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## ANALYSIS OF FOREIGN PRACTICE OF FORMING INDICATORS FOR AUDITING THE EFFICIENCY OF GOVERNMENT AGENCIES' ACTIVITIES

**Abstract.** *The article covers the current problem of analysis and management of the performance of government agencies based on international experience. The introduction argues the importance of effective public administration to ensure socio-economic stability and security of national resources. Thus, the study's relevance lies in the effectiveness of the activities of government bodies that optimally use national resources to solve socio-economic problems, ensuring the social stability of society and the economic security of the country.*

*The purpose of the study is to adapt foreign methodologies and practices to optimize the use of public funds in Kazakhstan.*

*Methods: the study used abstract-logical, monographic, and economic-statistical methods, as well as general scientific methods - synthesis, analysis, comparison, and generalization.*

*The literature review presents performance audits as a result of the development of result-oriented budgeting and a factor contributing to the increase in the efficiency of government agencies. Key aspects are considered: the role of publicity and transparency in management, the effectiveness of government audit bodies, and the reduction of violations in the expenditure of budget funds.*

*Particular attention is paid to international standards and practical experience of performance audit, emphasizing adaptation to the specifics of Kazakhstan's legal regulations and national traditions.*

*Results: the main specific features of the performance audit indicators in the activities of the audit bodies of the analyzed countries were identified. At the same time, the most acceptable experience of forming the performance indicators of the use of budget funds in the activities of government bodies was determined.*

**Keywords:** *performance audit, state bodies, budgeting, performance indicators, Kazakhstan, international experience.*

### ■ Introduction

The efficiency of the state consists primarily of the effectiveness of public authorities that optimally use national resources to solve socio-economic problems, ensuring the social stability of society and the economic security of the country. The principle of an effective state is that the efficiency of the public administration system is a key factor for its development and ensuring a high quality of life of citizens with the most efficient use of available resources. One of the effective mechanisms of control over budget spending by the state bodies of Kazakhstan in fulfillment of their tasks and functions is the verification of the formation, distribution, and use of state funds and assets. Accountability of spending of national resources by state bodies has the form of external and internal state audit and financial control, the first of which is carried out

by state audit bodies represented by the Accounts Committee for Control over Execution of the Republican Budget and audit commissions, as well as attracted independent audit organizations and experts. At the same time, financial control is defined as an activity that aims to eliminate the violations identified in the state audit.

The purpose of the study is to adapt foreign experience in the formation of indicators for auditing the performance of government agencies.

## ■ Literature review

The performance of audit of public bodies, on the one hand, is the result of the development of result-oriented budgeting, and, on the other hand, it is one of the factors that contribute to improving the efficiency of public bodies [1]. Among the main factors that led to the development of performance audits of public authorities are the increase in the level of publicity and transparency of the public administration system, the high efficiency of public audit bodies, and the reduction in the level of violations in the expenditure of budgetary funds detected by them, the interest of the government and the public in obtaining reliable information about the level of performance of public authorities [2].

Research on performance auditing has also expanded significantly in recent decades. For example, Professor Lee Parker and others argue that performance auditing is a flexible construct rather than a definitive performance measurement tool and does not lend itself to universal, empirically based definitions [3, 4].

## ■ Materials and methods

The research is a set of general scientific methods of cognition of socio-economic phenomena, a systematic approach to solving problems, methods of dialectical logic, analysis and synthesis, observation and comparison, induction and deduction.

## ■ Results and discussion

The analysis and review of foreign experience in performance audit indicators of state bodies reveals some aspects that could be useful for Kazakhstan in the audit. The main purpose of such an analysis is the possibility of making proposals for the key performance implementation of audit indicators of state bodies of foreign countries in the current domestic methodology of the system formation of performance audit indicators.

The Office of the Auditor General of Canada (OAG) conducts performance audits under the Auditor General of Canada Act, which was enacted in 1977 [5].

The Common Measurement Tool (CMT) is widely used in Canada and beyond. The CMT is conducted to identify the most problematic areas of public service delivery, as well as to determine the main criteria that determine the degree of satisfaction with the quality of public services in a particular public organization.

The use of SMT is based on the methodology developed by ICCS. The SMT technology provides an assessment of the overall satisfaction of citizens with the quality of public services, with satisfaction assessed on a 5-point scale according to the following parameters [6]: timeliness of service delivery, knowledge and competence, courtesy and ethics, fairness, and result.

The Government of Canada has achieved a 15 percent increase in citizen satisfaction with public services over the past 13 years for 26 core services, including through e-government. The SMT use increases public trust in government and satisfaction with the quality of services [7].

One of the tools to improve the quality of activities of state bodies aimed at ensuring a high quality of life for citizens is performance audits. In developed countries, the use of performance audits in the activities of supreme audit institutions is steadily growing and, in some countries, has already reached 60-70 percent of their total volume of work. For example, in Canada, over 60% of control activities carried out by Supreme Audit Institutions are carried out as efficiency

audits of the use of public funds. It is connected, first of all, with the fact that in these countries there is a strong civil society, the interests of which the authorities cannot ignore.

The set of criteria and quantitative and qualitative indicators to determine the effectiveness of performance audits of public bodies may vary greatly depending on the objectives and specifics of the audited area of use of public funds. However, all these types of audits have such a common feature as concentration on the indicators of economy, productivity, and efficiency, i.e. on determining the effectiveness of their use of budget funds. Therefore, when describing the practice of this type of audit, we will use the single term "performance audit" adopted by INTOSAI.

In the study of foreign experience in indicators of performance audit of public authorities, it is necessary to focus on the regulatory, methodological, and practical aspects of audit performance in various sectors of the economy and the specifics of public administration bodies. The analysis of external financial control in foreign countries indicates, on the one hand, the diversity of its forms, and on the other hand shows the presence of some common approaches, functions, and principles of control. The World Bank determines that the Independent Public Audit (Control) Bodies fulfill primarily the function of external management of public expenditures and ensuring financial accountability [8].

The functions and powers of the SAI vary from country to country, depending on the differences in the tasks involved in monitoring the achievement of certain socio-economic indicators.

In addition, new functions arise for public audit bodies in connection with the development of the concept of sustainable development, which implies the development of new approaches in public administration and audit.

### 1. Australia.

Australia is among the most economically developed countries in the world in terms of GDP, a wide range of services, industrial and agricultural success. One of the success factors can be seen in the strict control of the prudent use of public resources, performance, and compliance with legislation and policy.

A performance audit is conducted mainly as an operational (maintenance) audit and examines the various areas of an organization's operational activities. The framework of criteria and indicators focuses on assessing the design, management, and administration of programs. At the same time, the Australian National Audit Office (ANAO) Guidelines for conducting performance audits do not describe the audit criteria and sources of obtaining them [9].

The ANAO defines the following audit indicators:

- efficiency as maximizing the ratio of results to costs;
- the measure of savings as cost minimization;
- Effectiveness is the extent to which planned results are achieved and compliance with legislation and policy is achieved.

It is a positive practice for Kazakhstan that the Australian National Audit Office regularly compiles best practices in performance auditing.

### 2. United Kingdom of Great Britain and Northern Ireland.

The structure of budget expenditures in Great Britain and Northern Ireland retains the social orientation of the budget, due to which such items as social payments, health care, education, public order and safety, etc. account for two-thirds of all its expenditures. This situation necessitates strict control over the spending of budget funds by their recipients and their achievement of final socially significant results.

The "value for money audit" is widely used in this state. The Comptroller and Auditor General (C&AG) and the UK National Audit Office (UKNAO) that supports it are empowered to deliver value for money [10].

"The Financial Control (National Audit) Act 1983 states that C&AG may carry out audits of the economy, efficiency, and effectiveness with which any department or other relevant body has utilized its resources in carrying out its functions [11]."

Performance auditing in the UK aims to gather evidence to conclude consistency between the inputs spent and the outputs achieved.

The UK National Audit Office focuses its performance audits primarily on outputs rather than expenditure processes to demonstrate in the report how the auditee activities affect the beneficiaries of public services. The audit standards applied by the C&AG and UKNAO have a hierarchical structure depending on the level of importance of indicators for the state in terms of macro and micro indicators and include:

- at the first level – general criteria and indicators;
- at the second level – sub-criteria of indicators.

In recent years, the audit procedure has been significantly simplified due to the increased use of information technology, which is very relevant for Kazakhstan as well.

The UK National Audit Office commissions independent audit firms to conduct up to 25 percent of the total audits. Such an example could be useful for Kazakhstan to improve the objectivity and independence of audits.

Thus, the experience of Great Britain seems interesting for Kazakhstan in terms of approaches to ranking criteria on the levels of significance of the results of the activities of state bodies for the overall economic growth of the country and for individual regions and industries.

### 3. Russian Federation.

Efficiency audit - determination of efficiency and expenditure expediency of public funds and use of federal property. According to the Federal Law of the Russian Federation No. 4-FZ "On Auditing Activities" (latest version 2012), the efficiency audit is aimed at:

- determining the efficiency of management and disposal of federal and other resources, including for strategic planning of the socio-economic development of the Russian Federation;
- development of performance audit capabilities and methods, including the selection and evaluation of key national indicators and indicators of socio-economic development of the Russian Federation;
- assessment of the effectiveness of granting tax and other benefits and advantages, budget loans at the expense of the federal budget, as well as assessment of the legality of granting state guarantees and sureties [12].

The development of criteria and indicators of a performance audit is carried out by the bodies of the Audit and Accounts Chambers in the form of a working document with a detailed map of evaluation criteria and methods of their calculation based on the analysis of data on the performance of government agencies, statistical data, and other sources. In this case, it is obligatory to use various normative and methodological recommendations for the selection and (or) development of indicators of efficiency of the use of federal and other resources with qualitative, quantitative, relative, and dynamic values.

Efficiency – the ratio between the product in the form of goods, services, and the resources used to produce them;

Cost-effectiveness – minimizing the cost of resources devoted to an activity, considering the required quality;

Effectiveness – the result against objectives compared to the resources used to achieve those objectives.

Productivity is characterized by the relationship between the production of goods, services, and other results, on the one hand, and the resources used for this purpose, on the other hand, i.e. it is concerned with the optimal use of resources to achieve the results of activity.

The procedure for their formation has a common border with the INTOSAI methodology, when, by the purpose of the efficiency audit, criteria for the efficiency of the use of federal and other resources are developed and then a system of indicators is formed for each of them.

The Accounts Chamber of the Russian Federation regularly audits methodological recommendations on the selection and development of criteria and indicators and adjusts them as necessary.

Given the similarity of economies, forms of state support, and, accordingly, audit directions, we believe that the methodology and practice of the Accounting Chamber can be maximally applicable to Kazakhstan.

**4. Sweden.**

Sweden’s SAO is the NCRA, the National Audit Office (National Audit Office). It is the predecessor to the control and audit activities of two control bodies, the parliamentary auditors and the former SAO, the National Audit Office (NAFK). The control of Swedish public institutions has been in place for at least several centuries, and performance auditing has been an integral part of Swedish political and administrative culture since the late sixties of the twentieth century. The Swedish BOA has the longest history of performance auditing.

The National Audit Office’s task is to examine what the state’s money is spent on, how it is reported, and how effectively it is used. By conducting independent audits, we contribute to democratic transparency, rational use of resources, and good governance in the state [13].

The following are defined as performance indicators:

- effectiveness – the level of achievement of the goal;
- cost-effectiveness – economy, the extent to which costs are minimized, given the quality of the product;
- productivity – the degree of usefulness of resource consumption to produce output.

The general results of the analysis of foreign experience in the formation of indicators of performance audits of government agencies are reflected in Table 1.

**Table 1** – Understanding of performance audit indicators in foreign countries’ SAI activities

Country, VOA	Cost-effectiveness	Productivity	Effectiveness
1	3	4	5
Australia Australian National Audit Office	Economy - minimising costs	The ratio between the output of goods, services and other results and the resources used to produce them	Effectiveness - the degree of achievement of planned results)
UK National Audit Office	How sparingly public bodies use their resources	The ratio between the output of goods, services and other results and the resources used to produce them	Achievement of socio-economic indicators in target indicators
Russian Federation Accounts Chamber of the Russian Federation	Achievement of a given result using the least amount of resources or the best result using a given amount of resources	The relationship between the production of goods, services, other outputs and the resources used to produce them	The level of correlation between the obtained results of activity and the resources, efforts, costs spent on them
Kingdom of Sweden National Audit Office (National Audit Office)	Cost-effectiveness – economy, the extent to which costs are minimised, given the quality of the product	Productivity - the degree of usefulness of resource consumption to produce outputs	Achievement by the monitored entity of its objective

The most useful for Kazakhstan, we think, is the *implementation of the methodology* of the system of indicators on the budgetary funds’ effectiveness in the state bodies’ activities of such countries as the Russian Federation and Canada. The Canadian Chief Auditor Office determines not only the public funds’ effectiveness but also checks «tools and procedures by which the effectiveness of the audited objects is determined» [14].

Conclusions. The comparison of foreign experience in conducting performance audits reveals significant differences in the powers, organization, and methods used. However, all

reviewed foreign SAIs conducting performance audits of public authorities are based on common international principles, standards, and audit procedures developed by INTOSAI and have the same objective – determining the socio-economic effect of budgetary funds and public resources.

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**АНАЛИЗ ЗАРУБЕЖНОЙ ПРАКТИКИ ФОРМИРОВАНИЯ ПОКАЗАТЕЛЕЙ АУДИТА ЭФФЕКТИВНОСТИ ДЕЯТЕЛЬНОСТИ ГОСУДАРСТВЕННЫХ ОРГАНОВ**

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***Аннотация.** Статья освещает актуальную проблему анализа и управления эффективностью деятельности государственных органов на основе международного опыта. Введение аргументирует значимость эффективного государственного управления для обеспечения социально-экономической стабильности и безопасности национальных ресурсов. Таким образом, актуальность исследования заключается в эффективности деятельности органов государственной власти, оптимально использующих национальные ресурсы для решения социально-экономических проблем, обеспечивающих социальную стабильность общества и экономическую безопасность страны.*

*Цель исследования заключается в адаптации зарубежных методологий и практик для оптимизации использования государственных средств в Казахстане.*

*Методы – в исследовании использовались абстрактно-логический, монографический, экономико-статистический методы, а также общенаучные методы – синтез, анализ, сравнение, обобщение.*

*Обзор литературы представляет аудит эффективности как результат развития бюджетирования, ориентированного на результат, и фактор, способствующий повышению эффективности государственных органов. Рассматриваются ключевые аспекты: роль публичности и прозрачности в управлении, эффективность деятельности органов государственного аудита и сокращение нарушений в расходовании бюджетных средств.*

*Особое внимание уделяется международным стандартам и практическому опыту аудита эффективности, подчеркивая адаптацию под специфику казахстанского правового регулирования и национальные традиции.*

*Результаты – выявлены основные специфические особенности показателей аудита эффективности в деятельности органов аудита анализируемых стран. Вместе с тем определены наиболее приемлемый опыт формирования показателей эффективности использования бюджетных средств в деятельности государственных органов.*

***Ключевые слова:** аудит эффективности, государственные органы, бюджетирование, показатели эффективности, Казахстан, международный опыт.*

**МЕМЛЕКЕТТІК ОРГАНДАР ҚЫЗМЕТІНІҢ ТИІМДІЛІГІНЕ АУДИТ ЖҮРГІЗУ  
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***Аңдатпа.** Мақалада халықаралық тәжірибе негізінде мемлекеттік органдардың қызметін талдау мен басқарудың өзекті мәселесі көрсетілген. Кіріспеде әлеуметтік-экономикалық тұрақтылық пен ұлттық ресурстардың қауіпсіздігін қамтамасыз ету үшін тиімді мемлекеттік басқарудың маңыздылығы дәлелденеді. Сонымен, зерттеудің өзектілігі қоғамның әлеуметтік тұрақтылығын және елдің экономикалық қауіпсіздігін қамтамасыз ететін әлеуметтік-экономикалық мәселелерді шешу үшін ұлттық ресурстарды оңтайлы пайдаланатын мемлекеттік органдар қызметінің тиімділігімен анықталады.*

*Зерттеудің мақсаты – Қазақстандағы мемлекеттік қаражатты пайдалануды оңтайландыру үшін шетелдік әдістемелер мен тәжірибелерді бейімдеу.*

*Әдістері – зерттеуде абстрактілі-логикалық, монографиялық, экономикалық-статистикалық әдістер, сонымен қатар жалпы ғылыми әдістер – синтез, талдау, салыстыру, жалпылау қолданылды.*

*Әдебиеттер шолуында нәтижелерге негізделген бюджеттеуді дамыту нәтижесінде тиімділік аудиті және мемлекеттік органдар қызметінің тиімділігін арттыруға ықпал ететін фактор көрсетілген. Негізгі аспектілері қарастырылады: басқарудағы жариялылық пен ашықтық рөлі, мемлекеттік аудит органдары қызметінің тиімділігі және бюджет қаражатын жұмсаудағы бұзушылықтарды азайту.*

*Қазақтың құқықтық реттеу ерекшеліктері мен ұлттық дәстүрлерге бейімделуіне баса назар аудара отырып, тиімділік аудитінің халықаралық стандарттары мен практикалық тәжірибесіне ерекше назар аударылады.*

*Нәтижелер – талданатын елдердің аудиторлық органдарының қызметіндегі тиімділік аудиті көрсеткіштерінің негізгі спецификалық ерекшеліктері анықталды. Бұл ретте мемлекеттік органдардың қызметінде бюджет қаражатын пайдалану тиімділігінің көрсеткіштерін қалыптастырудың ең қолайлы тәжірибесі анықталды.*

***Түйін сөздер:** тиімділік аудиті, мемлекеттік органдар, бюджеттеу, тиімділік көрсеткіштері, Қазақстан, халықаралық тәжірибе.*