

Alla S. Yaroshenko<sup>1</sup>, Zhanna A. Oleksich<sup>2</sup>  
SYSTEM APPROACH TO STATE EFFICIENCY  
AUDIT ARRANGEMENT

*In this paper the analysis of international experience in building an effective system of state efficiency audit is provided. Based on the analysis of publications by a large number of scientists the key challenges for an effective system of state financial control are identified. The interaction of the functions of state efficiency audit is analyzed. The research findings led to the conclusion that the system of state efficiency audit is heterogeneous. This fact allows us introduce a new system of state efficiency audit.*

*Keywords: state efficiency audit; public financial resources.*

Алла С. Ярошенко, Жанна А. Олексіч  
СИСТЕМНИЙ ПІДХІД ДО ОРГАНІЗАЦІЇ  
ДЕРЖАВНОГО АУДИТУ ЕФЕКТИВНОСТІ

*У статті проведено аналіз світового досвіду у сфері побудови ефективної системи державного аудиту ефективності. За результатами аналізу публікацій великої кількості науковців визначено основні проблеми на шляху побудови ефективної системи контролю державних фінансів. Проаналізовано взаємодію функцій державного аудиту ефективності. Сформовано висновок про неоднорідність системи державного аудиту ефективності, що дозволило уточнити та по-новому представити дану систему.*

*Ключові слова: державний аудит ефективності; державні фінансові ресурси.*

*Рис. 3. Літ. 13.*

Алла С. Ярошенко, Жанна А. Олексич  
СИСТЕМНЫЙ ПОДХОД К ОРГАНИЗАЦИИ  
ГОСУДАРСТВЕННОГО АУДИТА ЭФФЕКТИВНОСТИ

*В статье проведен анализ мирового опыта в области построения эффективной системы государственного аудита эффективности. По результатам анализа публикаций большого количества ученых определены основные проблемы на пути построения эффективной системы контроля государственных финансов. Проанализировано взаимодействие функций государственного аудита эффективности. Сформирован вывод о неоднородности системы государственного аудита эффективности, что позволило уточнить и по-новому представить данную систему.*

*Ключевые слова: государственный аудит эффективности; государственные финансовые ресурсы.*

**Problem statement.** Ukraine has moved to the stage of socioeconomic modernization, the key task of which is to increase competitiveness of the national economy and achieve higher living standards. This raises a number of new requirements to government, one of which is the arrangement of the effective system for state efficiency audit. The analysis of foreign experience shows that well-organized, constitutionally established system of state efficiency audit is the key to effective management of public financial resources of any developed country, as the aim of this management is responsibility to the society.

**Latest research and publications analysis.** Some aspects of the system of state efficiency audit are studied by contemporary domestic and foreign economists, namely

<sup>1</sup> Ukrainian Academy of Banking of the National Bank of Ukraine, Sumy, Ukraine.

<sup>2</sup> Ukrainian Academy of Banking of the National Bank of Ukraine, Sumy, Ukraine.

I. Basantsov (2005), I. Drozd (2006), I. Drozd and V. Shevchuk (2007), V. Mamishev (2003), V. Melnichuk (2002), V. Symonenko et al. (2006), V. Stepashyn (2006), I. Stefaniuk (2001), V. Shevchuk (1997). The analysis of publications shows that the improvement of the existing system must be started from the choice of a model of its functioning, the development of common scientific and methodological basis using existing forms and methods of control.

**Unresolved issues.** The analysis of the theoretical foundations of building an effective system of control of public finances and external audit in particular enables us to argue that in fact the fundamental scientific framework for the functioning of state efficiency audit in Ukraine does not exist.

**The research objective.** In the article the main approaches to establishing an effective system of state efficiency audit are considered and the essence of the existing principles of state efficiency audit is clarified.

**Key research findings.** The experience of developed countries, which have long traditions of public financial control, indicates that structural organization of state financial control bodies is conditioned primarily by the separation of control objects and the need to create horizontal and vertical governmental relations based on a clear separation of controlling authorities.

Thus, in some countries (France, Austria, Germany, UK, USA) the system of public funds control is built on common principles and standards. It is a standardization that provides a systematic interaction between state financial control bodies; creates organizational and methodological basis of their specialization and provides the system properties of self-organization; causes a synergistic effect. World practice, accumulating new knowledge on regulatory, legal and institutional features (authorities, status, functional independence), identifies different principles of public financial control proceedings and as a result – considers different hierarchical systems of proceedings for this control. The overall trend of the supervisory bodies functioning is to increase the effectiveness of public financial management (France, Austria, Belgium, Sweden, Romania etc.).

In our opinion, due to significant difficulty in identifying the nature of the system of state efficiency audit on the basis of metaphysical approach, this problem should be solved from the standpoint of dialectical analysis. The essence of any phenomenon is best revealed through its role in the overall system and the functions performed by it within the system. Current understanding of the nature of functions of state efficiency audit is conditioned by the general problems faced by the subjects of state efficiency audit (The Law of Ukraine, #315, 11.07.1996):

- presentation of information in a clear and transparent manner;
- development and functioning of an effective system of control and operational management for strategic decisions implementation;
- coordination of government objectives and plans in accordance with the strategic development of a country;
- providing society with objective information as to how productively government manages public financial resources etc.

Understanding the nature of the efficiency audit functions is conditioned by the tasks that its subjects face. It is clear that the functions of state efficiency audit also

take into account general functions of state financial control, but also have some specific, typical functions. Classification of the functions of the state efficiency audit system is shown in Figure 1.

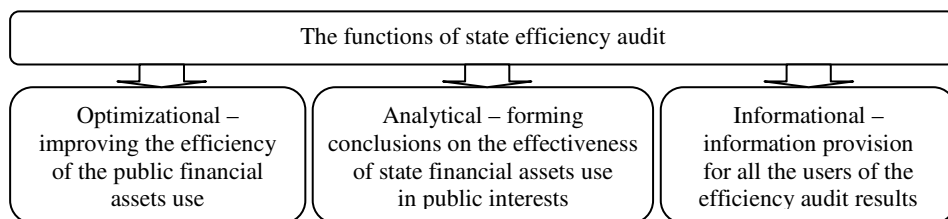


Figure 1. **Functions of state efficiency audit, authors'**

This classification of functions of the state efficiency audit system clarifies and reveals the role of this process in the system of public finance management, outlining its essential component and gives us an opportunity of a common understanding of processes.

In the system of state efficiency audit international principles set in standards of Lima Declaration of Guidelines on Auditing Precepts (1977) and the Mexico Declaration on Supreme Audit Institutions Independence (2007) should be fundamental. Adherence to these principles is the most important means of organization and management of the entire system of state efficiency audit. Combining the principles mentioned above in a single complex enables us consider state efficiency audit as a single, integrated, adaptive and dynamic system.

This study led to the conclusion that along with these general principles the system of state efficiency audit is based also on highly specific principles presented in Figure 2.

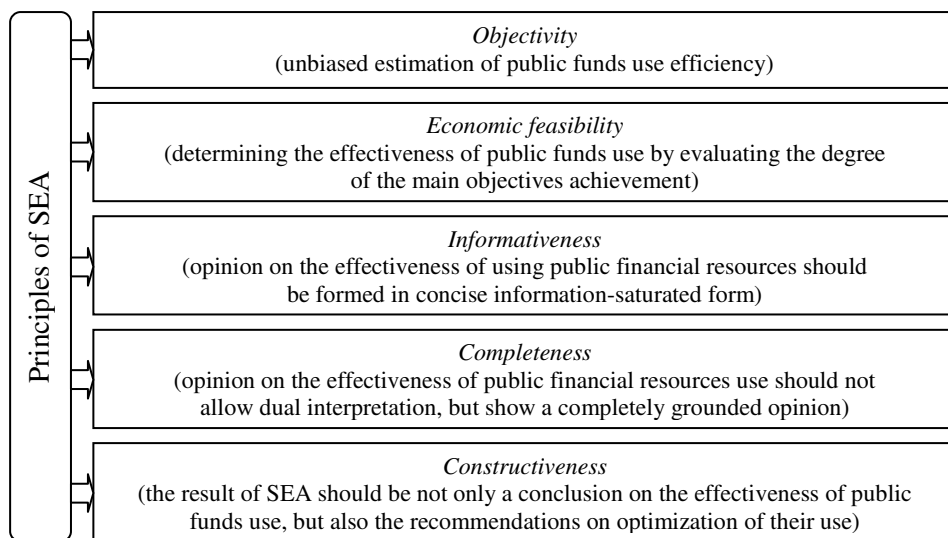


Figure 2. **The principles of state efficiency audit, authors'**

When considering the requirements to building up a common system of state efficiency audit it seems logical to single out the accountability requirements to each subject of state efficiency audit. Undoubtedly, it is legitimately to confirm that all supervisory authorities should duly report on their activities, that is to be accountable for the quality of functions performance. Considering all of the above, we believe it is necessary to distinguish the following groups of basic entities of state efficiency audit:

- initiators – state the initiate necessity for state efficiency audit performance with the use of public funds (The Verkhovna Rada Ukraine – VRU);
- performers – implement the procedures of efficiency audit on the initiative of VRU;
- users – use the findings provided by the efficiency audit (VRU, society, public prosecutor's office of Ukraine).

For a clearer understanding of the nature of efficiency audit let us consider the possible stages of its realization: planning; carrying out; preparation of the report on scan results.

In planning the efficiency audit we should select the most important topics and concerns with regard to their compliance with challenges that the Accounting Chamber aims to solve and with the availability of conditions for their implementation.

In determining the preliminary list of possible topics and objects of efficiency audit we should be guided by the following criteria:

- socioeconomic importance of the topic, its importance to the public and the extent of its interest in the results of the audit;
- the degree of risks presence in this area of public funds use or in activities of audit objects, which could potentially lead to inefficient outcomes;
- assessment of possible findings;
- the amount of state funds allocated to this sphere and/or used by the objects of audit;
- preliminary checks in this area and/or at given objects;
- availability of resources of the Accounting Chamber.

However, when choosing topics we can face difficulties in assessing of how this or that theme of efficiency audit meets our criteria of choice, and whether specific, socially meaningful results of its performance will be obtained, that will lead to more efficient use of public funds.

The Accounting Chamber auditor approves a list of topics and objects of the audit to be included into the draft plan of the Accounting Chamber work for the next year and, after its approval by the Board of the Accounting Chamber, groups of auditors begin their preliminary study (The Law of Ukraine, #315, 11.07.1996).

The next step is the performance of efficiency audit. One of the main points at this stage is drafting and approval of the program of efficiency audit.

After the approval of the program the team leader distributes tasks among members (appoints, if needed, responsible performers among the objects), they prepare and submit for approval to the head of the audit the work plan for each facility. In the plan specific points of audit are formulated, the methods of collecting evidence are determined, the sources of the required information, timing of audit and responsible performers are denoted (The Law of Ukraine, #315, 11.07.1996).

Based on the results of each efficiency audit of public financial resources a report is prepared (Standard Accounts Chamber, 2004), which should include the following elements:

- audit purpose;
- a list of objects;
- the period of time covering the efficiency audit;
- a brief description of the audited sphere, program or direction of the audited entity indicating responsibilities and functions of managers related to performance;
- criteria for evaluating the effectiveness that were used for the purposes of the audit and the differences with the management of the audited object as for their use;
- conclusions drawn from the audit results;
- recommendations, that should include proposals of the auditors to eliminate shortcomings and solve these problems;
- remarks of managers of audited organizations (if filed), including existing disagreement on the criteria used for evaluating the efficiency, conclusions, recommendations and planned actions to eliminate identified deficiencies.

It should be noted that the significance of the findings in the report depends on the credibility of the evidence and conclusions, and logic used in their preparation.

The report on the efficiency audit should include not only the identified deficiencies, but also achievements, including positive performance of the audited entity.

If in the result of the audit shortcomings were revealed and conclusions point to the opportunity to improve the quality and results of work significantly, the group of auditors must prepare appropriate recommendations on the necessary measures to eliminate these shortcomings. Recommendations should be of specific character and yet avoid excessive detail. Their content should depend on the goals and the results obtained while performing the audit.

It is mandatory that after the report publication on the efficiency audit the implementation of the Accounting Chamber's recommendations must be checked. While checking the main focus should be on how effectively the audited organization eliminated earlier found shortcomings.

The result of the efficiency audit should be an increase of qualitative and quantitative performance indicators of the public funds use efficiency after the implementation of the Accounting Chamber's recommendations.

To summarize all of the above it can be stated that the system of providing effective operations of efficiency audit authorities should be based on the following requirements:

- high quality information and technical support;
- complexity and priority;
- economic efficiency;
- regimentation;
- closer cooperation of all subsystems and coordination of actions to meet the challenges of the external financial control;
- unity and the optimal level of centralization of its organizational structure;
- continuous development and improvement of control;
- accountability of each subject of state audit etc.

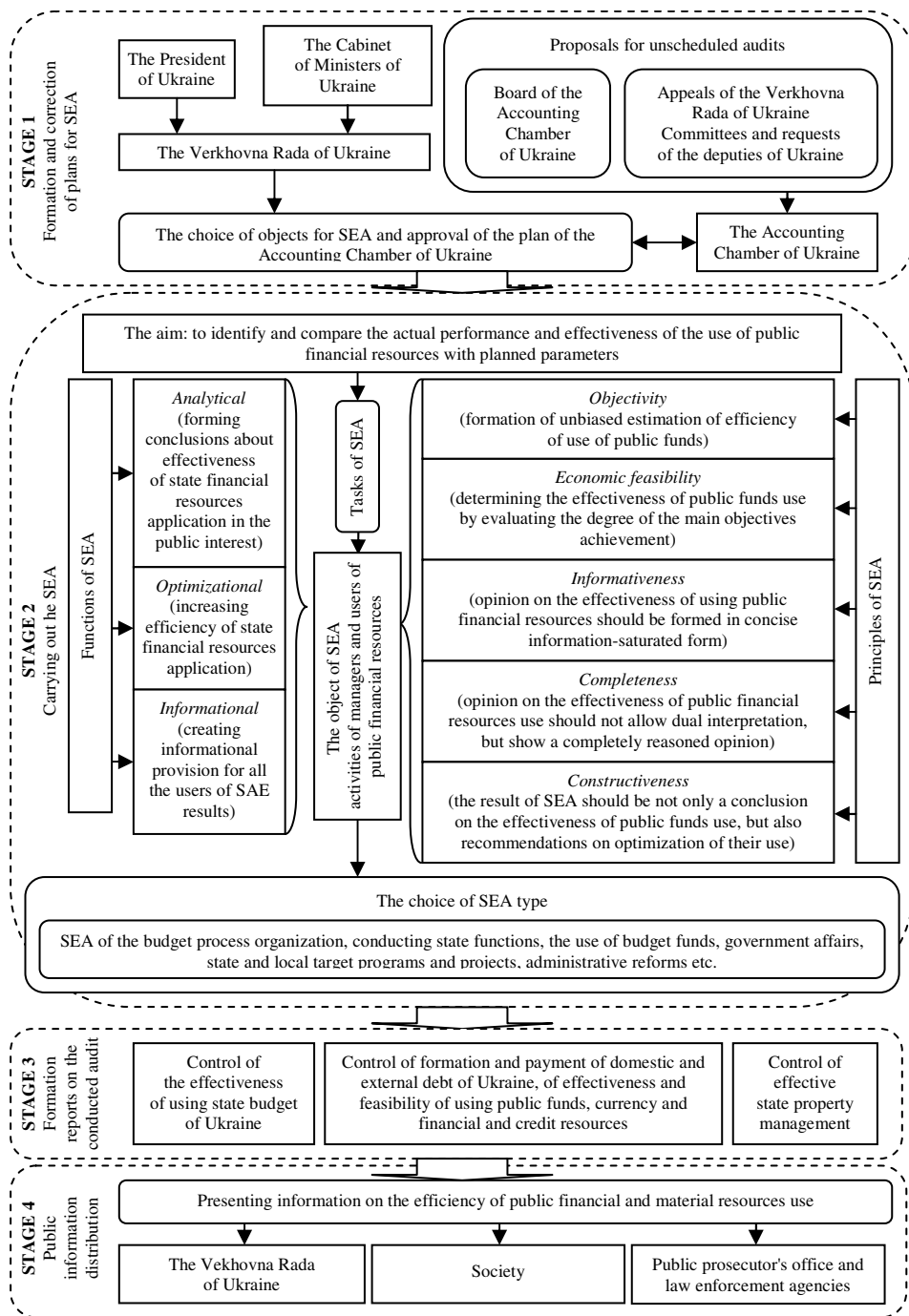


Figure 3. The conceptual framework for SEA arrangement in Ukraine based on structural and process approach, authors'

For further sustainable development of Ukraine, which is provided by the effective management of the economy and public financial resources it is essential to lay the aforementioned foundations of the common system of state audit. The system of state efficiency audit must ensure the adoption of standards that define the principles of legality control, of efficiency and economy of public funds expenditure as well as the mechanism of financial and economic control.

The generalization of the conceptual provisions of public funds control enabled us to conclude that the state efficiency audit should be considered in the light of a systematic approach. The system of state efficiency audit is regarded as open, complex, deterministic set of basic control elements over the public funds use. The system of state efficiency audit illustrates the relations arising between its main elements concerning the initiation, conducting and use of the results by the subjects of state efficiency audit. Therefore, we propose the following conceptual foundations for constructing the system of state efficiency audit – Figure 3.

So, based on the foregoing, we suggest the state efficiency audit system to be considered as a holistic and structured set of subject-object relations that occur between the elements of state efficiency audit over the choice of state audit subjects of appropriate tools in accordance to its basic principles and purpose of carrying out to obtain socioeconomic performance of public authorities through effective management of public funds.

**Conclusions.** Compared to traditional financial audit the efficiency audit includes new challenges and enlarges the purpose of external financial control. The current domestic system of formation and execution of budget accounting and reporting is not focused on improving the efficiency of public spending. It is costly and does not have measurable, socially significant results of public funds expenditure, on the achievement of which the activity of their recipients should be directed. Current organization of budget process severely limits the possibility of raising the efficiency of public spending and the use of an appropriate system of its measurement and evaluation. Hence, executive authorities do not have sufficient incentives and interest in the effective use of budget funds, and the Accounting Chamber has no opportunities to carry out the efficiency audit properly.

#### References:

- Про Рахункову палату: Закон України від 11.07.1996 №315/96-ВР // zakon.rada.gov.ua.
- Про затвердження Стандарту Рахункової палати «Порядок підготовки і проведення перевірок та оформлення їх результатів»: Постанова Колегії Рахункової палати України від 27.12.2004 №28-6 // zakon.rada.gov.ua.
- Лимская декларация руководящих принципов контроля. IX Конгресс Международной организации высших органов финансового контроля (INTOSAI). – Лима, 1977. – 10 с.
- Мексиканская декларация независимости. XIX Конгресс INTOSAI, ноябрь 2007. – Мехико, Мексиканские Соединенные Штаты // www.ach.gov.ru.
- Басанцов І.В. Державний фінансовий контроль, його концептуальні аспекти // Формування ринкових відносин в Україні. – 2005. – №11. – С. 24–32.
- Дрозд І.К. Єдність зовнішнього та внутрішнього контролю в системі фінансово-економічного контролю // Фінанси України. – 2006. – №3. – С. 135–140.
- Дрозд І.К., Шевчук В.О. Державний фінансовий контроль. – К.: ТОВ Імекс-ЛТД, 2007. – 304 с.
- Мамішев В. Характерні аспекти організації державного фінансового контролю за рубежом // Фінанси України. – 2003. – №11. – С. 126–136.
- Мельничук В.Г. Незалежний державний фінансовий контроль в Україні та досвід зарубіжних країн // Фінансовий контроль. – 2002. – №2. – С. 33–36.

*Симоненко В.К., Барановський О.І., Петренко П.С.* Основи єдиної системи державного фінансового контролю в Україні (макроекономічний аспект). – К.: Знання України, 2006. – 280 с.

*Степашин С.В.* Конституционный аудит. – М.: Наука, 2006. – 816 с.

*Стефанюк І.Б.* Фінансовий контроль: визначення поняття і системи // Економіка. Фінанси. Право.– 2001.– №7. – С. 3–4.

*Шевчук В.О.* Становлення та розвиток державного фінансового контролю // Фінанси.– 2008.– №11. – С. 7–9.

Стаття надійшла до редакції 15.12.2014.