

The Rationale For A Method Of Auditing Medical Organizations

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ABSTRACT

Relevance In the context of the global financial crisis, there is a shortage of budgetary resources that exacerbates the problem of meeting the social needs of the Russian citizens, including medical services.

Currently, there is an active reform of audit activities associated with changes in the system of relations between countries, integration processes, restructuring of the institutional structure of business entities in the country and their assets. The central problem in these conditions is the further development of the organization and methodology of audit activity and its methodological binding to business entities of different organizational and legal forms.

Purpose: to analyse the current situation on the audit of medical organizations and to justify the need to create a methodology for its implementation.

Method of Research The paper used the method of content analysis, monographic and analytical methods. 5 internet resources were analysed: <http://docs.cntd.ru/document>; <https://www.lawmix.ru>; <https://cyberleninka.ru>; <http://www.consultant.ru/document>; <https://www.garant.ru>, and the main legal document defining the procedure for audit of medical organizations: International standards on auditing and other international documents, approved by Order of the Ministry of Finance of Russia No. 2Н dated 09/01/2019

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INTRODUCTION

The modern healthcare being a complex social and economic system plays one of the main roles in the Russia's trend towards the social oriented state. The healthcare belongs to one of the most complex sectors of the national economy setting forth not only the issues of the economic efficiency but the important moral problems of the daily activities before management. The significance of the healthcare system for the life of society is doubtless, and any rash measures will lead to severe social resonance.

The Constitution of the Russian Federation guarantees for its citizens a certain level of social protection and right to health protection and medical aid.

At the present stage, the highest-level leaders have set a task to develop a social oriented state which main task is to protect the social interests of citizens. For these purposes, the different-level budgets allocate the insufficient financial resources that makes it necessary to implement the strict control over their intended use.

The activities of the medical institutions are controlled by the RF healthcare control bodies. The analysis of the control measures evidences the growth in diseases, unlawful and inefficient use of budgetary funds. Such trends evidence the low efficiency of control measures and necessary implementation of new, more advanced forms and methods of control over the medical institutions [1,2,3].

In view of this, there appears a necessity to develop a control mechanism for ensuring sustainable development of medical institutions, among which the institution of audit being an integral part of the market relations can take the central place. The audit can become one of the main forms of control over the financial resource use for social purposes and protection of interests of the citizens.

The organization of auditing the objects of the medical institutions is a complex of control measures to be conducted at the organizational, process and final stages. These measures are aimed at reasonable combination of control means and methods to receive the documented and justified information stating that the generally considered financial (accounting) reports of the medical institution do not contain material misstatements and evidence the fulfilment of social functions by the latter. The medical institutions require a specialized audit considering all peculiarities of their activity, specificity of interaction with the state authorities, social conditions for entrepreneurship.

Audit of medical institutions is a kind of activity that results in the independent opinion on fulfilment of standards for providing medical services for the citizens and reliability of the information given. This is one of the kinds of the social sphere audit having a specific result. Consequently, it is lawfully to consider the social sphere audit as a separate field of services.

Organization of audit is a joint work of the auditor and the staff of the medical institution that provides for establishing the functioning procedure for the audit system and all officials both of the audit organization and audited subject.

The organization of auditing the medical institutions has the following peculiarities that are determined by the field specificity and social policy in the healthcare [4,5,6].

1. Transition to the mixed economy is related to the inclusion of entities of various legal forms of organization into the market relations.

The economic reform in the healthcare resulted in the appearance of medical institutions of various legal forms of organization, and the tradition control forms are becoming inefficient.

2. Complexity of the legal framework for functioning of the medical institutions, frequent changes in the documents regulating their activity, insufficient budgetary financing arise the necessity in consulting and methodological support in organization of accounting, reporting, control over fulfilment of the cost estimate, calculation of profit and loss. This necessity is most often satisfied by insufficiently competent consultations that drastically restrains the development of the medical institutions.

4. Introduction of the bankruptcy mechanism of entities defines the necessity in the comprehensive protection of social interests of the citizens that is particularly relevant in the context of the global financial crisis and funding shortage.

5. Reliable assessment of actuality of the balance sheet and financial status of the medical institutions is also rather necessary for the banks as a condition for the credit repayment guarantee.

6. Protection of the medical institutions against illegal actions of the tax authorities, pension and property funds, banks.

7. Necessity in regulation of relations between the medical institutions and legal entities and individuals on principles of parity. Auditing the prices (markups) of the medical institutions and other sales conditions of the medical services initiated by the region-level state governing authorities can be the basis for taking the efficient anti-monopoly measures.

8. Need in protection of social interests of the citizens. The medical institutions have been reorganized in the course of the reform and included into the sector of the state and non-state economy. Under these conditions, the official financial control partially influences only the state-owned medical institutions. For the remaining medical institutions (primarily, those of the non-state sector), the control is virtually repealed, the conditions for uncontrolledness and permissiveness are created. Slow development of the methodology of social accounting, reporting and audit does not promote for control function to be applied to the social infrastructure. This leads to non-compliance with the laws in the course of business operations, does not provide for the property integrity add efficient use in the social sphere, proper calculation and reasonable allocation of income from the paid social services, protection of legal interests of wider population [7,8].

RESULTS

This paper highlights the audit planning for the medical institutions according to the Russian and international standards. The audit planning is one of the most important stages of auditing when the optimal audit strategy and tactics are developed considering the specific features of a medical institution. The strategy consists in developing the general audit plan with the expected audit scope, schedule and periods specified. The tactics consists in the development of the detailed approach to the expected audit nature and scope, development of the audit program.

The auditors should follow both ISA 300 "Planning" and its Russian analog - the Federal Rule (Standard) on Auditing "Audit Planning" establishing the unified requirements for audit planning of financial (accounting) reports.

In the course of planning, the auditor should develop a general audit plan of the medical institution and document it. The general audit plan should describe the

expected scope and sequence of auditing and represent the issues related to the knowledge of specific activity, social importance of the audited medical institution, understanding of the accounting systems and internal control, risk and significance, nature, periods, scope and coordination of works. In addition, the general audit plan should define the audit method on the basis of the received information about the activity of the medical institution. Depending on the scopes and specific nature of activity of the medical institution, audit complexity and particular methods used by the auditor, the form and content of the general audit plan can be changed.

The audit program is, on the one hand, a set of instructions from the auditor of the medical institution, and on the other hand, the control means for qualitative work execution for the audit group managers. The audit program defines the scope, techniques, and analytical control procedures in substance and periods of their implementation.

During audit of the medical institutions, knowing the specific activity of such institutions is of great importance. The auditor should study the activity of the medical institution and the environment it takes place, in the scope sufficient to identify and assess the risks of considerable distortion of the financial (accounting) reports that resulted from mistakes or unfair acts of the management and (or) employees of the medical institution, as well as sufficient to plan and perform the audit procedures.

Knowing the specific activity of the medical institution and the environment it takes place provides the basis for audit planning and making a professional auditor's opinion concerning risk assessment of the considerable distortion of the financial (accounting) reports and responses to these risks in the course of audit.

The specific nature of the medical institutions consists, primarily, in that the fields of the social infrastructure does not participate in the final product creation, but only promote for normal both of the society as a whole, and the production process, thus providing for production needs, affects of the audit organization and methodology of the medical institutions.

For qualitative and quick expert study of reliability of the accounting and financial documentation, it is necessary to have the single methodological framework for business operations to be reflected in the accounting and for the auditors to know the audited field and peculiarities of legislation, taxation, specific activity of the medical institutions and their development in the modern conditions.

DISCUSSION

In the course of this work, there were determined the ways for efficient use of information about the medical institution allowing the auditor to conduct auditing efficiently for proper risk assessment; audit planning; determination of the level of significance; assessment of the medical institution management; establishment of the related parties; identification of fraud and substantial error, collection of audit evidences, conformity analysis of the accounting policy and information disclosed in the financial reports of the medical institution and explanatory note thereto.

Knowing the specific activity of the medical institutions that is necessary for organization of the audit includes knowing the common macroeconomic situation in the country and in the healthcare system the institutions acts

in, as well as the more detailed information of the process of its action.

In the process of organization the audit of the medical institutions, the factors influencing their activity should be taken into account; they are divided into the following:

- a) external - macroeconomic and field-specific factors;
- b) internal factors specifying the peculiarities of the medical institution.

The up-to-date state of the healthcare system is characterized by the following main problems:

- imbalance of the state warranties for provision of free medical aid to the citizens and their financial support;
- unsatisfactory coordination of actions of various subjects of the healthcare public funding system;
- combination of the elements of the old and new funding systems realized in a variety of different territorial models of the medical aid funding;
- no positive results from introduction of the market institutions into the public funding of the healthcare and from the activity of new subjects of the funding systems, primarily the health insurance companies;
- maintaining the institutional conditions of reproduction of the cost-based activities at the level of the medical institutions, no stimuli for increasing efficiency from the use of financial and material resources.

In the conditions of the enhanced responsibility and independence, the medical institutions have to look for the ways out the situations, for the ways to improve the efficiency of their activity. With the change of the funding system of the medical institutions, appearance and development of the paid services and voluntary medical insurance (VMI), economic analysis of the activity of the medical institutions plays an important role.

The healthcare has the field-specific peculiarities that, in fact, leaves an imprint on the accounting procedures. The following peculiarities can be distinguished:

- provision of the medical services requires personal contacts of the service producer and consumer with the high level of individuality and out-of-the-box approach of a doctor to a patient;
- difficulties in the consumer's choice of the medical services due to their intangibility and poor awareness;
- specificity of generation of demand for medical services due to combination of top social priority and poor elasticity of demand;
- unclear interrelation between the labour costs of the medical staff and final result of the medical services (improved health of the patients, prolonged life of population, etc.);
- need in combination of the economic efficiency and social equity determining the type of financing the services provided.

The accounting should provide for systematic control over the compliance with the cost estimates, settlements with the companies, organizations, institutions and individuals, monetary funds and material values safety in the medical institutions. The accounting of the cost estimates in the healthcare institutions is implemented according to the Budgetary Accounting Instruction.

The specific features of the accounting in the medical institutions include:

- social significance of the services rendered by the institutions, and thus, the limited profitability of the provided medical services;
- impossibility to compare the cost of the medical service and its result;
- narrow choice of business due to the specific activity of the medical institutions;

- in-house monitoring of compliance with the cost estimate and the state guarantee program for qualitative free medical aid for the population;
- separate accounting of costs for the paid and free services provided to the population;
- accounting of maintenance costs with a breakdown by items of the budgetary classification;
- specific taxation of income of the business activity of the medical institutions, etc.

In addition to the macroeconomic, field-specific and financial factors, the auditor assesses the regulatory factors of the activity of the medical institutions, such as:

- accounting policy, requirements for accounting and reporting of the medical institutions;
- regulatory and legislative acts, taxation system applied to the activity of the medical institutions;
- government regulations: means, methods and requirements;
- auditor's requirements for provision of reports;
- users of accounting statements.

In the course of the research, a list of factors related to the peculiarities of activities of the medical institutions and to be considered by the audit during his work has been developed:

- nature of activity of the medical institution, its specificity and importance;
- support of the employees, salary levels of the medical personnel;
- kinds of medical services provided by the medical institution;
- main suppliers of medicines and medical devices of the medical institution;
- core earnings and expenses of the medical institution;
- legislation and regulatory acts significantly influencing the activity of the medical institution;
- used information and accounting systems.

The organization of audit of the medical institutions is a complex of control measures to be conducted at the organizational, process and final stages and aimed at reasonable combination of control means and methods to receive the documented and justified information stating that the generally considered financial (accounting) reports of the medical institution do not contain material misstatements and evidence the fulfilment of social functions by the latter.

The organization of audit of the medical institutions includes the following stages:

1. Preparatory measures, including:
 - agreement of terms and conditions of contract with the client;
 - development of the written tasks related to auditing;
 - preparation of the audit service agreement;
 - development of the plan, program;
 - determination of reporting units, information collection methods;
 - trial auditing to specify the scope of audit and define its labour intensity.
2. Substantive test of the issues to be audited, as well as collection of the required information considering its nature, and receipt of sufficient audit evidences.
3. Preparation of information for processing.
4. Information processing and analysis.
5. Preparation of final documents based on the audit results.

For auditing, it is necessary to form a scientific and methodological and regulatory framework providing the receipt of the reliable information for legal protection of social interests of the citizens in the economic activity

irrespective of its legal forms of organization. The auditor also uses the accounting, operating and statistical records, revision result of the healthcare system. Auditing should be entrusted to the high-quality professionals specialized in the healthcare objects.

The organization of audit supposes the distribution of duties and responsibilities by functions and powers of activity based on the regulations, norms, instructions and recommendations. In the current auditing, the established organization of activity is supported by the decrees, directions, orders, and instructions.

The result of auditing the medical institution is an auditor's opinion. It must contain the information on compliance with the standards, reliability of information in the accounting reports, balance sheets and other documents, accounting and reporting requirements. On the basis of the audit result, the inefficient actions on reforming the healthcare objects can be prevented, the anti-monopoly measures can be determined, the social interests of the personnel of the medical institutions and the state can be defined in calculation and payment of taxes and other fees.

The results of the audit and financial control depends not only on the professional level of the auditors but also on the audit regulations. The most critical factors influencing the control result are: qualification of auditors performing the control (auditing staff); complete and reliable source data on the audited object to be the basis for auditing (audit information support); regulatory and scientific and methodological framework of the audit (including standards on auditing the medical institutions). All the factors listed influence the control functions.

The practical management of the medical institutions demonstrates the immediacy of organization of audit in the healthcare system on the basis of legal regulations being common for the economic activity as a whole and considering the peculiarities of the healthcare system. Among the factors being the key for development of audit in the healthcare, the priority ones are the following:

- need in protection of social interests of the citizens (both employed and not). Loosening of control in the healthcare over the medical institutions in their economic activities provides for violation of laws, does not ensure the property safety and efficient use, proper calculation and reasonable allocation of earnings from the paid medical services, protection of legal interests of wider population. The healthcare subjects conducting the individual activities are directly interested in the reliable balance sheet and real assessment of the financial status of the medical institution, in confirmation of compliance of the managerial bodies of the medical institution with the laws and statutory documents;
- complexity of the legislative and regulatory framework regulating the activity of the healthcare institutions give rise to pressing need in consultations and methodological support of accounting and reporting, calculation of income and profit, use of loans. The effective regulatory acts on tax calculation and payment, financing and crediting are of specific character in the social complex;
- reliable assessment of actuality of the balance sheet and financial status of the economic healthcare subjects is also rather necessary for the banks as a condition for the credit repayment guarantee;
- protection of the medical institutions against illegal actions of the tax authorities, pension and property funds, banks;

- necessity in regulation of relations between the medical institutions and legal entities and individuals on principles of parity.

CONCLUSIONS

Therefore, it can be concluded that the auditing the prices (markups) of the economic subjects and other sales conditions of the medical services initiated by the region-level state governing authorities can be the basis for taking the efficient anti-monopoly measures;

- the control system has been drastically transformed in the course of reformation of the economic relations in the Russian Federation. The scope of activity of the in-house control over the social sphere and the number of the employed have been drastically reduced.

- in the new control system for economic activity, due to change in ownership relations, the scope of the in-house control and the structure of its activities oriented towards the control over fulfilment of the federal and regional governance have been drastically reduced.

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