

Leading role of the state in the audit of efficiency of using budgetary means: organizational and methodological bases

Svetlana Suvorova

Department of Operation, Expertise and Management of Real Estate
Orel State Agrarian University named after N. B. Parakhina
General Rodin str.69, 302019 Orel
Russian Federation
e-mail: suvorova500@yandex.ru

Inna Butenko

Department of Accounting, Analysis and Audit
Orel State University of Economics and Trade
Oktyabrskaya, str.12, 302028 Orel
Russian Federation
e-mail: inbu@yandex.ru

Alla Kovaleva

Department of Economics and Management
Financial University under the Government of the Russian Federation» (Orel branch)
Gostinaya, str.2, 302001 Orel
Russian Federation
e-mail: alla.kovaleva@mail.ru

Abstract The leading role of the state in the financial control of the efficiency of the distribution and use of budgetary financial flows is based on the rapid development and modernization of the economy on an innovative basis in modern socio-economic conditions.

The integration of economic processes in general, as well as in terms of the audit of budgetary funds, revealed the special role of state financial policy in a market economy. It should be noted that the activities of the state on the accumulation, distribution and use of budgetary funds is a priority for the development of the planning audit process and the use of budgetary funds and must meet the requirements of efficiency.

Audit of efficiency as a type of state financial control is a new phenomenon, both in theory and in the practice of domestic audit and is designed to have a positive impact on the political, financial, economic and social spheres of society.

With regard to the above, to improve the process of auditing the efficiency of using budgetary funds in Russia, we analyse foreign experience, identified the causes for the emergence and development of performance audit, determined the dominant role of state regulatory bodies, and also identified general parameters of audit technology, regardless of the selected model.

This paper attributes special attention to defining the main approaches to implementing an audit of the effectiveness of using budgetary funds in evaluating the implementation of plans (projects) and programs subsidized from the state budget.

1 Introduction

Modern socio-economic conditions have revealed a special role of state financial policy in a market economy (Mazzucato and Penna 2016). The development and modernization of the economy on an innovative basis is impossible without an increase in the priority of financial control over the distribution efficiency and the use of budgetary financial flows (Panchenko and Reznikova 2017).

The effectiveness of budget funds is the cumulative performance of the activities of the budget beneficiary on the provision of services based on the financial costs covered by budget funds (Karepina 2014). Audit of the effectiveness of the use of budgetary funds is a component of the overall process of financial control and at the same time has its fundamentally different methodology for conducting (Carcello et al. 1992).

For the full implementation of the Russian state financial control system, the audit of the effectiveness of the use of budgetary funds, it is necessary to conduct quite a lot of work to create the appropriate conditions, and in particular:

- organize a budget process based on the principles of budgeting, which, in turn, is focused on results;
- create of an appropriate regulatory framework;
- introduce the optimal performance audit models based on the analysis of advanced international and domestic technologies;
- develop the methodology for auditing the efficiency of using budgetary funds in a multi-component aspect (economic, social, environmental, etc.).

This paper focuses on the leading role of the state aimed at the audit of efficiency encompassing the usage of budgetary means. The paper is centred around both organizational and methodological bases of this problem and provides some reasoning as well as implications that might be useful for the financial authorities, entrepreneurs and policy-makers.

2 Reasons for the audit of the efficiency of using budgetary funds

The appearance of efficiency audit is recorded in the “Lima Declaration of Control Guidelines” which was adopted by the IX Congress of the International Organization of Supreme Audit Institutions (INTOSAI) back in 1977 (Ahlenius 2000). This declaration stresses the importance of controls aimed at checking how efficiently and economically public funds are spent. Furthermore, the audit of efficiency was widely developed and spread abroad, and its share in the total number of checks carried out by state financial control authorities reached 50-60 percent (Estrin et al. 2002).

The analysis of the practice of performance audit in foreign countries shows that this is a natural process that is associated with the improvement of the public finance management process and the development of state financial control in terms of planning and using budget funds. As part of the reasons for the regularity of the emergence and development of the audit of the effectiveness of the use of budgetary funds considered in the economic literature, the following aspects can be identified:

- the emergence of the method of program-targeted budget formulation (USA);
- organization of the budget process on the principles of budgeting, which, in turn, are focused on results (Canada, Sweden);
- information needs of legislative and executive bodies of state administration;
- qualitative changes in the socio-economic, political, institutional spheres of society;
- the developed and complex system of state external independent control (USA, UK, Canada, etc.);
- generally accepted legal framework for the preparation of the state budget and standards for the preparation of financial statements on the principles of transparency and publicity;
- problems of the communicative relationship between parliaments, the executive power and financial control bodies (the sphere of financial, economic and political assessment of the use of budgetary funds).

The considered reasons were realized in the Russian practice of state financial control, especially at the end of the twentieth century, although the “conversations” and practice of auditing the efficiency of using budgetary funds even by the first decade of the twenty-first century did not receive sufficient scientific and practical development.

When reviewing and developing an effectiveness audit methodology, it is necessary to study the terminological aspects that will allow to highlight the main parameters of the control activity under consideration (Table 1).

Table 1. The concept (term) performance audit in state financial control

Term (concept)	Country
Performance audit	Sweden
Management audit	Norway
Audit of the benefits of using money	UK, Canada
Operational audit	USA
Effects audit	Australia
Audit of efficiency of use of budgetary funds	Russia
Audit of administrative activities	Ukraine

Source: Own results

Thus, the audit of the effectiveness of the use of budgetary funds includes not only specific aspects of management, but also all management activities, including the organizational and administrative systems.

3 Evaluation of the focus of state financial control abroad

The experience of foreign countries has shown that the state financial control bodies, when conducting an audit of the efficiency of using public resources, are primarily guided by the provisions of the INTOSAI Audit Standards and, in part, by the rules and regulations of individual International Auditing Standards (ISAs) containing paragraphs on public sector audit. In accordance with the normative goals, the performance audit is implemented as a test of the economy, productivity, and performance with which the organization being audited develops the allocated resources when fulfilling its tasks and fulfilling its obligations. It is these qualitative parameters of the audit that are reflected in the legislation of different countries.

For example, in UK legislation, the National Audit Office conducts inspections in order to determine how carefully, economically, and purposefully ministries, departments and other agencies spent money on their tasks.

At the Office of the Chief Auditor of Canada, the essence of performance audit is a systematic, purposeful and objective verification of the activities of public authorities, which includes an audit of the economy, efficiency and profitability of government activities, as well as an assessment of the environmental impact of these activities.

In the United States, the goal of auditing performance is widely defined. It is a systematic verification of evidence (documents) on the basis of an objective assessment, with the aim of providing an independent opinion on the work of a state organization, its program, activity or function in order to provide reliable information to the public, improve the quality of reporting, and also ensure the effectiveness of decisions by the parties responsible for oversight.

In our opinion, the most acceptable is the definition of the goal of auditing the efficiency of using budgetary funds, taking into account the current Russian practice, adopted by the Supreme Supervisory Body of the Slovak Republic. Thus, in Slovakia, performance audit is an activity that is aimed at checking and assessing the level of cost-effectiveness, efficiency and productivity of the organization being used to cash, property, fulfil obligations, exercise property rights and responsibility (proper financial management). This definition and objective of the performance audit is consistent with the requirements of financial reporting standards and auditing standards, both international and domestic.

In the history of the formation and development of performance audit in foreign countries there is a clear trend towards the evolution of approaches and methods for measuring the effectiveness of using budgetary funds. And it is very important for the domestic theory and practice of auditing the efficiency of using budgetary funds to study and systematize foreign experience (Table 2).

Table 2. Periodization of approaches to performance measurement in the audit process

Stages	Measurement principles	Content of an effect measurement approach
Stage I (1960s-1970s)	efficiency	The effect is a value that is determined on the basis of analysing the physical volumes of resources expended (input-oriented estimation)
Stage II (1970s-1980s)	profitability and productivity	The effect, which is determined by the indicator of distributional productivity, achieved if the cost of obtaining each product is minimized, that is, any incoming resource can be replaced by another only with the condition of increasing costs (allocative efficiency, cost)
Stage III (1980s-1990s)	complexity	Effect as a complex indicator with a clear distinction between output (products) and the end result as a consequence for a society of state provision of goods and services (output, outcome).
Stage IV (the beginning of the 21 st century and the period of global crisis)	cost-effectiveness, productivity, multi-component effectiveness	The effect is measured through the satisfaction of social needs (economic, financial, social, environmental, political, climatic, energy, demographic, etc.) ensuring sustainable stability and the possibility of developing a national economy

Source: Own results

Practical application of efficiency audit techniques in different countries has its own characteristics, which, to varying degrees, are due to differences in legislative regulation and existing national and historical traditions. At present, in many foreign countries (Belgium, Great Britain, Denmark, Norway, Sweden, the Netherlands, Canada, as well as the countries of Eastern Europe, the Baltic States and others), special structural units for performance audit have been established in the state financial control (Power 2000). In domestic practice, the responsibilities for auditing the efficiency of using budgetary funds are performed by various organizational structures within the state financial control, i.e., these functional responsibilities are very “blurred” between

various federal agencies and services. However, they also highlight the general criteria of the performance audit methodology. These include the level of achievement of goals, the implementation of projects (programs), compliance with planned costs, as well as an assessment of the effectiveness of the use of budgetary financial flows (Yuzhakov et al. 2015).

It should be noted that the subject of an audit of the effectiveness of the use of public financial resources is not an assessment of budget items (income and expenditure) and a review of the effectiveness of tax administration (Barykin 2008).

In Russia, until recently, state financial control was aimed at checking the legality and proper use of public funds and property, as well as the rationality of budget expenditures. But already in 2002 at the Fifth Congress of EUROSAI, held in Moscow, the importance of auditing the efficiency of using budgetary funds as an instrument of state financial control was especially emphasized.

The analysis of world practice shows that the performance audit implemented by state financial control bodies allows to get the maximum possible result in the event of a deep reforming of the public sector and the budget formation process. And at present, Russia is developing a strategy for program-targeted principles in the budget planning system, developing a system of indicators of the social and economic efficiency of public spending. When implementing technologies for auditing the efficiency of using budgetary funds in domestic practice, various models can be applied that have become widespread in world practice.

For example, in Sweden, a model of a system-oriented efficiency audit is implemented, which is aimed at determining the effectiveness of the implementation of established functions by government organizations and the effect obtained in the sphere of their activities, as well as the programs that they implement. In this model, audits reveal the problems associated with performance and draw attention to the factors that impede the effective use of state financial resources.

For the majority of other developed foreign countries that have a performance-oriented budget, the performance audit is aimed at assessing the level of efficiency of management activities of state structures in achieving the planned outcomes (scorecards). In this case, the technology of performance audit is implemented in the following models:

- in the first model, the focus is on the quality of management systems and procedures existing at the audited object, their orientation towards ensuring conditions of economy, productivity and efficient use of budgetary funds;
- in the second model, an audit of the management reports of organizations on the results of the work done, which are provided to the relevant government bodies, that is, essentially the preparation of an audit report on the accuracy and completeness of the performance of the audited organization on the effective use of allocated budgetary funds in the submitted reports;
- the third model is implemented in the event that the organization being audited does not produce a report on the results of its work and, depending on the chosen topic and the tasks set, it is checked, and the economy, efficiency or effectiveness is assessed.

4 Conclusions and discussions

Therefore, when considering the organizational basis, the audit of the effectiveness of the use of budgetary funds, in general, it is necessary to diagnose the following general parameters, regardless of the selected model:

- the provision of the goals and objectives with the necessary resources and the consistency of these goals and objectives of the activities performed;
- determine the reliability and reliability of the data (reports) used to assess the activities of the organization being audited;
- establish the causes and their validity in identifying deviations from the planned (planned) results;
- determine whether the organization has a measurement and control system that is cost-effective and efficient and prepares reports that meet the requirements;
- analyse the management's report on the measures taken to ensure cost-effectiveness, productivity (audit assessment of the monitoring and made adjustments).

Special attention in the process of auditing the efficiency of using budgetary funds requires an assessment of the implementation of plans (projects) and programs, where various approaches are also possible, and in particular:

- evaluation of the process, which is understood as the conformity of the quality of the product (service) with the expectations of the society, public interests (separate groups);
- evaluation of the product (service), that is, the level of achievement of the planned results;

- impact assessment means determining the net effect of the implementation by comparing the results of the implementation of the plan, the program with the results of the analysis, what would have happened if there were no programs (programs);
- evaluation on the principle of "cost - benefit" and "cost - result", which involves the analysis of the relationship between the results of implementation and the resources spent on their achievement.

Overall, the organizational bases for auditing the efficiency of using budgetary funds described in our paper makes it possible to understand the general concept of the efficiency audit methodology and the practice of its use by state financial control authorities in Russia.

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