

Institutional Status of Audit in the Russian Federation: Research Problems

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Abstract: In modern conditions change of scientific approaches to studying of audit and understanding of this phenomenon in the Russian Federation is required. Problems of audit disappear in the main stages of its development and emergence. People get lost in diversity estimates of the auditor status in modern society. We believe the institutional approach, including an analysis of institutions and taking in to account the economic and non-economic (social, cultural, historical, etc.) factors is the basis of the research. Development of audit in Russia is more associated with the study of the audit methodology but the theory of audit requires adequate logical construction. This work does not have an aim to analyze the institutional theories existing in the world. It defines options of their application in the analysis of audit in the Russian Federation. We believe that the audit economy can be studied from positions of methodological individualism or methodological institutionalism. The research problems of the institutional status of audit in the Russian Federation more correspond to the concept of methodological institutionalism.

Key words: Institutional status of audit • Neoinstitutional theory • Methodological individualism • Methodological institutionalism • Institutional approach • Audit institute • Formal and informal rules and restrictions • Theory of modern economic history • Economic theory agreements • Property rights theory

INTRODUCTION

The audit theory demands adequate logical construction. The circle of the scientific works devoted to theoretical basis of audit is accurately defined. Available textbooks and educational aids contain standards of federal laws and audit standards in the plane of line-by-line citing. As practice shows these norms demand the detailed analysis and modification in the conditions of the Russian reality. The international standardization of audit as part of the theory having scientific value takes root with problems including institutional character. Some Self-regulatory Associations of Auditors not involved in maintaining the high status of the audit profession and pursue commercial interests. It goes on sale a three-volume edition of the last edition of International Standards on Auditing (ISA) in Russian which distribution should be free according to the audit community. The problems of audit lurk in the main stages of its development and emergence. Doctor of Law, Professor E. M. Ashmarina notes that they can be solved through "the foreign experience adapted to domestic conditions" [1, p.194].

People let lost in variety of estimates of the status of the auditor in modern society. This is facilitated by certain institutional environment audit relationship. Director of the Institute of Economics and Management, Siberian State University P. P. Baranov detects threats in the field of the institutional status of the audit: "Recognition of the essential role of audit in the socio-economic relations and the importance of its status as a public institute at the level of theory is accompanied by a very skeptical perception of these theoretical constructs by the business community who consider the thesis of the institutional status of the audit no more than a declaration having very weak relation to reality. The number of supporters of this position grows with the increase of law suits States and economic entities against auditors and audit firms from the 1980s" [2, p.144].

Dr of Economics, Professor, Head of the Department of Economic Analysis and Finance in the agricultural sector of St. Petersburg State Agrarian University S.M. Bychkova anxiously comments a situation in Russian audit: "However decrease an audit role as factor of control of distortions of financial statements as a result of unfair actions of the audited person is noted

Table 1: Characteristic of the conceptual basis of the economic theory in the institutes' analysis

Concept	Institute definition
1.Methodological individualism	Institute is the result of human behavior.
2.Institutional individualism	Institute is the reason of an explanation of human behavior.
3.Methodological institutionalism	Institute is not an object of analysis; it is the main reason of the observed phenomena and the differences of economic life. Studying the system of rules and the institutional environment is very important.

today". "In some cases auditors also don't consider risks of corruption, laundering of illegal gains and financing of the terrorism" [3].

Main Part: In our view, modify audit activities in the Russian Federation and restore the institutional status of the audit should on the basis of the latest achievements of the economic theory in the context of institutional reform. Applied to the analysis of audit activity we are interested in neoinstitutional theory, as it helps to explain the decision-making process, its conditions and prerequisites, takes into account the non-zero transaction costs and pays attention to the internal structure of economic agents. We consider that it is possible to develop the audit theory on the basis of use of ideas of neoinstitutionalism.

Identification of the institutes' treatment in the economic theory concepts is presented in the Table 1.

With in "approach of the Washington university" application the neoinstitutional theory in audit is means to investigate evolution of the institutional environment of audit (customs, traditions, laws and regulations) in time and to estimate influence of this evolution on economic growth, to carry out the economic analysis of the role of institutes and their influence on economy based on the principles of rationality and methodological individualism.

Audit in the broadest sense is a form of administrative and economic control over the development of territories [4].

The evolution of the institutional environment in the USA audit defined the development of the Russian audit. Presented in the William H. Bell's "Auditing" [5] pre-standard characteristics of decision-making in the context of active and passive accounts and audit reports design reflects in formal norms of early American audit.

In our opinion the elements of the concept of methodological institutionalism already in the 1960s have been implemented in separate researches in the evaluation of a rules system and institutional environment in the USA audit [6].

An attempt to explain the institutional status of audit through the postulates and standards was made in 1961, the American scientists R.K. Mautz and G.A. Sharaf in the work of "The Philosophy of Auditing" [7]. In 1982 scientist R. Antle [8] analyzed auditor's activities as an economic agent and published his study in the Journal of accounting research. Development of the R. Antle's theory can be seen in the R. Watts and J. Zimmerman's article "Agency problems, auditing and the theory of the firm, some evidence" [9], published in 1983 in Journal of law and Economics.

The importance of implement in institutional audit approach in applying the theory of agents was confirmed in 2005 by the Institute of Chartered Accountants in England and Wales and supported by the Institute of Chartered Accountants in Pakistan which republished materials of Quality Audit Forum. President of the Institute of Chartered Accountants in Pakistan Syed Mohammad Shabbar Zaidi said: "The depiction of the principal-agent relationship in agency theory is important in understanding the development of the statutory audit, its usefulness and purpose. The objective of this paper is to inform and stimulate discussion on the role of audit" [10, p. 5].

The international auditor community (Dr Rick Hayes, Professor of Accounting at California State University at Los Angeles, Dr Roger Dassen, Professor of Auditing at the Free University of Amsterdam, Dr Arnold Schilder, Director of the Netherlands Central Bank) already in 2005 considered audit as "another management practice, namely recognizing societal interest" [11, p. 607] that corresponds to the concept of methodological institutionalism.

N.G. Kondrashova claims that "institutional approach became logical during the evolution of the theoretical basis of audit and generated the new category device" [12, p. 34-35]. Conclusions about the importance of functioning institutes are infundamental research "How many are broken institutions?" executed under the supervision of the Director of the Institute "Development Center" of HSE N. Akindinova: "...immediate institutional

reforms are needed to the Russian economy has moved away from the inertial scenario. Without functioning institutes the present state will remain, stagnation tendencies will amplify, as a result, imbalances in economy and socio-political intensity in society will accrue" [13, p.60].

Interests discussions institutional development of accounting and control in the Russian Federation have been implemented at the international scientific and practical conference "Institutional Development of accounting and control. New opportunities of accounting education" in Plekhanov Russian University of Economics. It holds on June 30, 2011 under the co-chair head of the accounting and audit department Dr of Economics, Professor Viktor V. Pankov. The status of conference confirms relevance of the problems offered for the scientific review by researchers:

- Institutional environment of control and its factors defining;
- Legal regulation and functioning of control institutes;
- Theoretical bases of institutional development control;
- Modern law and the development of institutes of control;
- Self-regulation as an institutional factor of control development;
- Economic models and evolution of control institutes;
- Analysis of influence of control institutes on market institutes;
- National and international component of standardization: institutional aspects;
- National and supranational control systems;
- Institutional aspects of audit quality;
- Institutes of the state audit.

Institutes are the conditions of the economic agent's behavior hidden from direct supervision. We believe that the economic sense of the institutional approach in the audit hides in the definition of Dr of Economics, professor, head of the "Accounting and Audit" department Plekhanov Russian University of Economics V.V.Pankov: "It is necessary to understand set of formal and informal norms, rules and the standards defining a framework of various subjects interaction regarding audit activity as institute of audit" [14]. Studying the set of norms, rules and standards allows to define nature of interaction.

But this definition partially contradicts S. Kirdina's statements: "Note that occurring division of institutes on so-called "formal" and "informal" is represented to us inexact. This division is a question only of activity rules in formal and informal spheres. Therefore the term "institute" is redundant in this case. For example, laws are laws, rather than institutes, tradition are traditions, rather than institutes. The organizations or firms also are not institutes if to investigate them from the point of view of the device" [15, p.81].

In research of Dr of Sociology S.G. Kirdina (the Institute of Economics RAS in Moscow) we find examples and evidence of the need to implement the principle of methodological institutionalism in economic studies: "In our opinion the need to use concept "institute" or to rise on a position of methodological institutionalism arises when the speech really goes about the new studied phenomenon, about such formal and informal restrictions which work with inevitability of "power lines" and structure society (and its subsystems) as historically reproduced system of human interactions. Institutes support its "framework", form a complex of possible and predictable behavior and reduce uncertainty in society. Public consensus on the most important, vital conditions of development finds the expression in the institutes. If there are no institutes, there are also no the social systems which version is the economy" [15, p.81].

Audit in Russia is a new phenomenon on having twenty-five years of development, so the S. G. Kirdina's conclusions confirm the relevance of studying economics audit in terms of institutional changes and "formal and informal restrictions". Some authors (eg. A.V. Arvachev [16]) considering only the standard and legislative audit in the narrow sense unreasonably call the institutional research.

We believe that the audit economy can be studied from positions of methodological individualism (institutional approach 1)-to consider the limitations, the problem of choice, deficiency of resources, to explain the institutional status of the audit as there sult of the people behavior, nor to describe the audit economy with the methodological institutionalism positions-to take in to account social conditions, the interaction of economic and non-economic institutions, to identify strong and weak communications (institutional approach 2).

Discussing the conceptual bases of the economic theory S.G. Kirdina emphasizes isolation of methodological institutionalism: "One of rare researches, where among other things; the term "methodological institutionalism" is entered and discussed, is P. Keyzer's

pre-print from the Utrecht University (Netherlands), devoted to the methodological analysis of studying the institutes in sociology and economy" [15, p.81].

CONCLUSION

We believe that research problems of the institutional status of audit in the Russian Federation more correspond to methodological institutionalism and follow from S.G. Kirdina's definition: "As methodological institutionalism are understood approach to research of any social-including economic-systems (from micro to macro level) from the point of view of supporting its integrity and development of formal and informal rules (institutes) and also an explanation of the public phenomena in terms of functioning and change of institutional structure" [15, p.79].

The methodological institutionalism is the principle of researches applied in the heterodox direction of the economic theory. O. Anan'in [17, p. 9-10, 12] allocates specific background research in the application of the principle of methodological institutionalism:

- Holistic approach, that is the analysis of the whole system, rather than individuals behavior;
- Development of universal, system and neutral language to describe the studied systems;
- Definition of studied system as institutional structure (the institutional approach assuming creation of basic structure of institutes, or institutional forms);
- Formation on this basis typology of such systems (comparative-typological method of analysis);
- interpretive methodology, which finds its expression in the identification of latent generalized structures and then in understanding the specific social systems as their particular cases.

Being guided by D. Dozi's formulations [18, p.38], we define that from positions of methodological institutionalism audit economy is not interacting agents and system of rules on which they interact.

The neoinstitutionalism concepts ideas form the basis of many branches of knowledge. The concept expressed in the theories, some of which is applicable in the audit.

According to the theory of modern economic history stagnation of audit activity is explained by evolutionary complication of character of transactions and growth of transactional expenses.

In 1980 the American scientist W.A. Wallace [19] analyzed the economic role of the audit in free and regulated markets. In the Russian Federation market aspects of audit were not exposed to detailed discussion. Accordingly to the economic theory agreements we can consider the audit as an element of a market subsystem with the following characteristics:

- Objects are the voluntarily exchanged services;
- Prices represent the information about the services;
- Audit subjects' behavior should be rational;
- Coordination is carried out through balance in the functioning system of the price mechanism;
- Non-fulfilment of the behavior standards leads to irrational actions.

Using the postulates of property right theory in the audit is interesting from the proof of inefficiency rules that should regulate relations between individual agents in the audit and following from this explanation of the audit transaction nature costs.

Summary: we as the scientific community believe positive is that from positions of institutional economy it is possible to explain why the auditors who are not forced by the state, observe or on the contrary, do not observe an order of conducting auditor activity and also to reveal conditions under which observance of an order becomes possible. Application in research P. Keyser's [20] methodological principle institutionalism will develop the audit theory, highlight and expose the most detailed study of the stable institutional level regulating the auditors' activities and restore the institutional status of the audit in the Russian Federation.

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