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## **Transformation Approach to Implementation of Transparency of the Russian Supreme Audit Institution Activity**

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### **Abstract**

A financial system is generally considered a «circulatory system» of the state, which is essential for its existence. A key role in this system belongs to public funds. That is why issues of improving efficient state audit are becoming extremely important nowadays.

According to «Lima Declaration of Guidelines on Auditing Precepts»: Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent – or at least render more difficult – such breaches (Lima Declaration, 1977).

Whereas Lima Declaration sets essential premises for really independent and, as a result, effective state audit which is the rule of law and democracy, transparency of state audit activities becomes reasonably important.

**Keywords:** Audit, supreme audit institution, transparency of the Russian supreme audit institution.

## **1. Introduction**

The International Organization of Supreme Audit Institutions (INTOSAI) consider the concept from «ISSAI 20: Principles of transparency and accountability» (which contains among others, statements on the implementation of transparency principles) an important part of government auditing.

In fact, INTOSAI recognizes that communication is a factor that has become critical to the success of SAIs' work and indicates that the internal and external communication has a strategic role that contributes significantly to the efficient work of the community of SAIs, designing, since 2010, homogenous procedures in the field of SAIs communication (Raquel Garde Sánchez, Manuel Pedro Rodríguez Bolívar, Laura Alcaide Muñoz, 2014).

The study of these principles impact on state audit efficiency in the Russian Federation creates a subject of current interest because it combines two phenomena, which are developing rapidly in spite of being not typical for Russia historically. First of all, transparency requirement in respect to the activities of public authorities is a great step for the country which for centuries was in the gripe of the monarchy and authoritarianism. In addition, state audit in its present form was established here only in 1995, as a result of establishment of the Russian Accounts Chamber. However, significant work has been done to ensure the openness of the activities of the Russian Supreme Audit Institution. Despite that, the results estimated in ISSAI 20 (namely: to promote a better understanding of SAIs' different roles and tasks in society among the public, to assist them in leading by example in their own governance and practices) have not been achieved in full, which determines the relevance of the chosen topic.

## **2. Literature Review**

The analysis of approaches to implementing principles of transparency of SAIs' activities, as well as their impact on the effectiveness of the state audit, shows diversified scientific and methodological base, represented by works of domestic and foreign scientists studying various aspects of this problem.

Recai Akyel investigates the communication strategy of Supreme Audit Institutions focusing on improving their efficiency. The author points out that implementation of the transparency policy of SAIs' activities is essential for the effective work of these institutions.

In addition, it is noted that an example of SAIs' openness will promote the concept of transparency in the public sector as well (Recai Akyel, 2011).

Dezar Zulkarnain Pingky considers information and communication technologies to be an engine of transparency, which leads to the fight against corruption in Supreme Audit Institutions. The study is conducted on the example of SAIs of Indonesia and Japan. The author also recognizes the relation between openness of SAIs' activities and efficiency of their work (Dezar Zulkarnain Pingky, 2016).

At the same time, Raquel Garde Sánchez, Manuel Pedro Rodríguez Bolívar, Laura Alcaide Muñoz explore ways of taking into account the concept of transparency and accountability developed by INTOSAI, during SAIs' work. However, attention is paid to the influence of the implementation of the accountability principle to enhance trust to the government. Transparency is seen as one of the ways to achieve accountability purposes (Raquel Garde Sánchez and others, 2014).

Russian researchers (Kharisova F.I., Kozlova N.N.) look at the transparency when studying methodological support for the state audit in general, without considering it as a separate study. Ilatovsky E.A. aims to study information policy of the executive authorities of regions of the Russian Federation (Kharisova F.I., Kozlova N.N., 2013, Ilatovsky E.A., 2007).

In the framework of this subject deserve special attention research Babincev V.P., Ushamirskaya G.F. and Ushamirsky A.E. (2015), Kurkemova E.T. (2017), Selyukov M.V. (2016), Polukhin O. N., Olkhov P. A. (2015).

Thus, despite the abundance of both foreign and Russian publications, scientific elaboration of the problem of determining an efficient approach to transparency requirement (openness of the activity of Supreme Audit Institutions) can not be considered sufficient.

### **3. Model, Data and Methodology**

Studying the literature on similar topics have led authors to the conclusion about the complexity of the issue in question. In this regard, the research was divided into two stages: the study of the theoretical framework and the actual implementation of principles of transparency.

At the first stage, the legal and documentary support was studied. This is the basis for maintaining transparency of activities of the Russian Accounts Chamber.

In 2009, INTOSAI passed two international regulations, namely, ISSAI 20: «Principles of transparency and accountability», ISSAI 21: «Principles of transparency and accountability. Principles and good practices». They determine the necessity for transparent functioning of Supreme Audit Institutions at the international level. These documents contain nine Principles that define actions to be taken by SAIs for successful implementation of the concept of transparency and accountability.

Consideration of requirements for the implementation of transparency applicable to the state audit institutions, brings up the necessity to monitor real effect of taken measures for citizens in accordance with purposes and objectives defined at the international level.

To explore this issue, a pilot study was conducted. The pilot survey was justified by the fact that the investigated subject could be labeled as byway which is why the need of testing the methodology emerged.

Thus, the survey was carried out using statistical sampling method. Stratified sampling was applied. This method is based on the principle of zoning and provides a preliminary grouping of the parent population units according to different types. This type of sampling is used in the case when the population consists of various groups.

Based on the above-mentioned features the pilot survey on «The effectiveness of implementing transparency of state audit institutions activity» was conducted among 100 Russians belonging to different territorial, age, gender, professional, social groups.

#### **4. Empirical Results**

ISSAI 20 and ISSAI 21 statements, as well as INTOSAI's opinion about ensuring activities' transparency of Supreme Audit Institutions became the basis for the analysis of transparency principles implemented by Russian SAI, namely the Accounts Chamber.

The Accounts Chamber of the Russian Federation has passed more than 10 standards of state audit (SSAs), including SSA 101 «General rules of carrying out monitoring work», SSA 104 «Performance audit» and others. These standards specify general requirements for audit and expert-analytical activities.

Efficiency and effectiveness of the Accounts Chamber can be seen by analyzing some performance indicators from annual reports (Fig. 1).

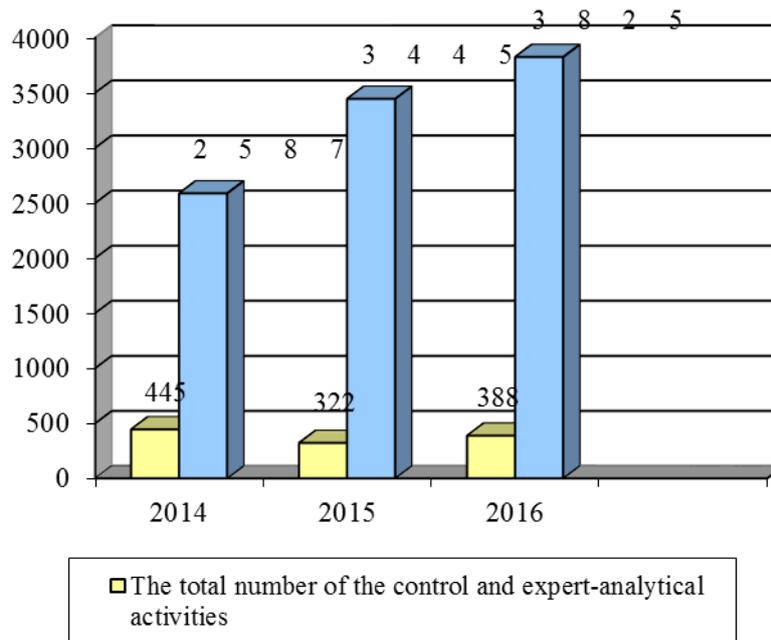


Fig. 1. Performance indicators of the Accounts Chamber of Russia in 2014-2016.

The number of control and expert-analytical activities in 2015 decreased by 27.64% compared to 2014 due to consolidation of these activities' subjects and an increase in the coverage of objects. The increase of objects for one control event in 2015, accounted to over 40%, the total number of objects showed a 4.47% growth. Thus, in order to not only identify breaches, but also prevent them, the number of control activities in 2016 increased by 20.5%.

At the same time, the number of violations in 2015 exceeded the level of 2014 by 33%. The main reason of that, according to experts, is effective actions for improving SAI's activity. In 2016, this indicator's growth was continuing, but the rate of increase compared to 2015 was lower (up 11.03%).

Of course, the reasons of more effective indicators of Russian SAI's work cannot be determined for sure. These may be both the improved performance and growth of the trespasses' number in the sphere of public finance. However, information about transformation in the work of the Accounts Chamber and measures taken to ensure its efficiency allows to make a conclusion about significant influence of positive factors on the final results of public authority's activities.

The official website of the Accounts Chamber of the Russian Federation contains full information on functions, tasks, appointments, it also has published reports on the results of inspections and other relevant information. In addition, the activities of the Accounts

Chamber are widely covered by television channels. For convenience and bringing the info to young people's attention, there have been appearing accounts on various social networks.

Further, the website on the results of state audit has been created. There everyone can get information about audit events, directions, facilities, and view analytical reporting forms and other data on results of control activities of the Accounts Chamber.

Thus, we can conclude that the Russian SAI conducts intensive work to ensure the transparency of its functioning, expecting to get a high level of awareness of its control activities and the state audit as a whole.

However, according to the results of the pilot survey of 100 Russians, in terms of theoretical basis block, we can assume that, in general, 63.89% of respondents have no idea about the essence of state audit or incorrectly understand it. A more detailed study of the results have shown that 36.11% do not have any information in the field of public audit, 25.00% are more or less familiar with the functions and activities of the Accounts Chamber of the Russian Federation, 22.22% are able to explain the concept of state audit correctly, and only 16.67% are aware of both state audit and the Russian public authority responsible for it.

That is, the measures taken to ensure transparency of activities of the Russian Accounts Chamber does not provide awareness of citizens in this area at the present time.

Comparing the answers about the essence of the state audit and functions of the Accounts Chamber with the block of personal data of respondents, the following patterns have been obtained:

1. Understanding of the studied objects is usual among citizens belonging to 31-45 years age group.
2. Basically, knowledge of state audit and the Accounts Chamber was demonstrated by those employed in the public sector.
3. A slightly distinguishable pattern of awareness of the phenomena in question can be seen among the inhabitants of the Central Black Soil Federal district.

Thus, a professional need is the main reason for the citizens' awareness of state audit and activities of Russian SAI.

When studying the subjective perception of the government (the 3rd block of questions), it turned out that citizens doubt trustworthiness of public authorities and, therefore, remain indifferent to state affairs.

For example, 47.3% of respondents believe that usually there is misappropriation of funds of the federal budget, and only 5.5% suppose that public funds are spent as intended. A significant proportion (19.4%) state their complete lack of interest in this issue. A large part of

55.6% admit that they mistrust the public authorities. 61.1% of the respondents express the view that the state has adopted all measures to inform the population about state auditing in Russia and activities of the authority involved. While 30.6% answer that they do not think about this question and do not need this kind of information.

If possible, 11.1% of respondents would initiate their participation in public auditing of spending public finances. At the same time, 63.9% are not sure of how to respond, and 25% of those who would refuse such an opportunity, consider it meaningless.

Thus, the obtained results allow making a conclusion about the lack of the citizens' awareness of Russian SAI's activities.

In our opinion, the main reason of this is the imperfection of the mechanisms of implementing transparency principles, adopted from INTOSAI's documents.

Some researchers assume that information policy of executive authorities is formed according to the following algorithm: 1) evaluation of the current state of the problem (information space); 2) identifying resources to solve a problem; 3) setting objectives; 4) development of main aspects (principles, goals, objectives and means of implementation); 5) development of purpose-oriented programme of implementation; 6) creation of legal, organizational, economic, administrative, human resources frameworks for programme implementation; 7) determination of terms and ways of programme implementation; 8) information support of programme implementation; 9) establishing a monitoring system (communication audit) (E. A. Ilatovsky, 2007).

Based on this algorithm, we have defined stages of the process of ensuring transparency of Supreme Audit Institutions' activities to achieve its improvement. In authors' opinion, three stages should be determined. Each of the stages includes a response to a specific question (Fig. 2)

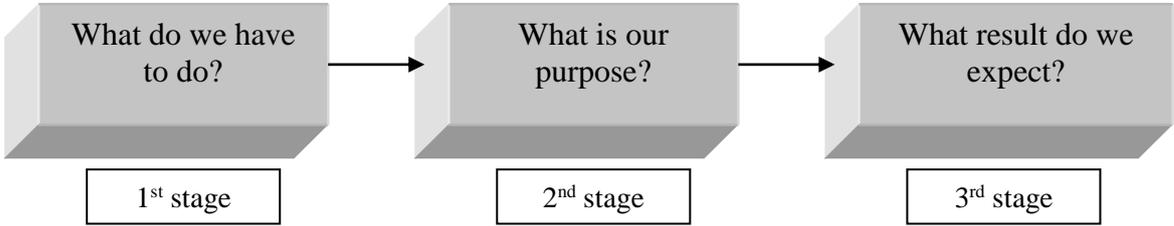


Fig. 2. Stages of ensuring SAIs' transparency process

So, there are 4 major objectives to achieve by transparent activities of SAI, in particular by the Accounts Chamber of the Russian Federation:

- enhancing credibility of SAI and the government in general;
- informing people of state audit and the Accounts Chamber;
- encouraging interest and community involvement in public issues, in particular related to the budget process;
- improving efficiency of SAI's work using the feedback with citizens.

Thus, the range of steps to be taken to achieve the expected result was outlined by nine principles which were supplemented by the best practices from ISSAI 21. However, serious work of Russian SAI on its activities transparency does not mean ensuring awareness of citizens of their work, which is confirmed by the survey results.

The thing is that intermediate (referred to the 2<sup>nd</sup> stage), which determines success of the measures taken, is constantly overlooked. According to the authors, this intermediate is citizens' awareness. Also, it is the goal that should be achieved to obtain the intended result.

Thus, it seems necessary to implement measures for monitoring, securing, raising and maintaining awareness of citizens, tailored to the principles laid out in the INTOSAI documents and strategies of the Accounts Chamber of the Russian Federation.

The opinion polls. Surveys and questionnaires will be conducive in investigating public awareness of state audit and SAI. The effectiveness of transparency policy, hidden problems and necessary changes to the strategy of promoting transparency can be defined in accordance with opinion polls results.

Distribution of main news and events related to SAI's activities among citizens-users of public services portal. Users registered at the portal enter their data and agree to receive SMS and email notifications. This mechanism may be used to distribute relevant information about state audit, which is interesting to the general public.

Informing through the media. It is necessary to create a clear image of SAI in minds of citizens through media. Special reports, broadcasts, commercials about the implementation of the state audit can be created. First, however, you should focus on transferring information as simple as possible. For example, presenting employees of SAI may contain a brief clarification about this public authority (The Accounts Chamber) being the Supreme Audit Institution of the Russian Federation. In this case, some basic ideas about the Accounts Chamber (in the case of Russia) and its connection to state audit will be formed.

Distribution of brochures with basic information of state audit implementation and sources of this information. The great role here can be given to social activists and civil society institutions.

Meetings of SAI representatives with citizens. These meetings should be as informal as possible. Fairs, exhibitions, concerts will attract people. The information about SAI's activities conveyed in a clear and simplified form will be the basis of the growing public interest in state audit.

The work of SAI representatives in the field (in schools, universities, enterprises, etc.). This measure will allow to cover a larger range of information recipients. As an example, ISSAI 21 contains cases of creating special departments for SAI's relations with public. These departments can easily take on the responsibility of carrying out the above-mentioned activities.

The inclusion of studying the state audit into the school course of social sciences. In this course, the great attention is given to the theory of government and state authorities. Within the framework of this theory, it is advisable to study the main aspects of state audit and activities of the Russian Accounts Chamber to form citizens' interest to this phenomenon as early as possible.

Cooperation with Universities and other educational institutions in respect of running traineeship programs for students in SAI. The theoretical and practical side of SAI's activities will be studied during these traineeships, to form competent personnel reserve of young people.

Creation of public councils on issues of public audit. Within such councils, it is desirable to set up public receptions. First, these measures will allow increasing the involvement of citizens in state affairs management. In the long run, it will increase the credibility of the government and make it possible for SAI to obtain the objective public opinion about its activities.

## **5. Summary and Conclusion**

In accordance with the conducted research, the following results have been obtained. Nowadays, the transparency and accountability of national Supreme Audit Institutions' activities are of particular importance because of their impact on the final effectiveness of the control.

The International Organization of Supreme Audit Institutions (INTOSAI) published two documents which should be the basis for implementation and development of these principles: «ISSAI 20: Principles of transparency and accountability» and «ISSAI 21: Principles of transparency and accountability. Principles and good practices».

The review of Russian legislation shows the reflection of INTOSAI's concept in federal laws of Russia and in documents of the Accounts Chamber – the Supreme Audit Institution of the Russian Federation.

Implementation of the principles described in ISSAI 20 in Russia has been discerned. However, the results of the pilot survey of 100 Russians have shown that the awareness level of state audit and the Accounts Chamber activity is low. In addition, there is a certain amount of people's distrust to state authorities and to effectiveness of Federal budget management.

The main reason for such results is insufficient attention to ensuring awareness of citizens, which is intermediate of the process of conducting SAI's transparent activities.

There has been developed a set of measures to monitor, support, enhance and maintain citizens' awareness in this area by analysing principles of INTOSAI, documents and strategies of the Accounts Chamber of the Russian Federation.

Thus, the aim of the study is accomplished, new knowledge of state audit and activities of Russian Accounts Chamber has been obtained. In today's society, the subject in question is still quite relevant, and diverse results of the interaction of SAI with citizens is a subject that requires further study.

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