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Innovative Directions of Expanding Audit Activities of a Key State Institution

Abstract. Introduction. The article examines the activities of the key state audit institution - the State Audit Service of Ukraine. It was determined that the activities of the State Audit Service of Ukraine are carried out by monitoring purchases, conducting inspections of local budgets, implementing budget programs, inspecting business entities (state and communal) and other objects of control.

Purpose. The purpose of the article is to conduct a methodological study of the activities of the State Audit Service of Ukraine over the past two years and focus on innovative methods of financial control of the institution under study.

Results. The number of violations of the legislation was established and it was established that this indicator exceeds the level of the investigated past years. The introduction of innovative approaches to expanding the audit activities of state institutions will help improve the quality of work of controlling bodies, strengthen their influence in the fight against corruption, fraud, prevention of budget violations, and inefficient use of state financial resources. Therefore, constant improvement and innovation become the main success factor of state audit institutions. For example, one of the important innovative approaches of the State Audit Service is also the formation of a single integrated computer system that would ensure electronic information and management interaction between related institutional units.

Conclusions. The article provides a list of state control institutions of the EU countries and reveals that it is important to comprehensively combine the experience gained in cooperation with international audit organizations and adapt it to modern realities. In our opinion, the adoption of foreign experience and the introduction of innovative approaches will help to improve the efficiency of the State Audit Service.

Keywords: audit, audit activity, control, financial control, State Audit Service of Ukraine, state finances.

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Інноваційні напрями розширення аудиторської діяльності ключової державної інституції

У статті проведено дослідження напрямів діяльності ключової державної інституції аудиту – Державної аудиторської служби України. Визначено, що її діяльність здійснюється через моніторинг закупівель, проведення аудитів місцевих бюджетів, виконання бюджетних програм, аудитів суб'єктів господарювання (державних й комунальних) та інших об'єктів контролю. Провівши детальний аналіз статистичних показників результатів діяльності Держаудитслужби, визначено її проаналізовано динаміку останніх двох років. Встановлено кількість порушень законодавства і виявлено, що цей показник перевищує рівень досліджуваних минулих років. Запровадження інноваційних підходів до розширення аудиторської діяльності державних інституцій сприятиме підвищенню якості роботи контролюючих органів, посиленню їх впливу в боротьбі з корупцією, шахрайством, запобіганню бюджетним порушенням, неефективному використанню фінансових ресурсів держави.

Тому, постійне вдосконалення та інновації стають основним фактором успіху діяльності державних інституцій аудиту. Так, одним із інноваційних напрямків діяльності Держаудитслужби є формування єдиної комп'ютерної інтегрованої системи, яка б забезпечувала електронну інформаційно-управлінську взаємодію пов'язаних інституційних одиниць.

В статті наведено перелік державних інституцій контролю країн ЄС та виявлено, що важливим є комплексно поєднувати здобутий досвід у співпраці з міжнародними аудиторськими організаціями та адаптувати його до наших реалій сьогодення. Запозичення зарубіжного досвіду та впровадження інноваційних напрямів діяльності, на нашу думку, сприятиме підвищенню ефективності роботи Держаудитслужби.

Ключові слова: аудит, аудиторська діяльність, контроль, фінансовий контроль, Державна аудиторська служба України, публічні фінанси

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Formulation of the problem. In today's world, where transparency, efficiency and responsibility in the use of public finances (budget funds) are becoming more and more important, the role of audit and financial control is

becoming critical for ensuring stability and trust in public institutions. Ukraine, as a sovereign state, is also faced with the importance (necessity) of optimal use of financial

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resources and compliance with legality in the economic activity of public sector economic entities.

Properly organized audit activity allows to ensure the effective use of budget funds, compliance with the law and to determine directions for further development [1]. In this context, consideration of the areas of audit activity of state institutions helps to understand how audit can contribute to increasing the efficiency and transparency of public administration.

The State Audit Service of Ukraine plays a key role in ensuring effective financial control, openness and accountability to citizens and international partners. This is the central body of state audit bodies, which is entrusted with control over the use of state financial resources. In our opinion, the implementation of innovative approaches by the State Audit Service and the use of modern information technologies will contribute to improving the quality of inspections, optimizing the use of resources and ensuring a high level of financial discipline in state institutions.

That is why it is relevant to conduct a study of the areas of activity of the State Audit Service of Ukraine, which are aimed at increasing the efficiency and effectiveness of audit activity. Which, in turn, leads to ensuring compliance with international auditing standards.

Analysis of recent research and publications. In science and practice, there are many published scientific works devoted to the audit services market. In particular, scientists and practicing auditors M. T. Bilukha, F. F. Butynets, Z. V. Gutsailyuk, G., N. I. Dorosh, A. G. Zhilina, V. P. Zagorodnii contributed to the development of audit. Y. D. Krupka, A. M. Kuzminskyi, M. V. Kuzhelnyi, M. R. Luchko, O. A. Petryk, M. S. Pushkar, N. M. Khorunzhak, V. S. Rudnytskyi, V. Ya. Savchenko, V. V. Sopko, B. F. Usach and others. In their works, the researchers highlight issues of audit organization and methodology, the state of audit activity, and directions for the expansion of audit services.

But for now, several problematic aspects remain unresolved.

Among modern scientists, the issue of ensuring the quality of audit and audit activity arouses considerable interest [2, p.370; 3, p.295; 4]. This confirms the need to carry out a scientific study of the areas of activity of the State Audit Service.

Formulation of research goals. The purpose of the article is to conduct a methodological study of the activities of the State Audit Service of Ukraine over the past two years and focus on innovative methods of financial control of the institution under study.

Outline of the main research material. In the conditions of dynamic development of the global economy, the effective operation and management of state institutions becomes an important factor for ensuring the stability and development of the country. One of the key tools that helps determine efficiency and transparency in the activities of state institutions is audit activity. Audits allow not only to control the use of state financial resources and property, but also to identify possible problems and ways to solve them [4, p. 35; 5, p. 112].

A thorough analysis of the activities of state institutions will allow us to understand how audit can be an effective tool in implementing the strategic goals of state institutions and achieving positive socio-economic results. That is why it is necessary to consider the main areas of audit activity of the central body of executive power - the State Audit Service of Ukraine [6].

Thus, an important area of its work is the monitoring of purchases for budget funds, as well as the use of measures for violations.

The activity of the State Audit Service is implemented through procurement monitoring. Statistically, this activity for 2022-23 is presented in Table 1.

Table 1 Results of the activities of the State Audit Service regarding procurement and other objects of control for 2022-2023

№	Information about the results of activity	Years	
		2022	2023
1	Procurement monitoring was carried out, thousand UAH	11,958	12,191
2	Canceled auctions in the amount, billion UAH	7,9	7,4
3	Contracts worth were terminated, billion UAH	6,7	12,4
4	Audits were conducted (in total), including:	159	205
5	- audits of local budgets were conducted	14	47
6	- audits of implementation of budget programs were conducted	20	36
7	- audits of business entities (total) were conducted, including:	125	122
8	- public sector	51	62
9	- utility sector	74	60

Source: [7]

In general, during 2023, the state financial audit conducted financial audits of state resources (financial and material) in the amount of UAH 354.3 billion, which is by UAH 140.1 billion. more than in 2022 (214.2 billion UAH).

As a result, it was found that due to inefficient management in 2023, profits in the amount of UAH 79.1 billion were missed. This is by 22.3 billion hryvnias. more than in 2022. And, shortcomings were revealed during the reporting period, which could lead to losses in the amount

of about UAH 47.3 billion. That is, by UAH 26.4 billion. more than in 2022.

In addition, according to the results of control actions, violations of the legislation were established, which could lead to resource losses in the amount of more than UAH 490.6 million. (which is almost 100 times less than the similar indicator of 2022 - UAH 2.2 billion).

The proper response of the controlled subjects to the results of the control and the high-quality implementation of the measures recommended by the State Audit Service, which led to positive results, deserves a positive assessment (Fig. 1).

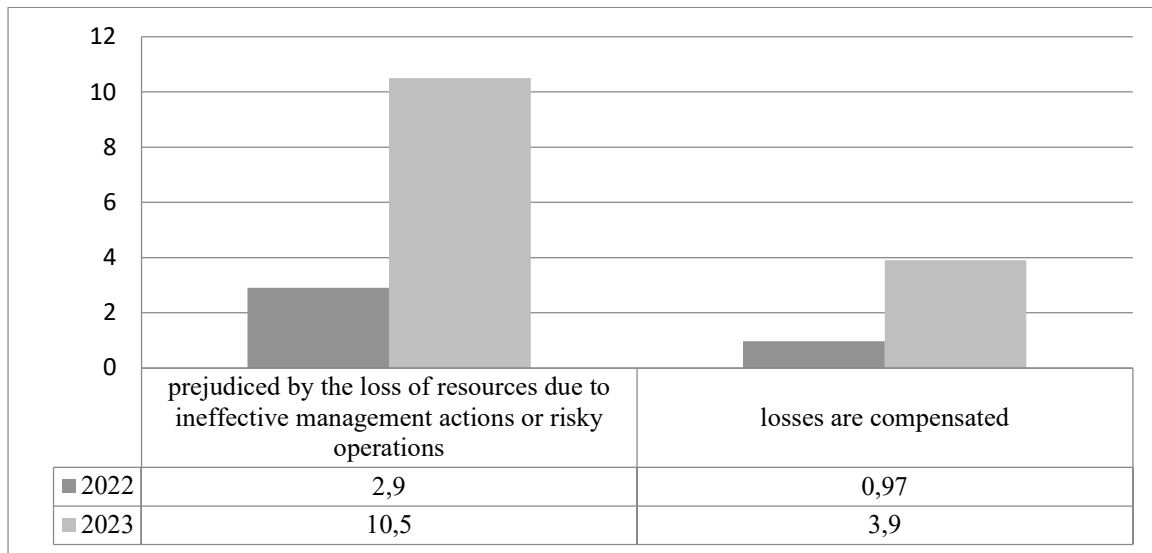


Fig. 1 – Prevented losses due to the activities of the State Audit Service during 2022-23, billion UAH

Source: [7]

According to the results of state audits, more than 2,100 proposals were developed in 2023, of which a little more than half, namely 1,200, were implemented. In view of this, the expansion of the activities of the State Audit Service in this direction will be quite effective and promising. Especially if we comprehensively combine the experience gained in cooperation with international audit organizations and adapt it to our realities.

An equally important area of activity of the State Audit Service, which should be developed, is the strengthening of cooperation with control subjects. For example, in the Report of the State Audit Service [7] there is information about such a fact as the fact that according to the results of state financial audits, 358 management decisions were implemented in 2023 by the heads of relevant entities (twice as much as in 2022). These decisions were aimed at eliminating the identified shortcomings. Instead, for an even better response, it would be necessary to oblige to submit information about the decisions and measures taken in the form of relevant reports to the control institution for effective feedback. In the future, as part of

the activities of the State Audit Service (perhaps even as part of its official website), it is advisable to organize a «Questions – answers» section with an active online communication submenu. Interested users will be able to ask questions and receive answers online from specialists of the State Audit Service. In this case, there is a need to optimize the duties of employees and materially consider the fulfillment of the duty to provide answers to interested users.

In a certain way, if there are many requests, it may also affect the organizational structure of the State Audit Service itself. There may be a need to organize a small department. This practice also exists and functions in foreign countries.

However, it should be noted that the list of controlled entities in European countries differs among themselves [8]. The table below shows a non-complete list of EU countries and the names of control subjects (control institutions) and controlled subjects. Various subjects are maximally covered by control in Austria, Croatia, Estonia, Germany and Poland (Table 2).

Table 2 Controlling and controlled entities of EU countries

Country	Regional authorities	Local authorities	State enterprises	NGOs	Public subjects	Municipalities	Other beneficiaries
EUROPEAN UNION European Court of Auditors	+	+	+	+	+	+	+

AUSTRIA Accounting Chamber	+	+	+	+	+	+	+
BELGIUM Accounting Chamber	+	+	+	+	+		
BULGARIA Audit Chamber of the Republic of Bulgaria	+			+	+	+	+
CROATIA State Audit Service	+	+	+	+	+	+	+
CYPRUS Audit Service of the Republic of Cyprus	+		+	+	+	+	+
DENMARK National Audit Service	+	+		+	+		+
ESTONIA State audit	+	+	+	+	+	+	+
LITHUANIA State control	+		+	+	+	+	+
GERMANY Federal Audit Service	+			+	+		+
POLAND Higher Chamber of Control	+	+	+	+	+	+	+

Source: [9].

Supreme Audit Institutions in EU countries (SAIs) audit revenues and expenditures of state budgets at the central and federal levels, and in some Member States may also conduct audits at the regional, local or municipal levels.

Although their audits focus primarily on ministries and government agencies, audit subjects may also include state-owned enterprises, public media, higher education institutions, and national banks. Most SAIs have the authority to audit all government revenues and expenditures, including at the level of private companies or individual beneficiaries [9].

Speaking about the relationships between controlled subjects and control institutions, it should be noted that SAIs also have a connection with parliaments in the EU. These relations are quite varied, as are SAIs themselves (see Table 2). Even though SAIs are essentially independent entities, many of them are part of parliamentary oversight structures. This applies to such countries as Austria, Denmark, Finland, Spain, Ireland, Lithuania, Malta, Poland, Sweden, Hungary.

And in general, the control bodies of European countries perform a jurisdictional function, preliminary checks, and are also elements of the structure of parliamentary control [10]. These three directions are represented in different countries in different ways, but mostly the control body performs one of them, at most two. As it is, for example, in Greece, Spain, Portugal, Italy, where control bodies perform a jurisdictional function and preliminary control.

The practice of implementing parliamentary control, or rather the representation of control bodies as elements

of parliamentary control, is an important direction in the development of the activity of the Ukrainian State Audit Service.

The connection between subjects of control and subjects under control, as well as institutions for the execution of punishments (including judicial and other bodies) is a rather relevant direction of the development of the activity of the control body we are studying.

This is confirmed by relevant statistics on the implementation of established measures against violators of financial discipline, which are used by the bodies of the State Audit Service. One of them is the referral of relevant materials to law enforcement agencies (in 2023, say, 952 such cases were transferred). The latter are considered by law enforcement agencies and are either sent to court or for pre-trial investigations. Thus, during the investigated reporting period (2023), 422 cases and pre-trial investigations were initiated, which is 157 more cases than in 2022.

In order to legitimize the formation of a department that would deal with interrelationships in matters of implementation of control results and proposed improvement measures, it is advisable to make appropriate amendments, for example, to Regulation No. 43 [6]. By the way, this provision already changed some requirements in 2023. In particular, the State Audit Service conducts: «control over the compliance of long-term obligations taken by managers of budget funds under public-private partnership agreements and their compliance with the requirements of budget legislation. The participation of employees of the State Audit Service

in the audit commissions of entities in which the state's corporate rights exceed 50% of the authorized capital has also been canceled» [6].

In this case, the reduction of responsibilities for participation in audit commissions can be transferred to work on relationships with controlled entities. This will not

lead to an increase in costs and working hours and will fully correspond to the strategic directions of development of the State Audit Service for 2024 [1]. Such interaction can be implemented according to the following scheme (Fig. 2):

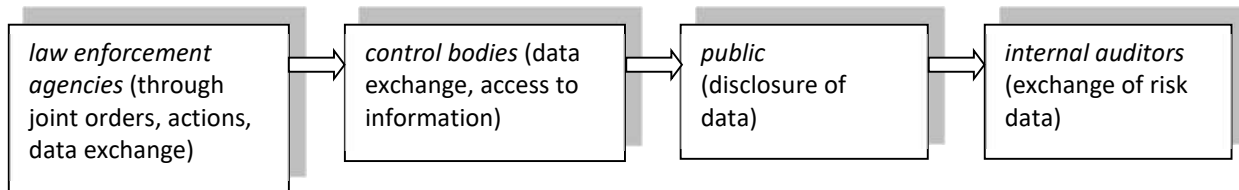


Fig. 2. Interaction of state audit institutions with the public

Source: [1]

In fact, risks have become more and more relevant in recent years for the activity of the researched institution. Their consideration is implemented through the mechanisms of a risk-oriented approach to planning in the budgetary sphere. It was aimed at protecting the interests of the state, identifying opportunities to reduce costs and is based on a qualitative evidence base. The result of using this approach was prompt response and prevention of violations [11]. At the same time, all innovations take place through the improvement of legislation, digitalization, development of the professionalism of personnel, communications, implementation of quality control of performed audit work, integrity.

In connection with the pandemic, as well as the war, the development of remote control, i.e. the transition to remote work of employees of the State Audit Service, is a promising direction. For the training of personnel with remote work skills, the formation of a training center, which should also work remotely, is foreseen. In this context, the involvement of young specialists and their educational institutions should be positively evaluated. Following the example of European countries, in this regard, it is possible to use the experience of legal institutions. They organize educational practical laboratories that provide free legal consultations to all those who submit relevant applications. This is done by students under the guidance of experienced teachers. The work performed by them is appropriately evaluated and considered as practice. This approach should be implemented in relation to the work performed by the audit service. At the same time, consulting laboratories could deal with the issues of providing information to controlled subjects about the areas of control and its objects, etc.

An interesting innovation is the question of giving auditors the right to take photos, sound and video recordings to record evidence and facts during control. Such an initiative concerns the clarification of the relevant legal status. But currently, the control implemented by the employees of the State Audit Service has in its arsenal only an oral request for the provision of data, as well as a written record of the discovered facts. The application of new methods and ways of recording control (audit) results is a progressive and innovative direction of development of the State Audit Service. Therefore, research in this direction is also relevant. In our opinion, such studies belong to the methodological and organizational category. And what is important is that the application of new approaches of such a plan simultaneously requires the availability of appropriate technical and legal support.

In addition, an important area of activity of the State Audit Service, which echoes what we have already described above (regarding the relationship between supervisory bodies and controlled entities), is also the formation of a single integrated computer system.

Conclusions. All the above areas of development of the State Audit Service, including the use of positive foreign experience and computer IT, require appropriate competencies. In this context, it is important to have a high-quality education system, opportunities for professional development and appropriate internships. This is also an important task to be solved.

In our opinion, innovative directions can help the State Audit Service of Ukraine to increase the efficiency of its activities and ensure high-quality and reliable control over the use of state financial resources.

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