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FEATURES OF THE DEVELOPMENT OF A MECHANISM FOR ENHANCING THE INSTITUTIONAL SYSTEM OF AUDIT SERVICES IN ORDER TO IMPROVE THE QUALITY OF THE AUDIT OF ACCOUNTING AND FINANCIAL STATEMENTS

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Abstract: The development of the auditing science is based on the study of the problems on institutional and theoretical and methodological substantiation of the quality of accounting and auditing. Theoretical visions and reasoning about the content and economic essence of audit are manifested in the nature of the activities of enterprises. At the same time, its applied purpose for cooperation of economic agents with an enterprise consists, firstly, in the obligatory availability of independent financial controlling, and secondly, in the necessity and consistency of the auditor's report regarding the quality of accounting and financial information on the resources and obligations of enterprises. The content of such conclusions to a greater extent forms the basis for decisions made by economic agents to optimize the distribution and use of available

resources, the level of acceptable risk and trust in the audit institution on the part of economic structures. Despite the presence of many theoretical and methodological researches on problems of the development of audit activities, the improvement of the quality of audit services, etc., it must be admitted that today, in general, the result of modern audit theory is a limited list of theoretical provisions on the quality of audit. This requires, in our opinion, further development of a conceptual insight of the audit quality when analysing financial statements. It seems to us that further study of the audit content is required in the current conditions based on the use of tools for cognition of the new institutional economic theory. Directly, the very quality of audit, being as a fundamental precondition for the proper functioning of the audit institution, is considered as the basis for the construction of modern accounting and financial information. Hence, it can be assumed that the identification of areas for ensuring the quality of audit and accounting and financial information in the context of their organic relationship acts as an integral element of building a conceptual vision revealing the essence of the categories under consideration and their methodological relationship. The considered separate theoretical and methodological structure is characterized by a logical relationship between the concepts "audit institution - audit quality - quality of accounting and financial information" and programs of its scientific cognition, which, in general, allows us to identify the conditions for its institutional support.

Keywords: market economy, competition, accounting, financial reporting, audit, quality of services, institutional structure.

INTRODUCTION

Conceptual provisions on the essence of audit activity are considered in many foreign and Russian scientific publications, the most famous authors of which are L. Di Angelo, B. Arunada, D. Dyse, J. Feltham, M.A. Gorodilov, V.V. Pankov, Ya. V. Sokolov, G.B. Polisyuk, and others. At the same time, experts note that many constituent scientific postulates and categories, concepts and terms of audit theory are not systematized and not generalized from the standpoint of neo-institutional economic theory. The necessity and significance of such a generalization lies in the construction of research work with regard to the logical content of the chain "practice-theory-institution". The emergence of a new institution is associated with the activities of individuals, but its further development should take place in accordance with changes and the formation of new social needs. The logic of building the audit activity, its purpose and functions as an institution, approaches to the study of the audit institution structure and the description of the mechanism of institutional relations are an increment in the theoretical knowledge about the audit of accounting and financial statements, which is clearly one of the elements of the market infrastructure. It seems to us that all this also has practical significance, since it allows one to identify the institutional dysfunctions that hinder its development. Of course, further improvement of theoretical and methodological approaches to ensuring the quality of accounting and auditing services is associated with the need to develop empirical approaches to improving the quality of the systems under consideration.

RESEARCH METHODOLOGY

The theoretical and methodological basis of our research was the scientific works of foreign and Russian scientists in the field of theory of audit, audit activity, accounting

theory, modern institutional theory; as well as regulatory and legal provisions of the Russian legislation regarding audit and accounting, international and Russian standards of auditing, accounting and financial reporting. We used a group of formal logical methods and methods of appointment in the course of the research, including induction and deduction, analysis and synthesis, comparison, analogy, groupings, and generalization. The data of the Federal State Statistics Service of the Russian Federation, reports and other documents of the Department of Accounting Regulation, Financial Reporting and Auditing Activities of the Ministry of Finance of the Russian Federation, Rosfinnadzor (Federal Service for Fiscal and Budgetary Supervision) and other relevant documents were used as an information base for the study. The validity and reliability of the results of the study conducted is confirmed by the developed methodological provisions. They relate to the institutional views on the economic content of the audit of accounting and financial statements and the presented conclusions and proposals due to their consistency with the methodological provisions developed when justifying the mechanism for improving the quality of accounting and auditing.

RESULTS OF THE STUDY

Before talking about the institutional aspects of the audit of accounting and financial statements, it is necessary to determine the essence and content of the concept of "institution". In the work (4) it is said that "The institutional world, as well as any individual institution, is nothing more than objectified human activity." As follows from the above quote, there is a certain boundary between human activity as an ordinary activity and activity within the framework of institutional agreements. The use of J. Rawls's theory of justice allows us to reveal the content of institutional agreements and the mechanism of their manifestation in the social order (14). The new institutional economic theory makes it possible to comprehensively characterize the content of institutions in a market economy, the basis of which is the mechanism of enforcing the execution of generally accepted rules.

In other words, we are talking about the fact that the formation of institutions is associated with the emergence of a specific need in society to solve a certain socially significant problem, the solution of which with the available tools is no longer possible. Hence, we must assume that a new situation appears as a prerequisite for building a certain institution, in which society is no longer able to independently regulate the emerging social relations. Regarding the specific object of our research, i.e. audit as an economic toolkit for ensuring the quality of accounting and financial statements of enterprises, it should be noted that the importance of this institution for society and the state as a whole is characterized by its diversity, and is due to a number of circumstances: The need to protect the rights of economic agents using data from accounting and financial statements; The need to prevent and identify distortions of the accounting and financial statements of enterprises.

It can also be noted that there is government interest and demand for the audit of accounting and financial statements, which has a positive effect on the development of the audit services market. When conducting an audit, it is necessary to consider all sorts of features and specifics of the production and financial activities of enterprises, which has a certain impact on the indicators of their accounting and financial statements. It is, among other things, their industry specialization, the nature of enterprise activities, etc. It is difficult to overestimate the public significance of the results of audits, because this

is a reasonable precondition for their institutional development as a highly effective toolkit that allows one to identify and even prevent distortion of the accounting and financial statements of reporting enterprises (1; 12; 6).

The institutional nature and structure of the institution of audit is one of the components of human social activity. In the course of auditing, it is possible to provide the company with high-quality accounting and financial information and thereby meet the economic needs of stakeholders. But this does not yet make the activity in question an institution. It will become such only when it takes the form of a separate social object, i.e. when it would be necessary for its regulation to introduce a system of rules (norms) generally accepted and mandatory for all participants in audit activities. The publicity of these rules is ensured by the state (state structures); the obligation to comply with them is ensured by the appropriate state enforcement mechanism.

It is clear that institutions are not created from scratch: first, a public need for a certain type of activity is formed and the prerequisites for its implementation are formed. As they have been formed, their use begins; specialization of activities is formed, standards of human behaviour, standards for organizing activities and assessing the final results are developed. Regarding the type of activity we are considering, it is pertinent to recall that in Russia the first audit firm was opened in 1987, and only six years later the standards for auditing activities were developed. A few more years later, the Russian professional audit community was formed and consolidated and standards of activity and norms of professional conduct of auditors were developed, etc.

Within the framework of economic institutions (the institution of audit is such), people realizing their main social function simultaneously realize their own economic interests. Regarding our research, it should be noted that institutional relations here concern the subject of diagnosing the quality of audited accounting and financial information. Speaking about the subject-object relationships of the resource-information exchange of participants in their institutional relations regarding the assessment of the quality of accounting and financial information within the framework of the functioning of the audit institution, it should be noted that, on the one hand, any enterprise is determined to provide the necessary information on the state of resources and obligations in order to attract the necessary resources for production activities. Of course, this is associated with certain costs due to the need to ensure the quality of such information (7; 8; 15).

In turn, economic agents are forced to assess the state of the resources and obligations of the respective enterprise to ensure efficient allocation of resources. Naturally, this presupposes the availability of the audited accounting and financial information of the proper quality and the validity of the financial conclusions on the production and financial activities of the enterprise made on its basis. Here, probably, there is no need to prove that economic agents are extremely interested in obtaining an independent assessment of the quality of the considered information about the results of the enterprise (2; 11; 13). All of the above allows us to assert that the key condition for achieving the effective functioning of the audit institution and the appropriate quality of the audit of accounting and financial statements submitted by enterprises is the mutually agreed behaviour of business entities, economic agents and auditors in diagnosing the specified reporting document.

A basic rule acts as the ideological basis of the institutional structure. Such a basic rule with regard to the institution of audit may be the content of theoretical and methodological postulates of audit. In (Sokolov, 2004), the set of postulates is

systematized into two groups: Postulates justifying the need for audit; Postulates proving that under certain conditions we can get an objective picture. In general, the idea of the basic rule of the audit institution is characterized by two key points: Reporting must be verified; unverified reporting is not credible; An improperly verified report is not credible (15). It follows from this rule that any reporting entity is obliged to subject its accounting and financial statements to an audit and auditors, in turn, are required to ensure the proper quality of the audit of the statements in question. The set of provisions on an institution as a unit of analysis allows determining the institutional structure of audit activity in the form of a set of specific rules of audit activity, addressees of their observance, and guarantors of publicity of the audit activity rules, and the corresponding mechanism of enforcement to ensure the quality of audit services.

At the same time, the first institutional component is a set of rules and standards for the implementation and regulation of audit activities, internal regulations of audit firms and their employees. A feature of this institutional component is that its constituent elements directly affect the scale and structure of target attitudes in relation to transaction costs for each group of participants in the audit institution. Speaking about the second institutional component (the mechanism of enforcement of the given rules of audit activity by the participants of the audit institution and ensuring the quality of audit services), it should be noted that it consists of a system of controlling the quality of audit activity; systems of measures on responsibility of audit firms and their employees. The mechanism under consideration is positioned as a set of special rules to achieve the quality of audit services and the norms of responsibility of audit firms and their specialists, which makes it possible to implement the basic rules of the audit institution.

Speaking about the institutional essence of the audit of accounting and financial statements, it should be noted that it is characterized by its institutional purpose, which is realized in the course of performing the institutional function. The functional purpose of the audit of accounting and financial statements is to conduct independent quality control of a document in question, which is published in the form of an official report to the public (3; 16; 11). Regarding the institutional meaning of the purpose of the audit, it should be noted, that it consists in eliminating the information asymmetry of accounting and financial statements. That is, we are talking about the quality of the information under consideration, about the mechanism for regulating the processes of distribution and use of economic resources in conditions of information asymmetry (2; 5; 7

All of the above allows the institution of audit to be considered as effectively functioning in the event that the implementation of its institutional purpose is observed, and its main institutional function is carried out. Auditing is a type of business and is an integral part of a market economy. Hence, it can be argued that the entire set of market factors affecting the Russian market also affects the audit business in the same way. To determine the effectiveness of the development of the audit institution, it is advisable to assess the level, structure and dynamics of transaction costs for diagnosing the quality of audit activities and a set of measures of professional responsibility. Moreover, the lower the amount of ineffective transaction costs, the higher the macroeconomic estimate for the quality of audit reports.

In a completed audit, there is always a factor of uncertainty about the quality of the auditor's report presented, especially with the expression of an unqualified audit opinion and a qualified opinion. And this is natural, because there is always

(theoretically) uncertainty about the compliance of the auditor's opinion with the quality of the audited financial statements. This situation allows us to conclude that the effectiveness of the audit institution is associated with the initial ability of the audit to act as an appropriate tool to resist distortions in accounting and financial statements and adequately inform its respective consumers about the reliability of the accounting and financial information presented by the enterprise in question.

CONCLUSIONS AND OFFERS

In the course of our research, we analysed a number of approaches to the institutional and methodological substantiation of the quality of accounting and audit; we also investigated the features of developing a mechanism for the institutional arrangement of audit services in order to improve the quality of the audit of accounting and financial statements. One of the main results of solving the tasks set in our study is the improvement of the theoretical and methodological structure "audit institution - audit quality - quality of accounting and financial information" and bringing it to the level of a modified concept of accounting and audit quality. This approach allowed us to improve the mechanism of the institutional structure of audit services and its constituent elements. It is substantiated that it is advisable to understand the institutional structure of audit activity as a set of rules and norms for this type of activity, mutually agreed behaviour of enterprises, economic aspects and auditors, and also guarantors of publicity of the audit activity rules. Additional provisions on the purpose of the audit institution and the institutional function it implements were identified revealing the essence of audit, and its content, which made it possible to develop approaches to determine the effectiveness of the audit institution and propose an approach to diagnosis of this activity.

CONFLICT OF INTEREST

The authors confirm that there are no conflicts of interest.

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