

Internal control of settlements with personnel on remuneration in the management system of organizations

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Abstract. The main aim of the study is the practical aspects of internal control of compliance with labor legislation and accounting of payroll and to improve the methodological support of control procedures. For perfection of methodical support of internal control of accounting of calculations with the personnel on a labor payment, the working documents of internal control which allow to: control timeliness and efficiency of fulfillment of control procedures; define weaknesses in the system of accounting of calculations with the personnel on a labor payment and establish directions of inspection that demand carrying out of additional control procedures; operatively reveal violations in the documentary registration of movement of the personnel and formulate the following documents. The suggested working documents of internal control allow to the outcomes of control methods and deliver the information to the management of an economic agency for making managerial decisions.

1 Introduction

In modern conditions a large specific weight in the cost structure of the majority of commercial enterprises falls on labor costs and human capital development [1-3]. Therefore, the issues related to the formation of an economically justified system of remuneration of labor, which involves the implementation of remuneration of employees depending on their contribution to the achievement of strategic and tactical goals of development of the enterprise are of relevance [4-6]. In addition, it should be noted that frequent changes in labor, tax and civil legislation related to the implementation of settlements with personnel on remuneration of labor contributes to the complexity and increase in the labor intensity of this type of settlement operations [7-10]. In this connection there is a need for a systematic comprehensive control measures aimed at checking the correctness of calculations with the personnel on payment for labor and compliance with

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labor legislation [11-13]. In this case the role of the internal control system increases [14-16].

The aim of the internal control settlement with personnel on remuneration of labor, which is to check the process of use of labor resources, completeness, and correctness of registration of operations with personnel on remuneration of labor for timely identification of deviations from the established norms, standards and planned indicators in order to reduce business risks and make management decisions effective.

Tasks of internal control of settlements with the personnel on labor remuneration are caused by complexity and variety of operations on accrual of wages and other payments in favor of workers, and necessity of observance of the labor legislation and formation of economically reasonable system of labor remuneration. Thus, in order to achieve the goal of internal control it is necessary to:

- establish the impact of information technology on the organization of labor and record keeping [17-19];

- assess the compliance of the human resources potential of the economic entity with the technical and technological conditions of the enterprise [20-22];

- evaluate the current accounting system at the enterprise and the effectiveness of the internal control system;

 - to check the compliance with the labor legislation;

 - to check the accuracy, timeliness and completeness of the registration of labor relations and reflection of accounting transactions

 - to check the identity of the data of synthetic and analytical accounting and the correctness of the formation of accounting data.

 - to analyze the effectiveness of the use of labor resources [23].

The specific nature of agricultural production has a significant influence on the methods of internal control of settlements with the personnel on wages and salaries, which predetermines the direction of control procedures [24-26] (Fig.1).

As can be seen from Figure 1, for the implementation of control measures, it is necessary to apply methods of documentary and actual control, which will allow collecting evidence to verify the process of using labor resources, the completeness and correctness of processing transactions with personnel for remuneration and the calculation and payment of wages in order to timely identify deviations from established norms, standards and targets.

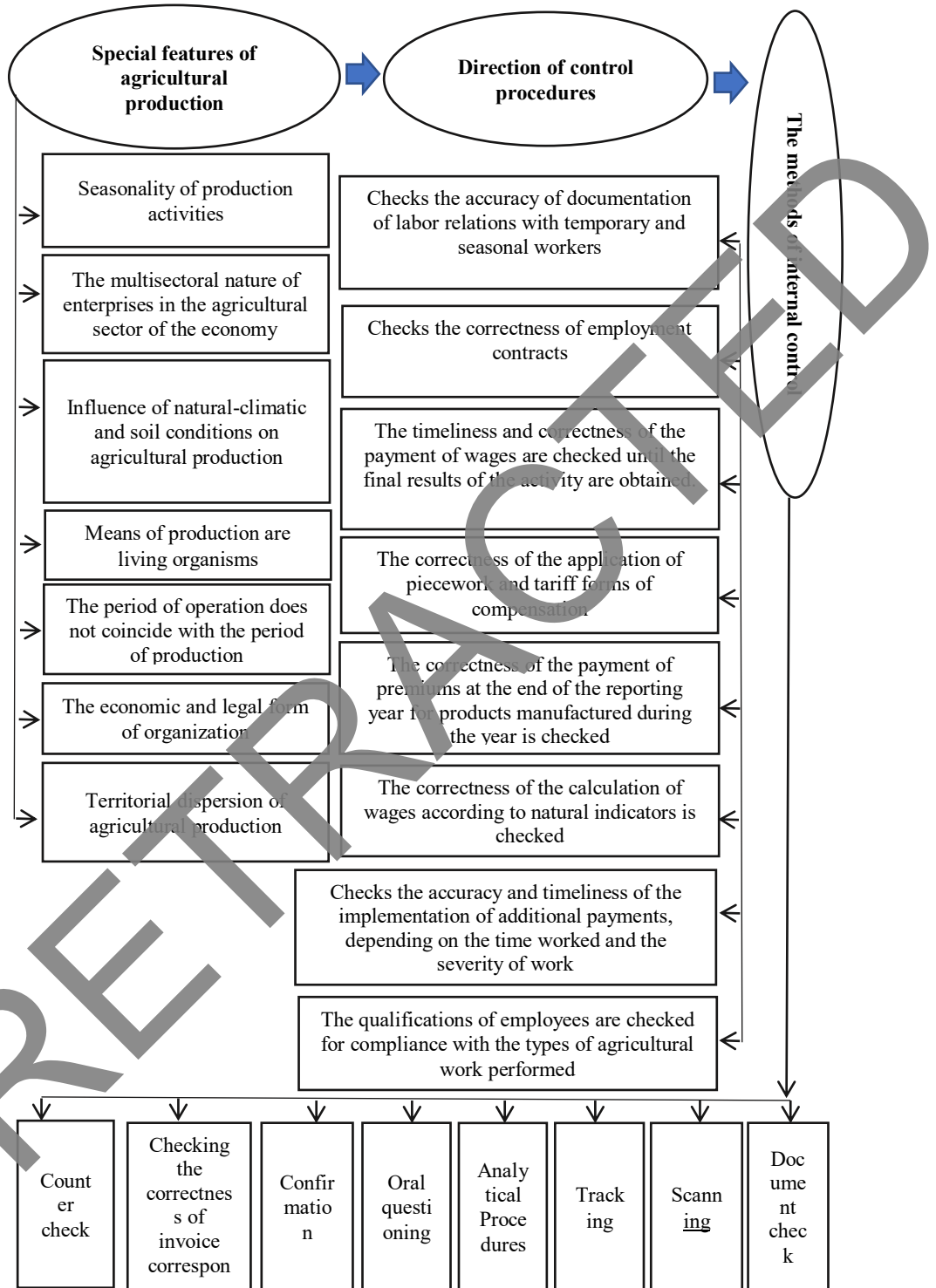


Fig.1. Influence of features of agricultural production on the direction of control procedures.

2 Materials and Methods

The aim of the article is to study the practical aspects of internal control of compliance with labor legislation and accounting of settlements with personnel on payment for labor and to improve the methodological support of control procedures.

In the course of the study, a systematic approach, comparison, method of systematization and generalization of data were used. The information base for the work was legislative and normative-legal acts, publications in the field of development of internal control, materials of scientific-practical conferences and scientific journals.

In the course of work on the article the sources of literature, containing studies of theoretical and practical aspects of the organization and implementation of internal control of settlements with personnel on payment for labor were analyzed. In addition, in the course of writing the article various approaches to internal control of settlements with personnel on payroll, taking into account the peculiarities of functioning of an enterprise, were studied in sufficient detail.

3 Results

When preparing and organizing internal controls over compliance with labor legislation and payroll accounting, you should determine the key areas of the audit, the estimated duration of the audit, the nature of the audit, the sources of information and the control procedures used to gather evidence. To improve control planning, an internal control program should be drawn up, the recommended form of which is shown in Table 1.

Table 1. Internal Control Working Document (ICWD) «Program of Internal Control of Payroll Settlements».

Directions of internal control	Sources of information	Time frames for verification	Performers	Nature of verification	Control procedures
1. Evaluation of the accounting system for settlements with personnel on remuneration of labor	Accounting policies, internal regulations	01.02.2022	Stepanov V.P.	Selective	Testing
2. Control of compliance with labor legislation	Documentation of the personnel service, internal company regulations, job descriptions, employment contracts	02.02.2022	Ivanov P.R.	Selective	Interviews with responsible persons, cross-check, testing
3. Control of the correctness of registration, legality and reliability of payroll and deductions from it	Primary documents for the accounting of labor costs, payroll, timesheets, personal accounts of employees	03-04.02.2022	Stepanov V.P.	Selective	Confirmation, verification of account correspondence, tracing, scanning, document verification
4. Control of identity of the data of synthetic	Registers of synthetic and analytical	07-08.02.2022	Stepanov V.P.	Selective	Tracking, Confirmation,

and analytical accounting, the correctness of the formation of accounting data	accounting, financial statements				Reconciliation
5. Analysis of the effectiveness of the use of labor resources	Staffing, employment contracts, orders on personnel, personal cards, statistical reporting forms, time sheets	09.02.2022	Stepanov V.P.	Selective	Analytical procedures

The proposed program serves as an instruction and a means of controlling the timely and effective implementation of control procedures. The program focuses on important areas of inspection, which contributes to the optimal organization of control activities.

In the course of internal control of settlements with personnel on remuneration of labour, the state of accounting of these operations is assessed. Particularly it is defined, whether the labor legislation is observed during hiring, transfer to another job, dismissal of employees of an economic entity; whether the local acts regulating labor relations are developed at an enterprise; it is determined, how the responsibilities for accounting of working hours and executed works are divided; the applicable form of accounting as well as correctness of primary, analytical and synthetic accounting are determined. For this purpose, internal controllers can test on the basis of our proposed working document (Table 2).

Table 2. Internal Control Working Document (ICWD) «Test of evaluation of accounting system of settlements with personnel on remuneration of labor».

№	Questions	Options answer			Controller's remarks	Controller's recommendations
		yes	no	partially		
1.	Does the company have internal local acts regulating labor relations?			+	The company has no «Regulations on Bonus Payment»	It is recommended that the «Regulations on Bonuses» be developed, taking into account the need to make payments due to the specifics of agricultural production
2.	Does the company have a staff schedule?	+			Changes were made to the staff list during the reporting year	It is recommended that a new staffing table be approved next year
3.	Have employment contracts been concluded with the company's employees?	+			The employment contracts of individual employees have not been amended due to changes in the	It is recommended to make amendments to the employment contracts in accordance with the changes in the

					staffing table	staffing schedule.
4.	Is the movement of employees of the company documented by appropriate personnel documents?	+			-	-
5.	Is the accounting of settlements with personnel on remuneration automated?	+			-	-
6.	Do the qualifications of the employee performing the accounting of payments for labor meet the requirements of regulations?			+	An employee who records payroll calculations does not regularly improve his qualifications	Control over the regularity of professional development of accounting specialists should be strengthened
7.	Are there any errors and unspecified corrections in the primary documents for the accounting of labor costs and its payment?		+		-	-
8.	Are analytical and synthetic records of settlements with personnel on remuneration in terms of payroll and deductions from it correctly maintained?		+		For certain transactions, the personal income tax is incorrectly calculated due to the incorrect application of standard tax deductions	Control over the accuracy of calculations of deductions from wages should be strengthened

Having assessed the efficiency of the accounting system, controllers identify weaknesses in the system of accounting of payroll and establish areas of verification that require additional control procedures. Thus, the inspection program is specified, and the areas of accounting that should be inspected in more detail are determined.

Control of compliance with labor legislation should begin with the verification of documentary registration of labor relations arising between the economic entity and its personnel. Thus, it is necessary to establish the types of work performed by the employees of the enterprise in the process of performance of labor functions, whether the work performed corresponds to the qualifications and specialty of the personnel, whether the employees of the enterprise comply with the requirements of labor legislation and local normative acts.

It is also necessary to examine employment contracts and documents regulating the movement of personnel, their hiring and dismissal, transfers between structural units. A selective formal check is conducted to determine whether all details are filled in, whether

the signatures of the parties and stamps are available. As a result of checking of documentary registration of company personnel flow we suggest to use ICWD «Checking of documenting of enterprise personnel movement» (table 3).

Table 3. Internal control working document (ICWD) «Checking of documenting of enterprise personnel movement».

Type of document to be checked	Number documents	Date of the document	Violation detected	Controller's recommendations
Order (instruction) on employment.	26	20.09.2022	The employee's job number is not listed.	It is necessary to specify in the order of employment number of an employee and tighten control over the filling of all the details in the documents for the movement of personnel
Order (instruction) on transfer to another job	23	16.08.2022	The reason for transferring the employee is not specified.	It is necessary to specify the reason for the transfer and tighten control over the completion of all the details in the documents of personnel movement
Order (instruction) on the termination of the employment contract	18	20.06.2022	There is no personal signature of the employee or familiarization with the order	It is necessary to give a personal signature of the employee's acquaintance with the order and to strengthen control over the filling of all the details in the documents of personnel movement

In the internal control working document «Checking the documentation of personnel movements of the company» the violations revealed during the formal inspection are systematized, which allows to eliminate them promptly and to formulate general recommendations to prevent these violations in the future.

When checking compliance with labor legislation, the inspector examines whether labor discipline is observed and how working time records are kept. Timesheets are used to keep track of time worked, recording attendance, tardiness, absence due to illness or leave. When checking the timesheet, it is established whether the timesheet complies with the standard form, whether there are all the necessary notations about overtime, work on holidays and days off, about actually worked time, identify cases of inclusion of fictitious or false persons in the timesheet, and the copying of unperformed work. To do this, a counter reconciliation of the data contained in the report card with the data in piece work orders, accounting sheets of work performed, and payroll sheets is carried out.

When controlling the correctness of registration, legality and reliability of accruals of wages and deductions from it, it is necessary to use such a method of control as tracing to determine the reality of the primary documents.

To do this you need to determine by sampling economic transactions that were reflected in the accounting, and trace their reflection to the primary documents. In addition, by means of logical control the interrelation of the wording of business operations reflected in the primary documents is checked, as well as the indicators contained in them and their values.

When checking the accuracy of primary documents and accrual of payments to staff it is necessary to determine the nature of these payments, which may be incentive, compensatory, payment for unworked time, payment downtime, etc. The indicators

contained in the primary documents are verified with the indicators used in the calculation of payments to employees. Also controllers establish whether payments to employees comply with the requirements of legislation and local normative acts of the enterprise.

When checking the correctness of application of various forms of remuneration of labor (piecework, time-based, etc.) controllers sample by categories of employees, by types of accruals, by time periods and establish whether the applied tariff rates are justified, whether standards and rates are applied correctly, whether qualitative and quantitative indicators are fulfilled.

The control procedures depend on the types of payments made by the enterprise to the employees (Fig. 2).

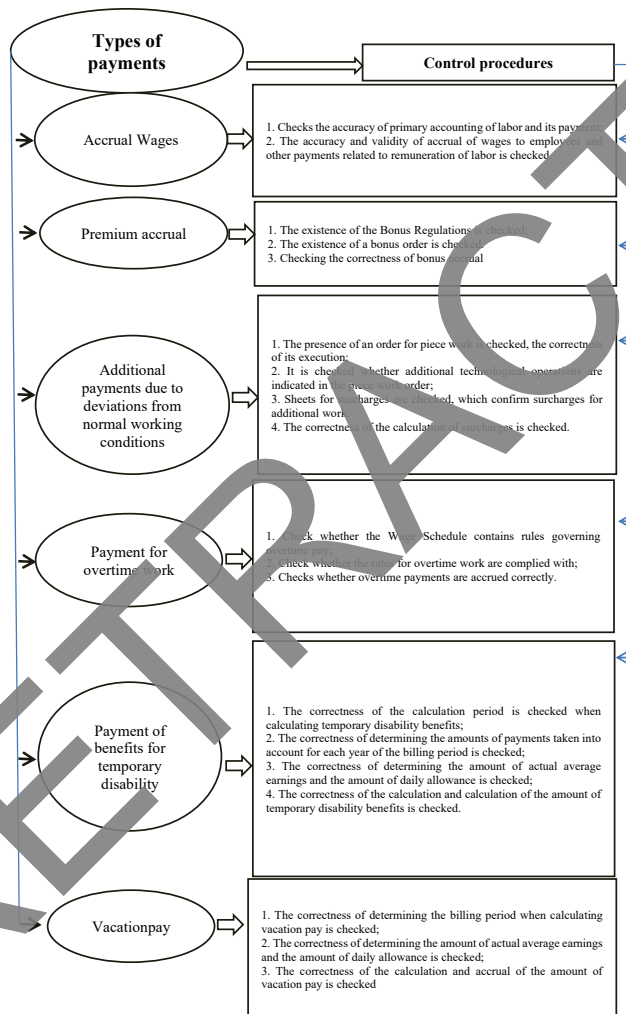


Fig. 2. Procedures of control over accrual of wages and other payments

Internal control of payroll deductions consists in checking their timeliness and completeness. Special attention is paid to the main type of deductions, personal income tax.

Control over correctness and timeliness of withholding of personal income tax consists in:

verification of the correctness of the definition of total income of individuals;
 verification of correctness of application of tax exemptions and tax rates;
 arithmetic check of the tax amount;
 checking the legality of application of tax exemptions and tax deductions.

For such types of deductions as deductions under writs of execution and for goods sold on credit, the personal application of the employee or writs of execution and the contract or instruction-bonding, respectively, shall be established. To summarize the revealed in the process of control of correctness, legality and credibility of accruals of salary and deductions from it we recommend to use the internal control working document (ICWD) «Checking of accrual of salary and withholdings from it» (table 4).

Table 4. ICWD «Checking of accrual of salary and withholdings from it».

Business transaction	Type, number and date of the document	Amount, rubles.		Violation detected	Controller's Recommendations
		According to the company	According to the controller		
1. A bonus was accrued to the tractor driver	Tractor operator's record sheet №76 dated September 8, 2022.	87000	87000	The order did not indicate for which indicators a bonus was awarded	It is necessary to specify in the order the grounds for bonus accrual
2. Vacation pay accrued to storekeeper	Vacation pay calculation № 14 dated March 14, 2022	35530	34710	incorrect composition of payments to the employee in the calculation period	When calculating vacation pay, payments of a social nature, in particular material assistance, must be excluded from the payments to the employee
3. Personal income tax (PIT) was withheld from the accountant's salary	Payroll Statement №. 4 dated April 26, 2022.	2045	2207	Standard tax deduction for a child is not taken into account when calculating personal income tax	In accordance with the Tax Code, the standard tax deduction for a child of 1400 rubles must be taken into account when calculating personal income tax

The working document systematically reflects transactions for which violations and deviations are identified, the essence of the identified violations and recommendations for their elimination. This document allows you to identify areas in the accounting of settlements with personnel on wages, in terms of accrual of wages and deductions from it, which require systematic control by the accounting department.

When checking the identity of the data of synthetic and analytical accounting of settlements with personnel on remuneration and correctness of formation of accounting data, the controllers establish

- whether the accounting procedure and correspondence of accounts correspond to the requirements of regulatory acts;
- whether the data of synthetic and analytical accounting of settlements with the personnel on wages correspond to the data of the General ledger and the indicators contained in the financial statements.

During internal control the data of analytical accounting of settlements with the personnel on remuneration of labor with the data of synthetic accounting on account 70 are verified.

It is also necessary to check the completeness and timeliness of reflection of indicators of labor costs and accrued wages in reporting forms

Reconciling the accounting data with the data of the financial statements to establish:

- correctness of transfer of balances on synthetic account 70 «Personnel payroll accounting» from one reporting period to another;
- compliance of indicators contained in financial statements, in particular in «Balance sheet» and «Explanatory Notes to the Balance Sheet and Statement on Financial Results» with data contained in the registers of accounting of settlements with personnel on remuneration for labor.

By tracing the credit turnovers on analytical and synthetic accounts, which are reflected in the general ledger, are studied. At the same time accounting records on non-typical business operations are identified.

4 Discussion

An important stage of internal control is the analysis of the efficiency of labor resources use, which is conducted in the following areas:

1. Evaluation of labor relations and observance of labor legislation:
 - evaluating the availability of a business entity's human resources with the appropriate qualifications and level of education;
 - evaluating the movement of personnel and personnel turnover;
 - the structure of employees by categories and structural subdivisions is assessed;
2. Assessment of correctness and completeness of accrual of all types of payments:
 - evaluates in dynamics the cost of one hour of work, average monthly wages of employees by categories and subdivisions;
 - share of labor costs in the cost structure is evaluated in dynamics;
 - labor productivity is estimated in dynamics;
 - the share of fixed and piecework wages in the structure of the cost of production; assesses the dynamics of labor productivity;;
 - the ratio of labor costs to the company's revenues is assessed in the dynamics;
 - the structure by types of accruals to be made is assessed;
 - the structure of the wage fund is assessed;
3. Evaluation of timeliness of payroll debt repayment:
 - the share of payables to personnel in the structure of accounts payable is assessed in the dynamics;
 - the amount of indebtedness to the staff for labor remuneration is evaluated in dynamics;
 - sum of wages paid on the average per one employee is estimated in dynamics.

Based on the evidence obtained in the course of control and recorded in the working documents, the head of the working group of controllers forms a report on the results of internal control of settlements with the personnel on remuneration for labor. The report should reflect the errors and irregularities identified in the course of the control and the proposed recommendations for their elimination and prevention in the future.

5 Conclusions

As a result of the research the practical aspects of internal control of compliance with labor legislation and accounting of settlements with personnel on remuneration of labor were studied and recommendations for improving the methodological support of control procedures were developed. The suggested internal control working papers contribute to the systematization of evidence gathered during the implementation of control procedures and the presentation of information to the economic entity's management for management choices.

An internal control program is recommended to improve control planning by serving as instruction and a mechanism of controlling the timely and successful implementation of control procedures. The program focuses on the critical check directions that encourage the optimal structure of control measures. For the purpose of evaluation of the system of accounting of calculations with personnel on remuneration of labor it is suggested to use working document of internal control «Test of evaluation of accounting system of settlements with personnel on remuneration of labor», on the basis of which controllers define the weak points in the system of accounting of calculations with personnel on remuneration of labor and set the directions of inspection which require conducting additional control procedures. When controlling the compliance with labor legislation it is necessary to check the documentation of personnel movements of the enterprise. It is advised that the working document of internal control generated throughout the course of the study be used to codify the outcomes of such control «Checking of documenting of enterprise personnel movement», in which the violations revealed during the formal inspection are systematized. This makes it possible to promptly eliminate them and formulate general recommendations for preventing such violations in the future. The working document «Checking of accrual of salary and withholdings from it» systematically reflects operations for which violations and deviations were revealed, the essence of the revealed violations and recommendations for their the essence of the revealed deviations and recommendations for their correction. This document allows you to identify areas in the accounting of settlements with personnel on wages, with respect to accrual of wages and deductions from it, which require systematic control by the accounting department.

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