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DIRECTIONS FOR IMPROVING THE INTERNAL AUDIT OF BUDGETARY INSTITUTIONS

НАПРЯМИ ВДОСКОНАЛЕННЯ ВНУТРІШНЬОГО АУДИТУ БЮДЖЕТНИХ УСТАНОВ

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Given the results of research by Ukrainian and foreign experts, we note that the theoretical and methodological principles of internal performance audit remain incomplete and require further research, as there are constant changes in the state, including the transition of the budget process to program-targeted budgeting. The article examines the areas of improving the theoretical and methodological foundations of the internal audit through the introduction of internal efficiency audit and promising areas of its development in Ukraine. It is proved that for the full implementation of the internal control of audit of efficiency, along with the creation of an appropriate legal framework, development of standards, a stable transition of the budget process to program-targeted budgeting is needed.

Keywords: internal audit, internal efficiency audit, program-targeted budgeting, efficiency, health care, budget funds.

Учитывая результаты исследований украинских и зарубежных специалистов, отметим, что теоретико-методологические основы внутреннего аудита эффективности остаются незаконченными и требуют дальнейшего исследования, так как происходят постоянные изменения состояния, в том числе переход бюджетного процесса на программно-целевое бюджетирование. В статье рассматриваются направления совершенствования теоретико-методологических основ внутреннего аудита за счет внедрения внутреннего аудита эффективности и перспективные направления его развития в Украине. Доказано, что для полноценного осуществления внутреннего контроля аудита эффективности рядом с созданием соответствующей нормативно-правовой базы, разработкой стандартов необходим стабильный переход бюджетного процесса на программно-целевое бюджетирование.

Ключевые слова: внутренний аудит, внутренний аудит эффективности, программно-целевое бюджетирование, эффективность, здравоохранение, бюджетные средства.

Враховуючи результати досліджень українських та зарубіжних експертів, зазначимо, що теоретико-методологічні засади внутрішнього аудиту ефективності залишаються не повністю розкритими та потребують подальших досліджень, так як відбуваються постійні зміни у державі, зокрема перехід бюджетного процесу на програмно-цільове бюджетування. Таким чином, вивчення внутрішнього аудиту, а саме його вдосконалення шляхом запровадження внутрішнього аудиту ефективності, в сучасних умовах є актуальним, оскільки раціональна організація внутрішнього аудиту ефективності дозволить ефективно використовувати бюджетні кошти. У статті досліджено напрями вдосконалення теоретико-методологічних засад внутрішнього аудиту шляхом запровадження внутрішнього аудиту ефективності та перспективні напрями його розвитку в Україні. Доведено, що для повноцінного впровадження в практику внутрішнього контролю аудиту ефективності поряд зі створенням відповідної правової бази, розробки стандартів, необхідний стабільний перехід бюджетного процесу на програмно-цільове бюджетування. Серед основних концептуальних засад його удосконалення визначено: вдосконалення законодавчої бази внутрішнього аудиту ефективності; розробка програмного забезпечення для автоматизації процесу внутрішнього аудиту ефективності; розробка національних стандартів, взаємопов'язаних з міжнародними, а точніше – європейськими; комплексне визначення обґрунтованості, законності, доцільності, результативності, продуктивності, дієвості, економічності й ефективності об'єктів бю-

джетної установи, що підлягають внутрішньому аудиту ефективності; оцінка середовища реалізації управлінських рішень; потенціалу соціально-економічного розвитку; забезпечення належного ефекту від реалізації контрольних заходів; визначення критеріїв оцінки ефективності контролю і на їх основі – показників його результативності, дієвості, економічності й ефективності; оцінка відповідності фактичного стану контролю цим показникам. Вдосконаленню внутрішнього аудиту ефективності сприятиме і забезпечення належної якості самої аудиторської діяльності, серед складових якої слід виокремити дотримання високого рівня професійної підготовки аудиторів, професійної етики, раціональність процесу аудиторської перевірки, оперативність і повноту її інформаційно-аналітичного забезпечення, застосування сучасних методів проведення аудиту.

Ключові слова: внутрішній аудит, внутрішній аудит ефективності, програмно-цільове бюджетування, ефективність, охорона здоров'я, бюджетні кошти.

Formulation of the problem. In the conditions of modern economic changes, at this stage of the country's development the issue of improving the management of budgetary institutions becomes especially important, one of the most important functions of which is control, which includes internal audit. In order to increase the efficiency of the budget funds use, the budgeting process has now been significantly improved, namely the program-target method has been introduced. The introduction of this method requires appropriate changes in approaches to internal audit. Thus, the study of internal audit, namely its improvement through the introduction of internal performance audit, is relevant in modern conditions, as the rational organization of internal performance audit will allow efficient use of budget funds.

Analysis of recent research and publications. The results of the analysis of the latest research and publications testify to the constant interest of Ukrainian and foreign scientists in studying the worldwide experience of internal audit. The issue of internal performance audit in all its manifestations was dealt with by such ukrainian and foreign scientists, as I. Alekseeva, N. Ayubov, I. Basantsov, I. Bogataya, M. Vasilieva, Y. Voronin, I. Drozd, E. Dusayeva, Y. Kuzminov, E. Mnykh, S. Ryabukhin, S. Stepashyn, L. Titova, N. Fadeykina, I. Chumakova, N. Shevchenko, O. Shevchuk etc. Given the results of research by Ukrainian and foreign experts, we note that the theoretical and methodological principles of internal performance audit remain incomplete and require further research, as there are constant changes in the state, including the transition of the budget process to program-targeted budgeting. This determines the relevance, scientific and practical value of this study.

Formulation of research objectives. The purpose of this article is to study the areas of improvement of theoretical and methodological foundations of internal audit through the introduction of internal audit of efficiency and promising areas of its development in Ukraine

Presentation of the main material of the study. Recently, the importance of internal audit and its dissemination in most countries has been growing. In connection with Ukraine's transition to budget formation using the program-target method and implementation of international experience, namely medium-term budget planning (3 years) there is a need to develop theoretical and practical use of internal audit, as the budget system should focus not only on budget funds, but also to achieve a specific result. The internal audit should be aimed at developing specific recommendations on the activities of the institution being audited in order to improve the efficiency of the use of budget funds. Today, to assess the effectiveness of the use of budget funds in institutions, it is necessary to create an adequate mechanism of financial control. Thus, in order to better understand the problematic issues related to the use of budget funds in health care facilities, it will be appropriate to consider the data of the Accounting Chamber of Ukraine, which can be used to identify problems in the industry and ways to solve them.

Data from the Accounting Chamber of Ukraine show health problems. Having analyzed the Reports of the Accounting Chamber of Ukraine for the period 2012-2019 [1], in particular the issue of legality and efficiency of the use of budget funds allocated for health care (Figure 1), it can be concluded that the detected amounts of violations during the study period fluctuate sharply compared to the previous year. Trends show that the increase in the amount of violations identified is preceded by changes in government. Thus, in May 2014, the election of the President of Ukraine took place, which may explain the increase in the use of funds in violation of current legislation from UAH 366.1 million. in 2013 up to UAH 1,000 million in 2014; regular local elections took place in October 2015, which may explain the increase in inefficient management and use of funds from UAH 216.2 million. in 2014 to UAH 2,039.5 million. in 2015; In April 2016, another change of govern-

ment took place, which may explain the increase in the use of funds in violation of current legislation from UAH 655.6 million. in 2015 to UAH 2,098.2 million. in 2016. Therefore, in our opinion, in order to reduce violations of the legality and efficiency of management and use of budget funds allocated for health care, it is necessary to improve the system of internal audit in medical institutions by implementing the methodology of performance audit.

It is advisable to dwell on the problems of internal audit in budgetary institutions, as without understanding the existing problems it is impossible to offer effective ways to improve its organization in the institution. Thus, in our opinion, the main problems of internal audit in budgetary institutions can be attributed: insufficient number of organizational and methodological developments; inefficiency of the regulatory framework for the organization of internal audit due to lack of regulatory support; lack of audit experience due to insufficient number of qualified internal audit specialists; insufficient automation of the internal audit process, low level of information support; insufficient number of standard forms of internal audit.

Ukrainian legislation has developed Internal Auditing Standards, which were approved by the order of the Ministry of Finance of Ukraine dated 14.10.2011 №1247 [2], in order to determine common approaches to internal audit activities in ministries, other central executive bodies, the Council of Ministers of the Autonomous Republic of Crimea, regional, Kyiv and Sevastopol city state administrations, other main managers of state budget funds, their territorial bodies and budgetary institutions belonging to the sphere of their management, quality assessment of such audit. The standards stipulate that the scope of

internal audit in budgetary institutions should cover the following areas [2]:

- assessment of the institution's activities on the effectiveness of the internal audit system, the degree of implementation and achievement of objectives defined in strategic and annual plans, the effectiveness of planning and implementation of budget programs and their results, the quality of administrative services and control functions, tasks defined by law , as well as risks that adversely affect the performance of functions and tasks of the institution (performance audit);
- assessment of the institution's activities on the legality and reliability of financial and budgetary reporting, the correctness of accounting (financial audit);
- assessment of the institution's compliance with legislation, plans, procedures, contracts on the state of preservation of assets, information and management of state property (compliance audit).

The purpose of the application of internal audit in budgetary institutions is the efficient use of available resources, the continuous operation of the institution, the provision of complete, high quality and truthful information about its activities, including internal users. Thus, paying attention to the purpose of the internal audit of the budgetary institution, in our opinion, one of the most promising areas is to improve the theoretical and methodological foundations of internal audit through the introduction of internal efficiency audit. After all, its introduction has its advantages – assessing the efficiency of resource use, increasing the investment attractiveness of the institution, providing recommendations for improving accounting, tax accounting, prevention of violations.

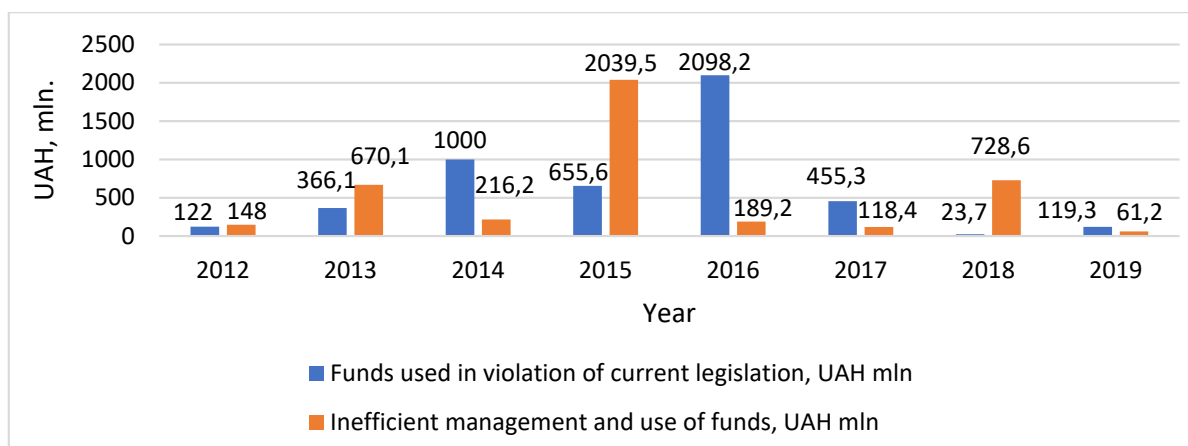


Figure 1. Violation of the legality and efficiency of budget funds

Source: developed by the author according to the data [1]

This approach is fully in line with the international definition of performance audit defined in INTOSAI standards, according to which performance audit is an objective and systematic study of the program, activities, systems of operation or management and procedures of the organization to assess these objectives, achieve savings, efficiency and effectiveness in the use of resources. This audit aims to obtain additional results in organizational processes. In conducting such an audit, three categories play a central role: cost-effectiveness – minimizing the cost of contributions; efficiency – achieving maximum results (quantity, product quality) with a certain amount of resources; efficiency – the maximum achievement of the purpose of activity [3].

Among the basic principles of its improvement, in our opinion, should be provided:

- expansion on a proper normative-legal, organizational-methodical, information-analytical, technological and personnel basis of the spectrum of directions of carrying out of internal audit of efficiency;

- linking the system of indicators for measuring the effectiveness of the budget institution with the budget policy of the state and the priorities of social development, the results of the internal audit of efficiency as an integral part of the system of public financial control;

- application in its implementation of a systematic assessment of economic, social, structural and organizational effects of the formation and use of budget funds by institutions;

- comprehensive determination of validity, legality, expediency, effectiveness, productivity, efficiency, cost-effectiveness and efficiency of objects subject to internal performance audit;

- assessment of the environment for the implementation of management decisions; actions for their preparation, implementation and completion; coherence of activities; feasibility and risks; consequences;

- ensuring the proper effect of the implementation of such control measures;

- determination of criteria for assessing the effectiveness of the budgetary institution, which should consist of a description of such efficiency; determination on the basis of reasonable criteria of indicators of efficiency, effectiveness, economy and efficiency; assessment of compliance of the actual state of the budgetary institution with these indicators.

For full implementation of the budget institution of internal audit efficiency, along with the creation of an appropriate legal framework, development of standards that meet interna-

tional standards and determine the rules and procedures for its implementation (the nature and content of which is determined primarily by the powers of control bodies). a stable transition of the budget process to program-targeted budgeting and the formation of a clear management system is needed, in order to ensure the legality, rationality of the formation, distribution and use of budget funds, i.e. the introduction of results-oriented budgeting principles. Thus, in our opinion, it should:

1. at the state level:

- clarify and eliminate gaps and contradictions in the current legislation, to conduct, if necessary, anti-corruption examination of relevant documents;

- move from the cost method of budget planning (which, despite the introduction of the program-target method of compiling the State Budget of Ukraine, de facto remains today) to result-oriented budgeting, which should contain common goals; specific tasks to achieve them; the amount of resources required by type to solve such problems; performance indicators by management levels; risk factors; responsible executors for each task and individual indicators;

- improve the quality of medium-term budget planning and risk management in the budget sphere; to improve the information support of the analysis of the relationship between costs and results (to improve the forms of budget, financial, tax reporting of the institution); improve analytical support and the practice of linking resources to results;

- apply competitive principles of budget allocation taking into account the achieved and planned results of the use of budget allocations;

2. at the institutional level:

- to ensure awareness of all participants in the internal audit of the effectiveness of the need that each control measure should create the conditions for increasing accountability, transparency and accountability in the work of the budgetary institution, improving the efficiency of their activities; solving the most important social problems; improving the efficiency of use and management of public funds; introduction of modern management methods;

- develop internal financial control and audit, monitoring the quality of financial management in the institution.

Thus, in our opinion, first, the methodology of planning, preparation and implementation of internal performance audit should be improved in view of the implementation of the 3-year cycle of control of the budget process, developed a

methodology for strategic audit of the institution.

The methodological recommendations should pay more attention to the specification of such components of internal performance audit as [4, p. 91] the procedure for determining the level of materiality and its analysis by the auditor; formalization and assessment of risks of distortion of financial information of the institution, application of data analysis methods, system testing, surveys and questionnaires during the audit; the procedure for preparing audit reports, main conclusions and recommendations of the auditor to improve the management system in the institution.

To improve the methodological support of the internal audit of the efficiency of the budgetary institution, depending on their focus, audit methods should be identified, including methods for assessing the effectiveness of investment projects, calculating future operating costs, assessing the effectiveness and efficiency of budgetary services.

Secondly, all the main managers of budget funds should be guided in their activities by socially significant indicators of the use of budget funds. In addition, they must constantly use in their activities the management of existing and potential risks, providing continuous identification (listing) of risks of each task (function, operation, process, program) and take measures to prevent or prevent them).

In modern conditions of development, increasing emphasis is placed on the need to assess the effectiveness and efficiency of public resource management. After all, performance audit occupies one of the leading places in the system of budget regulation, and the quality of the audit in a budgetary institution depends on the trust in the institution of citizens, as well as the conditions for improving the financial condition of the institution.

That is, when conducting an internal performance audit, the main attention is paid to the assessment of various aspects of the results of effective use of public funds by their institutions and organizations. This inconsistency arose due to a number of shortcomings in methodological support, in particular one of the most important – the lack of clear and unified terminology in the field of internal performance audit in Ukraine.

Therefore, in our opinion, it would be expedient to improve the effectiveness of the internal performance audit:

firstly, direct the internal performance audit to:

- assessment of the achievement of the purpose and status of implementation, the optimal distribution and efficiency of use of material,

labor and financial resources of the institution allocated for their implementation, justification of their further implementation or termination;

- assessment of the effectiveness of management of state and municipal property, other assets of the budgetary institution;

- identification of omissions and shortcomings of organizational, managerial, regulatory and financial nature, which hinder the timely, complete and high-quality implementation of planned goals, efficient use of public funds, state and municipal property, other assets of the budgetary institution, including by analyzing the legality, expediency and the quality of management decisions;

- identification of ways to increase the efficiency of the internal control system of the participants of the internal efficiency audit;

secondly, the stages of preparation for the internal performance audit in a budgetary institution should include:

- sending to the state customer, executors, the main managers of budgetary funds the notice on carrying out a control action;

- definition and analysis of performance indicators of the budgetary institution;

- discussion and coordination of the audit program with state, chief budget managers and executors of the program;

- approval of the performance audit program;

third, a typical performance audit program should have such a structure:

- a description of the performance indicators of the budgetary institution to be studied;

- period of internal performance audit;

- the purpose of the internal performance audit;

- the range of performers and participants in the internal performance audit;

- limitation of internal performance audit;

- methods of internal performance audit;

- analysis of performance indicators of the budgetary institution;

- the problem of internal performance audit;

- internal performance audit hypotheses or indicative questions for research;

- the order of registration of results of internal audit of efficiency;

fourth, it should be clearly stated that in the conclusions of the audit report summarizing the results of the internal performance audit on the causes of the audit problem.

Thus, based on the results of the study we can say that the existing methodological support has a number of shortcomings that not only hinder the introduction with the gradual improvement of such a necessary type of control as internal per-

formance audit, but also the possibility of using it to eliminate or prevent possible problems in the budgetary institution. arising from the diversity of costs and lack of effective management.

Today, financial relations in a budgetary institution require highly professional management by the institution's management, namely by conducting an internal performance audit, which should ensure legal, effective, efficient and transparent management of budget funds. Due to such conditions, effective financial control is needed, which is an important part of the management system of the national economy. It is determined that the introduction of such a form of financial control as the internal efficiency audit in budgetary institutions is an impetus to the effective and rational provision of financial and budgetary discipline at all stages of the budget process. At the present stage of development of public financial control in Ukraine, the role of such a promising form, in particular the internal performance audit, is underestimated. This attitude leads not only to significant financial irregularities, but also to inefficient use of budget funds, the amount of which has tended to increase in recent years.

The modern methodological basis of the internal efficiency audit, and in fact its absence, is one of the reasons that do not ensure the effectiveness and efficiency of state control. In particular, at the legislative level there are no methodological criteria for assessing the implementation of the use of budget funds.

It is a matter of modernizing control measures, which will be aimed at conducting a thorough analysis and evaluation of public administration in various areas in terms of efficiency, effectiveness, and not just establishing the legality of operations and targeted use of funds, as is usually accepted during the audit. Moreover, without an effective system of control in the system of public administration it is impossible to build a modernized, democratic state.

Internal efficiency audit is one of the most important functions of budget institution management, aimed at identifying deviations from accepted standards of legality, expediency and efficiency of budget funds and other state property, and in the presence of such deviations – timely implementation of appropriate adjustments and preventive measures. The economic and political well-being of a nation depends on the effectiveness of the audit [5].

The introduction of internal efficiency audit as a new form of public financial control, of course, is associated with many problems, namely:

- due to the novelty of the internal performance audit, the basic principles and procedures remain uncertain, there is no validity of the methods of implementation of this form of financial control;

- the issue of information and software of the internal performance audit process has not been resolved;

- the functions of auditors, their rights, ethical standards, duties and responsibilities are not defined;

- the form of source documents to be prepared based on the results of the internal performance audit is not specified.

Given the above shortcomings, it is important to develop and recommend key areas for improving the internal performance audit system to ensure the stability and efficiency of budgetary institutions. In our opinion, they can be attributed:

- improving the legal framework for internal efficiency audit;

- development of software to automate the process of internal performance audit;

- development of national standards that will be implemented to international, and more precisely – European;

- development of a system of rapid mutual notification of products, which is a serious risk for the institution;

- gradual transition from inspections of financial and economic activities to internal audit of the effectiveness of key indicators of the budgetary institution.

Improving the internal quality of audit activity will be facilitated by ensuring the proper quality of the audit activity itself, among the components of which should be highlighted by the high level of professional training of auditors, professional ethics, rationality of the audit process, efficiency and completeness of its information and analytical support.

Given the above proposals, it can be noted that they are a guarantee of improving the efficiency of internal audit and an important factor in strengthening economic security through the integration of Ukraine into the world community of financial control and audit.

Conclusions. Summing up, we can conclude that one of the most promising areas is to improve the theoretical and methodological foundations of internal audit by introducing internal performance audit, so there is an urgent need to develop and approve a set of measures for practical implementation of internal performance audit in accordance with international standards,

which will lead to efficient and rational use of budget funds, which play one of the leading roles for the economic development of Ukraine and the social welfare of its citizens. In our opinion, among the main conceptual bases of its improvement are defined: improvement of the legislative base of internal efficiency audit; development of software to automate the process of internal performance audit; development of national standards interrelated with international, and more precisely – European; comprehensive determination of validity, legality, expediency, effectiveness,

productivity, efficiency, economy and efficiency of the objects of the budgetary institution, which are subject to internal efficiency audit; assessment of the environment for the implementation of management decisions; potential of socio-economic development; ensuring the proper effect of the implementation of control measures; determination of criteria for assessing the effectiveness of control and on their basis – indicators of its effectiveness, efficiency, economy and effectiveness; assessment of compliance of the actual state of control with these indicators.

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