THE PUBLIC FUNCTION OF A STATUTORY AUDIT

აუცილებელი (სავალდებულო) აუდიტის საჯარო ფუნქცია

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აუდიტისა და დაბეგვრის კათედრის გამგე,
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The functions and predestination of statutory audit is considered. It is proved that the necessity to perform a statutory audit arises if the state wants to protect information rights and legitimate interests of the group in obtaining reliable information about the activities of individual entities; in other words the state carries out the function of regulating the production and distribution of informational products which are essential for the development of a society. It is substantiated that the relations arising in the course of a statutory audit have to a large extent public and legal character and act as a tool to reduce or prevent a conflict of interests. Although the choice of the auditing organization and payment of the services are carried out on a commercial basis within the framework of a civil law contract, by its objectives, purpose and functions a statutory audit is performed in the interests of a certain group of people that can not be determined in advance and the state. It is proved that the statutory audit should be considered as a public service based on public (social) interest that is a socially significant activity regulated by the law, which in turn needs additional requirements for the activities of such subjects of auditing activity and the content of statutory audits.

***Keywords**: audit, auditing activity, subject of auditing activity, statutory audit, public (social) services, subject of public (social) interests*

გამოკვლეულია სავალდებულო აუდიტის დანიშნულება და ფუნქციები. დასაბუთებულია, რომ სავალდებულო აუდიტის ჩატარების აუცილებლობა წარმოიქმნება მაშინ, როცა სახელმწიფო თვლის საჭიროდ დაიცვას საინფორმაციო უფლებები და ჯგუფის კანონიერი ინტერესები ზუსტი ინფორმაციის მიღებაში ცალკეული სუბიექტების საქმიანობის შესახებ, ანუ ილებს თავის თავზე წარმოების პროცესის რეგულირებისა და ინფორმაციული პროდუქტების განაწილების ფუნქციებს, რომლის გარეშეც საზოგადოება ნორმალურად ვერ განვითარდება. დასაბუთებულია, რომ სავალდებულო აუდიტი, გამოდის რა როგორც კონფლიქტების ან დაპირისპირებების შემცირების ან თავიდან აცილების საშუალება, საერთო ჯამში ინარჩუნებს საჯარო - სამართლებრივ ხასიათს. მიუხედავათ იმისა, რომ აუდიტორული ორგანიზაციის შერჩევა და შემოთავაზებული მომსახურების ანაზღაურება ხორციელდება კომერციულ საფუძველზე, თავისი მიზნებით, დანიშნულებითა და ფუნქციებით სავალდებულო აუდიტი ხორციელდება სახელმწიფოსა და პიროვნებების გარკვეული ჯგუფისათვის, რომელიც წინასწარ არ არის განსაზღვრული. დამტკიცებულია, რომ სავალდებულო აუდიტი განხილული უნდა იქნას როგორც საჯარო მომსახურება, რომლის საფუძველსაც წარმოადგენს საჯარო (საზოგადოებრივი) ინტერესი, ანუ კანონმდებლობით რეგლამენტირებული საზოგადოებრივად მნიშვნელოვანი საქმიანობა, რაც თავის მხრივ განაპირობებს აუდიტორული საქმიანობის მიმართ დამატებითი მოთხოვნების და სავალდებულო აუდიტორული შემოწმებების აუცილებლობას.

***საკვანძო სიტყვები**: აუდიტი, აუდიტორული საქმიანობა, აუდიტორული საქმიანობის სუბიექტები, სავალდებულო აუდიტი, საჯარო (საზოგადოებრივი) ინტერესები, საჯარო (საზოგადოებრივი) ინტერესების სუბიექტები.*

PROBLEM STATEMENT. The traditional approach to define the essence of the audit is based on the fact that it is often viewed as a special kind of entrepreneurial activity since this aspect visibly emerges in the conditions of a market economy and it is the key in the development of legislative documents for the audit regulations. L.I. Bulgakova refers to the principles of audit economic freedom, including entrepreneurial activity, freedom of competition and restriction of monopolistic activity, lawfulness, independence, professionalism, confidentiality and state regulation [1, p. 21]. However, it is wrong to limit the audit to the scope of only practical activities of auditors and audit firms that provide certain services to market entities. In this case L.I. Bulgakova emphasizes that in the special literature there is often nonconformity between the purpose of the audit and its legal status [1, p. 4].

The above-mentioned approach has actually been transformed into two directions. According to V.V. Nitetskyi, the definition of auditing as entrepreneurial activity decreases and narrows the objectives of the auditing service, because entrepreneurship is aimed at making a profit and this is not the main objective of the audit [2, p. 13]. The other trend of understanding the objective and the essence of the audit led to the necessity to consider it as an integrated system, which, as G.N. Davydov underlines, combines the following components: a designated type of entrepreneurial activity, a certain profession or a branch of economic science [3, p. 50]. O.A. Mironova and M.A. Azarskaya also believe that the audit characteristic, which discloses the whole variety of its essence, should be comprehensive and include three elements (directions): audit as a sphere of scientific and special knowledge, audit as a field of practice, audit as an informational system used in management [4, p. 12-13]. Each of the features has its own distinctive characteristics, essential structure, but at the same time all three characteristics are interrelated.

There is a number of scientific problems that were not studied fully or even have not been investigated in the scope of scientific research. First of all, it concerns a statutory audit being the initial one in the history of the formation of an audit as an element of social and economic relations in a society. As it is stated in the EU legislation a statutory audit is the main element of ensuring reliability in the financial reporting chain which involves a significant public interest.

ANALYSIS OF RESEARCHES AND PUBLICATIONS Practically most publications about the problems of theory and practice of audit mention statutory audit only when disclosing the types of audit and, at best, normative documents are described which have certain requirements for carrying out the audit (if any). Among the publications that feature statutory audit more fully there is a textbook «Audit», edited by V.I. Podolskyi, which characterizes general responsibilities of an auditing organization and an economic entity in the process of statutory audit [5, p. 63]. In addition, the book «Conflict of Interest» by D.I. Dedov is worthwhile mentioning. He suggests possible ways of solving the problem of independence by the auditors during the statutory audit [6, p. 202-203].

Research in this area is still fragmentary. The issues of statutory audit and its functions have not been studied in details. Although, presentation of audit as a science, profession, business activity and information system is quite complex, it does not fully disclose the functions of a statutory audit. Understanding that the results of the statutory audit are used not only by the direct client but also by the so-called «third parties» without formal contract makes us realize the socially significant nature of the audit activity. This, in turn, requires an analysis of the essence of social, public and state interests and the role that the audit can and should play in the mechanism for their support.

RESEARCH OBJECTIVE. The objective of the study is to substantiate the nature and specific characteristics of a statutory audit from the point of view of the need to satisfy social (public) interests.

MAIN MATERIAL. The use of categories of «interest», «public and legal interest» and "private and legal interest" or «civil and legal interest», «public goods» as the elements of the system of social values becomes particularly relevant at the present stage of civilization development when every civilized state declares the priority of universal human values, human rights and freedoms in relation to other interests that are protected by the law.

The emergence of the state itself entitles it to restrict the private in the interests of the public. As D. Diderot argued, people «realized that it is necessary for every person to forgo part of his natural independence and bend to the will, which is the will of a society» [7, p. 301]. However, according to Hegel [8, p. 279], Locke [9, p. 16] and Spinoza [10, p. 207, 261] the main goal of the state is the interest of individuals, since it is for this purpose that private interests are combined. The concept of public good is one of the oldest and most important ideas. As V. Ostrom notes that public goods are goods that can not be easily packaged, can not be sold only to those who are willing to pay for them [11, p. 166]. M. Olson emphasizes that achieving a certain common goal and satisfying a common interest means that for a certain group of people the public good was provided and the very fact that the purpose or intentions are common to the group means that none of its members is excluded from benefiting or getting satisfaction from achieving this goal [12, p. 13].

Professional literature presents several main features of the public interest [13]. Public interest is understood as the vital position of large social groups (including society as a whole), and the obligation to implement it (to achieve and develop) lies on the state [14, p. 20]. The public interest is recognized by the state and has the right of social community. Its implementation is guaranteed by its existence and development [15, p. 55]; the of harmonized, balanced in a certain way, interests of the state as an organization of political power, are the interests of the whole society (the common interests of its members), as well as its significant part/layer (territorial communities, social groups, particularly the vulnerable consumers, employees, small entrepreneurs, affiliates, minority in society), protected by the initiative of the state through its competent authorities for the purpose of restoration of the broken law, crisis prevention phenomena and ensuring optimal conditions for the operation of the state-organized society [16].

Public interest is defined as an interest that is of significant importance to an unlimited number of people and can be realized only together. Therefore, these needs can not be objectively satisfied individually, and in part these are general needs that are more effectively satisfied jointly, not individually. General interest is nothing more than one or another set of private interests, and legal protection is given only to the interests of individuals with more or less common significance [17, p. 11].

According to the definition by Yu.A. Tikhomirov [15, p. 55], the state becomes a representative of the public interest, if in its activities the state represents and ensures the observance of the interests of all its citizens (social interests), and the public interest recognized by the state is realized according to the norms of law. Protection of public interest which is recognized by the state and is provided with a law system is the condition and guarantor of the existence and development of a social community. It should be implemented not for the protection of the state itself as the ultimate goal but for the effective support of the rights of individuals.

Public interest is the basis of public service which is connected with the implementation of public administration and the provision of guaranteed living conditions. Specialized literature suggests the following definition based on the economic theory of classification of goods depending on the signs of competitiveness in their consumption and the possibility of their exclusion from consumption: «Services that are endowed with the properties of private goods can be considered public, but directly related to specification and protection of property rights of individuals» [18, p. 153]. It is interesting that public services are defined through the category of private goods which are opposed to the public goods that include «maintaining internal and external security, as well as public administration» [18, p. 152]. In A. Shastitko's opinion, goods that can be accessible through the form of public service arise as a by-product of the production of public goods [18, p. 153].

The peculiarity of public services is their high social importance and most members of a society are interested in them. It is not important if such services are beneficial for people. They should be provided and be the same regardless of the place of their provision in terms of quality, timing and availability. If there is no business interest in providing certain services or those who wish to receive a certain kind of service are not endowed with appropriate coercive mechanisms, the state

should perform this service or to stimulate the emergence of interest. The main feature that differ public services from state services is that they are characterized by the presence of only one entity that provides them (state bodies); therefore, public services are much broader than state services [17, p. 9; 19, p. 16-17].

This is what happened with the statutory audit: its functions have moved to a slightly different level since the state positions itself primarily as a subject that is obliged to reduce information risk (or to help reducing it), rather than individual shareholders.

Statutory audit should be considered as public service based on the public (social) interest, that is, as a socially significant activity regulated by law. The Code of Ethics states that the characteristic feature of the profession of an auditor is to take responsibility for acting in the public interest, therefore his/her responsibility is not only to meet the needs of an individual client or an employer (paragraph 100.1). On this basis audit should be considered as a tool to reduce or prevent conflict of interests when public (social) interests are affected.

In order to clearly establish the relationship between the statutory audit and public services it is necessary to consider their classification and differences from state and social services. In this case, the first problem arises because until now the legal literature has no clear solution to this problem and statutory audit does not always fit in the presented classifications. The existing classifications have three types of public services: (1) services for citizens; (2) services for entrepreneurs and legal entities; (3) informational services that are provided by the state and local governments [17, p. 10; 20, p. 20].

To determine the essence of the statutory audit it would be worthwhile using the proposed by A.N. Kostyukov three approaches to the definition of public, state and social services [21, p. 2-3]. According to the first approach characteristic features of public services provide activities of socially significant orientation, have an unlimited number of people using them, are carried out both by the state and municipal authorities and other stakeholders, based on both public and private property [22, p. 5]. According to the second approach these are socially important, paid for services, the price of which is regulated by the state, and are provided by commercial organizations in accordance with the regulations of public services [23, p. 22]. They can be used to characterize the relations that arise in the process of the statutory audit.

From the point of view of the definition of the essence of statutory audit as public service we should pay attention to the classification of public services on the basis of such a classification criterion as interest, which is understood as the motivating factor for the emergence of legal relations within which four groups of services are distinguished:

- services caused by private interest but the one that has social significance, that is, it implies the achievement of such personal goals that are considered by a society positively and at least due to each member of goods;
- services caused by a combination of private and public interest which is fixed in the form of a citizen's duty to perform certain actions for the benefit of the citizen himself;
- services caused mainly by public interest when a citizen or a legal entity does not want to receive such service but should make efforts to receive it because these actions precede to the legal relations necessary to the citizen. They are the elements of their factual framework and the refusal from receiving such services is associated with harm to citizens;
- services related to the state and public functions and are carried out in the interests of citizens or legal entities, but not other bodies [17, p. 12-13].

It is possible to talk about public services provided directly by government agencies and institutions or it can be delegated services [17, p. 12-13]. N.A. Shevelev singles out two types of public services which differ in their legal nature. They are entities and financial basis. Public services of the first type are the services provided by the executive authorities (system services). Public services of the second type are the services provided by subordinated budget institutions and other authorized organizations (personalized services) [24, p. 202]. The main characteristics of public services of the second type are: (1) the variety of subjects of their provision including non-governmental institutions and organizations; (2) the activity of all entities

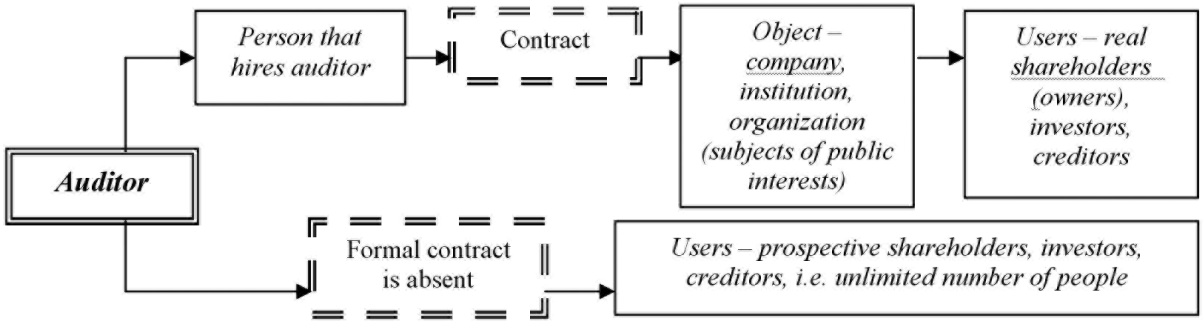
providing public services in the public interest; (3) a specific citizen or organization acts as the recipient of the service; (4) the service has a consumer value and good for the recipient; (5) the paid nature of the service for the entity that provides it; (6) the legal basis for the provision of services is a contract; (7) the state cannot evade from providing such services or organizing their provision; (8) state control over the quality of such services [24, p. 210]. All these characteristics can also be applied to the sphere of statutory audit.

Summarizing the above-mentioned classifications we may state that performing statutory audit is largely corresponds to the characteristics of personalized public services but with certain peculiarities.

Firstly, the problematic nature of defining the nature of statutory audit is the complex quadrilateral relations that arise during its implementation (Figure 1).

So, in this aspect the priority of the entrepreneurial nature of audit is disputable. Some authors propose to consider the audit as a legal model that is the constitute of the structure of social control in the community along with courts and other law enforcement agencies, notaries and expert institutions [25, p. 33]. The supporters of the legal and procedural model of audit define this concept as a legal process, with the right to exercise it to be the most important advantage which determines the legal nature of audit activity in a broad sense, as a jurisdictional and law enforcement. The state and society grant certain people privileges to perform special socially significant functions and these people have to make the fulfillment of these functions as the main goal and the meaning of their professional activity. As a result, they must abandon to pursuit the goal of making a profit [1, p. 5]. This position has support among other specialists in the legal sciences.

FIG. 1. INTERRELATIONSHIP ARISING IN THE PROCESS OF PERFORMING TASKS ON STATUTORY AUDIT



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The socially significant role of the audit is evident only if its results are officially promulgated in order to provide the opportunity to study them by an unlimited number of persons (potential shareholders, creditors, investors, etc.). The publicity of the statutory audit has a slightly different status because understanding the socially significant role in ensuring economic security of the state has made it necessary to conduct it and to publicize the results.

Secondly, the definition of audit as a public service is complicated by the fact that its performance has no social significance in the sense that it is difficult to classify it as the first or even the second need.

The formulation of the issue highlights the problems associated with defining both the limits for participation of non-governmental commercial organizations in the provision of public services and as well as the limits for ensuring the financial basis for such participation. Public services can be provided for free or on a fee basis. However, it is a common view that the nature of a public service in itself excludes the full commercialization of the activity. Therefore, the fee for a public service should be calculated taking into account the need to compensate the reasonable costs of the public entity for its provision. Such proposals are too categorical, but they show the debating points and complexity of the problem of understanding the nature and purpose of statutory audit.

It should be noted that there are other views on this problem. D.M. Shchekin believes that if we consider public services in a broad sense, then the government's performance should be free; the introduction of fee for public services, for example licensing, should be an exceptional phenomenon and not pursue the goal of generating income from such activities. The only permissible legal form of payment for public services should be charges (duties) [26, p. 9]. If we consider public services in the narrow sense as a socially useful activity that does not have an autocratic nature (the provision of medical or educational services), then it is necessary to apply a slightly different approach in determining the principles of payment for such public services which should be differentiated depending on the criterion of their monopoly [26, p. 91-93]:

1. If, due to legal or actual circumstances public services of an authoritative character are monopolistic in nature then the principle of their payment must be limited. In fact, an approach similar to the customs principle should be applied here, rather than the principle of profitability. The cost of such services should cover only the necessary costs, and at the same time, there should be no barriers to their accessibility to the public.
2. There are public services that are provided in a competitive environment, and the principle of profitability can be applied to these services, that is, the pricing process can be built on the basis of supply and demand, and the provision of such services is permissible to receive profit (services in higher education). Undoubtedly, it is possible to establish prices for such services at a minimum level, for example, to ensure their greater accessibility to the population but this is already an issue of economic policy, not rights.

So, the process of recognizing a statutory audit as a public service can be presented in the form of the following options:

1. The «classic» option which is supported by the history of audit development in other countries during the XIX-XX centuries. The interests of some individuals (initially real shareholders, investors, owners, creditors) to reduce gradually their information risk, in connection with the development of the stock market and the involvement of an unlimited number of individuals in the spheres of activity of individual institutions, turned into state interests to protect the economic security of society. In this case, the consolidation of private interests and their «transformation» into public and state interests are clearly visible. Since the state left the functions of performing audit of the subjects of public interest in the conduct of independent auditors, the performance of the statutory audit has taken the form of a public service. At the same time, it should be noted that the state did not in fact recognize the provision of confidence concerning the level of reliability of the financial reporting of the subjects of public interest as its task, but reserved only the tasks of ensuring the performance of such functions by other entities and ensuring the proper quality of such services.

2. The «transformed option», an example of which is the transformation of the functions of the audit and taxation services of the countries of the former Soviet Union. In fact, the state performed functions to verify the correctness of accounting and reporting, but later delegated their implementation to specially authorized commercial entities, that is auditing entities (audit firms and auditors – private entrepreneurs). This option can be found in the Ukrainian, Russian legislation and legislation of other countries where the audit is performed at the state enterprises and enterprises in which the authorized capital of a certain proportion belongs to the state. In principle, such functions should be performed by the state and for this purpose there are special state bodies (in Ukraine, for example, the State Audit Service (former State Financial Inspectorate, State Control and Audit Service), the State Property Fund), but they are delegated to audit entities, and the state keeps the functions to develop recommendations on the appointment of auditors for such enterprises and recommendations for the implementation of such tasks.

In this case, the institution that was initially meant as independent is getting used by the state. First of all, the state is interested in the existence of such a mechanism since it enables realizing its interests without additional burden on the budget. Also the subjects of audit activity are interested because it allows expanding the volumes of activity, as well as those economic entities that are ready

and seeking to confirm «own status», for example a «responsible taxpayer», «effective and diligent enterprise»

3. A "quick option" is a vivid example when Ukraine and other countries are rapidly introducing market relations. In this case, the state does not wait for the private interests of an unlimited number of people who want to invest in joint-stock companies or cooperate with banks and credit institutions, turn into state ones, but immediately recognizes them as such introducing an institution of statutory audit.

So, the establishment of the institution of statutory audit in Ukraine was conditioned by the state's demand in the conditions of property relations reform and only later the need of «classical» users of the audit results appeared that determined its formation in the world economy.

It should be noted that indirectly the recognition of statutory audit as a «public (social) service» is confirmed by the fact that the European Community legislation uses the term «public interest entities» to define criteria for the statutory audits [27]; it is considered that the degree of significance of public interests should determine those entities that must necessarily be subject to annual audits. These entities include enterprises of significant public interest due to the following factors: type of business, volume of activities, number of employees, corporate status which provides a significant number of shareholders (credit institutions, insurance companies, investment firms and funds, pension firms and funds, and listed companies which are joint-stock companies with shares registered and being in circulation at recognized stock exchanges).

The Code of Ethics includes economic entities that are of public interest (paragraphs 290.25-290.26): all business entities registered at stock-exchange; an enterprise that is defined by regulatory enactments or legislation as a business entity of public interest or when regulatory acts or legislation require that an audit should be conducted in compliance with the same requirements for independence as for the audit of business entities registered at the stock-exchange. It is recommended that firms and organizations that are members of the International Federation of Accountants determine whether additional business entities or certain categories of entities are considered to be those that are of public interest because they have a large number and a wide range of stakeholders, taking into account such factors as the nature of the business (banks, insurance companies and pension funds), size and number of employees.

Taking into account the entities involved in the functioning of the mechanism of statutory audit it should be viewed as a public service in two aspects:

1. For the enterprise itself (the subject of public interest) carrying out a public service is an act that is carried out in most cases «under compulsion» but the enterprise makes certain efforts to obtain it since such acts precede the onset of the necessary legal relationships.
2. For many legal entities and individuals the existence of a statutory audit and the possibility to study auditors' is a public service in a «pure form».

These conclusions allow making the only decision on the «payment» of the statutory audit. In this sense, statutory audit for an unlimited number of users with whom a formal contract is not available should be free of charge (in theory it is possible to apply the option in the form of a fee in an insignificant amount, for example, in the form of access to relevant Internet resources). If each of the unlimited number of users paid for its statutory audit, then there would not be a justified reason for setting a fee for performing it, even at the level that does not exceed expenses. For an enterprise as a subject of public interest performing a statutory audit is a public service provided in a competitive environment to which the principle of profitability can be applied.

Summarizing the above-mentioned we can distinguish the following specific characteristics of a statutory audit:

1. An important social role of the statutory audit is the formation of an opinion on the degree of reliability of the information published about the financial condition of the enterprise which in its turn is officially made public in order to provide an opportunity to study it by an unlimited number of people.
2. Although the choice of the auditing firm and payment for the services are carried out on a commercial basis within the framework of a civil law contract, in its purposes, tasks and functions,

statutory audit is carried out in the interests of a wide number of people and the state, that is, in public interests.

3. The auditing firm (auditor) performing a statutory audit in accordance with the requirements of the law, in fact performs a public function, since it is no longer private, but public interest is the basis of this mechanism. Accordingly, the relations arising in the process of statutory audit, to a large extent, have public and legal nature.
4. The specific nature of statutory audit as a public service consists of more complex quadrilateral relations that arise in the process of its implementation, which involve: first, the enterprise is a subject of public (public) interest; second, the auditing firm; third, real shareholders, investors, creditors; fourth, an unlimited number of others who can in fact be seen as potential shareholders, investors, creditors, etc.
5. An auditing firm that performs a statutory audit acts officially in accordance with the authorities delegated to it by the state, and the state takes the responsibility to organize such services and monitor their quality.
6. The performance of a statutory audit does not envisage the initiative of the entity to be audited but is its public-legal responsibility. This act is carried out in most cases «under compulsion» but the entity makes certain efforts to perform it (to receive this public service), because these actions precede the onset of the necessary legal relations.
7. An auditing firm performing statutory audit engagement signs an agreement on the performance of an audit within the framework of civil law; however, the entity (legal or natural person) has a special status, as it is created specifically and exclusively for auditing and can not take other entrepreneurial activity.
8. The auditor's report which is compiled based on the results of the audit is included in the public (officially promulgated) annual financial statements as an obligatory element. The financial statements can not be accepted without auditor's report and its users can not view it as reliable.
9. Recognizing the specificity of statutory audit as public service it is important to ensure not only the mechanism of the audit but also the mechanism of appropriate publication of its results.
10. Taking into account the openness (publicity) of the auditor's report, the auditor should be responsible to third parties whom he knows or may not know when making a statutory audit because they can make a decision based entirely or partially on this report. That requires an increased attention to the legal responsibility to the third-party, which has no unequivocal solution in the world yet.
11. Taking into account that the statutory audit is aimed at protecting public interests the legislative and regulatory documents may (and should) establish special requirements for the activities of those auditors who perform statutory audit.
12. Since the auditor forms his opinion on the reliability of financial reporting to ensure the implementation of public (social) interests, he may have professional duty and the right not to fully adhere to such a fundamental principle as confidentiality. The situation may arise in connection with the need to disclose information to authorities that regulate activities of entities of public (social) interests, but that action must be sanctioned by law.
13. An enterprise which is the subject to statutory audit should in any case receive such services, therefore, to ensure their proper quality, minimum requirements should be established for the organization of their performance.

Conclusions and prospects for further research. The necessity to perform a statutory audit arises if the state wants to protect information rights and legitimate interests of the group in obtaining reliable information about the activities of individual entities. In other words the state carries out the function of regulating the production and distribution of informational products which are essential for the development of a society. This creates more or less equal opportunities in the consumption of information products because the interests of the society require much of the information to be available, so the state should create the mechanism to ensure access to information. Thus, a statutory

audit should be considered as a public good and its functions go up to a higher level, since the state considers the obligation to reduce the information risk, primarily its own, and not the responsibility of a shareholder.

The relations arising in the course of a statutory audit have to a large extent public and legal character and act as a tool to reduce or prevent a conflict of interests. Although the choice of the auditing organization and payment of the services are carried out on a commercial basis within the framework of a civil law contract, by its objectives, purpose and functions a statutory audit is performed in the interests of a certain group of people that can not be determined in advance and the state. So these are public interests. Statutory audit should be considered as a public service based on public (social) interest that is a socially significant activity regulated by the law, which in turn needs additional requirements for the activities of such subjects of auditing activity and the content of statutory audits.

It is necessary to understand and use all the advantages of auditing activity from the point of view of its social benefit in the system of social and economic relations. Despite the difficulties that arise while performing a statutory audit it is difficult to deny the need for its application, since, as J. St. Mill underlined «there are things where the intervention of the law is not necessary in order to rethink the judgments of people about their own interests, but in order to give these judgments a real power because people themselves are not able to do this differently than by mutual consent. And such consent will not be valid unless it is reinforced or sanctioned by the law» [28, p. 198]. Sometimes only a joint agreement can ensure the coincidence of private and public interests and to provide the necessary level of social utility which is completely true of the statutory audit.

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