



## SUPREME AUDIT BODIES AND THEIR ROLE IN FINANCIAL AUDIT

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**Abstract.** In this thesis, suggestions and recommendations are given on the improvement of the Supreme Audit Institutions and their position in the financial audit.

**Key words:** higher audit bodies, efficiency audit, compliance audit, financial audit.

Based on the experience of foreign countries, we can come to the conclusion that each country has a higher competent body, i.e. the Supreme Audit Office, which carries out control and inspection of the budget and the formation of its revenue part, spending of the cost part.

In our country, the function of this supreme audit body has been performed by the Chamber of Accounts.

The Supreme Audit Office is the body responsible for state financial management and management of state funds. The Supreme Audit Institution plays a central role in the effective, efficient, transparent and accountable use of public resources approved by the Parliament through the annual budget process.

The Supreme Audit Office is an important, independent source of information for the parliament about budget results and performance. By reporting to the Parliament and the public, the Supreme Audit Institution informs the public about the use of public funds and thus performs a serious investigation into possible misuse of public funds or corruption.

The supreme audit body should have sufficiently broad powers and verify the legality and regularity of the accounts of the entities it audits. It should also conduct performance audits that examine the effectiveness and efficiency of government structures and programs. Therefore, independent Supreme Audit Institutions are an important body in a democratic system.



Based on a global comparative analysis, the target for parliaments in the field of "Supreme Audit Authorities" is:

- The Constitution and/or other aspects of the legal framework serve as the basis for the existence, functions and powers of the State Bureau, which is independent of the Executive branch and the entities it audits.
- The members of the supreme audit bodies have independence in terms of appointment and dismissal, and are required to be honest and qualified persons;
- It was considered that the higher audit bodies have the right to access the entities they audit, their accounting records and documents, and the right to demand answers to their conclusions. Supreme audit bodies have the right to hire the necessary funds and expert staff to perform their audit tasks
- There is a special relationship between the Parliament and the Supreme Audit Office, which is established by law and works well in practice. Supreme audit bodies are legally obliged to report regularly and independently to the parliament and the public.

The following figure shows the types of audits conducted by the higher audit bodies. (Figure 1)

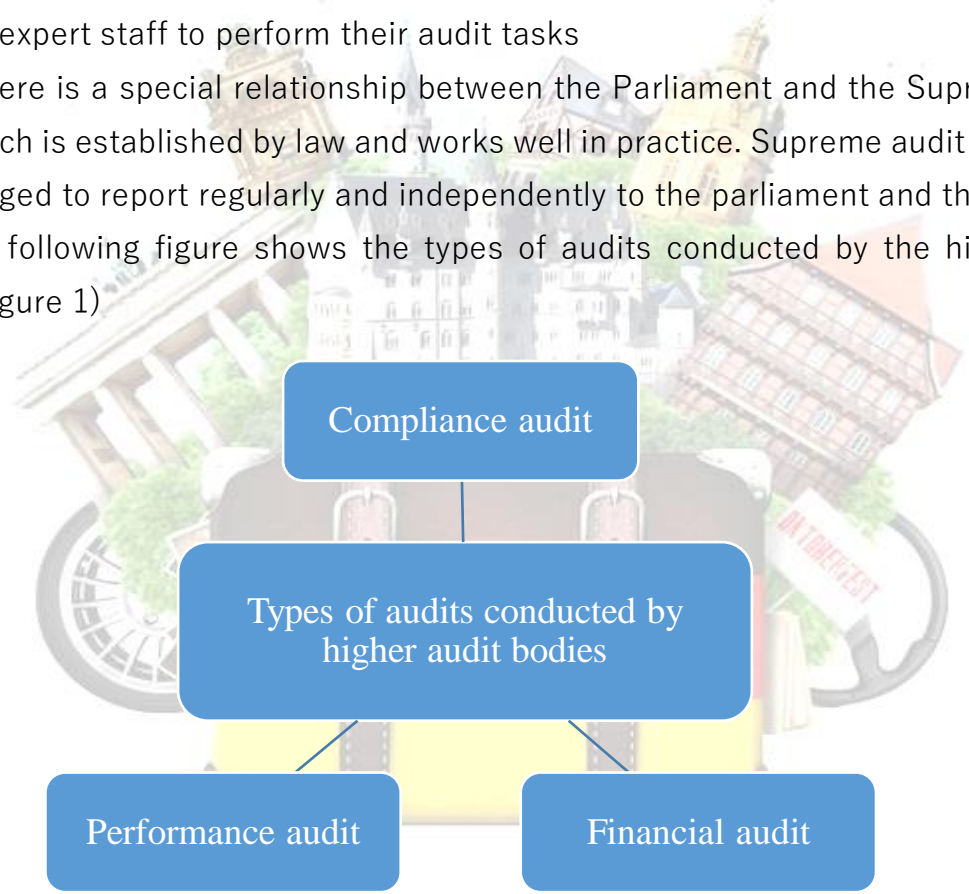


Figure 1. Types of audit inspections conducted by the Supreme Auditing Bodies <sup>1</sup>

<sup>1</sup> Systematized by the author



A compliance audit is a formal evaluation or assessment of an organization's compliance with frameworks and/or regulatory requirements. Compliance audits are carried out by independent auditors, and most of them are:

- Transfer based on regulatory requirements;
- Being able to deeply assess the state of the organization based on the instructions and requirements of the target system or compliance regulation;
- Implementation by an independent or third-party auditor;
- Results have the characteristics of leading to final results such as a report, evaluation or audit report.

Organizations will be required to undergo internal control interviews during compliance audits. Auditors must exercise judgment and professional skepticism based on their own standards to obtain "reasonable assurance" that the entity is performing the activities required by the objective framework or regulations.

A performance audit is an independent examination of the program, function, operation, or management systems and procedures of a public or nonprofit organization to assess whether the organization is achieving economy, efficiency, and effectiveness in using available resources. The investigation is objective and systematic, usually using structured and professionally accepted methodologies.

In many countries, government performance is audited by external audit bodies at the federal or state level. Many of these audit bodies have established performance audit manuals that explain how to plan, conduct, and report on the results of a performance audit.

Financial audit is a comprehensive, detailed examination of the company's financial reports and accounts. A trusted third-party auditor conducts the audit and issues an audit report based on the most recent financial statements. This information helps in decision making and monitoring.

There are many reasons for an organization to conduct a financial audit

- ensure accuracy of accounting records and financial statements;
- Determining whether it is prepared on the basis of regulatory and legal requirements;
- Provide accurate financial statements for lenders or investors



- Improvement of internal control and accounting processes of the organization

A financial audit looks at all historical information about transactions: financial statements, ledgers, invoice processing, and more. A qualified auditor or certified public accountant (CPA) uses these sources to ensure the reliability of a company's financial statements.

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