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### **System features of audit efficiency in foreign countries**

Nowadays the audit efficiency is one of the main types of the control of execution of the State Budget which carried out by the supreme bodies of financial control of foreign countries. This article is sanctified by pressing questions of estimation of economy, efficiency and effectiveness of the use of budgetary facilities. Aims, methods and practical realization of audit efficiency, arising up here problems and ways of their decision, are investigated in the article.

The feature of this article consists of that introduction of audit efficiency in activity of foreign organs of state financial control, demanded corresponding changes in their organizational structures. In many countries as Belgium, Great Britain, Denmark, Norway, Netherlands, Sweden, were created the special subdivisions on the audit efficiency.

**Key words:** audit efficiency, finances, budget, budgetary system, effectiveness, reform, efficiency.

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### **Шет елдерде тиімділік аудитінің ерекшеліктері**

Мемлекеттік бюджет мониторингін іске асырудың негізгі түрлерінің бірі тиімділік аудиті болып табылады, ол шет елдердің жоғары қаржы бақылау органдары арқылы жүзеге асырылады. Мақалада бюджеттік қаражатты пайдалану тиімділігі, нәтижелілігі мен тиімділігін бағалаудың өзекті мәселелері қаралған. Сонымен бірге тиімділік аудитін практикалық мақсаттары, әдістері, тексеру нәтижесінде алынған проблемалары және оларды шешу жолдарын қарастырады.

Мақаланың ерекшелігі мемлекеттік шетелдік қаржылық бақылау органдарының қызметінде тиімділік аудитін жүзеге асыру, олардың ұйымдық құрылымдарында тиісті өзгерістердің талаптары болып табылады. Бельгия, Ұлыбритания, Дания, Норвегия, Нидерланды, Швеция сияқты көптеген елдерде тиімділік аудиті үшін арнайы бірлік орнатқан.

**Түйін сөздер:** тиімділік аудиті, қаржы, бюджет, бюджет жүйесі, реформа, тиімділік.

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### **Особенности системы аудита эффективности в зарубежных странах**

Аудит эффективности, который является одним из основных видов контроля исполнения государственного бюджета, осуществляется высшими органами финансового контроля зарубежных стран. Данная статья посвящена актуальным вопросам оценки экономичности, эффективности и результативности использования бюджетных средств. В статье исследуются цели, способы практического проведения аудита эффективности, возникающие при этом проблемы и пути их решения.

Особенность этой статьи заключается в том, что внедрение аудита эффективности в деятельность зарубежных органов государственного финансового контроля потребовало соответствующих изменений в их организационные структуры. Во многих странах, как Бельгия, Великобритания, Дания, Норвегия, Нидерланды, Швеция, были созданы специальные подразделения по аудиту эффективности.

**Ключевые слова:** аудит эффективности, финансы, бюджет, бюджетная система, результативность, реформа, эффективность.

## **SYSTEM FEATURES OF AUDIT EFFICIENCY IN FOREIGN COUNTRIES**

Nowadays the audit efficiency is one of the main types of the control of execution of the State Budget which carried out by the supreme bodies of financial control of foreign countries. As it is emphasized in article 4 of the «Lima Declaration of Guidelines on Auditing» adopted 1X by the Congress of the International organization of the supreme control bodies (INTOSAI) in 1977, it is «aimed at checking how efficiently and economically spending public funds. Such control includes not only the specific aspects of control, but the whole management activities, including organizational and administrative systems».

According to the INTOSAI standards the body of the state financial control can carry out inspections of efficiency and draw conclusions about an inefficient expenditure of budgetary funds in the presence of legislatively established right for this type of checks concerning all spheres of activity of the state connected with an expenditure of budgetary funds. The State bodies of financial control of foreign countries at implementation of audit of efficiency are guided, first of all, by provisions of the INTOSAI Auditing standards in which the essence of audit of efficiency is defined as check of profitability, efficiency and productivity which the checked organization uses resources while performing the tasks and obligations.

Economy is understood as minimization of expenses on implementation of activity organization in combination with preservation of the corresponding quality of work. Efficiency is considered as a ratio between the output of goods, services and other results of activity of the organization and resources used on their production. The effectiveness is characterized by the level of implementation by the organization of objectives in the form of a ratio between the planned and actual results of its activity.

This definition of essence of audit efficiency the use of budgetary funds, in this or that form is recorded in the majority of the laws regulating activity of the supreme bodies of financial control of foreign countries and also in the standards and rules of carrying out audit efficiency developed by them. So, for example, according to the law of Great Britain on financial control National control and auditing administration carries out inspections for definition, «is how economical, economically effectively and purposefully the

ministries, departments or other establishments expended funds when performing their tasks».

In Management of the Chief auditor of Canada the essence of audit efficiency formulates as follows: «Audit efficiency of spending budget funds represents systematic, purposeful, organized and objective check of activity of public authorities and includes audit of profitability, efficiency and profitability of activity of public authorities, and also an assessment of impact of this activity on environment».

In the USA efficiency of audit «represents the objective and systematic verification of actual data (documents) for the purpose of providing independent evaluation of the work of the state organization, its program, activity or function to provide with information for improvement of the reporting to the public, and also for facilitating of decision-making by the parties responsible for supervision».

In the Slovak Republic audit of efficiency is defined as «the activity directed on check and an assessment of degree of economy, effectiveness and efficiency of the use by the auditee organization of funds, property, performance of the duties, implementation of the property rights and responsibility (appropriate financial management) which is subject to check by the Supreme control body of the Slovak Republic within its competence».

Thus, it is obvious that the following definitions efficiency audit differ only in the form of presentation of its essence, which consists in carrying inspections of executive authorities and government organizations in order to determine economics, efficiency and effectiveness in the use of budget funds received for the performance of their governmental functions and socio-economic problems. In the development of audit efficiency in foreign countries at the same time changed the approaches and methods for measuring the efficiency of use of budgetary funds. Initially, the efficiency is understood as the value determined on the basis of the analysis of the physical volume of resources expended (input-oriented estimation). So this, the main focus in evaluating the effectiveness of the use of budget funds paid to economics of their use.

The next step was the transition to an indicator of allocative efficiency, which was used in the calculation of the physical volume measures are not the expended resources and costs. It was considered that the allocative efficiency is achieved if the costs of obtaining each output are minimized so that none of incoming resource can be replaced by another without increasing costs. At this stage the assessment

of efficiency of budgetary funds was carried out on the basis of definition as profitability, and efficiency of their use.

With emergence of need of implementation of a complex assessment of efficiency of the public expenditures, the main attention began to be paid to the analysis of the production (services) designated by the term «output», and then and the final results of use of the budgetary funds characterized by the term «outcome». Thus production and result of use of budgetary funds is accurately differentiated. The result of use of budgetary funds is understood as consequences (influence) for society of granting by the state of goods and services. Achievement of results is considered as the policy objective use of budget funds, and provision of goods and services – a means or a tool.

This differentiation between the result and release is necessary because the analysis of production and the carried-out expenses doesn't give yet the answer to a question as far as use of this production satisfies these or those public requirements. That is, the achievement of efficiency production does not guarantee the achievement of effective result of the use of budgetary funds.

In foreign countries, usually used three main methods of measuring the efficiency of use of budget funds: the analysis of the index, regression analysis and analysis of data packets.

The analysis of indexes consists in comparison of indicators of activity of the checked organization to indicators of the previous periods, and also indicators of other similar organizations. For these purposes costs of release unit for each type of output production or the rendered service, and also productivity indexes (the relation of the used resources to release) pay off.

It should be noted that at this method of efficiency measurement is as a number of advantages, and essential shortcomings. On the one hand, it is the simplest method and the cheapest way of efficiency measurement. On the other hand, the analysis of indexes has a set of restrictions. In particular, it doesn't allow considering the objective factors having impact on structure of management in the organization in comparison with other organizations or with the previous periods. This method of an assessment of efficiency is, as a rule, used in relation to the production state organizations, but not to the agencies rendering the state services.

The method of measurement efficiency on the basis of the regression analysis consists in comparison of indicators of activity results of the audited organization to set of the factors characterizing the

used resources, and identification of relationship of cause and effect between fluctuations of the received results and these factors. This method has much wider application; however, one of its shortcomings is that efficiency in it is estimated, in fact, on the basis of the analysis of deviations from average values of this comparison, but not the best productivity. There are also restrictions in use of a method of the regression analysis connected with difficulties in definition of the initial reasons of changes of activity results of the organization.

The analysis of data packets represents a method of measurement efficiency on the basis of comparing the ratio of input - output in audited organization with its certain level taken as a reference. Activity of the organization for use of budgetary funds admits inefficient if its productivity is below this level or expense one unit of production higher, than reference level. For this method of measurement of efficiency the same shortcomings which are noted in the previous methods are characteristic. Besides, there is a subjectivity problem at a choice of values of indicators which are accepted as a standard.

Now determination of efficiency of use of budgetary funds in foreign countries is carried out on the basis of set of methods of the analysis as profitability and efficiency of use of budgetary funds, and the reached results of use of budgetary funds. However, in the course of the audit efficiency is still focused on the definition of how the received results of use of budgetary funds correspond to the needs of society, that is, the evaluation of their social productivity.

Practical implementation of audit efficiency in various foreign countries has the features which, to some extent, are caused by distinctions in legislative regulation and the available national and historical traditions. These features consist in setting of specific objectives which should solve the state financial monitoring by means of carrying out audit of efficiency, and also in emphases on these or those aspects of an assessment of economics, productivity and effectiveness of use of budgetary funds by executive.

The development of audit efficiency and its application in the state financial monitoring of foreign countries were uneven. So, at the same time and in the same countries the greatest attention was paid to an assessment of profitability of use of resources of public sector, and in other cases at center of attention there were questions of achievement of scheduled results. During the separate periods different ministries were objects of audit efficiency and in others - activities of those ministries and state

organizations which performed specific tasks were checked.

As a result of these experiments it became clear that the executive and legislative branches of the power need such assessment which would help to establish the reasons of ineffective use of budgetary funds and to make the relevant decisions on enhancement of activities of their receivers. Thus, the concept of audit efficiency which though changed from the moment of its origin was gradually created, but invariable was its basis - an assessment of efficiency of use of budgetary funds by means of check of activities of the ministries and other government bodies and organizations for execution of the state functions and the budgetary programs by them.

In the foreign literature there are three basic conditions, the presence of which is necessary for the implementation of audit efficiency:

- organization, which, in contrast to the auditing of the accounts conducted during the financial audit, examines the activities of the state on the use of budget funds in order to enhance its effectiveness, not only revealing the problem, but also helping to solve them;

- the external status of the auditor (organ of the state financial monitoring) which represents public interest and can think and work independent in order to show a real situation in the form in which it exists;

- the opportunity to see activities of the state as from outside, and inside, that allows applying cumulative knowledge of system of public administration, to be aware of its development and to define interactions between the existing organization structures, and also to promote modernization of public administration.

Today in most foreign countries almost realized all listed conditions that allow using actively audit of efficiency in the system of the state financial control for receiving an independent and objective assessment of effective management of the state financial means by executive power.

Implementation of audit efficiency in activities of foreign organs of the state financial monitoring demanded corresponding changes in their organization structures. In many of them (in Belgium, Great Britain, Denmark, Norway, the Netherlands, Sweden and other countries) were created special units on efficiency audit. In recent years such units are created everywhere in countries of Eastern Europe and Baltic.

So, for example, in Sweden in the process of reforming of the state system of financial management in 1967 the National auditing bureau

received the status of an organ of the external state financial monitoring concentrating the activities preferentially on implementation of audit efficiency of using budgetary funds. For this purpose has been restructured its organizational structure and working methods to ensure performance audits of government agencies and organizations to achieve the goals set by the government.

Thus, the analysis of implementation of audit efficiency of using budgetary funds in foreign countries allows us to draw the following conclusions which are represented important for understanding of the general concept of audit efficiency and practice of its application in the state financial monitoring of Russia.

1. The occurrence of audit efficiency, on the one hand, is a consequence of the development process of the financial system of the state, and on the other - one of the factors contributing to its reform in order to improve public financial management.

2. Audit of efficiency is a financial control of results of using budgetary funds which purpose is determination of efficiency of their use. Despite the distinctions which are available in these or those countries in forms of implementation of this

monitoring, the standard concept of audit efficiency which essence consists in carrying out checks of activities of executive authorities and budgetary organizations for the purpose of determination of economics, productivity and effectiveness of using budgetary funds received for execution of the laid functions, duties or the solution of objectives was created today.

3. Existing systems of audit efficiency of using budgetary funds in foreign countries differ, generally only nature of setting tasks and emphases on these or those aspects of determination of efficiency of using budgetary funds (economics, productivity, effectiveness), and also the composition of objects of check caused by features of the national legislation.

Nowadays, in many countries more and more attention it is given to the analysis of functioning results in different spheres of public sector responsibility for which is conferred on appropriate government bodies, and the determination of an aggregate effect of using budgetary funds for society. That is, about that a priority in assessing the effectiveness becomes a social performance evaluation using budgetary funds, determine how the results of the use of budgetary funds meet social needs.

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