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METHODOLOGICAL APPROACHES

TO ASSESSING THE QUALITY OF INTERNAL AUDIT IN THE PUBLIC ADMINISTRATION SECTOR OF THE RUSSIAN FEDERATION

ENFOQUES METODOLÓGICOS PARA EVALUAR LA CALIDAD DE LA AUDITORÍA INTERNA EN EL SECTOR DE LA ADMINISTRACIÓN PÚBLICA DE LA FEDERACIÓN RUSA

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ABSTRACT

The article considers the development of methodological approaches to assessing the quality of internal audit in the public administration sector. It studies international standards for internal auditing in the public sector and the approaches and experience of the control bodies of the Russian Federation in the field of assessing the quality of internal financial audit. Accordingly, a methodology for assessing the quality of internal audit in the public administration sector is developed. The need for such a methodology is justified by the need to upgrade from an internal financial audit conducted by the chief administrators (administrators) of federal budget funds to an internal audit. The proposed methodology is a six-level structure following the level of internal audit maturity achieved by an organization. It is assumed that all public organizations are at the initial (first) level of maturity. Evaluation criteria are divided into mandatory and recommended, depending on the basis for their establishment. The methodology should be implemented by the Concept of increasing the efficiency of budget expenditures in 2019-2024 approved by the Order of the Government of the Russian Federation. The methodology can be tested in terms of internal financial audit indicators in the public sector to identify readiness for the transition to the subsequent levels of maturity.

Keywords:

Public administration sector, Internal audit, Internal quality assessment, External quality assessment, Monitoring, Assessment criteria, Maturity theory.

RESUMEN

El artículo considera el desarrollo de enfoques metodológicos para evaluar la calidad de la auditoría interna en el sector de la administración pública. Se estudian las normas internacionales de auditoría interna en el sector público y los

enfoques y la experiencia de los órganos de control de la Federación Rusa en el ámbito de la evaluación de la calidad de la auditoría financiera interna. En consecuencia, se desarrolla una metodología para evaluar la calidad de la auditoría interna en el sector de la administración pública. La necesidad de dicha metodología se justifica por la necesidad de pasar de la auditoría financiera interna realizada por los administradores principales (administradores) de los fondos del presupuesto federal a la auditoría interna. La metodología propuesta es una estructura de seis niveles de acuerdo con el nivel de madurez de auditoría interna alcanzado por una organización. Se supone que todas las organizaciones públicas se encuentran en el nivel inicial (primero) de madurez. Los criterios de evaluación se dividen en obligatorios y recomendados, en función de la base para su establecimiento. La metodología debe aplicarse de conformidad con el concepto de aumento de la eficiencia de los gastos presupuestarios en 2019-2024 aprobado por Orden del Gobierno de la Federación de Rusia. La metodología puede ser probada en términos de indicadores de auditoría financiera interna en el sector público para identificar la preparación para la transición a los siguientes niveles de madurez.

Palabras clave: Sector de la administración pública, Auditoría interna, Evaluación interna de la calidad, Evaluación externa de la calidad, Supervisión, Criterios de evaluación.

INTRODUCTION

Due to the transition from internal financial audit to internal audit in the public sector of the Russian Federation, it is necessary to assess its quality. The need for assessing the quality of internal audit is contained in the documents of the Internal Audit Community of Practice (IACOP) of the Public Expenditure Management Peer Assisted Learning Network (PEMPAL) and the International Professional Practices Framework for Internal Auditing (IPPFIA) and the International Standards for the Professional Practice of Internal Auditing (ISPPIA) of the Institute of Internal Auditors (IIA) (Timkin, 2023).

Assessing the quality of internal audit involves several criteria that allow for internal and external assessment of internal audit. The PEMPAL Guideline on Internal Audit indicates the need to clearly outline the “regulatory and legal requirements for internal audit” and establishes a system of such criteria. However, the current state of public administration in Russia is characterized by the absence of unified legal, organizational, and methodological approaches to assessing the quality of internal audits. The Ministry of Finance, the Federal Treasury, and the

Accounts Chamber of the Russian Federation use their methods. However, their assessment varies significantly. In this regard, the study aims at developing a unified methodology for assessing the quality of internal audit for the public administration sector.

The authors conclude that the assessment of the quality of internal audit can be aligned with the maturity of internal audit. For example, identifying and eliminating inconsistencies corresponds to the initial level of maturity, identifying the causes of inconsistencies corresponds to a higher level, and the internal auditor's assessment of the quality of management and other more complex and comprehensive tasks of internal audit can characterize the actual maturity of this internal audit. The result of the study is the formation of a system of quality criteria that considers not only the fulfillment of the established requirements for internal audit but also assesses the maturity of internal audit. This approach to assessing the quality of internal audit creates the right incentives for its development in the public administration sector.

The role of internal audit in the public sector has received much attention in recent years. The importance of internal audit in public administration is considered by Alqudah et al. (2023a). They substantiate the need for the consolidation of internal audit rules and requirements by public authorities to fulfill the tasks assigned to them. The factors influencing the quality of internal audits (for example, gender) are studied by Thiéry et al. (2023). The work by Cioban et al. (2015), is concerned with the effectiveness of internal audit in the public sector. The role of regulatory authorities in the development and organization of internal audits in the public sector is studied by Lin et al. (2023). Despite a significant number of publications in the field of internal audit in the public sector, we emphasize insufficient research and the need for further development in this area, including in the context of sustainable development.

MATERIALS AND METHODS

To develop new approaches to assessing the quality of internal audits, we analyzed both Russian and international practices. After studying the best professional practices in the field of internal audit, we concluded that its quality assurance and improvement program should include internal and external quality assessment. Internal assessment includes the following elements: continuous monitoring, periodic self-assessment, and a survey of the audited organization. The components of external quality assessment should include external assessment by the central harmonization unit, monitoring of internal audit by the central harmonization unit, and independent external assessment by an external party.

The starting point in the development of the Russian methodology for assessing the quality of internal audit in the public sector is the experience of the Ministry of Finance of Russia, and the internal and external state financial control bodies of the Russian Federation (the Accounts Chamber and the Federal Treasury). These bodies have accumulated significant experience in assessing the quality of internal financial audit conducted by chief administrators (administrators) of budget funds. Their powers are divided and established normatively.

According to Article 157 of the Budget Code of the Russian Federation and Article 13 of Federal Law of May 4, 2013 No. 41-FZ "On the Accounts Chamber of the Russian Federation", external state financial control bodies analyze the effectiveness of internal financial audit and prepare proposals for improving the process by chief budget administrators. The Ministry of Finance of the Russian Federation (2019), monitors the quality of financial management (FMQM) in conformity with Article 160.2-1 of the Budget Code of the Russian Federation. Article 165 of the Budget Code of the Russian Federation provides regulatory and methodological support for the FMQM assessing the quality of internal financial audit. Article 157 of the Budget Code of the Russian Federation reserves the powers of the Treasury of Russia to analyze the implementation of internal financial audit by chief budget administrators.

The subject of analysis is exclusively compliance with the guidelines on internal financial audit by chief budget administrators. The authority of the Treasury of Russia is also to prepare proposals for improving the implementation of an internal financial audit by chief budget administrators. Chief budget administrators do not have the authority to assess the quality of the internal financial audit they conduct but only fill out questionnaires as part of the analysis by the Treasury of Russia.

The self-assessment of internal auditors can be useful in terms of identifying possible shortcomings and ensuring the appropriate quality of internal auditing. Self-diagnosis can cover many quality criteria of internal financial audit by using not only the requirements of governing documents but also the external assessments of internal financial audit, publications, presentation materials, comments from specialists on internal financial audit, and expert assessments of chief budget administrators (Vankovich et al., 2023).

Despite a clear division of powers, there are overlapping systems for assessing the quality of internal financial audit both in their objective and content. The specifics of the assessment conducted by the Accounts Chamber of

the Russian Federation is a combination of compliance and performance assessments. The difference between the assessment conducted by the Ministry of Finance of Russia and the Treasury of Russia is compliance and the regular quality assessment of internal financial audit.

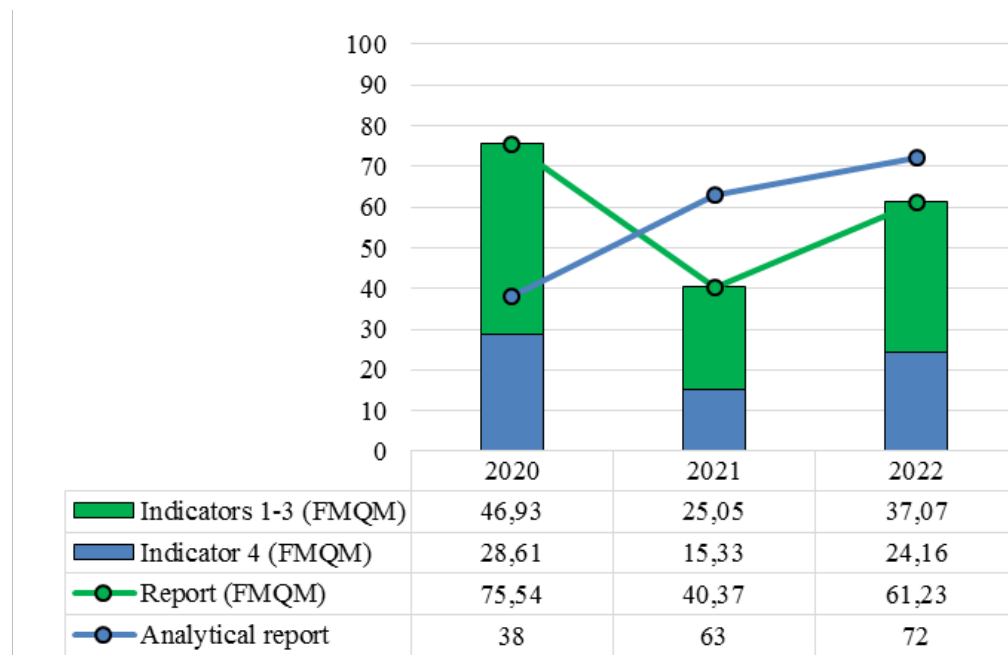
The main result of assessing the quality of internal financial audit by the Accounts Chamber of the Russian Federation is the conclusion that there are systemic problems in the organization of internal financial audit. Thus, the goals of the internal financial audit are not achieved, its quality is insufficient, the impact on increasing the efficiency and effectiveness of budget funds is insignificant, and the work of internal financial audit subjects does not allow for making integrated management decisions. In this regard, the Accounts Chamber of the Russian Federation proposed a legislative transformation of internal financial audit into internal audit. By June 1, 2020, a roadmap for this transformation was to be developed and approved.

The work on improving automated information systems aimed at developing in-system control was to be continued. To develop these conclusions and proposals of the Accounts Chamber, a draft concept was formed on the transition from internal financial audit to internal audit in the public sector. Then it was to be approved by the Government of the Russian Federation in the 1st half of 2021. The last mention of the concept dates to the 3rd quarter of 2022, when it was approved by the Ministry of Economic Development of the Russian Federation. To date, the concept has not been approved. During the transformation, digitalization, and automation of internal audit, the attention of the Accounts Chamber of the Russian Federation will be especially required not only for the compliance of public organizations with the new requirements of governing documents but also for the quality and efficiency of internal audit.

Figure 1 presents the average quality scores of internal financial audits by chief budget administrators based on the monitoring of financial management quality (ICFM) by the Ministry of Finance of the Russian Federation and the analysis of internal financial audits by the Treasury of Russia. It is worth mentioning the differences both in the average estimates and their dynamics according to the calculations of the Ministry of Finance and the Treasury of Russia. Thus, the average quality assessments of internal financial audit by chief budget administrators for 2020 according to the calculations of the Ministry of Finance exceed twice the corresponding average calculations of the Treasury of Russia. According to the calculations of the Ministry of Finance, the average value has multidirectional

dynamics: -47% (2021), +52% (2022). According to the calculations of the Treasury of Russia, the average value shows growth: of +66% (2021), and +14% (2022).

Fig 1: The average quality assessments of internal financial audit by chief budget administrators according to calculations of the Ministry of Finance of the Russian Federation and the Treasury of Russia.



Source: own elaboration.

Since Indicator 4 “Results of the Federal Treasury’s analysis of internal financial audit by chief budget administrators in the reporting period”, included in the assessment conducted by the Ministry of Finance of the Russian Federation, is determined by the Ministry of Finance of the Russian Federation based on the calculations of the Treasury of Russia, the dynamics of its average value should be considered separately. Indicator 4 is calculated using the formula 1:

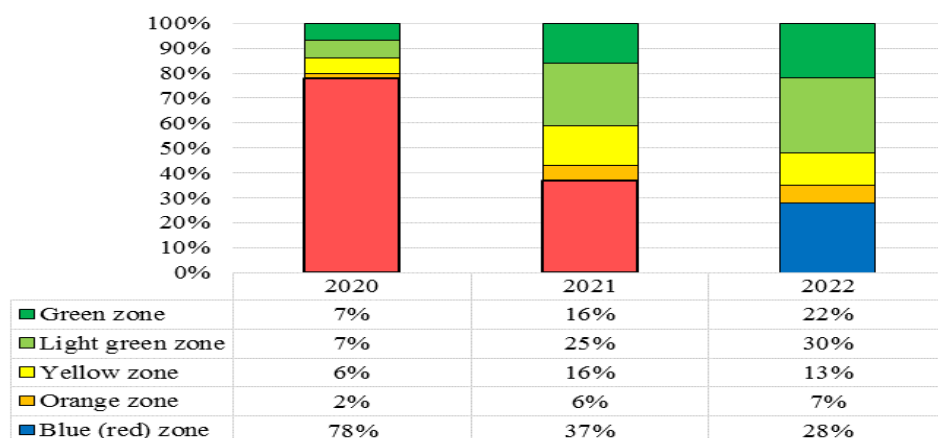
$$E(P) = \frac{A \times 100}{Am} \tag{F1}$$

Where A is the assessment of internal financial audit by chief budget administrators based on the analysis conducted by the Treasury of Russia; Am is the maximum score based on the analysis of internal financial audit by chief budget administrators conducted by the Treasury of Russia.

First, to compare the average values for Indicator 4 in 2020-2022, it is necessary to understand whether the maximum value (Am) changed significantly in the reporting periods (the number of chief budget administrators under consideration did not change significantly). Analytical reports of the Treasury of Russia do not contain specific values for all chief budget administrators but they are ranked according to groups of assessments. The maximum AAA score (99-100% of the maximum possible value) was received by one chief budget administrator in 2021 and seven chief budget administrators in 2022. For 2020, there is information about seven chief budget administrators in the green zone, which corresponds to AAA, AA, and A ratings (90-100% of the maximum possible value). This means that the average estimates for Indicator 4 in 2020-2022 are comparable to each other, with an error of no more than 10%.

Second, according to analytical reports of the Treasury of Russia for 2020-2022, an increasing number of chief budget administrators were moving or tending to the green zone (AAA, AA, A) and light green zone (BBB) (Figure 2). This not only shows an increase in the average assessments of internal financial audit but also proves that the gap between the assessments (A) and the maximum score (Am) is narrowing.

Fig 2: The dynamics of internal financial audit by chief budget administrators based on the analysis of the Treasury of Russia.



Source: own elaboration.

The red zone in 2020-2021 and the blue zone in 2022 include chief budget administrators who received low (CC) and unsatisfactory (C) grades. The reason for the change in the color of this zone is not disclosed in the source.

The average values for Indicator 4 from the reports of the Ministry of Finance on the results of the FMQM should correspond to the average assessments of internal financial audit from the analytical reports of the Russian Treasury. However, there is a complete discrepancy.

Thus, there are conflicting assessments. In 2020, the quality of internal financial audit by chief budget administrators was assessed by the Ministry of Finance of the Russian Federation at 75.54 points, and the Treasury of Russia assigned only 38 points out of 100 possible. According to the reports of the Ministry of Finance of the Russian Federation on the FMQM, the quality of the internal financial audit by chief budget administrators deteriorated by 1.5 times in 2021 (40.37 points). In 2022, it improved by 1.5 times (61.23 points) but did not reach the level of 2020. During the same period, the quality of internal financial audit by chief budget administrators systematically increased according to the Russian Treasury (63 and 72 points, respectively).

Preference should be given to the assessment conducted by the Treasury of Russia for several reasons. First, the Treasury of Russia has budgetary authority to review the implementation of internal financial audit. Second, the quality of internal financial audit assessed by the Ministry of Finance of the Russian Federation within the framework of the FMQM is based on the analysis conducted by the Treasury of Russia. Third, representatives of the Ministry of Finance refer to statistical data from the Treasury of Russia in their official speeches on the development of internal financial audit.

The Ministry of Finance of the Russian Federation proposes a change in the approach to assessing the quality of internal financial audit by chief budget administrators. Starting in 2024, the assessment of the quality of internal financial audit will consist of two parts: “the assessment of compliance with the requirements established by the standards of internal financial audit” and “the assessment of the achievement of the goals of internal financial audit and its influence on management decision-making”. It is assumed that this assessment will be carried out by the Accounts Chamber of the Russian Federation and the Treasury of Russia. Based on its results, the Ministry of Finance of the Russian Federation will determine such an indicator as the maturity of the internal financial audit and include it in the report on the FMQM results.

We considered these proposals when developing a methodology for assessing the quality of internal audit in the public sector. When working on a maturity model for internal audit, we used the Capability Maturity Model Integration (CMMI), which is universal and best-known among 25 existing maturity models. The model is based on the movement from planning and monitoring processes (IT processes) to their standardization, improvement, and optimization. Management maturity models can be applied in organizational management, project management, and IT management. It is

assumed that each organization goes through the stages of its development sequentially, increasing the quality of management and its results, adaptability to change, and competitiveness.

RESULTS AND DISCUSSION

We considered the development of a methodology for assessing the quality of internal audit in the public sector sequentially, following the algorithm below.

Internal Quality Assessment of Internal Audit

Continuous monitoring aims at assessing the quality of the ongoing activities of internal auditors and may verify compliance with the requirements for planning the audit engagement (IPPF 2200), performing the audit engagement (IPPF 2300), communicating its results (IPPF 2400), and monitoring activities (IPPF 2500) and general areas (compliance with mandatory training requirements, organizational policies, rules of conduct, achievement of personal goals). The periodic self-assessment of the internal audit unit is carried out to assess compliance with the basic IPPFs. In addition to checking the requirements of the specified IPPFs, it includes those that contain requirements for internal audit: purpose, authority and responsibility (IPPF 1000), independence and objectivity (IPPF 1100), professionalism and professional attitude to work (IPPF 1200), quality assurance and improvement program (IPPF 1300), management of internal audit (IPPF 2000), the nature of internal audit (IPPF 2100), and risk communication (IPPF 2600). The continuous monitoring and periodic self-assessment of the internal audit unit are designed to assess the fulfillment of the established IPPFs. A survey of the audited organization provides an opportunity to learn the opinion of the audit client (the audited structural unit) after completion of the audit and/or consultation. The result of the survey is essentially a short review reflecting the satisfaction or dissatisfaction of the audit client in terms of formalized indicators.

External Quality Assessment of Internal Audit

The external assessment of the quality of the internal audit is carried out by the central harmonization unit based on criteria developed by the IPPFs. Each indicator has a corresponding score (red, orange, yellow, green) and impact. The criteria are divided into two groups:

Basic evaluation criteria – failure to meet these criteria immediately leads to a negative score, which seriously affects the final grade. Secondary evaluation criteria – failure to meet any of them will affect the final grade if there are many instances of non-compliance with the minor criteria (Public Expenditure Management Peer Assisted Learning Network IACOP, 2016).

The highest impacts in the final assessment are given to scores for IPPF 1100, 1200, 2000, 2200, and 2300. This assessment should be regular not only to comprehensively analyze the quality of internal audit but also to identify possible shortcomings in the system of regulatory, legal, organizational, and methodological support of internal audit for its further improvement.

The central harmonization unit can also monitor the activities of internal audit, including “the work performed in the field of audit; planned and performed audit and consulting engagements; recommendations provided, accepted and implemented; duration and average costs of performing audit assignments; methodology used in the audit; audit documentation and performance reports” (Public Expenditure Management Peer Assisted Learning Network IACOP, 2021). The difference between monitoring the activities of an internal audit and an external assessment of its quality is that monitoring may involve the collection of facts confirming the quality assessment, as well as the consideration of such aspects as the usefulness, professionalism, and economic efficiency of an internal audit. For monitoring, questionnaires and/or surveys are used to collect and analyze data, and interviews are held directly in the internal audit departments.

An independent external quality assessment carried out by a qualified and independent expert must comply with IPPF 1312 (external assessments) and be conducted at least every five years.

An independent external quality assessment may be conducted more often if there is a high turnover of personnel in the internal audit department or a change in its leadership. An independent expert assesses the compliance of its activities with the IPPFs and the Code of Ethics and makes both operational and strategic recommendations. An independent external quality assessment may be a full external audit or confirmation of an internal assessment.

If we compare the innovation proposed by the Ministry of Finance of the Russian Federation with the current model for assessing the quality of internal financial audit, we can identify several issues that require elaboration.

First, based on the available information, it is not clear whether it is intended to separate the responsibilities of the State Financial Committee in assessing the quality of internal financial audit or how the conclusions of the Accounts Chamber of the Russian Federation and the Treasury of Russia are correlated on this issue.

Second, the governing documents do not establish the frequency for the Accounts Chamber of the Russian Federation to check and analyze the effectiveness of

internal audit, as well as the format for submitting the results of verification and analysis to the Ministry of Finance of the Russian Federation for inclusion in the report on the FMQM results.

Third, it is especially difficult to develop methodological support for assessing the achievement of internal financial audit goals and the influence of internal financial audit on management decision-making.

The approaches implemented by the Ministry of Finance of the Russian Federation and the Treasury of Russia can be attributed to compliance audit since the assessment of the quality of internal financial audit characterizes the degree of compliance with the requirements and procedures prescribed by the IPPFs but does not reflect the “achievement of internal financial audit goals and its influence on management decision-making”. In this regard, we need to highlight certain indicators from the State Audit Standard of the Accounts Chamber of the Russian Federation (SAS 311). For example, the indicator “The violations identified by the Accounts Chamber of the Russian Federation and the State Financial Committee that were not discovered by the subject of internal financial audit” can be used when assessing the quality of internal financial audit. The indicator “Assessing the quality of audit conclusions, proposals, and recommendations made by the subject of internal audit”, reflecting the adoption or non-adoption of decisions on the implementation of these conclusions, proposals, and recommendations by chief budget administrators is contradictory and creates a prerequisite for a conflict of interest. In other words, it is not profitable for an internal auditor to reflect proposals and recommendations in the conclusions if they are not accepted by the manager.

The conclusions, proposals, and recommendations of the internal auditor are highly dependent on the state of the audited objects. For example, such an indicator as “Formulation of proposals to improve the efficiency and effectiveness of the use of budgetary funds” (SAS 311), which requires the systematic preparation of relevant proposals, cannot always be implemented. During the COVID-19 pandemic, there was a growing tendency to switch from paper document management to electronic document flow. Accordingly, the internal auditor could assess the technical capabilities and propose electronic document flow as a measure to increase the efficiency of using budget funds. However, they cannot prepare such a proposal if it has already been implemented and is no longer relevant.

It means that the presence of a larger number of proposals and recommendations is determined not only by the

work of the internal auditor but also by the state of the audited objects.

Fourth, mutual agreement is required on the methodological support for assessing the quality of financial management and the quality of internal financial audit. From the example above, there is a positive effect: these are direct savings (reducing costs for the purchase and maintenance of office equipment, purchasing paper, and other office supplies) and indirect savings (improving the quality and efficiency of work through instant exchange and organized storage of information, including remote access to information at any time, formalization and automation of document flow processes) of budget funds. According to the existing FMQM methodology, if this saving was not planned by chief budget administrators in advance, it can cause a decrease in such indicators as e1 “The completion of budget financing targets”, e2 “The introduction of changes to budget financing targets”, e4 “The deviation of planned and actual indicators in budget planning”, and e6 “The share of budgetary allocations unused at the end of the year” (Ministry of Finance of the Russian Federation, 2020).

Savings can also be generated independently of chief budget administrators as a result of competitive methods for identifying suppliers (contractors, performers) or recognizing the purchase as failed, which can also reduce the quality of expense management. If chief budget administrators comply with all established requirements for planning and procuring, the internal auditor can only state the objective impossibility of 100% compliance with the FMQM indicators.

In the current macroeconomic conditions, with the depreciation of the national currency and the urgent need of the national economy for import substitution, the FMQM approaches to assessing financial discipline in managing budget expenditures may not be relevant. Their limitations (for example, the comparability of estimates by various chief budget administrators) were previously recognized by the Ministry of Finance of the Russian Federation:

It is relatively easy to manage expenses in services since the main volume is the cost of supporting their activities ... as a minimum, it is necessary to distinguish federal ministries (in some cases, services and agencies under the jurisdiction of the Government of the Russian Federation, and other federal executive authorities), as a maximum, to develop a formalized methodology for assessing the complexity of cost management. (Bychkov et al., 2018, p. 18)

In cases where the FMQM methodology, including in terms of assessing the quality indicators of internal financial audit, comes into conflict with the urgent tasks of chief

budget administrators or the objective conditions of their functioning, the specific assessments may become irrelevant, thereby reducing their significance for those making decisions both at the management level of a company and at the state level. The prerequisites for such a perception of the FMQM assessment have already been formed: the FMQM results have never been used “in assessing the activities of federal executive bodies and their leaders to increase their responsibility for achieving the established indicators”, which was previously assumed (President of the Russian Federation, 2009). Starting from 2020, reports on the FMQM results are not submitted simultaneously with budget reporting to the Government of the Russian Federation (Government of the Russian Federation, 2019).

Fifth, an aggregated indicator designated as “the maturity level of internal financial audit” is not detailed. In addition to internal financial audit that relates to the budgetary powers of chief budget administrators, there are also internal audit in companies that implement and maintain quality management systems. Due to the similarity of audit processes, we can assume that in relation to internal financial audit and the future internal audit the maturity model may be close to the internal audit maturity assessment model for quality management systems presented in Table 1.

Table 1: Maturity levels of internal audit of quality management systems.

Level 1	Level 2	Level 3	Level 4	Level 5	Level 6
Report on the results of internal audit	Report on the results of internal audit	Report on the results of internal audit	Report on the results of internal audit	Report on the results of internal audit	Report on the results of internal audit
-	Identifying and eliminating inconsistencies	Identifying and eliminating inconsistencies	Identifying and eliminating inconsistencies	Identifying and eliminating inconsistencies	Identifying and eliminating inconsistencies
-	-	Identifying the causes of inconsistencies	Identifying the causes of inconsistencies	Identifying the causes of inconsistencies	Identifying the causes of inconsistencies
-	-	-	Assessing internal controls	Assessing internal controls	Assessing internal controls
-	-	-	-	Risk management assessment	Risk management assessment
-	-	-	-	-	Consulting on the development of management systems

Source: Gorchakova (2019).

This scheme assumes the consistent implementation of the following elements: organizational and methodological support for internal audit; identification and elimination of inconsistencies; identifying the causes of such inconsistencies; internal control assessment; risk management assessment; and consultations on the development of management systems.

Sixth, within the framework of the departmental project of the Ministry of Finance of the Russian Federation “Electronic SMART control (controlling) and accounting of public finances for management decisions” (Ministry of Finance of the Russian Federation, 2022), it is planned to introduce the analysis of internal financial audit by chief budget administrators into the “Electronic Budget” state-integrated information system for public finance management. The consistent development of this system, including the creation of an electronic system for generating and analyzing data for the development of a centralized model of accounting and reporting, reflects a natural trend towards automation of not only internal financial audit but also the analysis and assessment of its quality.

The following key points can be identified regarding the development of a methodology for assessing the quality of internal audits in the public sector.

First, methods for assessing the quality of internal audit should be based on current regulatory and methodological documents containing requirements and recommendations for the organization and implementation of internal audit. At the current stage of transforming internal financial audit into internal audit in public administration, when internal audit has not received organizational and legal registration, specific criteria and/or indicators should be developed in parallel

and conjunction with draft organizational, administrative, and methodological documents on internal audit in the public sector.

Second, at the current stage of transforming internal financial audit into internal audit in the public sector, methods for assessing its quality should be formed with due regard to the international regulation of audit quality management. Approaches to such an assessment are contained in the PEMPAL IACOP publications and IPPFIA practices, including the ISPPIA standards of IIA. Internal audit should be understood as an activity to assess and improve governance, risk management, and control processes using a systems approach. The main indicator of the quality of internal audit is the compliance of the achieved results with the established goals of the internal audit.

Third, the methodology for assessing the quality of internal audit should focus on current trends in the development of internal auditing. For example, new areas are becoming relevant, such as strategy audit, IT audit, project audit, etc. The development of digital technologies promotes the use of data analysis tools and data visualization tools, as well as the automation of internal audit management and documentation. In addition, it is advisable to implement an approach to assessment in which criteria and/or indicators based on the requirements of regulatory legal acts should be established as mandatory, and criteria and/or indicators based on expert assessments can be regarded as recommended.

Fourth, the methodology for assessing the quality of internal audit should evaluate the personnel of internal audit departments and the professional development of internal auditors as one of the key factors in ensuring the effectiveness of internal audit in the public sector.

Fifth, assessing the quality of internal audit can be structured according to the levels of its maturity. The main problem in the perception of internal audit (not only in public administration) is that the term "auditor" is mostly associated with a person engaged in auditing financial statements, or an inspector (Kryshkin, 2023). According to the proposed scheme for assessing the maturity of internal audit, identifying and eliminating inconsistencies is only at the 2nd level out of six possible, and revealing their causes is at the 3rd level. What can characterize the actual maturity of internal audit concerns the quality management of an organization by its internal auditor, i.e., more complex and comprehensive tasks of internal audit. Thus, such a structured assessment of quality will create the right incentives for the development of internal audit in the public sector.

Based on the assessment of the quality of internal financial audit, we proposed a methodology for assessing the quality of internal audit in public administration, consisting of a six-level structure by the level of internal audit maturity achieved by an organization. The assessment criteria are divided into mandatory and recommended depending on their basis. The criteria based on the standards of internal auditing are mandatory; those criteria based on expert assessment are recommended (Table 2).

Table 2: Criteria for assessing the quality of internal audit.

No.	Foundation	Assessment criteria
Compliance with the established requirements for internal audit		
	Draft standard	Mandatory criterion A formalized decision of the manager to conduct internal audit
	Draft standard	Mandatory criterion Compliance with the principle of functional independence of internal audit
	Draft standard	Mandatory criterion Granting the subject of auditing with powers to conduct internal audit and reflecting them in the job regulations (job descriptions) of persons included in the subject of auditing
	Draft standard	Mandatory criterion The organization and implementation of audit activities by officials (employees) of the subject of auditing who did not participate in control procedures (or ensuring their implementation) during the current and reporting financial year
	Draft standard	Mandatory criterion An approved departmental (internal) act regulating internal audit

	Draft standard	Mandatory criterion Providing the subject of auditing with sufficient resources to conduct internal audit (labor, time, material, financial, information, and other resources)
	Draft standard	Mandatory criterion Compliance of the issues studied during audit activities with the objectives of the auditing
	Draft standard	Mandatory criterion The approval of audit activities by the manager before the start of the next financial year
	Draft standard	Mandatory criterion The approval of audit programs (amendments to the specified programs) by the head of the subject of auditing in compliance with the established deadlines
	Draft standard	Mandatory criterion The documentation of audit activities meets the requirements of the standards
	Draft standard	Mandatory criterion The results meet the requirements of the standards
	Draft standard	Mandatory criterion The submission of the annual report on the activities of the subject of auditing, containing all the provisions provided for by the standards, by the head of the subject of auditing to the head of a particular organization
	Expert assessment	Recommended criterion The staffing ratio of the subject of auditing is not lower than the average level for a particular organization
	Expert assessment	Recommended criterion The staff turnover rate for the subject of auditing is not higher than the average level for a particular organization
	Expert assessment	Recommended criterion 100% of officials (employees) of the subject of auditing completed training programs and/or professional retraining in the field of internal audit
Identifying deficiencies and violations		
	Draft standard	Mandatory criterion Regular (at least once a year) updating of the risk register
	Draft standard	Mandatory criterion 100% of business processes, including high-risk operations, are covered by audit activities
	Expert assessment	Recommended criterion No unreliable budget reports whose inaccuracy is confirmed by the subject of auditing and identified by the Accounts Chamber of the Russian Federation
	Expert assessment	Recommended criterion No comments from state financial control bodies regarding the organization's activities
Identifying the causes of deficiencies and violations		
	Draft standard	Mandatory criterion Decisions made by the manager based on the results of audit reports, indicating the deadlines for their implementation
	Draft standard	Mandatory criterion Decisions made by the heads of structural divisions based on the results of audit reports, indicating the deadlines for their implementation
	Draft standard	Mandatory criterion Annual monitoring of the implementation of decisions based on the results of audit reports by the subject of auditing
Assessing the reliability of internal control		
	Draft standard	Mandatory criterion Ensuring the reliability of internal control and budget reporting through audit activities
	Draft standard	Mandatory criterion Solving the established tasks of internal audit within the framework of internal control reliability assessment

	Draft standard	Mandatory criterion Solving the established tasks of internal audit to confirm the reliability of budget reporting
Assessing risk management		
	Draft standard	Mandatory criterion The results of analysis and assessment of the organization's risk registers by the subject of auditing
	Draft standard	Mandatory criterion The results of analysis and assessment of fraud risks by the subject of auditing
	Draft standard	Mandatory criterion The conclusion of the subject of auditing on the accepted risk that may be unacceptable for a particular organization
Conducting consultations on the development of the management system		
	Draft standard	Mandatory criterion Improving the quality of management decisions through audit activities
	Draft standard	Mandatory criterion Solving the established tasks of internal audit to improve the quality of management decisions
	Draft standard	Mandatory criterion The results of analysis and assessment of the quality of business processes carried out by the subject of auditing
	Expert assessment	Recommended criterion. The results of a survey of heads of structural divisions about the quality of internal audit

Source: own elaboration.

The first level of maturity is assigned to a company if its internal audit meets at least eight mandatory criteria from Section 1.

Each subsequent level is assigned upon achievement of the first level of maturity and consistent 100% fulfillment of the mandatory criteria starting from Section 2. For example, if the mandatory criteria from Section 3 are fully met, the third level of maturity will not be assigned if the criteria from Section 2 are not satisfied.

Regardless of the achieved level of maturity, all mandatory and recommended criteria are subject to assessment to obtain complete information about the quality of internal audit in the public sector. As a result, there are two assessments of the maturity of internal audit and the fulfillment of mandatory criteria.

The underdevelopment of internal auditing in the public sector, especially in the field of methodological support for assessing the quality of internal audit, stipulates the need for further research in this area. The separation of financial and audit functions to ensure the independence and quality of internal audit was emphasized by Wan-Hussin et al. (2021); and Li et al. (2023). The authors argue that even without adequate monitoring by the opposition or the media, local self-government bodies can improve efficiency through the horizontal separation of fiscal and audit services.

Our conclusions about the prospects for the development of internal audit in public administration as part of SMART control (controlling) in Russia correlate with the opinion of Alqudah et al. (2023b), who highlight the importance of using advanced information technologies in internal auditing. The author claims that electronic audit significantly improves the work of internal auditors and become an integral part of management in both the private and public sectors of the economy. A similar opinion is shared by Lutfi & Alqudah (2023), who emphasize that efficient internal audit is impossible without the digitalization of analytical and methodological tools for management processes and their integration into a single electronic base of accounting and reporting data. We agree that the quality of the internal audit directly depends on the level of management support of the tech department.

Methodological approaches to auditing certain areas of the public sector are being discussed by Robson et al. (2012). The author presents 17 methods for auditing safety and health management used by the public sector and considers the implications for audit reliability and validity. Wan-Hussin et al. (2021), prove the negative impact of the absence of an internal audit charter in a company. The influence of high-quality internal audits on the intensity of innovation and efficiency of public organizations in emerging markets is substantiated by Hoai et al. (2022).

Unfortunately, we failed to find criteria for assessing the quality of internal audits that could confirm or refute the quality indicators proposed in our study in the relevant scientific literature. We believe that a critical analysis of these study results will help further develop this area of science.

Note: The article is based on research conducted at the expense of budgetary funds under the state assignment of the Financial University.

CONCLUSIONS

Thus, the quality assessment of internal audit can be internal and/or external and conducted in different forms. The established requirements for internal audit create the basis for the subsequent assessment of its quality. Based on international practice, these requirements should be enshrined in national standards in the field of internal audit that do not contradict the IPPF basic principles. Quality criteria for internal audit must be relevant to each specific organization and meet the needs of stakeholders. It is advisable to assess both compliance with the established requirements for internal audit and the level of its maturity.

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