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# Analysis of Foreign Experience in the Organization of State Financial Control

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## ABSTRACT

**Relevance.** State financial control is a mechanism that enables to increase the efficiency of using budget funds. International practice shows that there are different approaches to organise the activities of state financial control bodies, due to a country's national characteristics, form of government, as well as the applicable legal system in a particular country.

**The purpose** of this study is to analyse international experience in the organisation of state financial control, as well as identify potential areas of its application in the Russian Federation. **The objects** of the research have become national and supranational bodies of state financial control. **The subject** of the study is the activities of global state financial control authorities. **The methodological basis** of the research was a set of general scientific methods of cognition: analysis, synthesis, comparison and classification. **Results.** During the course of the study, the author identified general and specific characteristics of state financial control bodies in foreign countries, as well as the promising areas for the system of state and municipal financial control of the Russian Federation.

**Keywords:** state financial control; international experience; state audit; state financial control bodies

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## INTRODUCTION

State financial control (SFC) is an integral part of the state's financial system. Its establishment in Russia dates back to the 17th century. Over time, the institutional environment has been changing, including aims, tasks, forms, and methods of SFC undergoing specification [1].

Despite the fact, that a substantial theoretical and applied foundation for implementing SFC exists in Russia, it is useful to examine a similar foreign experience related to its organisation. Such an examination should include the identification of features characteristic of states with different forms of government and legal systems, with consideration to assessing potentially their practical applicability into the Russian reality.

### International Organisations of State Financial Control Bodies

Before assessing the organisation of SFC in foreign countries, it is appropriate to examine the types and objectives of international associations of control bodies.

The landscape of such associations includes global, European, African, Arab, Asian, Latin American, Pacific, and Caribbean enterprises of Supreme Audit Institutions (SAIs).<sup>1</sup>

Their primary objective is to promote the development of SFC related to audit by means of research and the exchange of expertise, the identification of the most effective approaches to its application, as well as the standardisation of audit procedures.

The fundamental documents are the Lima Declaration of Guidelines on Auditing<sup>2</sup> in addition to the subsequently adopted Mexico Declaration on the Independence of Supreme Audit Institutions,<sup>3</sup> both developed by the International Organisation of SAIs.

These documents declare the principle of independence, both organisational and functional, as a key principle in the activities of supreme audit institutions.

Within the framework of the 23rd Congress of the International Organisation of SAIs, held in Moscow in September 2019, its participants adopted the Moscow Declaration.<sup>4</sup> This document reaffirmed the importance of the principle of independence for SAIs and emphasised the need to employ achievements of technological progress in exercising control over public administration.

### Analysis of International Experience in Organising State Financial Control

The specific features of SFC organisation in foreign countries stem from various factors, including the established form of governance and the adopted legal system. This is evident, for instance, in the procedures for appointing leaders and members of SFC bodies by the president, Parliament, or monarch.

Researchers distinguish legal systems between republican (presidential, parliamentary), monarchical (absolute or constitutional), and mixed forms of state governance [2], as well as Romano-Germanic (continental) and Anglo-Saxon (common law) ones [3]. Countries with a republican form of governance include Russia, the United States, France, and China.<sup>5</sup> A monarchical form is distinctive for the United Kingdom, Japan, and Sweden [4]. A mixed form of governance currently exists in Finland [5], Kazakhstan, and Uzbekistan [6].

The legal systems of Russia, Germany, and France are considered as Romano-Germanic, while the legal systems of the United States, the United Kingdom, and a few other countries are Anglo-Saxon.

Let us analyse key aspects of SFC organisation in some foreign countries with different forms of governance and legal systems.

**In Germany**, the Federal Court of Audit, the State Courts of Audit, and the Federal Ministry of Finance exercise SFC functions.

<sup>1</sup> Official website of the International Association of Supreme Audit Institutions. URL: <https://www.intosai.org/ru/o-nas/regionalnye-organizacii.html>

<sup>2</sup> Official website of the Moscow Accounts Chamber. <https://ksp.mos.ru/documents/deklaratsii/limskaya-deklaratsiya/>

<sup>3</sup> Official website of the Federal Treasury. URL: [https://roskazna.gov.ru/upload/iblock/b8b/issai-10.-meksikanskaya-deklaratsiya-nezavisimosti-vofk\\_rus.pdf](https://roskazna.gov.ru/upload/iblock/b8b/issai-10.-meksikanskaya-deklaratsiya-nezavisimosti-vofk_rus.pdf)

<sup>4</sup> Official website of Moscow's Chamber of Control and Accounts. URL: <https://ksp.mos.ru/documents/deklaratsii/moskovskaya-deklaratsiya-incosai/>

<sup>5</sup> URL: <https://znanierussia.ru/articles/Республика>



The General Accounting Office, which is an independent collegiate audit body in Germany, was founded in 1714.

In 1950, the currently operating Federal Court of Audit was instituted. It is an independent supreme audit body, which assists the Bundestag, the Bundesrat, and the Federal Government in formulating and adopting relevant decisions.<sup>6</sup>

Its main task envisages auditing federal budget revenues and expenditures.<sup>7</sup> Besides, it is responsible to control the activities of state-owned enterprises and organisations, which receive budgetary funds.<sup>8</sup>

The Federal Court of Audit is headed by the President and the Vice-President. They are elected by Bundestag and Bundesrat respectively, based on government proposals. The term of service at the Court's leadership is restricted to twelve years.

Its organisational framework includes Departments and Auditing Units. In addition to this, it also comprises a Principal Council, headed by the President, and Councils in each Department.

The President, Vice-President, and Heads of Departments and Units possess judicial independence, namely, regarding the performance of their official responsibilities and decision-making process, they are adhering solely to the law.<sup>9</sup>

The German Federal Court of Audit undertakes performance audits, within the framework of which it assesses the decisions scheduled for adoption that leads to budget expenditures. It also runs financial audits to evaluate the legality of transactions and approves the federal annual accounts.

In addition, it annually reports on its activities to the Bundestag, Bundesrat, and the Government.<sup>10</sup>

<sup>6</sup> "Law on the Federal Court of Auditors" — Official website of the Federal Court of Auditors of Germany URL: [https://www.gesetze-im-internet.de/brhg\\_1985/index.html](https://www.gesetze-im-internet.de/brhg_1985/index.html)

<sup>7</sup> "The German Law on the Budget". Pashkov Library. URL: <https://constitutions.ru/?p=24535>

<sup>8</sup> Eurasian Legal Portal [https://www.eurasialegal.info/index.php?option=com\\_content&view=article&id=1107:2012-04-09-03-20-27&catid=1:eurasianintegration&Itemid=42](https://www.eurasialegal.info/index.php?option=com_content&view=article&id=1107:2012-04-09-03-20-27&catid=1:eurasianintegration&Itemid=42)

<sup>9</sup> "Law on the Federal Court of Auditors" Official website of the Federal Court of Auditors of Germany. URL: [https://www.gesetze-im-internet.de/brhg\\_1985/index.html](https://www.gesetze-im-internet.de/brhg_1985/index.html)

<sup>10</sup> "Eurasian legal portal". [https://www.eurasialegal.info/index.php?option=com\\_content&view=article&id=1107:2012-04-09-03-20-27&catid=1:eurasianintegration&Itemid=42](https://www.eurasialegal.info/index.php?option=com_content&view=article&id=1107:2012-04-09-03-20-27&catid=1:eurasianintegration&Itemid=42)

Germany embodies a decentralised model of SFC organisation, within the framework of which (besides the federal-level body exercising control at the state level) there operate local bodies (Regional Courts of Audit) [7] that control the income and expenditure of the corresponding region, and they report on the results to their local Parliament and Government.

The State Courts of Audit are independent of the Federal Court of Audit, although they may engage in joint activities.<sup>11</sup>

As in other countries, the German Federal Ministry of Finance ensures control over preparation of the budget. However, there exist some distinctive peculiarities. For instance, the Federal Ministry of Finance delegates representatives to each ministry, who supervise the legality and efficiency of financial operations carried out there [8]. The Budget Committee of the Bundestag also plays a considerable role in the sphere of SFC, reviewing the draft budget and monitoring its implementation.<sup>12</sup>

In the United States, the General Accounting Office was established in 1921 as the principal SFC institution to supervise increasing public expenditure and debt, with a special focus on assessing their legitimacy and expediency. Subsequently, the domain of tasks of the General Accounting Office expanded to include monitoring and evaluating government spending. In the year of 2004, it was renamed the Government Accountability Office (GAO), which was related to the further broadening of its mandate.<sup>13</sup>

Currently, the GAO assesses the efficiency of public spending and performance of programmes. It audits financial statements of federal agencies, focusing on forty agencies, which account for 99 per cent of the total amount of assets, liabilities, and expenses.<sup>14</sup>

Additionally, the GAO develops standards for internal control for federal ministries (departments

<sup>11</sup> "The German Law on the Budget". Pashkov Library. URL: <https://constitutions.ru/?p=24535>

<sup>12</sup> Official website of Bundestag. URL: <https://www.bundestag.de/en/committees/a08>

<sup>13</sup> Official website of the Government Accountability Office. URL: <https://www.gao.gov/about/what-gao-does/history>

<sup>14</sup> Excerpt from the statement of the U. S. Comptroller General Eugene L. Dodaro to the Audit General Chamber of the Kingdom of Saudi Arabia, dated October 30, 2024. URL: <https://www.gao.gov/about/comptroller-general/presentations/2024>

and agencies) and it receives annual reports on their implementation. The GAO is presided by the Comptroller General, who is appointed by the US President upon the recommendation of the Senate for a term not exceeding 15 years.

Particular attention should be paid to the US audit standards, some of which include:

- general approaches to conducting audits, preparing audit reports, and
- requirements for auditors (the “Yellow Book”);
- internal control guidelines (the “Green Book”);
- principles of federal budget appropriation law (the “Red Book”), which also
- include the rights of the Comptroller General to define and issue rulings and opinions on the use of public funds.<sup>15</sup>

The US Congress exercises three main stages of control in the process of review and approval of the federal budget:

1. The relevant Authorising Committee approves a programme which requires budget funding.
2. The Appropriations Committee authorises the funding of the programme and determines its cost.
3. Following the adoption of the budget law, the funding is allocated for the programme [9].

Some scholars identify the US President’s Office of Management and Budget (OMB), the largest unit of the US administration, as a US SFC body [8]. However, from our perspective, in view of the OMB’s core tasks related to formulating the US draft budget and managing the unified treasury account [10], it appears more appropriately to be classified as a financial body.

Each US state forms its own SFC. For example, New York State has established a Department of Audit and Control, headed by Comptroller officially elected by the legislature.<sup>16</sup>

On October 1, 1978,<sup>17</sup> the “Inspector General Act” came into effect in the USA. The US President, with the recommendation and approval of the Senate, appoints the Inspectors General to respective agencies for internal control purposes, aimed at

preventing illegal and inefficient actions. The Inspector General coordinates the agency’s activities with the Comptroller General and, upon identifying fraudulents under criminal law, he immediately notifies the latter about it.

Furthermore, twice a year the Inspector General presents a report to the US Congress submitting information on identified problems and violations, along with recommendations for their resolution.

The US Department of Treasury can also be classified a US SFC body. It is responsible for tax collection and budget expenditure execution, as well as produces estimates of government revenues and expenditures, supervises revenue collection and banking activities, and controls the use of budgetary funds.<sup>18</sup>

**In France**, the history of the national SFC body dates back to the first half of the 19th century [11]. France, like Germany and the United States, establishes a decentralised model, where regional and local Courts of Accounts are independent bodies. Never the less, the French Court of Accounts, as the supreme SFC body, exercises an inspection function in relation to the regional and local Courts of Accounts.<sup>19</sup> The Court’s competence includes auditing state revenues and expenditures, state-owned enterprises, social security institutions, etc. Its mandate involves auditing completed financial operations, as control over current operations falls within the competence of the Ministry of Finance. In addition, it applies only to verification of completed financial operations, since ongoing oversight falls within the powers of the Ministry of Finance [8].

In conformity with the French Constitution, the supreme SFC body of the country assists the Parliament in monitoring government performance, as well as it supports the Parliament and the Government in executing finance laws, social security laws, and in evaluating public authorities.<sup>20</sup>

<sup>15</sup> Official website of the Government Accountability Office. URL: <https://www.gao.gov/about/comptroller-general>

<sup>16</sup> URL: [https://en.wikipedia.org/wiki/New\\_York\\_State\\_Comptroller](https://en.wikipedia.org/wiki/New_York_State_Comptroller)

<sup>17</sup> “Inspector General Act”. URL: <https://www.govtrack.us/congress/bills/95/hr8588/text>.

<sup>18</sup> Official website of the U.S. Department of the Treasury. URL: <https://home.treasury.gov/history/act-of-congress-establishing-the-treasury-department#reg>

<sup>19</sup> Code of Financial Jurisdictions. URL: [https://www.legifrance.gouv.fr/codes/section\\_lc/LEGITEXT000006070249/LEGISCTA000006085909/#LEGISCTA000006085909](https://www.legifrance.gouv.fr/codes/section_lc/LEGITEXT000006070249/LEGISCTA000006085909/#LEGISCTA000006085909)

<sup>20</sup> Constitution of the Republic of France. URL: <https://constitutions.ru/?p=285>



The Cabinet of Ministers appoints the President of the Court of Accounts by a special decree. The President also heads the Court of Audit Appeals, which reviews appeals related to decisions previously made by the Court<sup>21</sup> and selects auditors, whose terms of office are limited to three years. Meanwhile, the French President appoints half of the Court's members, who hold magistrate (judge) status, for life tenure [11].

The Court's collegial body, the High Council, examines the results of auditing activities, drafts of annual reports etc. at its sessions.

Distinctive features of SFC organisation in France include the authority of the Court of Accounts to delegate its powers related to specific audit entities to regional or local Courts of Accounts of French Polynesia, New Caledonia, Saint-Barthélemy, Saint Martin, and Saint-Pierre and Miquelon.<sup>22</sup>

Another notable specific feature of the French Court of Accounts is the organisational structure, which includes the Public Prosecutor's Office in charge of providing consultations on legislative issues and reviewing audit reports [8].

Its representatives are also present to participate in the regional and local Courts of Accounts. Each year, the Court of Accounts submits a report covering its activities to the President, the Government, and the Parliament. Among the French Government SFC bodies, there should be noted the General Inspectorate of Finance as well. It is subordinate to the Ministry of Economy and Finance and in charge of supervising the activities of enterprises, which have access to budgetary funding [8, 12].

In the **United Kingdom**, the SFC institution is the National Audit Office (NAO). It inspects the expenditures of government departments and a significant public sector of enterprises in the United Kingdom (for instance, such as the BBC and Network Rail). It also evaluates the efficiency of budget expenditures, develops recommendations for improving their economic effectiveness, audits

local authorities, and validates the credibility of government accounts.<sup>23</sup> Such SFC body was constituted back in 1861, when the UK House of Commons created the Committee of Public Accounts, and five years later, the position of Comptroller and Auditor General was introduced [11]. Nowadays, the NAO is presided by the Comptroller and Auditor General, who is appointed for a 10-year term by the Monarch upon a recommendation of the House of Commons. The Comptroller and Auditor General is a full-fledged member of the House of Commons. It is necessary to mention, that Wales, Scotland, and Northern Ireland have their own SFC institutions. For example, there operates the Northern Ireland Audit Office.<sup>24</sup> The NAO submits reports to the UK Parliament on its performance, reports on verification of its own activity etc. In the framework of implementation of financial and performance audits, the NAO renders a special emphasis on the following aspects:

- verification of the reliability of budgetary reporting;
- assessment of effective and efficient performance, as well as economy of resources used by government institutions;
- developing recommendations to improve public services.<sup>25</sup>

The NAO develops the Code of Audit Practice as well, which defines requirements for local institutions to perform their functions. The current version of the Code in force, dated November 14, 2024, provides general recommendations on conducting audits, including audit planning and reporting.<sup>26</sup> His Majesty's Treasury combines functions for developing and administering state policy in finance and economics by means of budget preparation and implementing, as well as controlling budget expenditures, including through the Government Internal Audit Agency (GIAA).<sup>27</sup>

<sup>21</sup> Code of Financial Jurisdictions. URL: [https://www.legifrance.gouv.fr/codes/section\\_lc/LEGITEXT000006070249/LEGISCTA000006085909/#LEGISCTA000006085909](https://www.legifrance.gouv.fr/codes/section_lc/LEGITEXT000006070249/LEGISCTA000006085909/#LEGISCTA000006085909)

<sup>22</sup> Code of Financial Jurisdictions. URL: [https://www.legifrance.gouv.fr/codes/section\\_lc/LEGITEXT000006070249/LEGISCTA000006085909/#LEGISCTA000006085909](https://www.legifrance.gouv.fr/codes/section_lc/LEGITEXT000006070249/LEGISCTA000006085909/#LEGISCTA000006085909)

<sup>23</sup> Official website of the NAO. URL: <https://www.nao.org.uk/about-us/>

<sup>24</sup> Official website of the Northern Ireland Audit Office. URL: <https://www.niauditoffice.gov.uk/>

<sup>25</sup> Official website of the UK Parliament. URL: <https://committees.parliament.uk/committee/207/public-accounts-commission/role/>

<sup>26</sup> Official website of the NAO. URL: <https://www.nao.org.uk/wp-content/uploads/2024/11/code-of-audit-practice-2024.pdf>

<sup>27</sup> Official website of His Majesty Treasury. URL: <https://www.gov.uk/government/organisations/hm-treasury>

The GIAA operates as an executive agency of His Majesty's Treasury, founded in order to improve the quality of internal audit in the central government.<sup>28</sup>

The NAO and His Majesty's Treasury develop guidelines documents to improve conducting SFC (audit) and internal audit. Among these documents, we should note the abovementioned Code of Audit Practice, as well as the Internal Audit Standards for Public Sector and the Handbook for Internal Audit and Risk Assurance Committees.<sup>29</sup>

The UK Parliament also oversees government spending. It is worth mentioning that the Committee of Public Accounts of the House of Commons bears responsibility for this and a member of the opposition party is traditionally entrusted to chair the supervising function.<sup>30</sup>

It is worth noting, that, besides the decentralised systems, some European countries, such as **Austria and Sweden**, have established a centralised model of SFC [12].

It is of certain interest to consider the experience of establishing SFC in some **Asian countries**, represented by various forms of governance: a parliamentary republic in The People's Republic of China, or India, a presidential republic in The Republic of Korea, or a constitutional monarchy in Japan.

**China** has established a vertical structure for controlling public finances. The financial control body is the National Audit Office of the People's Republic of China (CNAO). Auditor-General heads CNAO appointed by the Premier of the State Council of China [13].

Municipal Audit Offices operate at the local level, submitting reports both to the CNAO and to local government institutions. The system works likewise, for example, with the Audit Office of Province of Hubei and its city-level representative Offices.<sup>31</sup>

<sup>28</sup> Official website of UK State Services. URL: <https://www.gov.uk/government/organisations/government-internal-audit-agency/about>

<sup>29</sup> Official website of the UK Government Sources. URL: <https://www.gov.uk/government/publications/audit-committee-handbook>

<sup>30</sup> Official website of the Parliament of the Great Britain. URL: <https://committees.parliament.uk/committee/127/public-accounts-committee/>

<sup>31</sup> Official website of the Municipal Audit Office of the Province of Hubei. URL: <https://sjt.hubei.gov.cn/sjzx/>

The CNAO's audit authority extends to all the state entities and enterprises. Among other SFC institutions in China, there are the State-owned Assets Supervision and Administration Commission (SASAC)<sup>32</sup> of the State Council, established in 2003 to coordinate the activities of various agencies in managing state-owned enterprises [14].

Currently, SASAC conducts internal audits of property of state-owned enterprises, prepares draft laws on state-owned property management, and oversees internal control and audit systems, risk management, as well as handles other functions.<sup>33</sup>

The Ministry of Finance supervises budgetary expenditures of the central government of China, monitors treasury operations and the social security fund<sup>34</sup> as well.

In compliance with the Constitution of **India**, the President nominates the Comptroller and Auditor General (CAG). The latter is not allowed to hold office in the central or state governments after retirement.<sup>35</sup> The CAG is appointed for the term of 6 years and cannot hold this position upon coming of age over 65 years.<sup>36</sup> The Indian CAG's Department, also called the Indian Audit and Accounts Department, was created in 1860. Currently, it is in charge of conducting audits of the accounts of all government institutions (federal, regional, and local). It also conducts audits of budget revenues and expenditures, public corporations and companies, and commercial enterprises controlled by the Indian Government or state Governments. It conducts inspection of certain local authorities and institutions<sup>37</sup> and exercises its powers by means of compliance or performance audits, as well as through financial audits.

<sup>32</sup> Official website of the State-owned Assets Supervision and Administration Commission. URL: <http://en.sasac.gov.cn/index.html>

<sup>33</sup> Official website of the State-owned Assets Supervision and Administration Commission. URL: [http://en.sasac.gov.cn/2018/07/17/c\\_9258.htm](http://en.sasac.gov.cn/2018/07/17/c_9258.htm)

<sup>34</sup> Official website of the Ministry of Finance of the People's Republic of China. URL: <https://www.mof.gov.cn/en/abus/mf/>

<sup>35</sup> The Constitution of India. URL: <https://legalns.com/download/books/cons/india.pdf>

<sup>36</sup> "The Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971". URL: <https://www.nextias.com/blog/comptroller-and-auditor-general-of-india/>

<sup>37</sup> The official website of The Comptroller and Auditor General of India. URL: <https://cag.gov.in/en/faqs>



A compliance audit is conducted to determine whether financial operations meet the requirements in accordance with the laws, contracts, and agreements. It also provides the assessment of performance of government officials. A financial audit is aimed to specify whether reporting complies with accounting standards and legal regulations. A performance audit allows comprehending whether implemented programmes and measures align with principles of cost-effectiveness and efficiency. Furthermore, it provides recommendations for improving resource management.<sup>38</sup>

Information on audit results is channeled to the President and all state governors of India, meanwhile in their turn they submit the results to the Parliament and their state legislatures, respectively.

In **Japan**, the Board of Audit is an independent constitutional SFC institution [13]. Initially, it was founded in 1869 as a Division of the Ministry of Finance, and later, in 1947, it achieved its independent status.<sup>39</sup>

The Board's essential objective is ensuring sustainable financial management. Consequently, it is empowered to audit income and expenditure accounts at the national scale, recipients of budget subsidies, enterprises, whose authorised capital is partially backed up from the state, among other sources, by means of budget funding, as well as tax inspectors, and local entities [13].

The Board comprises the Commission of Audit and the General Executive Bureau. The Commission of Audit consists of three members: Chairman and two Commissioners, authorised officials, all of them are appointed by the Cabinet with the consent of both Houses of the Diet for the term of 5 years and formally appointed by the Emperor.<sup>40</sup> The term of service of the Chairman may be extended once.<sup>41</sup>

The General Executive Bureau undertakes an audit by its Secretary-General, who is supervised by the Commission members. The auditing standards define its key objectives:

- Accuracy (objectivity of the information in reports).
- Economy (achievement of the targeted objectives with minimal cost).
- Correctness (in compliance with legal requirements in managing public finances).<sup>42</sup>

Besides, the issues of verification of the internal control system are taken into account separately in the standards.

Reports on audit results are submitted to the Diet and the Cabinet of Ministers.

**The Republic of Korea** represents another example of a centralised SFC model: the Board of Audit and Inspection (BAI) was established under the President in 1948 aimed to conduct inspection of the central Government, local authorities, state-run entities and other enterprises defined by law.<sup>43</sup>

Currently, the Board of Audit and Inspection operate with the status of supreme SFC body in the Republic of Korea. BAI is headed by a Chairman appointed for a 4-year term by the President of the nation upon the recommendation of the National Assembly.<sup>44</sup> The President of the Republic of Korea also appoints BAI Commissioners for the same 4-year term based on the similar recommendation of the Chairman (the procedure is comparable to the appointment of auditors of Accounts Chamber of the Russian Federation).

BAI's collegiate body (Council) is established within the structure focused to take decisions related to organisational agenda, consider audit results, etc.

The BAI controls the revenues and expenditures of the state and local budgets, implementing performance audits, as well as financial, managerial,

<sup>38</sup> The official website of The Comptroller and Auditor General of India. URL: <https://cag.gov.in/en/faqs>

<sup>39</sup> Official website of The Commission of Audit of Japan URL: <https://www.jbaudit.go.jp/english/jbaudit/history.html>

<sup>40</sup> Official website of The Commission of Audit of Japan URL: <https://www.jbaudit.go.jp/english/jbaudit/commission.html>

<sup>41</sup> The Law on The Commission of Audit of Japan. URL: <https://www.jbaudit.go.jp/english/jbaudit/law.html>

<sup>42</sup> URL: [https://www.jbaudit.go.jp/english/effort/pdf/auditingstandards\\_r040908.pdf](https://www.jbaudit.go.jp/english/effort/pdf/auditingstandards_r040908.pdf)

<sup>43</sup> Official website of the Board of Audit and Inspection. URL: [https://www.bai.go.kr/bai\\_eng/intro/briefHistory](https://www.bai.go.kr/bai_eng/intro/briefHistory)

<sup>44</sup> The Law on the Establishment of the Board of Audit and Inspection. URL: <https://www.law.go.kr/LSW/eng/engLsScdo?menuId=2&section=lawNm&query=Board+of+Audit+and+Inspection+Act&x=34&y=22#liBgcolor0>

and initiative audits.<sup>45</sup> However, it conducts the latter upon receipt of requirements in a petition signed by no less than 300 individuals.

Furthermore, the BAI develops audit standards and codes of audit practice and subsequently reports on this activity to the President of the nation.

The Republic of Korea attaches significant importance to internal audit: it has established Audit Units in central and local agencies and they act in accordance with statutory requirements.<sup>46</sup> The law stipulates the procedure for forming Internal Audit Units, appointing their directors and interacting with the BAI as well. It also allows any enterprise to be exempt from BAI inspection in case if the level of activity of its Internal Audit Unit is considered of high-quality.

To conclude the review of the SFC organizations in foreign countries, we analyse how they operate **at the supranational level**.

Within the process of European integration, the agenda of insurance of independent control over the European Commission's activities in executing the European Union budget has been given an essential importance [15].

One year after the signing of the Treaty of Rome (1957) which resulted to establishing the European Economic Community,<sup>47</sup> a miniature Audit Board was set up. As the Community's budget increased, the European Parliament acquired its control, and in 1975, the European Court of Auditors (ECA) was established.<sup>48</sup>

The Maastricht Treaty, which entered into force on November 1, 1993, upgraded the social status of the Court of Auditors to an EU institution (on equal terms with the European Parliament and the European Council).<sup>49</sup>

<sup>45</sup> Official website of the Board of Audit and Inspection. URL: [https://www.bai.go.kr/bai\\_eng/intro/briefHistory](https://www.bai.go.kr/bai_eng/intro/briefHistory)

<sup>46</sup> The Law on the Control in the Governmental Sector. URL: <https://www.law.go.kr/LSW/eng/engLsSc.do?menuId=2&query=ACT%20ON%20PUBLIC%20SECTOR%20AUDITS#liBgcolor0>

<sup>47</sup> Official website of the European Parliament. URL: <https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/treaty-of-rome>

<sup>48</sup> Official website of the European Union. URL: <https://www.eca.europa.eu/en/history>

<sup>49</sup> The Treaty on European Union. (Maastricht, February 7, 1992). URL: <http://oceanlaw.ru/wp-content/uploads/2018/02/Договор-о-Европейском-Союзе.pdf>

In accordance with the Treaty on the Functioning of the European Union,<sup>50</sup> the ECA includes one representative from each EU member state, appointed for a 6-year term by the European Council after the approval of the European Parliament. Meanwhile the term of service for President of the Court of Auditors is 3 years.

Ensuring independence of all members of this control organisation is of essential importance. For instance, the ECA representatives are strictly forbidden to take instructions from any government or other enterprises of the EU member states.

The structure of the ECA includes the following: Audit Chambers, Audit Quality Control Committee, Administrative Committee, and Secretariat General.

The ECA monitors to control the income and expenses of the European budget and it assesses the effectiveness of financial management of the Union.

The existence of a single control body does not necessarily exclude the participation of national Supreme Audit Institutions of the ECA in audit activity, however, only if they operate as observers.

Reports on the results of audit measures are channeled to the European Parliament, the Council of Economic and Financial Affairs, as well as to the Parliaments of all member states.<sup>51</sup>

## CONCLUSIONS

The study of experience in establishing SFC bodies indicates that these bodies play one of the leading role in the process of state financial management.

Their main focus includes budget expenditures, assessing their effectiveness and legality, and confirming the reliability of reporting.

Consequently, international Supreme Audit Institutions, which unite SFC bodies from various countries, operate in accordance with the existing largely homogeneous principles for their activities and common tasks.

However, they have some specific peculiarities. For example, the French Court of Accounts

<sup>50</sup> Official website of the European Union. URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12016ME%2FTXT>

<sup>51</sup> URL: <https://op.europa.eu/webpub/eca/book-state-audit/en/>



incorporates the Public Prosecutor's Office in its organisational structure. It is also essential to identify two major models of SFC organisation: decentralised (in Germany, or USA) and centralised (in The People's Republic of China, or in the Republic of Korea).

According to the author's viewpoint, the US experience related to the institution of Inspectors General deserves comprehension. It could be introduced in domestic practice and this seems highly pertinent, since Russia currently lacks a unified system of internal financial control and audit [16].

It is worth evaluating an interesting practice of several countries in creating a unified SFC body that controls budgets at all levels. In our viewpoint, this approach could be useful for establishing internal SFC currently performed by the Federal Treasury,

as well as the bodies of the constituent entities and municipalities of the Russian Federation [17].

The experience of the Republic of Korea is equally interesting regarding the cases of exempting enterprises from inspections, if the activity of their Internal Audit Units is estimated of high enough. Applying this approach in Russia could mitigate the burden on SFC bodies and boost the efficiency of public financial allocations [16].

The inspection function of the French Court of Accounts, applied towards regional and local Courts of Accounts, also seems quite pertinent and promising for our country.

Furthermore, as the Union State of Russia and Belarus are in constant development and, consequently, the amount of its joint budget grows, the European practice of creating a supranational SFC body will be required.

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