Theoretical and Methodical Basis for Audit Activity Standardization

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Abstract

One of the problems of performing audit activity is development of methodology basis for the development of audit activity standards. This work proposes the principles of audit activity standardization divided into three groups: principles determining the theoretical basis for audit activity standardization; principles determining the procedure for development of audit activity standards; principles determining the content of audit activity standards. The number of audit activity principles is expanded through adding such principles as principle of scientific approach, system approach, reflection, advanced development, rationality, coordination, independence, conformity to plan, feedback, innovative activity, publicity, timeliness, technology application, neutrality, and ability to check compliance with a standard. The conclusion was made that meeting the proposed principles will allow to improve the quality of services provided by auditing organizations and individual auditors. Methods applicable for audit activity standardization were considered. It was determined that practical methods and special standardization methods allow to fully meet all the proposed principles of audit activity standardization. Objects of audit activity standardization were identified: services provided by auditing organizations and individual auditors and processes of providing those services. The following groups of standards were proposed: standards of services, standards of providing services, and standards of infrastructure for providing services. An audit activity standard was defined. A system of indicators evaluating compliance with the principles of audit activity standardization was developed. Two types of evaluation were proposed: rapid evaluation of compliance with the principles of audit activity standardization in the form of testing and detailed evaluation of compliance with the principles of audit activity standardization. The two types of evaluation can serve as criteria for evaluation of the quality of audit activity standards.

Keywords: audit activity, audit activity standardization, audit activity standards, classification of audit activity principles, objects of audit activity standardization, methods of audit activity standardization, indicators evaluating compliance with the audit activity principles.

1. Introduction

1.1 Introduction of the Problem

It is common knowledge that audit activity standards create the required prerequisites for achieving a certain level of audit services. Compliance with the standards allows to optimize costs of providing audit services. Using the standards improves mutual understanding between auditors and clients. At present, however, audit activity standards are developed mainly through generalization of experience in performing audits, while theoretic basis for audit activity standardization is usually limited to classifications of audit activity standards and issues of compliance with the system of international audit standards.

1.2 Importance of the Problem

Although audit activity standardization has been implemented in Russia for more than twenty years now, its methodological basis and methodical propositions remain underdeveloped, which shows in the lack of uniform approaches to development of audit activity standards of different levels, lack of a single structure among standards, and different styles of presenting information. All that makes it much more difficult to study the principles in practice, understand individual propositions, and makes working with standards unergonomic. For example, principles and methods of audit activity standardization are understudied and there is no precise classification of the objects of audit activity standardization. In addition, there are no uniform methodical approaches to development of audit activity...
standards. At present, every subject of standardization independently establishes the procedure for development and review of audit activity standards, which results in non-compliance between standards of different levels. Moreover, there is a lack of a procedure for estimating the quality of audit activity standards. In this connection, study of methodology basis for audit activity standardization is considered relevant, because development of methodology basis for audit activity standardization will allow to eradicate the deficiencies mentioned above.

The goal of this research is to develop methodology for audit activity standardization. To achieve the goal of the research, the following tasks were set:
- specify the set of principles of audit activity standardization;
- identify the objects of audit activity standardization, specify the definition of audit services, and expand the classification of audit services;
- study the set of methods which secure adherence to the author’s system of principles of audit activity standardization;
- propose the author’s definition for audit activity standard and add new classification criteria to the classification of audit activity standards;
- develop methods for evaluation of compliance with the principles of audit activity standardization.

1.3 Relevant Scholarship

The concept of audit activity and its fundamental principles were coined and elaborately developed by both foreign and Russian researchers. A significant contribution to the development of theoretical basis of audit activity was made by such scholars, as A. Arens, R.P. Bulyga, S.M. Bychkova, M.A. Gorodilov, E.M. Guttsait, U.A. Danilevskiy, F.A. Delfiz, D.R. Carmichael, J. Lobbeck, V.I. Podolskiy, J. Robertson, Y.V. Belobragin, V.T. Chaya, A.D. Sheremet, etc.

The authors studying audit activity standardization used the scientific basis from the works by V.Y. Belobragin, Y.N. Bernovskiy, B. Z. Brod, G.P. Bunin, M.A. Nikolaeva, V.M. Postyko, etc.

Conceptual basis for audit has been studied in a great number of works. However, those works ignored the issues surrounding audit activity standardization and development of the mechanism for improving the standards of providing audit services. All that affects negatively the quality and, therefore, practical application of audit activity principles.

1.4 Hypotheses and Their Correspondence to Research Design

The authors make the following assumption: although every audit activity standard is unique, they must be developed on a single basis which would provide high quality of the standards.

2. Method

The following methods were applied during the research: methods of system, comparative, and historical analysis, synthesis, induction, deduction, scientific generalization, etc.

The information basis for the research comprised legislative and statutory acts of the Russian Federation, which regulate the issues of standardization and procedure for audit activity, international audit standards, scientific papers and monographs on the studied topic.

3. Results and Discussion

Audit activity standardization is built on the principles forming its basis. Unlike the principles of audit activity standardization mentioned in the works by E.M. Guttsait (Guttsait, 2002), S.I. Zhminko and P.V. Baklanova (Zhminko and Baklanova, 2012), B.T. Zharylgasova (Zharylgasova, 2007), and V.I. Podolskiy (Podolskiy, 2010), the authors specified and expanded them by adding such principles as principle of scientific approach, system approach, reflection, advanced development, rationality, coordination, independence, conformity to plan, feedback, innovative activity, publicity, timeliness, technology application, neutrality, and ability to check compliance with a standard. Based on the conducted research, the authors proposed a system of principles of audit activity standardization. The principles of audit activity standardization are divided into three groups: principles determining the theoretical basis for audit activity standardization; principles determining the procedure for development of audit activity standards; and principles determining the content of audit activity standards (Table 1).
The conducted analysis allows to state that only simultaneous application of the general scientific methods applied in practice and special methods of general theory of standardization will allow to implement the whole set of principles of audit activity standardization. Those methods include:

- theoretical methods (analysis, synthesis, abstracting, specification, generalization, formalization, induction, deduction);
- empirical methods (studying relevant literature, documents, results of performance, observation, measurement, survey, expert evaluation, testing, object watching, inspection, monitoring, study and generalization of experience, experiments) (Novikov, Novikov, 2007);
- special methods of standardization (unification, ranging, selection, simplification, typification, classification, methods of terminology, parametric rows, general technical requirements, general technical conditions, method of typical service) (Belobragin, 2011).

To our opinion, unification deserves special attention. Unification is a method based on selecting the optimal number of objects of standardization or their sizes, in order to convert them to a single system, form, i.e. to uniformity.
V.T. Chaya emphasizes the importance of establishing a unified system of documents and requirements for the external check of quality of performance of auditing organizations (Chaya, 2012). Y.Y. Kostyleva and V.A. Kostylev emphasize the importance of unifying audit documents, including a report on the results of an audit check (Kostyleva, Kostylev, 2005). Besides the process of control of quality of provided services, a unified documentation procedure is needed for other processes, such as planning of the procedure for providing a service, providing a service, and preparation of final documents.

Unification of terms used in professional audit standards is also important. Analysis of regulations performed by V.F. Massarygina demonstrates that one and the same term is defined differently in different documents (Massarygina, 2012).

The role of an object of standardization can be performed by everything that can be used multiple times (Burtsev, 2000). In this connection, according to the analysis of approaches to identifying objects of standardization by V.M. Postyka and V.V. Philippov (Postyka and Philippov 2012), M.A. Nikolaeva and L.V. Kartashova (Nikolaeva, Kartashova, 2010), V.Y. Belobragyn (Belobragyn, 2011), Y.N. Bernovsky (Bernovsky, 2012), objects of audit activity standardization include services provided by audit organizations and individual auditors and processes of providing repetitive services.

There is a lack of a single classification of services which can be provided by audit organizations and individual auditors. According to M.V. Chernova, the current notion of “audit” goes beyond financial aspects. Audit has taken new forms and started to develop in multiple directions (Chernova, 2011). There is financial audit and such types of “audit”, as ecological audit, production audit, operating audit, as well management audit, performance audit, constitution audit, etc. (Sheremet, 2007).

Along with M.V. Chernova, expansion of areas of audit application and new forms of audit are mentioned in the works by R.P. Bulyga (Bulyga, 2012), M.V. Melnik, and V.G. Kogdenko (Melnik, Kogdenko, 2005), S.V. Pankova, and L.V. Pasechnikova (Pankova, Pasechnikova, 2013). One can hardly deny that fact, because it is an objective reflection of the current state of the audit services market.

In academic literature, specialists also failed to come to a single opinion about the legitimacy of providing audit services by audit organizations and individual auditors. While some authors think that extra services provided by subjects of audit activity must not go beyond providing accounting services and tax consultations, others propose to reduce the range of those services within further improvement of legislation by excluding training, evaluation activity, and other services, others suggest establishing an exhaustive list of services relating to compulsory audit, others insist on raising almost all limitations on audit-relating services (Zevaikina, 2010). For example, V.I. Petrova notes that audit-related services include all other services which audit organizations are permitted to provide by law (Petrova, 2009).

According to E.M. Guttsait, the issue of establishing a register and regulation of audit-related services must be addressed by using a deductive method, which means that a definition must be introduced which would allow to decide whether that permission covers each area of activity (Guttsait, 2002). A.D. Sheremet also emphasizes the importance of that issue: “there is an obvious need for a scientific interpretation of audit, audit-related services, and their classification” (Sheremet, 2007). I.B. Shurchkova also points out that the lack of definitions of audit-related and other services makes it difficult to identify some areas of activity (Shurchkova, 2012).

It cannot be denied that the lack of such a definition makes differentiation between audit-related services and other services difficult. Moreover, this allows to include any service into that group, if the relevant standard is developed. To our opinion, audit checks should be understood as checks, the purpose of which is to confirm compliance of the studied subject with the set criteria. When providing audit services, the subject of study may be both financial and non-financial information about all types of resources, the proper use of which must be confirmed. Table 2 shows the classification of audit services.

**Table 2 – Classification of audit services**

| Nature of the information, accuracy of which is confirmed by the auditor | Classification criterion | Subject of study, in relation to which compliance with criteria is confirmed | Level of certainty achieved by auditor when providing the services | Information serving as criteria, compliance with which is checked by auditor |
|---|---|---|---|---|
| Audit services confirming accuracy of financial information | Audit services confirming accuracy of information about operation of organization systems and processes | Audit services confirming accuracy of information about the use of technical characteristics of the resources used | Audit services confirming accuracy of information about the use of labor forces | Audit services confirming compliance with general criteria |
| Audit services confirming accuracy of non-financial information | Audit services providing reasonable level of certainty | Audit services providing limited level of certainty | Audit criteria confirming compliance with local criteria | |
When performing audit, the auditor must reach a reasonable level of certainty, while when performing reviews the level of certainty must be limited. That approach will also allow to combine all the existing types of audit.

Audit-related services are services which do not give the auditor any certainty regarding the accuracy of information.

The identified objects imply identification of the following groups of standards:
- standards of services (standards describing the result of providing audit services and audit-related services);
- standards of providing services (standards of processes of providing audit and audit-related services);
- standards of infrastructure for providing services (standards of conditions needed to provide audit and audit-related services and to achieve the final result).

Under a standard of audit activity one should understand a document, which contains compulsory and repeatedly used rules for providing audit and audit-related services. That definition expands the circle of potential developers of standards. Compulsory use of standards is a necessary condition for securing uniformity of audit activity. The definition points out providing audit and audit-related services as an area of application of standards.

Orientation of the standards must be taken into account as well. For example, the standards of services must be oriented mainly at clients; the standards from the second group – at providers of services, and the standards from the third group – at supervising agencies which supervise the procedure for providing services.

Each of the three groups of standards has its internal classification, which depends on the needs of main users of a given group of documents. Lack of standards from one of the groups endangers providing high-quality services and compliance with the principles of audit activity standardization. Each group of the proposed standards implements the relevant group of principles. The relationship between groups of standards and group of principles is shown in Table 3.

| Group of standards | Groups of principles implemented |
|--------------------|---------------------------------|
| Standards of services | Principles forming the basis for audit activity standardization |
| Standards of providing services | Principles determining the content of standards of audit activity |
| Standards of infrastructure for providing services | Principles determining the procedure for development of audit activity standards |

Lack of evaluation of compliance with the principles of audit activity standardization, which must form the basis for the process of audit activity standardization and can serve as evaluation criteria for quality of audit activity, makes it difficult to develop necessary measures aimed at improvement of audit activity standardization.

It should be noted that evaluation of compliance with the principles is necessary for determining the level of their observation, because a principle of audit activity standardization may be followed to completely or partially, or not followed at all, and for development of the necessary measures aimed at improvement of the procedure for development and review of audit activity standards. The extent of compliance with the principles of audit activity standardization depends on the indicators used for evaluation.

Evaluation of compliance with the principles of audit activity standardization must be performed in accordance with certain principles, e.g. the principles of evaluation proposed by E.M. Korotkov. They include:
- principle of scientific approach. Evaluation must be performed by using scientifically grounded methods.
- principle of purposefulness. Evaluation must be aimed at a specific goal.
- principle of diversity, completeness, and consistency. When performing an evaluation, one should take into account relationships between characteristics of the object of evaluation, aspiration to their completeness, diversity, and sufficiency.
- principle of criterion rigidity. When performing an evaluation, optional change of criterion is inadmissible.
- principle of quantity determination of an evaluation. An evaluation must be performed in quantity indicators, whenever possible.
- principle of combining evaluation of state and alterations.
- principle of independence. Evaluation must be isolated from the influence of interested parties (Korotkov, 2000).

In our opinion, the list of principles identified by E.M. Korotkov is sufficient for performing an evaluation of compliance with the principles of audit activity standardization.

Depending on the goal, one can differentiate between rapid and detailed evaluation of compliance with the principles of audit activity standardization. Table 4 contains comparative analysis of the two types of evaluation.
Table 4 – Comparative analysis of evaluations of compliance with the principles of audit activity standardization

| Comparative criterion | Rapid evaluation | Detailed evaluation |
|-----------------------|------------------|--------------------|
| Nature of the studied issue | Determination of compliance or non-compliance with the principles of audit activity standardization | Determination of effectiveness of using the methods securing compliance with the principles |
| Goal of using the results of evaluation | Determine the quality of audit activity | Identify effective methods securing compliance with the principles of audit activity standardization and develop additional methods, if the existing methods are not enough |
| Users of evaluation results | All interested parties | Developers of audit activity standards |
| Nature of source data | Public information | Insider information |
| Availability of source data | Public information | Special information basis is needed |
| Evaluation costs | insignificant | significant |
| Duration of estimating | insignificant | significant |
| Form of evaluation | Test questions | Calculation of quantity indicators |

Indicator is a means of evaluation. Indicators help judge about the development or progress of something (Ozhegov, 1987). Indicators must meet certain requirements. In our opinion, the following requirements proposed by E.M. Korotkov can be used as requirements for indicators of compliance with the principles of audit activity standardization:

- **validity** – indicator must comply with the goals for which it is used;
- **dimensions** – indicator must not combine factors of different dimensions;
- **measurability** – indicator must be quantity-measurable or have a word form (increase, more, less, admissible, positive tendency, reasonable, etc.);
- **fact basis** – indicator must rely on facts;
- **reasonable simplicity** – if possible, indicator must be simple in structure, calculations, conditions of use, and structure of information;
- **function determination** – indicator must have its own function (aggregation of information, means of analysis, motivation, control, regulation leverages, etc.);
- **consistency** – indicators must be compatible and interdependent, meet the integrating purpose, rule out duplication and unjustified overlapping;
- **orientation at practical use** – indicators must be applicable in practice (Korotkov, 2000).

Every type of evaluation has its own indicators. As the principles of audit activity standardization are interconnected and the principles determining the procedure for audit activity standardization and the content of standards are built on the principles determining the theoretical basis, we think that it will suffice to develop indicators for those two groups of principles only.

In our opinion, rapid evaluation of compliance with the principles of audit activity standardization can be performed in the form of testing. Table 5 shows the indicators used for rapid evaluation of compliance with the principles of audit activity standardization.

Table 5 – Indicators of rapid evaluation of compliance with the principles of audit activity standardization

| Principle, compliance with which is estimated through the indicator | Indicator | Variants of answer |
|------------------------------------------------------------------|----------|--------------------|
| Principle of purposefulness | Are the goals of development of audit activity standards known to all the interested parties? | yes no |
| Principle of independence | Are development and approval of audit activity standards performed by the authorized agency? | yes no |
| Principle of coordination | Is there a procedure for development and approval of audit activity standards which contains functional obligations of every subject participating in the standardization process? | yes no |
| Principle of conformity to plan | Is there a program for development of audit activity standards complying with the goals of development of those standards? | yes no |
| Principle of feedback | Are there tools to collect information about the problems of practical application of audit activity standards? | yes no |
| Principle of competence | Do the developers of audit activity standards have documents confirming their education in a relevant field, experience, and reputation? | yes no |
| Principle of team work | Are audit activity standards developed and discussed by a group of people? | yes no |
| Principle of innovative activity | Does the text of an audit activity standards or the notes to it contain references to scientific articles used for its development? | yes no |
| Principle of publicity | Is information about the applicable audit activity standards, procedure for their development, current work on development of standards, and monitoring of execution of plan of standards development public? | yes no |
| Principle of timeliness | Is the limited interval between identification of the need to develop an audit activity standards | yes no |
Table 6 – Indicators of detailed evaluation of compliance with the principles of audit activity standardization

| Principle                             | Indicators                                                                 |
|---------------------------------------|---------------------------------------------------------------------------|
| Principles determining the procedure for development of standards | - number of standards meeting the needs of their users;                    |
|                                       | - number of standards, development of which is funded not by their developer; |
|                                       | - number of identified cases of non-compliance with the procedure or functional obligations; |
|                                       | - amount of costs for elimination of the effects of breaking the regulations; |
|                                       | - amount of time needed to provide information to the recipient;           |
|                                       | - number of cases of losing information;                                  |
| Principle of feedback                 | - number of proposals made regarding program development;                 |
| Principle of purposefulness           | - share of standards meeting the needs of their users in the total number of standards; |
| Principle of independence             | - share of standards, development of which is funded not by their developer, in the total number of standards; |
| Principle of coordination             | - number of standards developed per unit of time;                        |
| Principle of conformity to plan       | - number of standards per 100 thousand rubles spent on development and approval of standards; |
| Principle of applicability            | - average amount of costs for elimination of one non-compliance with the regulations; |
| Principle of relevance                | - share of planned standards developed in the total number of developed standards; |
| Principle of ability to check adherence to standard requirements | - share of planned developed standards in the total number of standards planned to be developed; |
| Principle of target orientation       | - share of planned reviews of standards on the total number of reviewed standards; |
| Principle of significance             | - share of planned reviews of standards in the total amount of standards planned to be reviewed; |
| Principle of understandability        | - share of approved changes in the total number of proposals made on program development; |
- number of presented projects of the standard;
- number of comments on the project of a standard;
- number of cases when a standard needed correction work;
- indicators forming the basis for rating evaluation;

Principle of competence
- number of people, which completely comply with the

Principle of team work
- number of people participating in development and
- voting results;

Principle of innovative activity
- number of key innovations;
- number of researchers participating in the development of
- standard's provisions regarding every requirement set forth in its text;
- number of changes made to the standard;
- - number of references to scientific articles used for
- standards, which comply with IAS;
- - number of contradictions between the developed and international standards in the total number of contradictions of that kind;
- - share of standards, which fully comply with international standards in the total number of standards;
- - average number of contradictions between the developed and international standards per one standard;
- - average number of contradictions per one standard;
- - number of key innovations in the total number of changes to the standard;
- - share of researchers participating in standard development, in the total number of developers;
- - share of standards developed by research institutes in the total number of developed standards;
- - average number of proposed innovative changes;
- - share of requests on providing information in the total number of requests;
- - average amount of time spent on searching for the necessary information;

Principle of publicity
- number of requests on providing information which is
- number of contradictory court judgments under the
- average number of proposed innovative changes;
- - share of requests on providing information in the total number of requests;
- - average amount of time spent on searching for the necessary information;

Principle of technology application
- costs for organizing audit activity standardization;

Principle determining the content of standards
- number of times contradictions were identified in the
- - number of times contradictions were identified in the
- - number of contradictory court judgments under the
- - average number of contradictions per one standard;
- - number of standards which fully comply with international standards in the total number of standards;
- - average number of contradictions between the developed and international standards per one standard;
- - share of each group of representatives (clients, audited entities, auditors, state agencies, investors, creditors, researchers), participating in development and discussion of standards in the total number of participants;
- - share of law suits, where infringement of rights was adjudged, in the total number of law suits of that kind;

Principle of timeliness
- amount of time between identification of the need for
- - number of applications for explanation regarding application of provisions of the standard under uncertainty
- - average time needed to eliminate contradictions and to make additions to the standard;
- - average time needed to eliminate contradictions and to make additions to the standard;

Principle of application
- number of applications for explanation regarding application of provisions of the standard;

Principle of consistency
- number of times contradictions were identified in the
- - number of times contradictions were identified in the
- - number of contradictory court judgments under the
- - share of standards, which do not contradict other documents, in the total number of standards;
- - average number of contradictions per one standard;

Principle of compliance with international standards
- number of contradictions between the standards and IAS;
- - share of justified contradictions between the developed and international standards in the total number of contradictions of that kind;
- - share of eliminated contradictions between the developed and international standards in the total number of contradictions of that kind;
- - share of non-eliminated contradictions between the developed and international standards in the total number of contradictions of that kind;
- - average number of contradictions between the developed and international standards per one standard;
- - share of approved changes in the total number of proposals on standard development;
- - average number of comments on the project of a standard;
- - number of standards per one developer;
- - average rating of the developer based on the system of indicators;
- - average amount of time needed to eliminate contradictions and to make additions to the standard;
- - average time needed to eliminate contradictions and to make additions to the standard;
- - share of “pro” votes in the total number of votes;

Principle of neutrality
- number of representatives of different groups (clients, audited entities, auditors, state agencies, investors, creditors, researchers), participating in development and discussion of standards;
- number of law suits on infringement of rights and lawful interests of the participants of audit activity due to compliance with the requirements of the standard;
- - number of researchers participating in the development of the standard;
- - number of standards developed by research institutes;

Principle of applicability
- number of additions made to the standard;
- number of times users asked for explanations regarding application of standard’s provisions;
- number of references to the text of the standard;
- number of times when auditor’s documents lacked references to the provisions of the standard;
- number of changes made to the standard;

Principle of relevance
- number of references to the text of the standard;
- number of times when auditor’s documents lacked references to the provisions of the standard;
- number of changes made to the standard;

Principle of ability to check fulfillment of requirements set forth in the standard
- number of indicators of fulfillment (non-fulfillment) of standard’s provisions regarding every requirement set forth in its text;
- number of standards, for which it is possible to check
### Principle of target orientation
- Number of standards, in which the recipient is not identified;
- Average number of requirements set forth in the standard with no indicators of their fulfillment; per one standard;
- Share of standards, in which the recipient is not identified, in the total number of standards;
- Average time spent on making one decision under uncertainty;

### Principle of significance
- Number of applications for explanation regarding application of provisions of the standard;
- Share of applications for explanation regarding application of provisions of the standard, in the total number of applications;
- Average number of applications for explanation regarding application of provisions of the standard; in the total number of applications;
- Average time spent on making one decision under uncertainty;

### Principle of completeness
- Number of applications for explanation regarding application of provisions of the standard;
- Average number of applications for explanation regarding application of provisions of the standard; in the total number of applications;
- Average time spent on making one decision under uncertainty;

### Principle of understandability
- Number of applications for explanation regarding application of provisions of the standard;
- Average number of applications for explanation regarding application of provisions of the standard; in the total number of applications;
- Average time spent on making one decision under uncertainty;

### Principle of sequence
- Number of applications for explanation regarding application of provisions of the standard;
- Average number of applications for explanation regarding application of provisions of the standard; in the total number of applications;
- Average time spent on making one decision under uncertainty;

### Principle of single structure
- Number of standards with the structure different from the generally established one;
- Share of standards with the structure different from the generally established one, in the total number of standards;
- Average number of requirements set forth in the standard with no indicators of their fulfillment; per one standard;
- Share of standards, in which the recipient is not identified, in the total number of standards;
- Average time spent on making one decision under uncertainty;
- Average number of applications for explanation regarding application of provisions of the standard; in the total number of applications;

### Principle of conciseness
- Number of unused standards;
- Share of unused standards in the total number of standards;
- Average number of unused provisions in one standard;
- Share of unused provisions of standards in the total number of provisions of standards;

The indicators from Table 6 allow to estimate the state of the system of principles of audit activity standardization. As the relative indicators of detailed evaluation may vary from 0 to 1, it is not quite right to say that the principle is complied or not complied with completely: the principle is complied with partially. Values of those indicators can give information about support of functions securing compliance with the principles, authorities, technical tools, etc.

In addition, there is a need for indicators which would reflect changes taking place in the system of principles of audit activity standardization. Those are indicators of dynamics which show growth of characteristics, expansion of their area of application, new options of using resources, and anything that characterizes a new quality. Those indicators include:

- Relative indicator of dynamics defined as a ratio of current indicator to indicator in previous (basis) period;
- Relative indicator of plan fulfillment defined as a ratio of planned value of the indicator over period $i$ to the actual value over period $i$.

In our opinion, to improve effectiveness of work on compliance with the principles of audit activity standardization, the indicators of compliance with the principles of audit activity standardization can be divided into:

- Procedural indicators, i.e. compulsory ones. For example, the number of contradictions identified in the texts of standards at the development stage, amount of time needed to provide the recipient with information, the number of standards with the structure different from the generally established one;
- Regulatory indicators, which regulate the activity through average values or divergence limits. For example, costs for organizing the work on audit activity standardization;
- Instruction and information indicators, which allow to take into account specific work environment and positive experience. For example, the number of the developed standards fully complying with international standards, share of justified contradictions between the developed and international standards in the total number of contradictions of that kind, average number of proposed innovative changes.

All the above-mentioned indicators are individual, i.e. they characterize only one aspect of a given object of evaluation. Based on those individual indicators, it is impossible to judge about the quality of development of standards regarding compliance with the principles of audit activity standardization.

As mentioned earlier, the proposed principles are not just a set but a system which acquires a new quality - compliance with all the principles leads to quality standards meeting the needs of their users. That calls for a single indicator which would allow to estimate the state of the system of standards of audit activity standardization. In our opinion, that role can be performed by a rating.
Rating is a cardinal or ordinal indicator, which reflects the expert's (group of experts') opinion about the significance of an object or action generated by using a certain method and usually expressed in points (Zavarikhin, Paramonov, 2012).

A possible method for calculating the rating of the state of the system of principles of audit activity standardization is described below. To calculate the rating, the above-mentioned indicators of detailed evaluation over different periods are used. For each indicator, its optimal value is determined and set equal to 1. By using the values of that indicator over other periods, the share of the indicator in its optimal value is calculated. By summing up the ratings for each indicator over a relevant period, the total rating of the period is calculated.

The matrix of rating evaluation in its general form is shown in Table 7.

### Table 7 – Matrix of rating evaluation (Slobodnyak, 2012)

| Indicator | Periods | Optimal value |
|-----------|---------|---------------|
| 1         | X₁₁     | X₁₂          | X₁ₙ | X₁ opt |
| 2         | R₂₁     | R₂₂          | R₂ₙ | X₂ opt |
| m         | Xₘ₁     | Xₘ₂          | Xₘₙ | Xₘ opt |
| Total     | Total R₁ | Total R₂   | Total Rₙ |

Thus, the proposed integral evaluation will allow to get general idea of the state of the system of principles of audit activity standardization, while changes of that evaluation are determined through the individual indicators. It should be noted that rating and detailed evaluation, can be performed in the interests of developers of audit activity standards to order to make the necessary changes into the standardization process, from one hand, and used by supervisors as a monitoring tool, on the other hand.

The proposed rating and detailed evaluation, can be performed in the interests of developers of audit activity standards to order to make the necessary changes into the standardization process, from one hand, and used by supervisory agencies as a tool for monitoring the effectiveness of audit activity standardization.

### 4. Conclusion

During the research, the authors attempted to develop the conceptual basis for development of audit activity standards. The research covered the following main areas: principles and methods of standardization, identification of objects of standardization and their classification, classification of audit activity standards and evaluation of compliance with the principles of audit activity standardization as quality criteria for the developed standards. It should be noted that the research did not cover such important elements of the system of audit activity standardization, as subjects of standardization and stages of standard development, which are the objects of further research.

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