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O. V. Tsarenko, Doctor of Economic Sciences, Professor,
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PROCESS OF BUDGETARY ESTABLISHMENTS AND ORGANIZATIONS**

Abstract. The article deals with the need for public financial audit and the procedure for state audit of public institutions and organizations is substantiated. Its basic conducting stages are studied and the key problems the government auditors face while performing the financial audit (control) are analysed.

Keywords: state financial audit; control; program of audit; audit of efficiency; budgetary establishments.

O. B. Царенко, д. е. н., професор,
Н. В. Кармазіна, д. е. н., доцент**МЕТОДИЧНІ ЗАСАДИ СИСТЕМНОГО ДОСЛІДЖЕННЯ ПРОЦЕСУ ДЕРЖАВНОГО
ФІНАНСОВОГО АУДИТУ БЮДЖЕТНИХ УСТАНОВ І ОРГАНІЗАЦІЙ**

Анотація. У статті розглянуто необхідність проведення державного фінансового аудиту та обґрунтовано процедура проведення державного аудиту бюджетних установ і організацій. Досліджено основні етапи його проведення та опрацьовано ключові проблеми, з якими стикаються державні аудитори при втіленні фінансового аудиту(контролю) на практиці.

Ключові слова: державний фінансовий аудит; контроль; програма аудиту; аудит ефективності; бюджетні установи.

O. B. Царенко, д. э. н., профессор,
Н. В. Кармазина, д. э. н., доцент**МЕТОДИЧЕСКИЕ ПРИЕМЫ СИСТЕМНОГО ИССЛЕДОВАНИЯ ПРОЦЕССА
ГОСУДАРСТВЕННОГО ФИНАНСОВОГО АУДИТА БЮДЖЕТНЫХ
УЧРЕЖДЕНИЙ И ОРГАНИЗАЦИЙ**

Аннотация. В статье рассмотрено необходимость проведения государственного финансового аудита и обоснована процедура проведения государственного аудита бюджетных учреждений и организаций. Исследованы основные этапы его проведения и проработаны ключевые проблемы, с которыми сталкиваются государственные аудиторы при воплощении финансового аудита (контроля) на практике.

Ключевые слова: государственный финансовый аудит; контроль; программа аудита; аудит эффективности; бюджетные учреждения.

Urgency of the research. The impact of the global economic crisis, the unformed market institutions in the national economy and the slow pace of modernization of the accounting and the tax system, including in the public sector regions exacerbated the problem of formation of a new, adequate state financial control (audit). Financial audit is a tool of independent public control over the activity of public institutions and an important element of public finance management system, the purpose of which is contributing to successful implementation of state policy and the effective use of public financial resources at all levels of the state's public sector.

Target setting. At present, public institutions need state regulation on the reform of the existing system of state financial audit and the development of its regulatory framework. The existing financial control institutions cannot fully prevent the misuse of the state's public resources and contribute to the optimization of the budget process in Ukraine. In this regard, a special attention should be paid to the-

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oretical and practical implementation of systematic investigation concerning state financial audit of budgetary institutions and organizations, since audit serves as a legal and functional procedure to ensure transparency and efficiency in the public sector of the country.

Actual scientific researches and issues analysis. Foreign and domestic researchers made fundamental and applied study on formation of independent public control over the activity of public institutions and organizations, the issues concerning the state financial audit functioning. Among the publications, which address the abovementioned issues are the works of S. V. Bardash, N. S. Barabash, F. F. Butynets, Ye. V. Mnykh, N. I. Ruban, I. B. Stefank, I. M. Chumakova, V.O. Symonenko, Yu. I. Pyvovar, O.V. Tsarenko.

Uninvestigated parts of general matters defining. Under uncertain and risky circumstances, public institutions need state regulation on the state financial audit of the existing system reform and the development of its regulatory framework; the unresolved issues have to do with providing reliable information on the state of public finances in the legislature and the public, and the definition of the state financial audit functional procedure.

The research objective. The purpose of the article is substantiation of theoretical and methodological foundations and practical recommendations for a new solution of scientific and applied problems on formation of a rational system of the state financial audit of budgetary institutions and organizations in the context of proving for user an objective, truthful and transparent information on the efficient use of public financial and material resources of the state.

The statement of basic materials. The results of the study show that the audit of budgetary institutions was introduced in 2006, but, unfortunately, only in the practice of the organs of state control and audit service. However, this type of audit is internal and allows monitoring only at the microeconomic level. This violates the basic principles of external audit, which indicates a lack of understanding of the legislators or conscious disregard of the legal nature of the state audit. Since an external independent control cannot be a substitute for domestic financial one, performed by control structures that are in direct subordination of the Government and, accordingly, depending upon it. This opinion is shared by leading experts in the field of public finance control [1; 2].

Leading Ukrainian scientists reveal the most important issues of methodology and organization of the state financial audit, namely, thoroughly cover the economic background and the practical feasibility of the introduction of the state financial audit institute in Ukraine. Among the considered issues are state budget revenues audit methodology, budget and audit programs, the activities of public institutions and public administration. It describes the activities of the Accounting Chamber of Ukraine and the Main Control and Revision Office of Ukraine in realization of the state financial audit. Moreover, a special attention is paid to the implementation of analytical procedures in the audit, and the generalization and implementation of the state financial audit results.

According to the Article 3 of the Law of Ukraine *On main principles of state financial control in Ukraine* dated October, 16, 2012; № 5463-VI state financial audit is regarded as a kind of state financial control. Its essence lies in testing and analysis of the actual state of affairs concerning the legitimate and efficient use of state or municipal funds and property and other state assets, the correctness of the accounting records and the reliability of financial reporting, internal control systems that is conducted by a state financial control body [3]. It is an independent type of audit, therefore, cannot be carried out subject who obey the executive authorities, which directly control the public resources, since it is against the principles of independence and objectivity.

It is proved that the budget managers organize internal control and internal audit as well as ensure their implementation in their institutions and subordinate budget institutions. However, the present state financial control system do not fully perform its tasks, that is, ensuring budgetary savings, their intended use, efficiency and effectiveness of the budget funds, the adoption of sound management decisions, to prevent violations of budget legislation and ensuring the interests of the state in the management of objects of state process property.

It is noted that the state audit, as opposed to state control is an independent audit type, therefore, cannot be carried out by the subject subordinate to the executive power, which directly manages public resources, because it is against the principles of independence and objectivity. In world practice,

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public audit is usually performed by the highest state auditing body, which is the Chamber of Accounts in Ukraine. To perform the state audit tasks the highest state auditing body must maintain independence from the organizations that are examined and to be protected from external influences. This independence ensures balance, reliability and objectivity of conclusions of the state audit supreme body auditors, therefore contributes to transparency, ensures an effective independent control, and thus serves to strengthen citizens' trust in government.

The vast majority of scientists and researchers divide state audit into the financial and performance audit (Figure 1.)

1. Financial audit:

- Audit of financial and economic activities of budget institutions;
- Audit of financial and economic activities of economic entities of the public sector, or used at the time of budgets inspection.

2. Performance Audit:

- Auditing the effectiveness of the budget program;
- An audit of efficiency of local budgets use;
- An audit of efficiency of the state budget use [4, p. 69].

We note that the audit of budgetary institutions and organizations must be public, given the fact that their activities are related to the main directions of the state's national security policy, in particular: to ensure the constitutional rights and freedoms of man and citizen; strengthening the rule of law and the preservation of the social and political stability of society; ensuring transparency in the activity of state bodies, management decision-making, public awareness, strengthening on this basis their confidence in the government institutions.

At the planning stage, the statutory auditor examines the founding documents of the audited entity, its financial and statistical reports, financial plans and reports on their implementation, administrative and other documents (including regulatory documents of the governing body), if necessary - other entities, similar to certain characteristics of their activities, as well as existing legislation regulating the activities of the audited entity. Both external and internal risk factors are determined and specified according to results of more accurate information gathered during the first audit stage, as well as the analysis of financial and economic activities and assessment of internal controls carried out at the second stage.

In accordance with the Decree of the Cabinet of Ministers of Ukraine "Procedure of the state financial audit of business entities conducted by the State Financial Inspectorate and the territorial bodies" dated September 7, 2011, № 968, the audit process consists of four stages [5]:

- 1) the audit plan;
- 2) preparation of the audit program;
- 3) verification of risky operations of financial and economic activity of the enterprise, with the help of selected methods (part of which are owned by test, analysis, written explanation, questioning, verification, inspection, examination)
- 4) a report on the results of the audit, according to the results of which the conclusions on assessing the level of management of financial and economic activity of the enterprise, based on the essentiality of their effect on financial and economic activity are made.

No less importance in the preparation of the audit program is defining the level of importance of risk factors, which is to ensure the possibility to draw a conclusion regarding the significance of certain risk factors on the results of the audit activities of the facility as well as the accuracy of the financial statements [6].

However, the establishment of importance level nowadays is subjective and determined by the auditor at his or her discretion. Therefore, determining the significance level of a particular risk factor should be based on the volume of the audit facility activities, the kind of performance that is primarily influenced by one or another risk factor should be carefully considered as well. Each question (risk factor), subject to audit, must be examined taking into account the procedures specified by the audit program, and should be examined with respect to: compliance with legal requirements of business

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operations; validity (expediency) of transactions for carrying out economic activities of an audit object; comparing the actual result with the expected.

Based on the results of the audit an audit report is made, the obligatory sections of which are the conclusions on compliance with legislation and ensuring the effectiveness of financial and economic activity of the audited entity and substantiated recommendations on its improvement. However, the experience shows that currently regional Audit Offices in carrying out the state financial audit are faced with lack of organization and legal conducting.

So, at the legislative level the responsibility of the head of the supervised object in exclusion the auditors for failing to provide documents is not defined. For example, Art. 164-2 Code of Ukraine on Administrative Offences provides for administrative responsibility for hindering employees of the State Control and Audit Service to conduct audits and inspections, and as to audit conducting such liability is not provided [7].

One of the significant issues concerning the implementation of the budget in most countries is the effective use of budget funds, so it should be noted that at present the performance audit among these kinds of audit is one of the most important activities of the SAs of developed foreign countries. One of the key problems of implementation of the budget in most countries is the most effective use of public funds because of these audits is worth noting that today one of the most important activities of Supreme Audit Institutions of developed foreign countries it is performance audit. This issue is most urgent for Ukraine, since every year there is an increasing problem of inappropriate and ineffective use of budget funds, legality and regularity of expenditure, feasibility of planned expenditures, finding and using reserves to attract additional financial resources to improve the activity, discovering the surplus of appropriations.

This kind of control is also acquiring a gradual development in Ukraine as well, especially in the control and audit activity of the Accounting Chamber of Ukraine during the performance of audits of government programs. According to claim 1 of the Resolution of the Cabinet of Ministers of Ukraine dated August 10, 2004 № 1017 "performance audit - a form of state control aimed at determining the effectiveness of budgetary funds use for the implementation of the planned objectives and the establishment of the factors that prevent this". [8] The process of performance audit consists of the following stages: preparation of the audit, audit, and implementation of audit results.

Performance audit was defined to be conducted in any segment of public sector: the central government, local authorities, and various government agencies by state control and revision service plans that are drawn up and approved in accordance with the legislation [9].

During performance audit, auditors select and apply techniques and procedures that correspond to the particular circumstances. These techniques and procedures should allow to obtain sufficient, valid and relevant pieces of evidence which back or disprove their points of view and conclusions.

Efficiency audit is carried out with the analysis of normative-legal acts, guidance documents, and publications in the direction of activities in the program budget, on which performance audit is conducted; results of earlier regulatory authorities control measures; statistical indicators, financial and operational accounting; these interviews, questionnaires, survey citizens and collect information from legal entities[8].

Efficiency audit is a new kind of control in Ukraine, aimed at determining the effectiveness of use of budgetary funds for the implementation of the planned objectives and establishment of the factors that prevent it. It allows to assess the level of achievement of the planned results and to provide suggestions for the effective use of financial resources. As a rule, the audit team is created for audit performing. Auditors, included in this group must have the skills of conducting analysis, writing reports of complex issues that require a logical and well-founded statement.

During the audit of the implementation of budget programs efficiency a particular attention is paid to the planning since an efficiently compiled plan provides an effective auditing.

Timely audit performance plays a significant role in the efficiency of use of budgetary funds, which enables to:

- Assess the level of achievement of successful performance of the budget program by the ratio actually received and planned output indicators; exercise control over the use of budgetary funds;

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- Identify problems that have a negative impact on the process of implementation of the planned tasks;

- Save budgetary resources by making timely changes;
- Strengthen the responsibility of management's control at all stages of budget funds

Conclusions. Thus, without a clear, transparent and interconnected process of evaluating the effectiveness of the implementation of budget programs and without scientific justification for the existence of individual programs, which is provided by the state financial audit, it is impossible to achieve the purpose of the implementation of program-target method of the state budget formation.

Thereby, the state financial audit plays a key role in the efficient use of budgetary funds. On this basis there is an urgent need to develop and adopt a set of measures on improvement of the state financial audit in the implementation of budget programs in accordance with international standards, and the creation of professional standards and guidelines in the field of financial audit, which should improve the efficiency and the rational use of public finances; it is crucial to the economic development of Ukraine's regions and public welfare.

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