

Chapter 17

Supervising System and Business Control of Local Self-Government Units in Performance Audit Function

Jelica Eremić-Đodić

University EDUCONS, Serbia

Ivan Bosnjak

Ministry of Public Administration and Local Self-Government, Serbia

ABSTRACT

As everywhere in the world, resources in the Republic of Serbia are limited. Almost half of the resources are covered by public spending. A well-established oversight of the budget process provides real assistance in performance audit, and it is also an instrument of a permanent guidance and correction. The State Audit Office is often assigning itself tasks to carry out the activities related to the performance audit process. In this way, the state audit approaches systematically to the examination of business activities of all budget users. The basic task of the performance audit lies in examining the economy, efficiency, and effectiveness of the use of public funds by using various analyses, making comparisons, and analyzing indicators. This chapter will describe the proposal for a procedure that ensures a continuous process of supervision and control of business operations in local self-government units in the function of performance audits.

INTRODUCTION

The purpose of the performance audit should be to assess the of disposing performance of an income: both from own and earmarked funds received by the state as well as the process of spending. In order to carry out such an assessment, it is necessary to consider the way in which one's own income is generated; criteria for acquiring them, as well as to determine to what extent the way of spending own revenues

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of budget users is useful. In this case, the research will be applied to local government units as one of the significant budget users. At the same time, it is also a way of assessing whether local governments adhere to the principles of economy, efficiency and effectiveness in their work.

BACKGROUND

However, there are few studies on the use of resources and costs for local government, which can be used for this purpose. Considering that financial management and control are an area of implementation in local governments, practice shows that there have been no comprehensive studies on the use of resources and associated costs so far that we can accept or disrupt their results. That is why this research is a novelty because it speaks about the steps that need to be taken in order to establish continuous supervision over financial management and control in local governments, which, in addition to numerous advantages, would definitely ensure the tracking of documents which we can say with certainty that signifies both innovations in Serbia and relevant developing countries. (D. Coderre, 2011)

Internal auditors / controllers who provide consulting services to their organizations are in a position where they can contribute to the improvement of the overall control system. The data they collect through any type of consulting assignment can almost always be used to develop control throughout the organization. In addition, an increasing number of audit teams are giving management advice on designing new processes and systems. (M. Stanišić, 2015)

The management of a legal entity has the primary responsibility for designing, implementing and overseeing the operation of internal control systems, with a view to pursuing the specific objectives of the organization, including the prevention and detection of criminal acts. (A. Petković, 2010)

The Performance Audit of Budget Users

In order to make a more realistic assessment of the use of public funds and to determine whether the principles of economy (Table 1) are respected, it is necessary to use certain analyses and observe indicators in order to draw conclusions that describe their comparability and affect realization of business tasks.

Table 1. Principles of economy

Cost-effectiveness	Minimizing the cost of resources used with the right quality of products or services.
Efficiency	In its relation to cost-effectiveness, it provides an answer if the funds have been used optimally and appropriately. So, it can be evaluated whether similar results can be achieved with fewer resources.
Effectiveness	It refers to the goals achievement and the relationship between them, the outcomes, ie. purpose. The way in which it can be measured is the effects on the assets used to realize them.
Impartiality	A defined concept on equal opportunities

Source: authors (2019)

Developing the modern economy, the professional profile of auditing is changing as well. The purpose of the audit is not to have one structure controlling other, but to assist the company to which it is intended. (J. Eremić-Đođić, B. Laban & A. Tomić, 2017).

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