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**PROBLEMS OF AUDIT NONBANK FINANCIAL INSTITUTIONS  
IN UKRAINE**

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**Summary.** The article analyzes the role of credit unions in terms of functioning and development of the economy, the main problem of the internal audit of credit unions, and formulated recommendations to improve audit quality and efficiency of operations.

**Keywords:** audit, control, credit unions, credit activities, non-banking financial institutions, international experience.

The development of all segments of the financial market in Ukraine, including the system of credit cooperation, creating conditions for economic growth of the state. Control how funtsiya management is a prerequisite for the functioning and development of any economic subject and called the process of its implementation to identify weaknesses controlled object and adjust its activities.

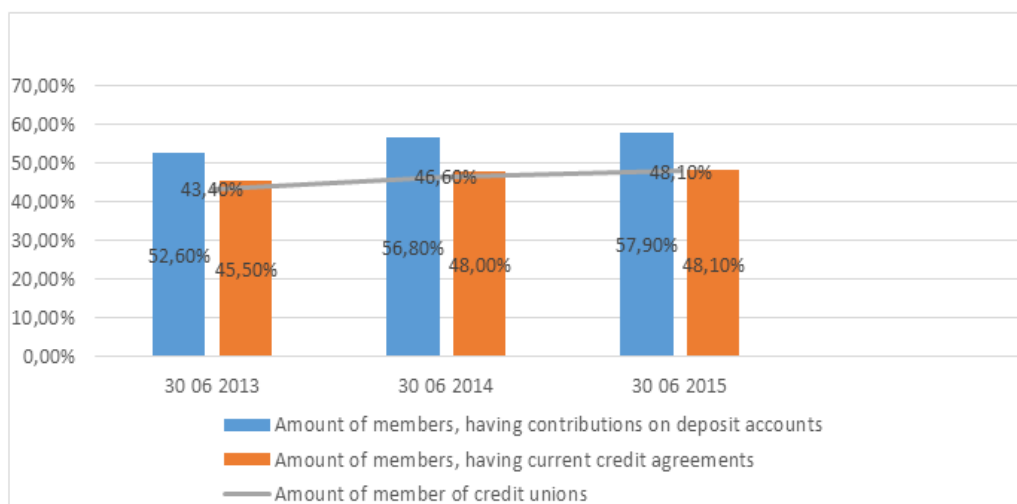
Credit unions both financial institutions and non-profit organizations created by individuals by combining financial contributions to union members. The organization of their activities and significantly different from banks and from enterprises in various industries, and other types of cooperatives. This leads to the introduction of industry-specific features of accounting, control and reporting of credit unions. Therefore, to justify the control system in such institutions must take into account socio-economic nature and the environment in which they operate. Making a proper audit of the credit union is one of the key factors of financial stability and economic development [1].

Certain aspects of the audit of the credit union explored domestic scientists: V. Bachinskiy, O. Bilyachenko, A. Gerasimovich, A. Gritsenko, V Rudnitsky, O. Skasko, A. Homutenko, M. Chizhevskaya, A. Shyshuta and others.

Has significant experience in the practice of scientific and theoretical justification of the operation of credit unions, but the question of their audit highlighted not enough.

The system of credit cooperation brings together more than 775 thousand citizens of Ukraine. Among them: – 27.3 thousand citizens have entrusted their funds Ukrainian credit unions, of which 57.9% – depositors of credit unions that are members of the All-Ukrainian Association of Credit Unions (AUACU); – 170,900 citizens have existing credit agreements, of which almost every other borrower credit unions received a loan in the credit union that is a member AUACU[5].

In terms of financial instability that swept Ukraine's economy, seeing the tense situation on the credit cooperatives Ukraine. According to the National Commission for State Regulation of Financial Services Markets as of 06/30/2015 y., the number of credit unions in Ukraine amounted to 588, 39 unions (6.2%) less than in the same period of 2014. Thus, the market credit union members has decreased by 11.8% – to 775 thousand. Citizens of Ukraine. At the same time, the credit union member AUACU number of members decreased by 8.9% and as of 30/06/2015 y. Is 372.6 thousand citizens, and that 48.1% of the market credit cooperatives Ukraine (Fig.).



**Fig. – Dynamics of the share of credit union members AUACU to the members of credit unions Ukraine [5]**

It is worth noting that in early 2015 against the background of economic and social developments in the country, there is a further deterioration of credit unions in Ukraine. But note: in the second quarter of 2015 as the market and credit unions members AUACU slowed the fall of key indicators.

First of all, this trend is due to the fact that credit unions are trying to be closer to people looking for ways of effective cooperation and are ready for an open dialogue. In addition, credit union members AUACU increase the level of capitalization that primarily speaks about improving their reliability and stability.

We also want to note that the proportion of the main indicators of credit unions that are members AUACU, the market is growing and for some indicators (eg contributions (deposits) to deposit accounts, the number of members who have deposit accounts, the number of members who are active credit agreements) is more than half the market credit cooperatives in Ukraine. One of the main problems that arose before Ukraine and requires an immediate solution – the establishment of an effective system of control and audit of the financial resources of the country. In this regard, particular relevance is the creation of effective financial control over the activities of banks and non-bank financial institutions, including credit unions.

Building an effective system of internal audit will enable the credit union to solve the problems associated with such aspects of its business: ensuring the efficiency of operations; the reliability of financial reporting; compliance with legal requirements; reduce the risks of fraud; gaining the confidence of depositors; optimal allocation of powers and responsibilities.

The effectiveness of building an internal audit includes an analysis of the current situation, development of recommendations and practical help regarding the implementation and control procedures that help to reduce the likelihood and impact of key risks.

When conducting inspections should be carried out the following activities:

- periodically collate, analyze and verify the accounts;
- checking the arithmetical accuracy of records;
- monitor operating conditions and the use of computer information systems, including maintaining control over the periodic changes in computer applications, access to databases of information data;
- enter and verify the accounts and verifying the accounting records of accounts;
- monitor the passage and approval of documents (document schedule);
- compare the total amount of available funds of entries in registers;
- compare and analyze financial performance indicators of the credit union's financial plan (forecast).

With the formation of an effective system of internal audit of credit unions, credit union board shall ensure that:

- reliable information necessary for the successful management of the Union;
- safeguard the assets and documents – to avoid the facts of theft, damage and misuse of property, destruction and disclosure (including that contained in the accounting records, computer databases);
- optimization of tax payments, strengthen the payment discipline;
- reliable accounting system;
- compliance with certain accounting principles – bound by the workers union established in the guidelines and regulations, and legal requirements [4].

Insufficiently by developed cooperative banks in Ukraine, including the audit of these institutions due primarily shortcomings of current legislation on the operation of the first and second level credit cooperatives, the analysis of which gave the opportunity given below.

The first level credit cooperatives regulated by the Law of Ukraine "About credit unions", "About Financial Services and State Regulation of Financial Markets", which do not reflect the mechanisms for:

- the procedures for the formation of a guarantee fund for depositors of credit union members and their mandatory participation;
- the procedure for measures of financial rehabilitation of credit unions;
- the implementation of self-regulatory organizations, credit unions self-regulatory functions;
- features of merger, acquisition, separation, transformation of the credit union or its liquidation;
- order the creation of separate divisions of the credit union;
- order to support the liquidity and financial recovery and more.

The second level credit cooperatives regulated by the Law of Ukraine "About Banks and Banking Activities" (Article 8), which provides that cooperative banks are created on the principle of territoriality and divided into local and central cooperative banks. The minimum number of members of the local (within the region) cooperative bank should be at least 50 people. Member of the Central Cooperative Bank is a local cooperative banks. The authorized capital of the cooperative bank is divided into shares. The level of the minimum authorized capital of a cooperative bank at the moment of state registration of the legal entity that intends to carry out banking activities may not be less than 500 million UAH.

Analysis of the above provisions of the Law of Ukraine "About Banks and Banking Activity" indicates its essential flaws that do not contribute to the development of this segment of the financial and credit system, including:

- provides for a minimum number of members of the local cooperative bank, but the size of its capital is not specified, leaving existing requirements equate this rate as the newly established commercial bank and set it as authorized, but not equity capital. Similarly, the Law does not specify the amount of capital and other features and central cooperative bank;
- no provision for the establishment of local cooperative bank by changing the organizational legal form of a credit union and opportunities of their education on an industry affiliation [3].

Significantly affect the development of credit unions in Ukraine today foreign experience of credit cooperatives, which gives an opportunity to review the organization of internal audit experience abroad.

In foreign countries, there is a corresponding regulatory framework for both external and internal audit institutions for education and training for internal auditors of credit unions in Ukraine it is only beginning to develop. In contrast to foreign countries, Ukraine has only guidelines for conducting internal audits of financial institutions.

Comparing internal audit regulations of credit unions in Ukraine and abroad, we note that the overall objectives of internal audit are the same. But there are significant differences in the frequency of internal audit reports to the higher authorities. In Ukraine, the frequency of reporting is a recommendation, not less than once a year, in Canada, for example, mandatory

reporting a monthly, quarterly and annually. As for audits, then both in Ukraine and abroad exercise their pre-planning, developing the internal audit budget for a certain period, usually a year.

In foreign countries for the implementation of internal audit in deciding where to apply auditing approach of surprise. Cases of fraud investigated only in a sudden manner.

Regular audits can have some elements of notice, but should still be elements of surprise. That credit union believes that its employees and managers always perform their duties properly and therefore ready for audit at any time. These checks and provide training auditors real information on the activities of the credit union. Another important element in the effective implementation of internal audit qualifications for internal auditors of credit unions, which in Ukraine. Overseas training for internal auditors of credit unions required by the Institute of Internal Auditors, which certifies them.

The establishment of this institution in Ukraine would help to improve the quality of audit services, to establish requirements for the qualification of auditors of the area, reduce the risk of unreliable auditor providing audit report on the activities of the credit union. The peculiarity of the internal audit of foreign countries is that the internal audit services of the credit union can offer to organizations outside the credit union (third parties). Although these consulting services are advisory in nature, we can say that the list of services that can provide a credit union in foreign countries still differ. In Ukraine, the provision of such services by credit unions is unacceptable because the law of Ukraine "About credit unions" defines the credit union – a non-profit organization and advisory services performed to obtain additional income (profit).

**Conclusions.** Today, there are problems in carrying out audits of credit unions, especially this flawed legislation and inefficient system of controls. To solve these problems it is necessary to make appropriate adjustments to legislation and strengthen control over compliance with laws in the sphere of credit unions, which will improve the audit. The study of international experience of internal audit of credit unions will be useful in reforming such a system in Ukraine.

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