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**THE CONCEPT OF PUBLIC AUDIT IN
ACCORDANCE WITH INTOSAI PROFESSIONAL
STATEMENTS (IFPP)**

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Introduction. The article is devoted to the study of improving the types of public audit in accordance with the strategic objectives set by the international organization of supreme audit institutions INTOSAI, which has adopted standards of public audit in the form of professional statements IFPP.

Aim and tasks. The purpose of the article is a theoretical and methodological justification of the process of formation and development of public audit in accordance with new conceptual approaches, formed in accordance with the professional statements of INTOSAI (IFPP), practical recommendations for their practical implementation in Ukraine.

Results. It is established that the problem of state audit in terms of its varieties – performance audit, financial audit, which are regulated by the legislation of Ukraine, is one of the most important prerequisites for ensuring public requests for reliable and transparent information on the use of budget funds. However, as the study showed, insufficient attention was paid by the control bodies, in particular, to the audit of the legislative compliance of the actions of budget managers by the Accounting Chamber. It is proposed within the strategies of ISSAI state audit standards to introduce in Ukraine compliance audit as a type of state audit, which is provided by IFPP professional statements. The expected results of such implementation will allow to increase financial and executive discipline and to prevent illegal spending of budgetary funds.

Conclusions. In the practice of world state audit, a certain structure of types of state audit has been developed, which meets the demands of society and parliaments of the countries regarding the legality, efficiency and reliability of budget spending. The introduction of INTOSAI international standards aims to increase confidence in the state audit, ensures its comprehensive and comprehensive nature, implements effective and efficient professional principles and standards in the practice of domestic specialists. Improving the methodology of public audit generally meets the requirements of ensuring a high level of efficiency of the highest bodies of financial control in the interests of the development of a democratic society. Therefore, the introduction of all types of public audit in accordance with ISSAI standards meets the expectations of society and best international practice. Further developments should reveal the features of the implementation of a new type of state audit – compliance audit in terms of domestic and foreign methods and procedures for performing control actions.

Keywords: state audit, efficiency audit, financial audit, compliance audit, international state audit standards.

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КОНЦЕПЦІЯ ДЕРЖАВНОГО АУДИТУ ВІДПОВІДНО ДО ПРОФЕСІЙНИХ ЗАЯВ ІНТОСАІ (IFPP)

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Вступ. Статтю присвячено дослідженню питань удосконалення видів державного аудиту відповідно до стратегічних завдань, визначених міжнародною організацією вищих органів державного аудиту INTOSAI, яка прийняла стандарти державного аудиту у вигляді професійних заяв IFPP.

Мета і завдання. Метою статті є теоретико-методологічне обґрунтування процесу формування та розвитку видів державного аудиту у відповідності до нових концептуальних підходів, що сформовані у відповідності до професійних заяв ІНТОСАІ (IFPP), практичних рекомендацій щодо їх практичного впровадження в Україні.

Результати. Встановлено, що проблема державного аудиту в частині здійснення його різновидів – аудиту ефективності, фінансового аудиту, які регламентовані законодавством України, є однією з найважливіших передумов забезпечення запитів суспільства на достовірну та прозору інформацію про використання бюджетних коштів. Проте, як показало дослідження, недостатньо уваги приділено контрольними органами, зокрема, аудиту законодавчої відповідності дій розпорядників бюджетних коштів Рахунковою палатою. Запропоновано в межах стратегій стандартів державного аудиту ISSAI запровадити в Україні аудит відповідності, як виду державного аудиту, що передбачено професійними заявами IFPP. Очікувані результати такого впровадження дозволять підвищити фінансову та виконавську дисципліну й запобігти незаконному витрачання бюджетних коштів.

Висновки. У практиці світового державного аудиту вироблено певну структуру різновидів державного аудиту, яка відповідає запитам суспільства і парламентів країн щодо законності, ефективності і достовірності витрачання бюджетних коштів. Запровадження міжнародних стандартів ІНТОСАІ переслідує мету підвищення довіри до державного аудиту, забезпечує його комплексний та всеосяжний характер, імплементує в практику діяльності вітчизняних фахівців дієві та ефективні професійні принципи і стандарти. Удосконалення методології державного аудиту в цілому відповідає вимогам забезпечення високого рівня ефективності функціонування вищих органів фінансового контролю в інтересах розвитку демократичного суспільства. Тому запровадження усіх видів державного аудиту відповідно до стандартів ISSAI відповідає очікуванням суспільства та кращій світовій практиці. Подальші розробки мають розкрити особливості виконання нового виду державного аудиту – аудиту відповідності в умовах вітчизняних та зарубіжних методів та процедур виконання контрольних дій.

Ключові слова: державний аудит, аудит ефективності, фінансовий аудит, аудит відповідності, міжнародні стандарти державного аудиту.

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Introduction. The activities of state audit bodies are aimed at fulfilling the tasks set before them by society and parliament, numerous and varied in scope and coverage of controlled objects. The systematic approach to building a state audit in Ukraine is based on strategic directions defined by the international organization INTOSAI, which was formed with the membership of the Accounting Chambers of all democratic countries of the world. Its full member is the Accounting Chamber of Ukraine.

Improving the efficiency of public audit today is considered in terms of fulfilling the public request for an objective expert assessment of the state of management of public funds and state property. At the same time, the forms of state audit, control actions, methodological support do not fully correspond to modern approaches in this area. Therefore, it is important to develop new conceptual strategies for an effective model of external audit of public funds and state property to control in accordance with public needs. The new activities of the Accounting Chamber must comply with the international standards of the supreme audit institutions IFPP (hereinafter - IFPP) and ensure compliance with the social and financial obligations of the country declared by Parliament to the people of the country.

Analysis recent research and publications. In foreign and domestic literature, the development of the state audit system is traditionally the object of research by scientists in the field of public administration and management: Bardash, S. [1], Bowerman, M., Humphrey, C., Owen, D. [2], Bunn, M., Pilcher, R.; Gilchrist, D. [3]

Modern types of state audit and control actions related to their implementation have their own risk of inefficient reproduction of financial and economic activities of the object of control [4].

However, ineffective control actions may be due to inadequate choice of form or type of public audit by controlling entities, such as conducting a financial audit in cases where monitoring or using an performance audit is more appropriate to verify the performance of certain economic systems, or when the situation requires prior or operational control [5].

The quality of control actions is also important among the factors of inefficiency of public audit. It can be characterized by their diverse nature, which is determined, for example, by the completeness of the coverage of research objects, the use of a sample of certain objects and the calculation of its values, procedures and methods of control. The choice of the object of study also has a significant impact on the quality of public audit, as the subject of the study is the operations of the budget manager, which may go beyond its activities with budget funds, such as concluding a contract with the winner of the procurement auction.

In the practice of control activities is constantly searching for the most optimal direction of control actions in terms of content, scope, essence. Assessing the development of the methodology in the general approaches to control, it should be noted that it was carried out as an improvement of one area of action – control of strict compliance with accounting, economic, planned regulatory factors. This direction is often called financial or regulatory control, otherwise – the control of executive discipline. All known methodological developments of control actions are aimed at such targeted control, which was implemented by the financial control body in the system of executive power [6].

This direction was traditional for the audit activities of the subjects of control of the administrative-command economy and is inherited in modern economic systems.

Thus, in the current economic environment and public requests for information on budget expenditures, there is a need to implement new approaches to public audit in accordance with the professional statements of INTOSAI (IFPP). Currently, such studies have been conducted in a rather limited way, given the lack of an official translation of ISSAI state audit standards into Ukrainian and limited practice in public audit.

Aim and tasks. The purpose of the article is a theoretical and methodological justification of the process of formation and development of public audit in accordance with new conceptual approaches, formed in accordance with professional statements INTOSAI (IFPP), practical recommendations for their practical implementation in Ukraine.

Results. In the second half of the twentieth century. In the developed countries of the world there is an active search for new forms of control in the public sphere, which could ensure the maintenance of the necessary balance between the state, civil society and market forces in the use of state budget funds. At the same time, as emphasized in the Lima Declaration of Guidelines for Control, “control is not an end in itself, but an integral part of the regulatory system, which should expose deviations from accepted standards and violation of the principles of legality, efficiency and economy at the earliest possible stage in order to be able to take corrective measures, in some cases to bring the perpetrators to justice, to obtain compensation for damages or to take such measures aimed at preventing such violations in the future” [4].

Traditional financial audit was a typical type of control for the highest supervisory authorities of developed countries until the early 70's. And already from this period a new type of financial and economic control begins to develop – checking the effectiveness of budget spending, which is called “efficiency audit” [1].

Different countries use different terms to define this direction of the methodology of control actions. Some of them use the term Value for Money Auditing (VFM Auditing), in others – performance audit. In the practice of some countries, including Sweden, the term “administrative audit” (RRV) is used INTOSAI and the International Organization of Audit Institutions, as well as financial audit, recognized it as a type of public audit, which is standardized for performance according to ISSAI 200 “Basic Principles of Financial Auditing” and ISSAI 300 “Basic Principles of Performance Auditing” [4].

The Office of the Auditor General of Canada defines performance auditing as a systematic, organized, and objective examination of the performance of an independent entity by public auditors to provide reliable information, observations, and recommendations to senior government bodies. The purpose of such expertise is also to support responsible, honest and productive property management, the introduction of best management practices [2].

The emergence of this type of control was recorded in the Lima Declaration of Control Guidelines, which emphasized that in addition to the financial audit, “the importance of which is undeniable, there is another type of control aimed at verifying how efficiently and economically public funds are spent. Such control covers not only specific aspects of management, but also all management activities, including organizational and administrative systems” [3]. The current state of control activities in foreign countries indicates that the performance audit prevails among other types of control over the implementation of state budget expenditures. Its share in the total number of inspections carried out by public financial control bodies is 60-70%, and financial audit (audit) – only 30%.

The table 1 shows the main differences between performance audit and financial audit, compiled by the authors on the basis of professional statements INTOSAI (IFPP), in particular the standards ISSAI 200 and ISSAI 300 [4].

Control actions during the performance audit are aimed at assessing three concepts of the functioning of the object of control (fig. 1).

Table 1. The main differences between financial audit and performance audit

Aspect	Performance audit	Financial audit
Purpose	Evaluation of the effectiveness of the object of inspection	Evaluation of the reliability and compliance of accounts
Subject	Organization, program and its activities	Accounting system and management system
Sphere of formation	Economics, political science, finance	Accounting, audit
Methods	Various according to the specifics of the research area	Standardized within accounting and auditing
Evaluation criteria	More subjective for each audit, the uniqueness of the criteria for every audit	Less subjective. Standard criteria suitable for all auditors
Reports	Various structure and content. Published as needed	Standardized. Published regularly

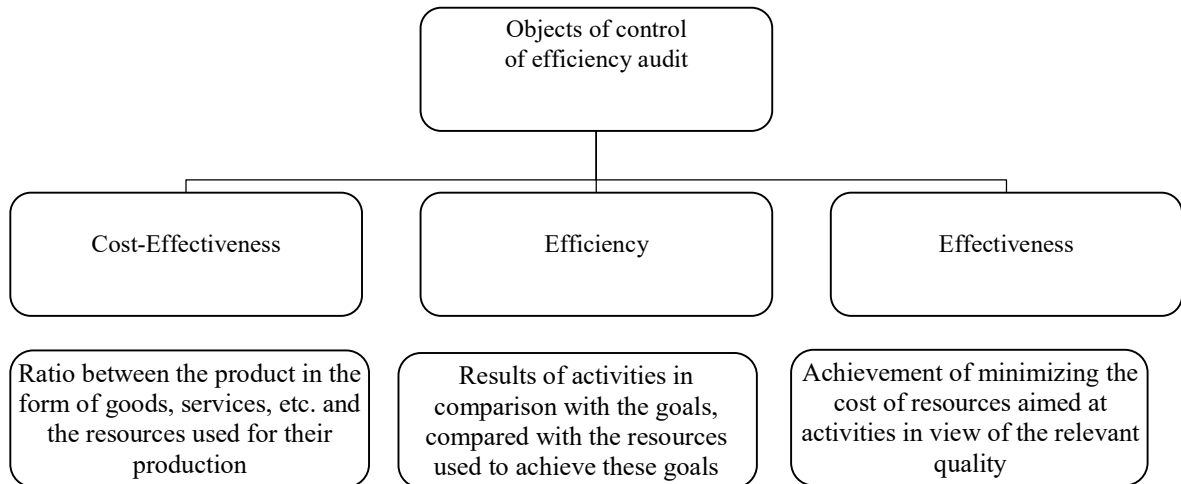


Fig. 1. Objects of evaluation in the process of performance audit

Source: Developed by the author

Analysis of the practice of performance auditing in foreign countries allows us to formulate two main principles that should guide the control bodies:

- within the framework of the performance audit, it is not the decision-making process of the representative and executive bodies that is checked, but the course of implementation of these decisions;

- performance audit is not conducted to determine the benefits and correctness of the policy or approved government programs, but to assess the effectiveness of the executive branch in their implementation [5, 9].

A characteristic requirement for a performance audit is that it should not focus on critical remarks, but should be, above all, constructive. This is reflected in the most important aspect of the performance audit, which is the conclusions and recommendations aimed at improving the efficiency of the use of public funds by the auditee, rather than criticizing its activities.

At the same time, performance audits and financial audits have similar features [3; 7]. Audit representatives perform the same type of tasks, including evaluating and explaining the activities of those being audited. Therefore, they use similar data collection techniques. If performance auditors focus on performance, then financial

auditors focus on the correctness and reliability of calculations.

INTOSAI's auditing standards emphasize that “in contrast to the audit of financial statements, which is conducted in accordance with very specific requirements and objectives, performance audits in most cases are available for evaluation and interpretation” [6]. The subject of a performance audit is a specific program, activity or function performed by a controlled entity using public funds. During a performance audit, the audit may be performed on one or more of these interrelated elements or have a more specialized focus on a single element, such as verifying the effectiveness of public debt management measures [10].

Performance audit for Ukraine is not a fundamentally new form of control actions but is a logical continuation of some searches to improve control actions that have taken place in the history of control. Unfortunately, the study of the rich heritage of the history of control does not take place, there is a lack of historical succession, the unknown historical truth about the achievements in this area.

Modern theory and practice of performance auditing by the Accounting Chamber shows that such a methodology in accordance with ISSAI standards is gradually becoming the predominant type of public audit [8; 11-14].

It is believed that the variety of performance tasks assigned to the audit and the variety and dissimilarity of controls for such work necessitates the development of performance audit techniques for each audit entity separately. However, according to the approach set out in the INTOSAI Professional Statements (IFPP), the performance audit at the stage of defining the objectives of the program should be asked general questions about the implications of government programs in the field of allocation of funds, in particular:

1. Who should benefit from the program?
2. Who will actually benefit from the program?
3. What are the total benefits of the program?
4. What is the distribution of software among the beneficiaries?

Regarding costs:

1. Who should pay for the program?
2. Who actually pays for the program?
3. What are the total costs of the program?
4. What are the costs of the program distributed among groups of payers?

Having synthesized the above information, what can be said about the alternatives in achieving the goal of this program, and which of the alternatives gives the same results in the field of distribution at lower cost?

There may be solutions to problems that have an effect without significant distribution implications, but they cannot be accepted because of political factors. This approach during the performance audit is appropriate for the implementation of the state audit strategy aimed at informing the public and the population, the parliament about the effectiveness of the use of budget funds and state property.

Assessment of the quality of financial activities and compliance with relevant laws and regulations in accordance with the professional statements of INTOSAI – ISSAI state audit standards, it is recommended to assess the compliance audit. This is sometimes called “actual value audit”. There are some trends regarding the concept of “new public administration”, which are aimed at narrowing the scope of this form of control in favour of increasing on the basis of expected values of accounting, based on performance criteria.

However, despite the absence of this type of audit in the Law of Ukraine “On the Accounting Chamber”, it is advisable to introduce it in Ukraine. Of particular relevance to this type of audit is the information on numerous budget violations, in general, on low financial discipline.

Based on the effectiveness of the results of compliance audits, the existence of this type of audit in international practice, as evidenced by ISSAI 400 “Basic principles of compliance audits” we consider it necessary to supplement existing methodological regulations of the Accounting Chamber on compliance audits local budgets. In addition, methodological support for compliance audits should be developed. The Accounting Chamber has experience in assessing legality in the performance of other types of control activities, so practical developments together with the provisions of ISSAI 400 “Basic Principles of Compliance Audit” can be the basis for such developments.

Specialists and practitioners see the main difference between compliance audits and other types of state audits in both the critical and constructive direction of control measures on the identified problem. Therefore, the recommendations described in the reporting document will be of great importance for strengthening financial and executive discipline and will indicate the implementation of new strategic approaches in accordance with international standards and professional statements INTOSAI.

Conclusions. In the practice of world state audit, a certain structure of types of state audit has been developed, which meets the demands of society and parliaments of the countries regarding the legality, efficiency and reliability of budget spending. INTOSAI international standards aims to increase confidence in the state audit, ensures its comprehensive and comprehensive nature, implements effective and efficient professional principles and standards in the practice of domestic specialists. Therefore, the introduction of all types of public audit in accordance with ISSAI standards meets the expectations of our society and the best world practice.

Further developments should reveal the features of the implementation of a new type of state audit – compliance audit in terms of domestic and foreign methods and procedures for performing control actions.

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