Problem setting. The objective necessity for a research of issues of methodological grounds of public audit principles using institutional approach lies in theoretical terms of the audit and public management science development and is caused by “ideological bankruptcy” of the neoclassical approach and its methodological principles, which in modern economic theory is called “the neoclassical crisis and the search for a new economic paradigm”.

Recent research and publications analysis. Recent research and publications analysis. In Ukraine the Institute of public audit is undergoing merely the stage of its establishment, so scientific developments of the main problems in this area are insufficient. Gradually, however, coverage of theoretical and practical aspects of public audit turns into “mainstream” research for local scientists, among who the following should be mentioned: O. Aleksandrovich, I. Basantsov, A. Obolensky, J. Stefaniuk, A. Tsarenko et al.

Objective of the paper. The main idea of the article is to substantiate institutional foundations of public audit in the context of the modernization of public institutions and the development of institutional concept of public audit on this basis.

Main body of the paper (Discussion). In the article the author’s view on interpretation of the content of the main terminology and conceptual issues in the context of the institutional foundations of public audit is provided, including:

– Institutional foundations of public audit (from the Eng. term “institutional”) are treated as a set of scientifically based (and fixed) provisions by which the process of institutionalization of activities in the field of public audit is
executed, in other words their transformation into specific organized structures, action systems;

– The term “institution of public audit” is defined not only as an isolated group of legal norms regulating the social and economic relations in this area, but as the very relationships governed by these rules, as well as the organization of the process in which these relations are carried out. According to this concept it is proposed to interpret “the institution of public audit” in the narrow and broad sense;

– Institutional environment of public audit are the relationships (social and economic) between various subject, arising in the process of public auditing activities at different levels of public administration, namely: international (non-governmental) level; state level, regional level and municipal level; corporate level (this level of allocation due to the need to improve corporate social responsibility for the results of their activities to the community);

– Institutional mechanism – a set of hierarchically constructed institutions that implement functions of public audit based on rules established by legislation;

– Institutional framework – according to it ordering, processing and limitation of social and economic relations arising in the process of public audit between various subjects is executed.

Conclusions of the research. The above mentioned usage features of the terminology and conceptual aspects of public audit within the institutional approach and the developed with their regard institutional concept, in our opinion, should form the basis for further fundamental studies to help identify the strategic vectors of formation and development of public audit in the direction of modernization of public administration in Ukraine.