

State audits in modern Ukraine: Issues, challenges, perspectives

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Abstract. *The following research deals with problems and issues regarding state audits within the topic of deepening European integration, steady development of the national system of public finances of Ukraine, and transition to international standards which are becoming of particular importance bearing in mind state financial control. In recent years these issues have emerged as key instruments for ensuring the legality, correctness and efficiency of accumulation and spending of public funds. Growing interest in the evolution of this institution is an important indicator of the democratization of a society and, at the same time, it is a guarantee of transparency in public financial activities. Taking into account the obvious progress of development of state financial control in Ukraine, the overall significance of state audits remains as one of the key questions on the level of law and legislation. Present level of development of national public finances shows an urgent necessity to improve the legal, organizational, economic and information basis of testate financial control. To attain these goals the state must upgrade existing legislative controls, establish relevant web resources, etc. These activities should be aimed at increasing efficiency over the control of accumulated or spent public finances. The proposed steps are to stipulate the promotion of the transition to international principles regarding state audits, the development of mechanisms for public financial control, and an increase in the effectiveness of controlling functions over public fund accumulation and spending.*

Keywords: *independent audit, internal audit, state audit, public finances, audit of efficiency, state budget, financial control, Accounting Chamber.*

Raktažodžiai: *valstybės finansai, valstybės biudžetas, finansų kontrolė, valstybės kontrolė, efektyvumo auditas, išorės auditas, vidaus auditas, apskaitos rūmai.*

Introduction

In the present day, public financial activities are under constant control, being at the same time a permanent complicated scene of financial and economic relations. Public funds administration is an actualized issue as it has never been before. Additionally, there is an urgent necessity to strengthen control over the usage of public financial resources, to ensure the correctness of budgetary calculations and public property administration, as well as financial statements. The level of legality and discipline within the public financial system, and of course the effectiveness of public finances and economic activity, directly depends on the effectiveness of such controls.

In spite of the close involvement of independent public institutions in the control of public finances, almost all global democracies grant to the state the leading role in this process. This seems to us obvious, because contemporary conditions show that it is only the state only that able to construct coherent system of controlling authorities, to establish their powers and coordinate their activities. We can affirm that only the state has relevant resources and powers to implement profound financial control at all levels of society, as well as across regions and the country as a whole. Only the state holds all the levers, organizational forces, and other powerful branches of power that

define the direction of public financial activities within the framework of national social and economic policies for the interest of the entire citizenry.

The situation in modern Ukraine, where state bodies act as the main link between the mechanism of control over the accumulation and usage of public funds, is not an exception. During the period of independence, Ukraine witnessed the establishment of this connection as a breakthrough in a difficult period of development. The Soviet governance system was ruled by inertia, and for this reason the country suffered from half-complete reforms and an absence of a general strategic course. As a result, the Ukrainian system of state financial control functioned in isolation from global trends for a long period of time. In recent years it has revealed a startling example of an unsuccessful organizational model, with a wide range of disjointed elements, duplication of functions, and a purely fiscal orientation. Indeed, this model can be referred to as a “system” only contingently; it has, however, given birth to some general common-aims. In the end it represented an eclectic combination of a large number of organizational units, each of which functioned separately and without clarified coordination and interaction with one another.

A significant contribution to the articulation of the scientific background for the function and development of Ukrainian state financial control can be found in the works of researchers including L. Dikan, Y. Golub, N. Sinyugina, Y. Slobodyanyk, V. Pikhotsky and others (Dikan, Holub & Syniuhina 2009; Pikhotskii, 2014; Slobodianik, 2014).

Further development of state audit mechanisms, the foundation of the State Audit Authority, and a number of upgrades to legislation pushed to the fore a wide range of problems that require immediate solutions. However, the latter is impossible to implement on the foundations of existing scientific research, most of which is not closely connected to the special features of new legal and organizational provisions of state financial control.

The aforementioned proves the need of the formation of scientific and practical recommendations, aimed at increasing of efficiency of state financial control in modern Ukraine. The investigation must be grounded in a wide range of studies. In many ways the use of the dialectical method can provide a comprehensive review of issues around state financial control at the level of the junction between legal, organizational and technical aspects. The deductive method stipulates the observation of current conditions of state audit in Ukrainian as well as perspectives on the future. The inductive method allows the showcasing of systemic drawbacks in the national audit system, for example certain legislative shortcomings and organizational problems in the field of public finance. The analytic method can be used for observing scientific research on state audit issues as well as in the investigation of the peculiarities of Ukrainian financial legislation. The systematic nature of the proposed integral approach leads to a number of revelations regarding the organizational and legal issues related to state financial control. With the help of this functional method a number of suggestions regarding the development of a national audit system have been formulated.

The context of democratization within the national audit system

Since the declaration of a commitment to democratic values and standards of public administration, Ukraine has initiated complex reforms in the area of finances. The implementation of global standards on state audits has been accomplished by the Ukrainian government through a number of important legal and organizational steps over the past years (Tabenska, 2018, p. 819).

In particular, changes in the national legislation system have reflected a number of conceptual issues raised in ISSAI 1 (the Lima Declaration) and ISSAI 2 (the Mexican Declaration) regarding the organization and implementation of external independent financial controls (ISSAI 1; ISSAI 2).

The main authorities of state financial control have been redirected, step by step, from the practice of post-audit control to the practice of pre-audit control. Their activities used to be aimed at, and limited to, the identification and elimination of financial infringements; today, activities are mostly targeted at prevention of infringement. In order to achieve this the subjects of state financial control have been given an unlimited and growing range of controlling powers at the stages of budget planning and fulfilment. A growing number of inspections are of a preventive nature.

The Parliamentary control authority (the Accounting Chamber or “Rakhunkova Palata”) has finally started to control not only the expenditure but also the revenue part of the state budget (until now Ukraine, was the only state among the 170 INTOSAI (International Organization of Supreme Audit Institutions) members where the main control body had no control over state budget planning). The results were quick: in 2018 the Accounting Chamber discovered violations in the administration of the revenue part of the state budget at the value of 6.6 billion of UAH (The Accounting Chamber report, 2019, p. 29).

A system of independent control over the financial activities of the Accounting Chamber as the main external auditor has been recently introduced. With the help of contemporary legislation, such a control is to be implemented either by a company experienced in auditing according to international standards (Note: the same company may not be used more than 3 times in a row), or by one of the leading members of INTOSAI.

Not long ago, the non-parliamentary branch of state financial control was reorganized. From the dual, two-part subordination (governmental and presidential), it has been revised to reflect complete governmental control. A number of controlling bodies have been abolished; remaining bodies have seen their structures have optimized. In 2016, the State Audit Service of Ukraine was founded. This is a central executive body responsible for the formation and implementation of state policy in the field of financial control.

It should be stated that the entire legal framework for state financial control also underwent several substantive changes. In particular several new laws were adopted: the law “On Amendments to Article 98 of the Constitution of Ukraine on the

Extension of the Constitutional Duties of the Accounting Chamber”; a new version of the law “On the Basic Principles of the Implementation of the State Financial Control in Ukraine”; a new version of the law “On the Accounting Chamber”; regulations regarding the State Audit Service of Ukraine, etc.

The possibilities for civil society to influence on the state activities in the field of financial control have been considerably expanded. Public Councils have been established to ensure the transparency of the regulations-making and executive activities within the structures of a majority of controlling authorities.

In general, we can affirm that the Ukrainian system of state financial control is developing along with the global trends, namely the formation of a central (higher) level of independent auditing, multi-level estimation of the economic effectiveness of public administration, a reasonable combination of preliminary, current and subsequent control, the implementation of international audit standards, wider public participation in solving practical issues related to state financial control, and an increased transparency and openness of control authorities with the appropriate adherence to state and commercial secrecy requirements.

At the same time, despite a great number of positive trends, the national system of public financial control is far from perfect. It is still difficult to call it holistic and balanced. There is a unanimous opinion amongst amongst scholars and practitioners who feel that the pace of development is too slow, and the organizational, legal and methodological support for public financial control is inadequate to ensure maximum effective control over the accumulation and spending of public funds.

Issues and challenges for state auditing in Ukraine

State financial control in Ukraine is affected by different problems virtually on all levels. Cumulatively, they supercede existing achievements, reduce the effectiveness of control measures, and diminish the development of state audit functions on the whole. The most sensitive branches are the following.

Despite a noticeable decrease in the number of state control authorities active in Ukraine, the system remains very complicated and cumbersome (Gurzhi, T., Gurzhi, A. & Seliukov V., 2018). Dozens of internal control units function under the umbrella of the main administrative bodies: departments, offices, sectors, sub-divisions etc. Some of these are artificially inflated due to the uploading of non-essential functions onto their staff. In 2018, 28% of internal audit units reported being uploading additional functions, not directly connected with audit activities (The annual report of The State Audit Service of Ukraine, 2018).

While there are many internal control services within the authorities, they also include a large number of external control entities: the Accounting Chamber, the State Audit Service of Ukraine, the State Treasury Service of Ukraine, the State Fiscal Service of Ukraine, the National Bank of Ukraine, the State Commission on Securities and Stock Market, State Property Fund of Ukraine, and others.

We must admit that in most cases the establishment of these entities proceeded in a troublesome and disturbing way. Many were introduced without a clearly defined plan, and the entire procedure was conducted within the framework of a general development strategy for public financial control (Slobodyanik, Kondriuk, Haibura, 2019, p. 895). As a result, the existing system of control entities became quite imbalanced. The ranges and volumes of their competence are indistinct. In many ways there are overlaps of control functions and responsibilities. Indeed, this leads to managerial conflicts, duplication of financial statements, and ineffective use of resources.

As an aside, it is quite often that the activity of the same entities become an object for simultaneous monitoring by governmental and parliamentary financial control authorities. It is interesting to note that the content of the audit procedures does not vary significantly between them, but the results are different (Bardash, Baraniuk, 2016, p. 7-8).

It also should be noted that on the whole contemporary Ukraine faces a number of negative situations when, on the one hand, there are a great number of controlling bodies, and on the other hand, there is a lack of consistency and efficiency in their activities, which results in an increasing quantity of financial violations (Basantsov, 2008, p. 218).

In contrast to most European countries, Ukraine has no Supreme Audit Institution which could provide methodological support and coordination of activities for all other state control entities (Yelnikova, 2017, p. 85; Pustovit, Timashov, Berher, 2018, p. 300). The current Ukrainian system of state financial control has two organizational subsystems: the Parliamentary (Accounting Chamber) and the governmental, which includes a wide range of control authorities and units integrated into the structure of executive power.

The lack of a centralized coordination link means all these bodies often provide collateral and inconsistent services. Such an overlap takes place both on national and local regional levels. This often leads to organizational “overlays”, unreasonable follow-up audits, and the duplicating of results, sometimes issuing mutually different prescriptions within the same cases:

At the end of 2018 The Minister of Health of Ukraine, Uliana Suprun, made public announcement about heavy pressure on the Ministry, caused by several simultaneous audits, the State Audit Service of Ukraine and the Account Chamber. As Uliana Suprun ironically admitted: “... For representatives of the Accounting Chamber we will soon be necessary to provide permanent offices in the Ministry of Health of Ukraine – their inspections do not have time to end as the new ones begin. ... Every time the Ministry's staff must distract from the main work (transforming the healthcare system, conducting state purchases of medicines, carrying out tasks of the Government, etc.) in order to facilitate external control – to allocate a separate room, to equip it with the technique, to prepare necessary documents. At the moment, three audits of the Accounting Chamber and one audit of the State Audit Office are conducted simultaneously

at the Ministry of Health of Ukraine. One such event lasts from 1 to 4 months. We already received a request from the Accounting Office regarding the preparation of a huge amount of documents regarding the next audit. What's worse - the results of such controls are mostly incompetent or biased..."

(The Accounting Chamber and the State Audit Service are inspected by the Ministry of Health, 2018)

As a whole, this state of affairs causes inconsistent applications of the same provisions, ineffective use of materials and technical resources and, consequently, leads to the lack of visible progress at improvement of efficient and qualified public financial control.

Such a situation demands the establishment of a strong coordinating center, which, on the one hand, would ensure the solution of administrative contradictions, and on the other hand, can lead in the consolidation and direction of common efforts on the level of constructive cooperation. The optimal way of achieving this goal is to bring into accordance the activity of the Accounting Chamber, bearing the status of the supreme body of state financial control, with the appropriate coordination of relevant organizations within their methodical functions.

It must be admitted that the establishment of a higher authority of state financial control follows out of the Association Agreement between Ukraine and the EU, which imposes responsibility for ensuring the development of public internal control and external audits on Ukraine on the basis of international standards and fundamental principles of accountability, transparency, economy, efficiency and effectiveness (Association Agreement, Art. 346).

Another tangible problem is the absence of a conceptual delineation between the systems of external and internal public audits. As opposed to the Lima Declaration, which clearly distinguishes external audit (as the activity of control services which are not part or department of the organizational structure of the institutions to be audited) and internal audit (as the activity of control services established within government departments and institutions), Ukrainian legislation officially recognizes only of external audit, namely the parliamentary control authority (Accounting Chamber). The status of remaining control entities which may carry out financial audits at the local level remains unclear.

This state of affairs has caused the formation of a very specific paradigm related to the delineation between external and internal financial controls within the framework of national law. As a result, external audits refer only to parliamentary controls, and internal audits refer to any form of control activities carried out within the system of executive power, regardless of subordination between audit services and audited institutions. In fact, in Ukraine when referring to internal audits it is usual to be referencing all the various forms of audits carried out by executive bodies.

It is understood in Ukrainian scholarship and practice that: "The Government must ensure that the preliminary, current and post audit of public finances through

its control services. Such a control by its nature is an internal (governmental) one" (Dmitrenko, 2010, p. 85); or "... external control can't be carried out by the executive entities. External control activities should be monitored both by the entire branch of executive power and its internal control system" (Pikhotskii, 2014, p. 114).

The situation under study has influence on the development of public financial control in Ukraine, which in its current form "deviates" from European tendencies. In turn, this creates significant obstacles for the implementation into national administrative practice of the best auditing models. in

We must admit that in Ukrainian the system of state financial control is functioning without a basic jurisdictional definition of the key concepts relating to the audit sphere, the assigning of tasks, distribution of functions and powers amongst the audit services, the regulation of relations between auditors and audited entities, and the determination of responsibility and independence of audit institutions and their executives (Vasilik, 2002, p. 114). The Law of Ukraine "On the Basic Principles of the Implementation of the State Financial Control in Ukraine" defines the status of only on control structure, the State Audit Service of Ukraine, as the central executive body responsible for implementation of state policy related to financial control (The Law of Ukraine of January 26, 1993).

All functions and activities of other audit services are regulated by a wide range of disparate regulatory acts, which are characterized by inconsistency, numerous conflicts and duplications. Imperfect legal regulation substantially narrows the scope of public financial control (Bohdaniuk, Kolisnichenko, Ustymenko, 2019). In particular, there is no legislative level act governing the external audit activities carried out by the State Audit Service of Ukraine. In this way, the absence of the necessary legal mechanisms makes it impossible for the State Audit Service of Ukraine to audit EU funds and grants, state (regional) programs, investment projects, internal audit systems and a number of other aspects of public activity related to accumulation and spending of public funds.

We consider among the priorities of development of the state financial control in Ukraine should be clear regulations regarding the relationships between audit services (special attention should be paid to relations concerning external audits).

On account of the fact that the organizational structure of the national system of financial control in general meets the principles of the Lima Declaration in its ideology, it has also preserved Soviet practices; this means they are in continued use and the system inherits previous drawback. At present day the national system of financial control is aimed primarily at assessing compliance with the law and the correct usage of public funds. As a result some social and political outcomes of financial activities (i.e. social effectiveness of public financial management) are only assessed fragmentarily (Lisiak, 2015).

Ukrainian legislation applied to the Accounting Chamber grants it the power to carry out not only a financial audit, but also an audit of effectiveness. It is well-known that an audit of effectiveness is a kind of control aimed at determining the effective-

ness of the use of budgetary funds for the implementation of planned objectives and the assessment of any factors that might prevent successful implementation. It allows for an assessment of the level of achievement of the planned results and provides for proposals for the effective use of financial resources (Tsarenko, Karmazina, 2016, p. 179). Nevertheless, in Ukraine the evaluation of effectiveness is based on purely legal, organizational, and economic criteria. For example, according to the Law of Ukraine “On the Accounting Chamber”, an audit of effectiveness provides assessment on: the timeliness and completeness of budget revenues; productivity, efficiency, and economic use of budget funds by their managers and recipients; legality, timeliness, and completeness of making management decisions by participants of the budget process; and the state of internal control on budget managers funds (The Law of Ukraine of July 2, 2015, № 576-VIII “On the Accounting Chamber”, Art 4.).

Obviously, in this case there is not much related to an actual audit of effectiveness (in terms of achieved social results), and the approach is more about checking the legality, correctness, and efficiency of administering public finances by certain authorities. At the same time, transparent criteria for assessing effectiveness have yet to be defined. Moreover, the legal consequences of the auditors’ conclusion regarding poor social outcomes of public financial activities have also not been defined. The question under consideration is borne in mind in cases where the financial activity of the public administration is economically productive, but socially ineffective.

Having no legal grounds for prosecution of ineffective users of budgetary funds, the Accounting Chamber is confined to the public disclosure of relevant materials.

In 2019, the Accounting Chamber issued a “top-list” of the most ineffective users of budgetary funds. Top position in this list belongs to the Ministry of Infrastructure of Ukraine, which ineffectively used almost 55% audited budget funds. Further in the list are: The Ministry of Health of Ukraine (51%), the Ministry of Defense of Ukraine (42%), the General Prosecutor’s Office of Ukraine (37%), the State Service of Ukraine for War Veterans and participants of the ATO (Anti-Terrorist Operation) (16%)

The Accounting Chamber has ranked ineffective managers of budget funds, 2019

Without a doubt, the release of such information has some positive effect, but this effect is very limited. The lack of legal leverage to prosecute or hold to account administrators of public funds makes an audit a formal process rather than real instrument of financial control. Under current conditions, an “audit of effectiveness” is unlikely to be effective in and of itself.

Furthermore, if the Lima Declaration (Part 2, Article 4) provides for the audit of the effectiveness of an entire administrative system, current Ukrainian legislation brings this down to the level of particular entities (participants of budget process, administrators and recipients of budget funds, etc.). As a result, the comprehensive and profound assessment of public financial management is not currently provided for, which, in turn, hinders the measurement of the effectiveness of national financial policy.

When attempting to solve this issue it is advisable to follow the Swedish example, where an audit of efficiency is carried out at the regional and national levels, as well

as at the level of specific entities. There are two main efficiency indicators: economic performance and social performance. These can be measured on a wide range of criteria (in particular, the analysis of social performance implies the assessment of more than 50 different criteria). At the same time, those aspects of public financial activity considered to be economically profitable, but ineffective socially, i.e. they do not ensure the achievement of socio-political aims, cannot be approved (Strekal, 2016, p. 31).

While there has been an expansion of the full powers of the Accounting Chamber as an independent body of external audit, its activities at the local level are still limited. As of January 1, 2018 there are only seven territorial departments of the Accounting Chamber in Ukraine. These departments are located in Kiev, Dnipro, Donetsk, Lviv, Odessa, Kharkiv and Vinnitsa. Most of them extend their activities and powers to cover two or three regions. The aforementioned departments in Vinnitsa and Lviv cover the territory of four to six regions. At the same time, most of them consist of only three subdivisions with comparatively small staff. Therefore, at present, neither the structure nor the personnel of these subdivisions is able to perform their audit functions in a proper way.

In actuality, most of the of Ukrainian audit authorities suffer the lack of qualified staff. Even the most prosperous in this respect, the State Audit Service of Ukraine, is understaffed by almost 16% (as of 2019). Moreover, this problem remains acute despite the fact that for the last decade the total amount of staffing positions at the State Audit Service of Ukraine has been reduced by 63.2%. Undoubtedly, such a state of affairs very negatively affects the efficiency of the system of state financial control.

Table 1. Staffing of the State Audit Service of Ukraine (2016-2019)

Year	Total staff positions	Positions staffed	Positions unstaffed (%)
2016	4457	3428	23.1%
2017	3200	2623	18.0%
2018	3184	2711	14.9%
2019	3189	2679	15.9%

The above mentioned means that the development of the state financial control from a post- to a pre-audit system proceeds rather slowly. A great number of audit services have received legal powers to carry out previous and current financial audits, but at the same time they have not been provided with the methods to do so or have not been updated on the progress of the scholarship on and techniques relating to financial management. This results in the continuation to favor post-audit measures. The criteria of preliminary and ongoing audits are carried out only irregularly, and their influence on public financial activities is insignificant.

One of the strongest factors is the negative pressure on the efficiency of public financial control on the entities at the lowest level of responsibility and accountability (primarily public authorities and business companies of the state sector of the economy). Public authorities do not always show a high level of conscientiousness and responsibility, ignoring auditors' recommendations and advice. For example, only one third (34.2%) of recommendations issued by the Accounting Chamber over the last three years were fully implemented. Most of these recommendations remain in a state of non-compliance.

Table 2. The level of compliance to recommendations, issued by the Accounting Chamber

Year	Recommendations fully complied	Recommendations complied partly	Recommendations non-complied
2016	29.5%	29.0%	41.5%
2017	37.2%	24.9%	37.9%
2018	35.9%	29.5%	34.6%
Average	34.2%	27.8%	38.0%

Taking into account mandatory regulations, we should say that the penalties for these violations are too soft to assure effective and strong influence on offenders. For instance, according to Art. 164-2 of the Code of Ukraine on Administrative Offences (CUAO), which establishes responsibility for concealing unproductive costs and losses, making false data to the financial statements, failing to provide financial statements, obstructing audits and inspections, and other similar violations, provides for a fine of 8 to 15 non-taxable minimum incomes of citizens of Ukraine (Code of Ukraine on Administrative Offences (CUAO), Art. 164-2).¹

Table 3. Administrative fines, applied for infringements detected by state audit subjects (January 1, 2018 - January 1, 2019)-1.01.2019)

Type of infringement	Fines applied (total number)	Total sum of applied fines (UAH / Euro)*	Average fine (UAH / Euro)*
<i>Violations of financial legislation (Art. 164-2 CUAO)</i>	3314	592,410 / 19,747	179 / 6.0
<i>Violations of budget legislation (Art. 164-12 CUAO)</i>	49	37,130 / 1,238	758 / 25.3
<i>Violation of procurement law (Art. 164-14 CUAO)</i>	44	378,470 / 12,615	8601 / 286.7

* as of June 1, 2019

¹ As of 1.06.2019 this fine is equivalent to 4.5-8.5 Euros.

It is seen from the table that the amount of corresponding administrative fines is minuscule compared to possible unlawful gain from financial abuses. Some executives quite deliberately and, worst of all, very easily violate the requirements of financial discipline.

Without taking into account the fact that in recent years Ukraine has taken a number of important steps to implement the financial control standards developed by the International Organization of Supreme Audit Institutions (INTOSAI), the European Organization of Supreme Audit Institutions (EUROSAI), the Institute of Internal Auditors (IIA) and the International Federation Accountants (IFAC), this process is far from complete. In particular, Ukrainian legislation has still not ratified the INTOSAI directives regarding the creation of Supreme Audit Institution (SAI) and the constitutional determination of its status; granting SAI the right of legislative initiative; coordination of the state audit services; improvement of audit missions abroad (today audit is carried out only in diplomatic establishments of Ukraine); audit of legality (conformity) for the state sector of the economy; and the creation of an independent system for monitoring the implementation of the recommendations of SAI etc. (Aleksandrovich, 2015, p. 203; Yemelyanov, Stepaniuk, 2019, p. 137).

Current national audit standards in Ukraine do not fully take into account international provisions, especially concerning the public sector. The time has come to develop adapted national standards for the audit of public funds and property, as well as to give them the status of national standards. National standards for public auditing need to consolidate the general terminological and methodological approaches, obligatory for all entities in the public sector, including public-private partnerships. At the same time, key provisions of international audit standards should be taken as a basis, taking into account the peculiarities and practices of auditing in Ukraine (Pikhotskiy, Rysin, 2019, p. 48).

We consider an important issue for construction of a unified system of state financial control is in its informational and software support. Presently there is no information link in Ukraine within the system of state financial control. Access to information resources is dispersed amongst different audit services and are hardly compatible. Besides, there is the problem of non-compliance of information resources to modern requirements for audit services. Additionally there is a lack of a unified classification and coding system and an absence of regulatory and legal support as well as methodological inconsistency of data exchange processes.

At present the development of digital information exchange between audit services and other executive authorities is hindered due to the usage of various software products that have not been adapted or integrated and the existence of numerous interagency barriers at both the central and local levels.

As Ukraine moves toward European integration, the issue of the transition of its financial control system to European standards of audit will be raised. Eventually, the implementation of the EU-Ukraine Association Agreement on public finance management depends upon the resolution of this issue. It is also necessary to keep in mind the

fundamental clause of INTOSAI (Art. 18) regarding the implementation in national legislation, which depends on conditions and requirements of any country. This also concerns Ukrainian realities and should be taken into account when implementing the appropriate legal and organizational determinations.

Conclusions

To summarize the above, we have to emphasize the complexity of the problems related to state financial control. All are conditioned by the wide range of factors (legal, organizational, etc.) and are considered at multi-level stages of public administration: national, sectoral, and regional. They are inextricably interconnected, and therefore cannot be solved through the implementation of individual measures in an unintegrated way.

This state of affairs requires the application of an integrated approach that covers all aspects of public financial control, applies optimization to all its components and, as a final result, ensures maximum transparency and effectiveness of public financial activities. Here are some first steps we propose:

In the sphere of legislative regulations:

- Constitutional enshrinement of the Accounting Chamber as the highest body in the system of state financial control.
- Recognition of its autonomy in relations with Parliament, granting it the right of legislative initiative, guaranteeing its independence from interference by the authorities, as well as guaranteeing the independence of its personnel.
- Adoption of the Law on Public Financial Control, based on the principles of INTOSAI Lima and Mexico Declarations, which would make clear distinction between external and internal audit systems, determine the status of all audit entities, and define areas of their competence and responsibility.
- The thorough revision of the legislation on state financial control for consistency, coherence and compliance with international treaties of Ukraine.
- Criminalization of offenses connected with non-fulfillment of audit demands and knowingly providing auditors with false information.

In its turn, such a step involves significant proceedings in fines imposed on the offender, as well as the possibility of applying such criminal measures as arrest, restriction of freedom, prohibition to hold office, etc.

In the field of organizational support:

- The reduction of number of external audit entities, strict definition of their competence and field of responsibility, and the elimination of parallelisms in their working processes.

- The establishment of Accounting Chamber local offices in all regions of Ukraine. The guarantee of their autonomy and independence. The safe-proof for their personnel, infrastructure and logistical resources to the indicators determined by the best world practices.
- The assigning to the Accounting Chamber in order to carry out audits of all state organizations abroad (currently they can be audited by foreign diplomatic institutions only).
- The empowerment of the Accounting Chamber to audit the efficiency of public financial activities. Audit of efficiency should be carried out at regional and national levels, as well as on the level of separate legal entities.
- The empowerment of the State Audit Service of Ukraine to revise EU funds and grants, state (regional) programs, investment projects, internal control system and a number of other aspects of public financial activity.

In terms of personnel:

- An increase in the number of certified financial control specialists enrolled at educational establishments with sufficient potential (personnel, resource etc.) and experience.
- The implementation of professional and educational standards for obtaining Bachelor's and Master's degrees in "Financial Control". Maximum involvement of practicing auditors at all stages of the educational process, from the development of curricula to the final certification.
- The establishment of regular internal program designed to improve auditors' competences and qualification.

In the field of methodological support:

- The accomplishment of the process of unification on the terminology of financial audit in accordance with INTOSAI standards.
- The implementation of the best European methods for carrying out financial audit, revision of efficiency, expertise, analysis and other control measures.
- The determination of the criteria for economic and social efficiency of public financial activity, recognizing the criteria of social efficiency as a decisive factor in the evaluation and assessment of financial activity. Financial activities which are economically effective (profitable), but ineffective socially (that is they do not ensure the achievement of socio-political aims) cannot be approved.

In the field of information and communication:

- The development of the Information-Analytical System of State Financial Control (IASSFC), which would ensure access for control entities at all levels, as the regulatory framework for state financial control.

- Circulate information on planned, provided and implemented control measures (including information about objects, subjects, terms and general results of inspections).
- Modern methods of financial audit and revision of efficiency.
- The granting of the IASSFC and the access to all state registers and databases in the field of accumulation and use of public funds.
- The provision of automatic informational interactions between IASSFC and existing digital informational systems on public funds administration (“Single Web Portal for the Use of Public Funds”, “Open Budget”, “Public Budget”, etc.). The development of unified software for automatic audit operations and the implementation of an integrated system of electronic cooperation and information exchange in the system of state financial control.

In closing, we may assume that a wide range of legislative, organizational, technical and other activities aimed at building an integral system of state financial control is strongly needed. However, all these measures can only be most successful within the framework of international audit standards. Implementation of these standards should be declared as the main direction of state financial policy, and these standards must be clearly defined within contemporary legislation, strategic acts, and political decisions. Only then will the administration of public finances i progress steadily, and meet the greatest demand for the present and in the future.

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Valstybės auditas šiuolaikinėje Ukrainoje: klausimai, iššūkiai, perspektyvos

Anotacija

Straipsnyje kalbama apie šiuolaikinės Ukrainos viešųjų finansų kontrolės teisinių ir organizacinių aspektų tyrimą. Analizuojama dabartinė nacionalinės viešųjų finansų kontrolės sistemos būklė. Išdėstytos tiek teigiamos jos veikimo tendencijos, tiek neatidėliotini sprendtinis problemos.

Remiantis vidaus teisės pasiekimais, geriausia užsienio praktika, dabartinių nacionalinių teisės aktų, teisėkūros ir teisės taikymo veiklos analize suformuotos teorinės sąvokos ir praktinės rekomendacijos, kuriomis siekiama padidinti viešųjų finansų kontrolės efektyvumą.

Atsižvelgiant į patirtį iš pirmaujančiųjų Europos šalių, nustatyti galimi būdai, kaip vystyti teisingą, organizacinę, informacinę, analitinę, metodinę ir kitą paramą Ukrainos viešųjų finansų kontrolei.

Išsamiai aprašyta dabartinė tarptautinių audito standartų įgyvendinimo būklė (įskaitant Limos deklaracijos nuostatas) Ukrainos viešųjų finansų administravimo praktikoje. Pagrįsta būtinybė įkurti Ukrainoje aukščiausiąjį viešųjų finansų kontrolės organą. Pabrėžtas poreikis nuodugniai persvarstyti teisės aktus, reglamentuojančius valstybės finansų kontrolę, siekiant

užtikrinti jų nuoseklumą, darnumą ir suderinamumą su Ukrainos tarptautinėmis sutartimis. Siūlomi veiksmai spręsti aktualioms problemoms dėl atsakomybės už nusikaltimus viešųjų finansų kontrolės srityje.

Padaryta išvada, kad reikia pripažinti pasaulinių audito standartų įgyvendinimą strategine valstybės finansų politikos kryptimi, kuri atsispindėtų nacionaliniuose teisės aktuose, strateginiuose aktuose bei valstybės valstybės plėtros programose.

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