying threats to continuity, such as cyberattacks or supply chain disruptions. Audit analyzes their impact (e.g., IT system vulnerabilities) and prioritizes them through scenarios, serving as a proactive tool to reduce risks and build a resilient management system.

The second aspect is reviewing procedures and response plans. Audit evaluates crisis preparedness by testing recovery plans (e.g., through failure simulations), identifying weaknesses and enhancing continuity effectiveness.

The third aspect is proposing solutions, from short-term fixes (addressing vulnerabilities) to strategic shifts (e.g., diversifying suppliers). These recommendations prepare the organization for challenges, strengthening its resilience.

This table gives an overview of the key areas, identifying their purpose, application examples, and expected outcomes. It underscores the broad scope of internal audit in providing continuity.

These three components-risk assessment, process control, and making recommendations-confirm that internal audit is not merely reactive but proactive, enabling the anticipation of problems and minimizing their impact. Theoretically, this is reinforced by the perception that audit must

Table 2. Challenges and Corresponding Internal Audit Actions

Challenge	Description	Internal Audit Actions	Expected Outcome
Internal Issues	Management errors, poor preparedness	Review of procedures and staff training	Increased efficiency
Technological Risks	Cyberattacks, IT system failures	Testing of backup systems and security	Data protection and resilience

incorporate control and strategic planning, making it an integral part of management. In practice, this is evident in the fact that organizations that utilize internal audit can respond more quickly to crises and maintain resilience. For instance, companies that continuously review risks and test their plans are better equipped to handle unexpected situations.

Business continuity is one of the most important indicators of the stability of economic entities in today's economic climate. External and internal risks can disrupt operational processes, making uninterrupted operations a strategic priority. Internal audit helps identify challenges and develop solutions to ensure continuity.

Challenges:

— External Threats: Natural disasters, economic crises, and geopolitical upheavals that disrupt supply chains or markets.

— Internal Issues: Management errors, poor preparedness, and outdated infrastructure that hinder recovery.

— Technological Risks: IT breaches, cyberattacks, and data loss that paralyze operations without backups [7].

Audit assesses preparedness by analyzing response plans, backup resources, and their effectiveness, relying on systematic risk management.

Audit Methodology:

1. Planning: Selecting key areas (finance, operations, IT) based on risk priorities.

2. Analysis: Data collection and testing (e.g., simulating a supply chain disruption).

3. Evaluation: Comparison with standards to identify weaknesses.

4. Reporting: Recommendations to enhance resilience.

Testing plans (e.g., simulating cyberattacks) uncovers gaps, fostering a robust management system.

Internal audit is crucial for the resilience and continuity of business entities amid modern challenges. In a world of economic instability, technological threats, and crises, it becomes a strategic management tool rather than just a control mechanism. Its advantages help organizations withstand crises and strengthen their market position. The article analyzes the key benefits of auditing based on theoretical and practical data.

The use of internal audit provides the following advantages:

— Crisis resilience: Auditing identifies threats in advance, minimizing the impact of breaches and ensuring rapid recovery through risk assessment and a proactive approach.

— Resource optimization. Identifying inefficiencies, such as in inventory management, saves costs for strategic goals.

— Enhanced trust. Clear continuity plans verified by audit increase stakeholder confidence, becoming a competitive advantage.

— Compliance with requirements. Audit ensures adherence to standards like ISO 22301, avoiding penalties and improving processes.

The proposed internal audit methodology is substantiated both theoretically and practically. The theoretical foundation is based on the idea that business continuity depends on systematic risk management, where audit serves as a coordinator. Practically, this is supported by the fact that organizations adopting such an approach demonstrate greater crisis preparedness. For example, companies that regularly test their plans through simulations can reduce operational recovery time by half compared to those that do not.

This table summarizes the main challenges and demonstrates how internal audit can respond to them, ensuring business continuity. It highlights the connection between issues and specific actions, emphasizing the practical value of auditing.

This table summarizes the main challenges and demonstrates how internal audit can respond to them, ensuring business continuity. It highlights the connection between issues and specific actions, emphasizing the practical value of auditing.

The proposed internal audit methodology is substantiated both theoretically and practically. The theoretical foundation is based on the idea that business continuity depends on systematic risk management, where audit serves as a coordinator. Practically, this is supported by the fact that organizations adopting such an approach demonstrate greater crisis preparedness. For example, companies that regularly test their plans through simulations can reduce operational recovery time by half compared to those that do not.

The results obtained from implementing internal audit are justified both theoretically and practically. Theoretically, internal audit is viewed as a tool that integrates control, analysis, and consulting, enabling organizations to adapt to changes and maintain resilience. Literature emphasizes its strategic role in anticipating risks and creating conditions to minimize them, directly impacting business continuity. Practically, this is confirmed by the experience of organizations that use internal audit to manage crises.

For example, companies that regularly audit their business continuity plans demonstrate a significantly higher level of preparedness for unforeseen events. A hypothetical case: an organization that has pre-tested its recovery procedures following an information system failure can resume normal operations within a few hours, whereas, without such an audit, this process could take days or weeks. This not only reduces financial losses but also preserves customer trust, which is critically important in a competitive environment.

If an audit reveals that certain processes are duplicated or inefficient, improving them can save significant costs. For instance, a review of supply chains might show that an organization relies on a single resource source, and audit recommendations for diversification could prevent future disruptions. Such actions enhance resource efficiency and allow funds to be directed toward development rather than crisis recovery.

The practical value of internal audits is also evident in strengthening trust from external parties. Organizations that undertake regular internal audits are able to avoid non-compliance fines as well as streamline their operations. For example, auditing business continuity requirements can identify security vulnerabilities that would otherwise be missed. This not only keeps them up to date with external requirements, but also makes their internal operations more streamlined.

The advantages of internal audits-increased resilience, maximization of resources, enhanced trust, and regulatory compliance-are interconnected, and their effect is holistic. The theoretical basis is that internal audits are the bridge between an organization's current situation and its ability to address upcoming issues. In practice, this is evidenced by the fact that organizations that regularly undertake audits are best able to respond to crises. For instance, organizations that regularly audit their continuity plans are able to reduce their operational recovery time by up to 50% compared to those that don't.

Thus, performing internal audits paves the way for good business continuity management. Their uses extend from immediate gains of cost and risk reduction to long-term dividends through enhanced market position. The basis of these outcomes is rooted on theoretical principles and practical experiences, justifying the use of internal audits in the modern business environment. They not only help organizations ride through crises, but they also facilitate sustainable growth, rendering companies more agile and competitive.

CONCLUSIONS

The study confirmed that internal audit is not just an instrument of financial control but also a tool of management that becomes a means of business continuity of economic organizations. It determines risks, analyzes processes, and provides recommendations, and this is crucial under conditions of crisis and instability. An analysis of obstacles-external, internal, and technological-confirmed the audit's ability to resolve them through systematic methodology, including analysis, appraisal, planning, and reporting. The use of audits enhances resilience, maximizes resources, improves stakeholders' trust, and provides conformity. They are backed up theoretically (audit as control and consulting tool) and practically (preparation against crises), and therefore it is beneficial to management.

Future research could focus on integrating technologies (e.g., artificial intelligence) into audits, their impact on resilience, adaptation to prolonged crises, and their connection to strategic planning. Additionally, a comparative analysis of audits across different industries to identify best practices holds promise. These directions will deepen the understanding of the role of internal audit and its potential in ensuring continuity.

Література:

1. Дослідження стану українського бізнесу під час війни: як себе почувають середні, малі та великі компанії. Kyivstar, 2022. URL: https://hub.kyivstar.ua/news/doslidzhennya-stanu-ukrayinskogo-biznesu-pid-chas-vijny-yak-sebe-pochuvayut-seredni-mali-ta-velyki-kompaniyi/ (дата звернення: 02.04.2025).

2. Професія внутрішнього аудитора під час війни. KPMG, 2022. URL: https://kpmg.com/ua/

uk/blogs/home/posts/2022/07/profesiya-vnutrishnoho-audytora-pid-chas-viyny.html (дата звернення: 02.04.2025).

3. Жукова О. М. Внутрішній аудит як інструмент підвищення ефективності системи обліку компанії під час COVID-19. Сумський державний університет, 2020. URL: https://essuir.sumdu.edu.ua/bitstream-download/123456789/87921/1/Zhukova_internal_audit.pdf (дата звернення: 02.04.2025).

4. Moeller R. Modern Internal Auditing. Wiley, 2016.

5. Ridley J. Cutting Edge Internal Auditing. Wiley, 2008.

6. Сопко В. В. Організація внутрішнього аудиту: теорія і практика. Київ: Центр учбової літератури, 2019. 320 с.

7. Pickard M. The Impact of Technology on Internal Audit Effectiveness. Journal of Audit Practices. 2021. Vol. 15, No. 3. P. 45—62.

8. ISO 22301:2019. Societal security — Business continuity management systems — Requirements. International Organization for Standardization, 2019.

9. Коваленко О. В. Роль внутрішнього аудиту в управлінні ризиками підприємства. Економічний вісник. 2020. № 4. С. 112—120.

10. Chambers, A.D. (2011), The Operational Auditing Handbook: Auditing Business and IT Processes, Wiley, Hoboken, USA.

References:

1. Kyivstar (2022), "Study of the state of Ukrainian business during the war: how medium, small, and large companies feel", available at: https://hub.kyivstar.ua/news/doslidzhennya-stanu-ukrayinskogo-biznesu-pid-chas-vijny-yak-sebe-pochuvayut-seredni-mali-ta-velyki-kompaniyi/ (Accessed 2 April 2025).

2. KPMG (2022), "The profession of an internal auditor during the war", available at: https://kpmg.com/ua/uk/blogs/home/posts/2022/07/profesiya-vnutrishnoho-audytora-pid-chas-viyny.html (Accessed 2 April 2025).

3. Zhukova, O.M. (2020), "Internal audit as a tool for increasing the efficiency of the company's accounting system during COVID-19", available at: https://essuir.sumdu.edu.ua/bitstream-download/123456789/87921/1/Zhukova_internal_audit.pdf (Accessed 2 April 2025).

4. Moeller, R. (2016), Modern Internal Auditing, Wiley, Hoboken, USA.

5. Ridley, J. (2008), Cutting Edge Internal Auditing, Wiley, Hoboken, USA.

6. Sopko, V. V. (2019), Orhanizatsiia vnutrishn'oho audytu: teoriia i praktyka [Internal Audit Organization: Theory and Practice], Center for Educational Literature,Kyiv, Ukraine.

7. Pickard, M. (2021), "The impact of technology on internal audit effectiveness", Journal of Audit Practices, vol. 15, no. 3, pp. 45—62.

8. International Organization for Standardization (2019), ISO 22301:2019. Societal security — Business continuity management systems — Requirements, International Organization for Standardization, Geneva, Switzerland.

9. Kovalenko, O.V. (2020), "The role of internal audit in enterprise risk management", Ekonomichnyi visnyk, vol. 4, pp. 112—120.

10. Chambers, A.D. (2011), The Operational Auditing Handbook: Auditing Business and IT Processes, Wiley, Hoboken, USA.

Стаття надійшла до редакції 23.04.2025 р.