



ISSN: 2617-6548

URL: www.ijirss.com



Impact of the activities of state audit bodies on the efficiency of budget management at the local level

 Liya Mukhamedyarova¹,  Gulmira Tussibayeva^{2*},  Aliya Shakharova³,  Lyazzat Sembiyeva⁴,  Aliya Rakayeva⁵

¹Baishev University, Astana, Kazakhstan.

²K. Kulazhanov Kazakh University of Technology and Business, Astana, Kazakhstan.

^{3,4,5}L.N. Gumilyov Eurasian National University, Astana, Kazakhstan.

Corresponding author: Gulmira Tussibayeva (Email: gulmiratusibayeva@gmail.com)

Abstract

In the context of the increasing dependence of most regions of Kazakhstan on the republican budget, the problem of the effectiveness of interbudgetary relations is acquiring particular significance. There is a trend toward growth in the volume of subventions, an increase in the number of subsidized regions, and a decrease in the share of donor regions, which indicates a decline in the financial independence of local authorities. Consequently, the role of state audit bodies as a tool for enhancing the effectiveness of budget management at the regional level is becoming more prominent. The study employs an integrated approach, including analysis of the regulatory framework, comparative analysis of regional budget indicators, mathematical modeling of interbudget flows, construction of dendrograms, and correlation analysis. Data on transfer volumes in Kazakhstan's regions for 2023, along with visualized data from official statistics, serve as the empirical basis. Findings reveal that in 2023, only two regions transferred more to the republican budget than they received, while the remaining 18 regions were subsidized. The transfer ratio indicators demonstrated significant inequality, with some ratios exceeding 500-900 times. The share of subsidies in local budget revenues reached 37%, indicating a high level of dependence. Weak links were identified between the effectiveness of audit activities and the distribution of budget funds, particularly in subsidized regions. The current model of interbudgetary relations in Kazakhstan requires reform. Strengthening the role of the state audit should be accompanied by a systemic revision of transfer policies aimed at stimulating regions to develop their own revenue bases and adopt responsible financial management. The study's results can inform proposals for optimizing interbudgetary regulation mechanisms, improving legislation related to state audits, and developing effective strategies to enhance budget sustainability at the local level.

Keywords: Interbudgetary relations, State audit, Budget policy, Transfers, Subventions, Subsidized regions, Regional budgets, Financial stability, Management efficiency.

DOI: 10.53894/ijirss.v8i6.9597

Funding: This study received no specific financial support.

History: Received: 9 July 2025 / Revised: 11 August 2025 / Accepted: 13 August 2025 / Published: 1 September 2025

Copyright: © 2025 by the authors. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

Competing Interests: The authors declare that they have no competing interests.

Authors' Contributions: All authors contributed equally to the conception and design of the study. All authors have read and agreed to the published version of the manuscript.

Transparency: The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

Publisher: Innovative Research Publishing

1. Introduction

In the context of the modern economic policy of the Republic of Kazakhstan, the most important task of public administration remains to ensure the effective and balanced functioning of the system of interbudgetary relations. Local budgets play a key role in the implementation of state programs and the provision of socially significant services to the population. However, despite the existence of a regulatory framework and institutional mechanisms, the structure and dynamics of interbudgetary flows in Kazakhstan demonstrate persistent imbalances and increasing dependence of regions on centralized financing. The relevance of the study is due to the growing share of subsidized regions, the constant increase in the volume of subventions and transfers, as well as a decrease in the number of donor regions capable of forming their own revenue base without significant support from the republican budget. This situation negatively affects the sustainability of the budget system as a whole, leads to imbalances, and reduces incentives for improving the efficiency of budget management at the local level. In this context, the activities of state audit bodies are of particular importance, designed not only to monitor the targeted and effective use of funds but also to form an institutional basis for increasing the responsibility of local authorities for the effectiveness of the budget process. The practical significance of the study lies in determining the real impact of auditing activities on the process of budget planning and execution at the local level, identifying problem areas in the current system of interbudget transfers, and developing recommendations for strengthening the financial independence of regions. The results obtained can be used by government bodies to improve budget policy, enhance the quality of public finance management, and develop the audit institute at the regional level.

The hypothesis of the study is that the decrease in the number of donor regions and the growth of transfer dependence of most regions are associated not only with objective socio-economic imbalances but also with the insufficient effectiveness of state audit mechanisms, including in terms of monitoring the effectiveness of the use of subventions and transfers. It is assumed that strengthening the role and functional independence of state audit bodies will contribute to increasing the responsibility of regional administrations, optimizing the spending of budget funds, and reducing the dependence of local budgets on the center. Thus, the study aims to comprehensively understand the links between the effectiveness of audit control, the parameters of interbudgetary relations, and the sustainability of local finances in order to form a more balanced and responsible system of budget management in Kazakhstan.

2. Research Methods

The following methods were used in the analysis of the effectiveness of interbudgetary relations and the impact of the activities of state audit bodies on the management of budgetary funds at the local level:

1. Comparative-analytical method - was used to compare the dynamics of interbudgetary transfers, the structure of regional budgets, and the shares of donor and subsidized regions for the period 2001-2023. It made it possible to identify trends in the growth of transfer dependence of regions and changes in their financial status.

2. Statistical analysis - official data from the Ministry of Finance of the Republic of Kazakhstan and the Statistics Committee were used to calculate the shares of subventions, transfers, and changes in their volume in the structure of expenditures of the republican budget. Methods of time series analysis, calculations of coefficients, and indices were used.

3. Correlation-regression analysis - made it possible to identify the dependencies between the volumes of subventions, the number of subsidized regions, and the total expenditures of the republican budget. This method was used to quantitatively substantiate the conclusions about the impact of transfer policy on the sustainability of interbudgetary relations.

4. Graphical data visualization method - plotting graphs and charts (including dendrograms and trend lines) allows for the visual representation of the transformation of financial flows, changes in the shares of donor regions and recipients of subventions, as well as the growth of the budget burden at the national level.

5. Expert assessment method - was used to interpret the results of audit activities, identify factors influencing the effectiveness of control over the expenditure of funds, and assess systemic risks at the local level.

The combination of these methods provided a comprehensive approach to studying the problem under consideration and made it possible to develop reasonable conclusions and practical recommendations.

3. Research Background

Public services cover a wide range of areas - from healthcare and education to economics and social policy. Improving their quality and effectiveness is crucial for the sustainable development of society. One of the most important tools in this area is a performance audit, which allows assessing how appropriately and rationally budget funds are used.

Modern trends in the development of public audit demonstrate a move away from narrowly focused checks for compliance with legislation in favor of a more strategic and analytical approach. The emphasis is shifting to assessing the impact of the use of budget resources on the achievement of state priorities and public welfare. In this regard, auditors focus not only on identifying violations but also on measuring the real social and economic effects of the implementation of government programs.

The methodology of performance audit requires adaptation to the specifics of a particular country and public services sector. This type of control provides tools for analyzing the effectiveness and impact of government decisions, but its application is associated with certain difficulties. First of all, this is the need to develop relevant indicators, measurement tools, and mechanisms for assessing the consequences.

A study of international experience confirms that effective audit contributes to the formation of an effective public administration system. Thus, the practice of monitoring the socio-economic effects of the implementation of national programs allows us to assess not only the current but also the deferred results of public investments. For example, the long-term impact of programs on GDP growth, poverty levels, entrepreneurial activity, and other key indicators [1, 2].

A results-oriented approach plays a significant role in enhancing the effectiveness of public spending. In this context, it is important to identify priority areas those of greatest social, economic, political, and environmental significance. Research indicates that the systemic institutionalization of public performance assessment contributes to organizational development and the identification of growth points.

In practice, this means the need to improve external performance assessment systems, including the involvement of civil society. This enhances transparency, increases the level of trust in government institutions, and promotes accountability.

In modern conditions, special attention is paid to digital technologies. The introduction of digitalization, open data, and e-government platforms provides new opportunities to increase the transparency, accessibility, and efficiency of public services [3, 4]. The use of data analysis technologies, automated reporting, and integration of information systems strengthens control over financial flows and minimizes corruption risks.

The practice of applying a risk-based approach in audit deserves special attention. It allows focusing efforts on the most vulnerable areas, effectively redistributing the resources of regulatory authorities. An important component is also the study of the organizational structure and functioning of financial management systems in controlled organizations this allows identifying systemic deficiencies and suggesting ways to improve financial discipline [5]. In addition, modern challenges, including pandemics, economic crises, and changing service delivery models, require adapting audit mechanisms to new realities [6]. The development of e-government is becoming an integral condition for creating effective, inclusive, and accountable government institutions.

Innovative technologies and the use of open data create significant opportunities for international, national, and regional non-governmental organizations. These tools allow them to actively participate in initiatives related to the processing and use of open data, thereby promoting the development of electronic citizen participation and expanding public activity within the framework of e-government. The works of Kabbar [7] are devoted to a detailed analysis of these processes, including examples of the effective use of open data to increase civic engagement.

As digital solutions develop and government services are modernized, it is especially important for governments to strategically implement these technologies to improve the quality of public services and achieve sustainable development goals. This can be a key element in strengthening the transparency and effectiveness of public administration [8].

One of the main arguments in favor of the importance of public audit is its ability to ensure increased efficiency, effectiveness, and cost-effectiveness of government and other organizations [9].

In order to adapt and implement international best practices in the field of audit, specialized international organizations covering both internal and external audit have been established. Thus, the International Institute of Internal Audit is engaged in the standardization and coordination of the activities of internal auditors, and in the field of external audit, the leading role is played by the International Organization of Supreme Audit Institutions (INTOSAI) [10]. According to the research of Rahayu et al. [11] an assessment of the cumulative socio-economic effect of the implementation of government programs, based on structural changes in the economy, can serve as an indicator of their effectiveness. At the same time, government spending is considered not as current costs but as long-term investments in development [11].

Vuimo [12] analyzes foreign experience of performance auditing, noting that different developed countries use different terms to describe this activity. Thus, in the UK and Canada, the term "price-quality audit" is common; in Sweden and Norway - "effectiveness audit" or "management audit" (effectiveness audit); in the USA - "operational audit" (operational audit). Despite the terminological differences, they all reflect a single approach to monitoring the effectiveness of government agencies [12].

Audit of the effectiveness of public expenditure acts as a modern financial management tool aimed at assessing the rationality and validity of the use of budget funds [13]. The impact of government activities on the socio-economic environment can be measured by such indicators as economic growth rates, creation of new enterprises and jobs, GDP growth, poverty reduction, and increasing the level of economic independence of the population. In addition, results-oriented approaches are used, including the assessment of the ratio of costs and benefits obtained, as well as indicators of economic and financial efficiency [14]. Strategic audit used in the strategic assessment process is divided into three main

categories: audit carried out by independent experts, audit carried out by government bodies, and internal audit. The activities of these groups are aimed at assessing the extent to which the achieved results meet pre-established criteria, as well as communicating the findings to stakeholders [15, 16].

According to a number of policymakers and researchers, foreign direct investment can play a significant positive role in supporting host countries' efforts to achieve sustainable development [17].

A robust control system covering internal control, risk management, and audit is vital for good governance, protecting public funds, and maintaining public trust. By applying a risk-based approach to integrity and implementing targeted controls, governments can assure citizens that public resources are used effectively and efficiently [18].

Performance auditing is an area where the public sector audit function is very effective and has made a significant contribution to public accountability [19]. The development of public sector auditing has contributed to both financial reporting to a wide range of stakeholders and management control by the executive function. The use of performance auditing has increased in recent decades. Performance auditing in the public sector is strong in settings where the financial audit function is already well developed and where the audit function is well resourced. Despite efforts to improve the public audit mechanism, at the local level, there remains an imbalance between the amount of budgetary funds allocated and their actual performance. The main problem is that the audit is often limited to a formal check of compliance with standards, while the assessment of the real socio-economic effect of the use of budget resources is not carried out in sufficient depth. Another significant problem is the insufficient adaptation of the performance audit methodology to regional conditions and the specifics of local authorities, which leads to the loss of the analytical potential of the audit. In addition, the lack of systemic feedback and mechanisms for implementing auditors' recommendations in budget planning makes the audit a weak tool for influencing management decisions.

An additional challenge remains the low level of civil society involvement and insufficient openness of data, limiting public control and reducing trust in government.

According to the authors, the state audit should perform not only a control function but also a strategic function, stimulating local authorities to responsible and result-oriented budget management. To do this, it is necessary:

1) Strengthen the analytical component of the audit, with an emphasis on long-term socio-economic effects, and not only on compliance with legal norms.

2) Wider implementation of a risk-oriented and results-based approach, especially in lagging and subsidized regions.

3) Integrate digital technologies and big data analysis tools to improve the accuracy of monitoring and predictive analytics.

4) Develop external assessments with the involvement of civil society institutions and the media; this will increase accountability and provide genuine motivation for changes at the local level.

5) Use audit results in planning and redistributing transfers to avoid ineffective "equalization" and encourage efficiency.

Thus, performance audit should become not just a verification tool but an element of the strategic management system that affects the sustainable development of regions and the standard of living of the population. Involvement of all stakeholders, increased transparency, and the introduction of innovations are key to transforming audit from a formality into an engine of development.

4. Analysis and Results

Analysis of the dynamics of key indicators characterizing interbudgetary relations in Kazakhstan allows us to critically comprehend the current situation (Table 1).

Table 1.

Dynamics of the main financial flows between the republican and local budgets in 2001–2023, million tenge

Indicator	2001	2005	2010	2015	2020	2023
Budgetary withdrawals from local budgets	84155	95009	77663	168538	420081	431910
Subventions from the republican budget	35504	133028	645354	904371	2104432	4995055
Ratio of withdrawals and subventions, %	237	71	12	19	20	9
Share of subventions in local budget revenues, %	8.9	17.7	26.8	24.7	27.3	36.9
Transfers from lower to higher government bodies	84155	96448	247457	176079	597571	507205
Current transfers to other levels of government	45252	192975	930040	1512793	3731128	5366856

Source: <https://www.gov.kz/memleket/entities/minfin/documents/3?lang=ru&title=статистический%20>

A significant increase in the volume of budget transfers directed from the republican budget to socially and economically less developed regions can be interpreted as a return to the practice of "equalizing" redistribution inherent in the centralized financial management system. Such a model reduces incentives for more prosperous regions to increase their own revenues, since the increase in revenues can be partially redistributed at the national level. At the same time, there is a weakening of the motivation of subsidized regions to effectively manage their own financial resources, since a significant part of their revenues is generated through interbudget transfers. This trend is confirmed by the growth in the share of subsidies in the structure of local budget revenues, which demonstrates a stable upward trend and reached almost 37% by the end of 2023. It should be emphasized that this value reflects the national average and includes indicators of donor regions. In some subsidized regions, the share of subsidies exceeds 50% of the total revenues of local budgets, which emphasizes the high degree of their dependence on central funding. Based on the data in Table 1, it can be noted that in

recent years, the volume of transfers has significantly exceeded the volume of subventions, although in 2023 the gap between these indicators narrowed significantly. In the same year, in 12 out of 20 regions of Kazakhstan, transfers accounted for more than 50% of the total revenues of local budgets.

Figure 1 clearly shows the dynamics of the growth of transfers and subventions from the republican budget of Kazakhstan for the period from 2001 to 2023, according to which:

- The volume of both transfers and subventions has grown significantly: transfers have increased by 119 times, and subventions by almost 120 times compared to 2001.
- The share of subventions in the total volume of transfers remains consistently above 90%, which confirms the dominant role of subventions in interbudgetary relations.
- The main growth occurred in 2020, probably due to additional costs caused by the COVID-19 pandemic.

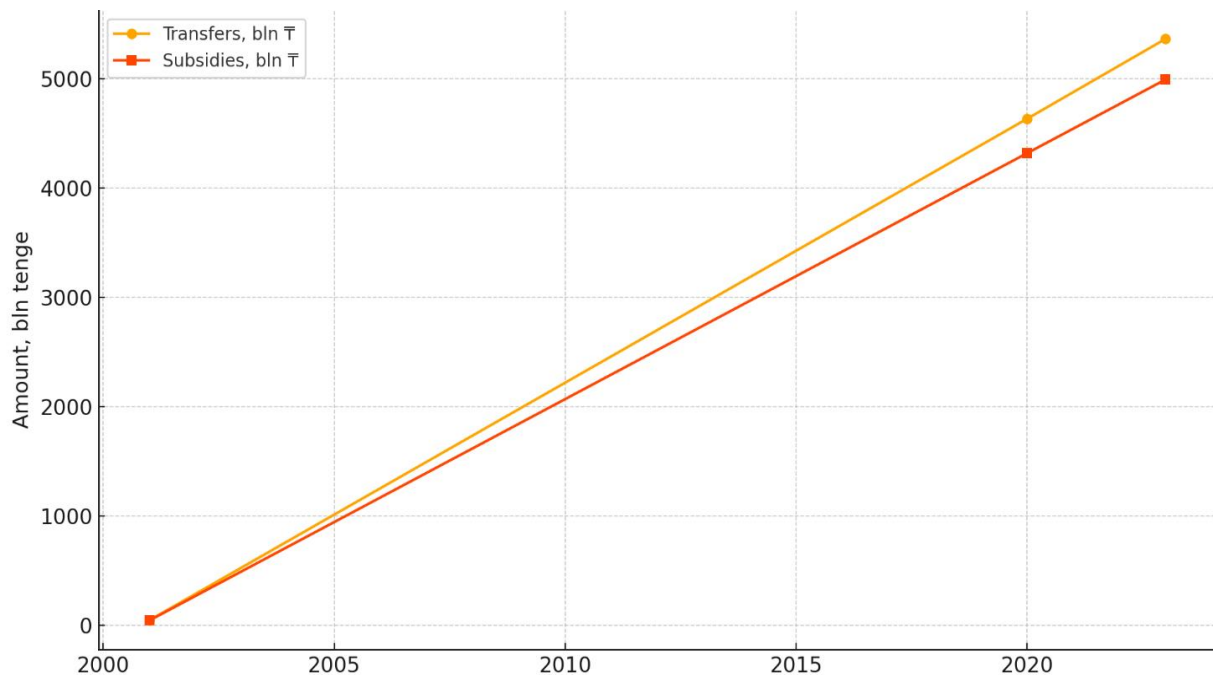


Figure 1.

Dynamics of transfers and subventions from the republican budget for 2001-2023, billion tenge.

Source: <https://www.gov.kz/memleket/entities/minfin/documents/>

Both indicators demonstrate steady growth, and the share of subventions remains high, about 93% of the total volume of transfers in 2023. This indicates the continued dependence of regional budgets on central redistribution, requiring further analysis of the impact of such a policy on the financial autonomy of the regions.

Steady growth in the volume of transfers and subventions from the republican budget, especially after 2020, necessitates enhanced control over their targeted and effective use at the local level. In conditions where, in a number of regions, subventions form over 50% of all local budget revenues, the role of state audit bodies in ensuring transparency, accountability, and effectiveness of budget expenditures is increasing.

The activities of the Accounts Committee and territorial divisions of the state audit should be aimed not only at identifying violations but also at assessing the effectiveness of programs financed by interbudget transfers. This is especially important in the context of the risks of "equalization" and a decrease in the motivation of regions to increase their own revenues (Figure 2).

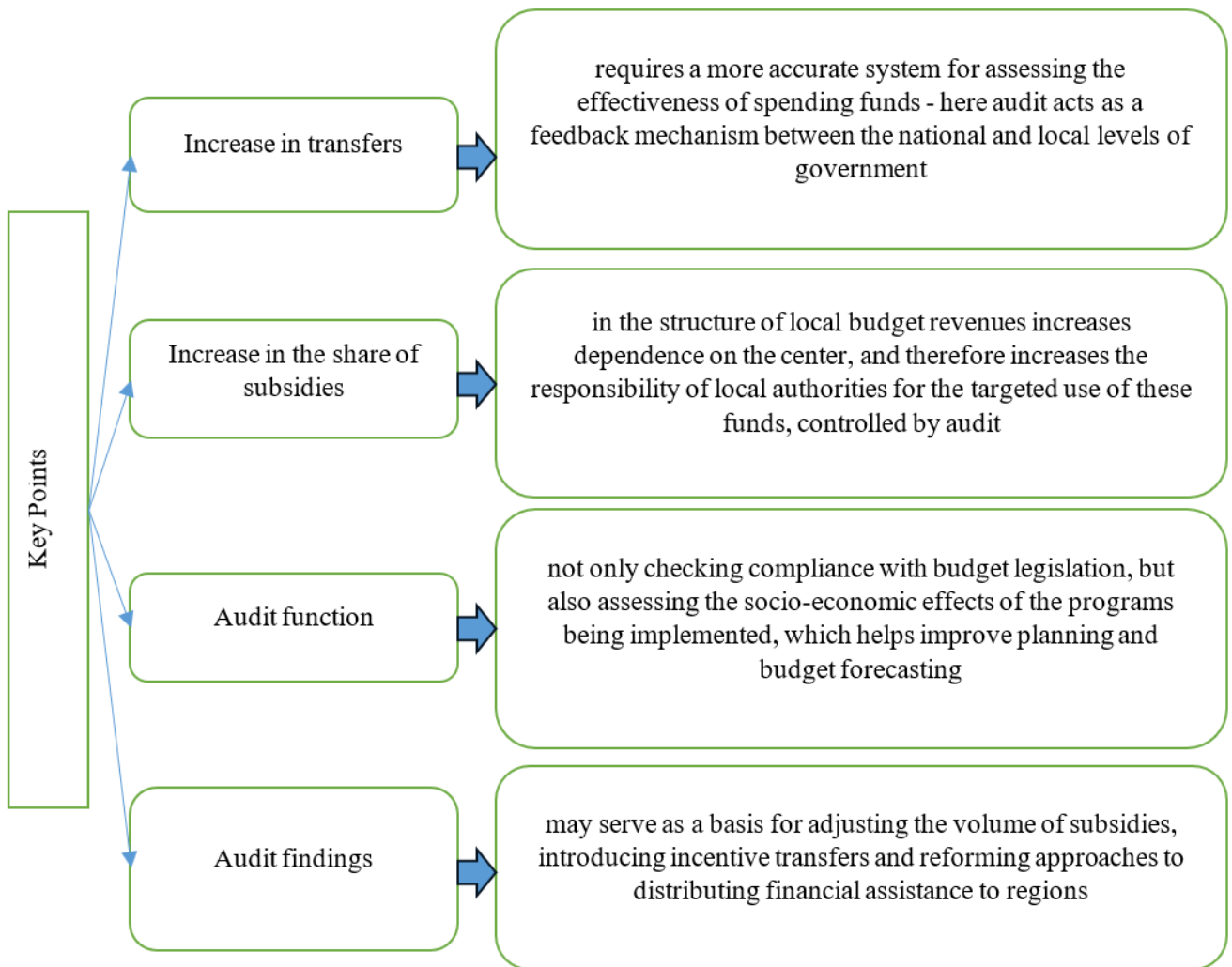


Figure 2.
Key Points.

The key aspects of the relationship between the activities of state audit bodies and interbudgetary flows are shown in Figure 3, which reflects the factors characteristic of the current system of interbudgetary relations, the possible role of audit, and the expected positive effects of its application.

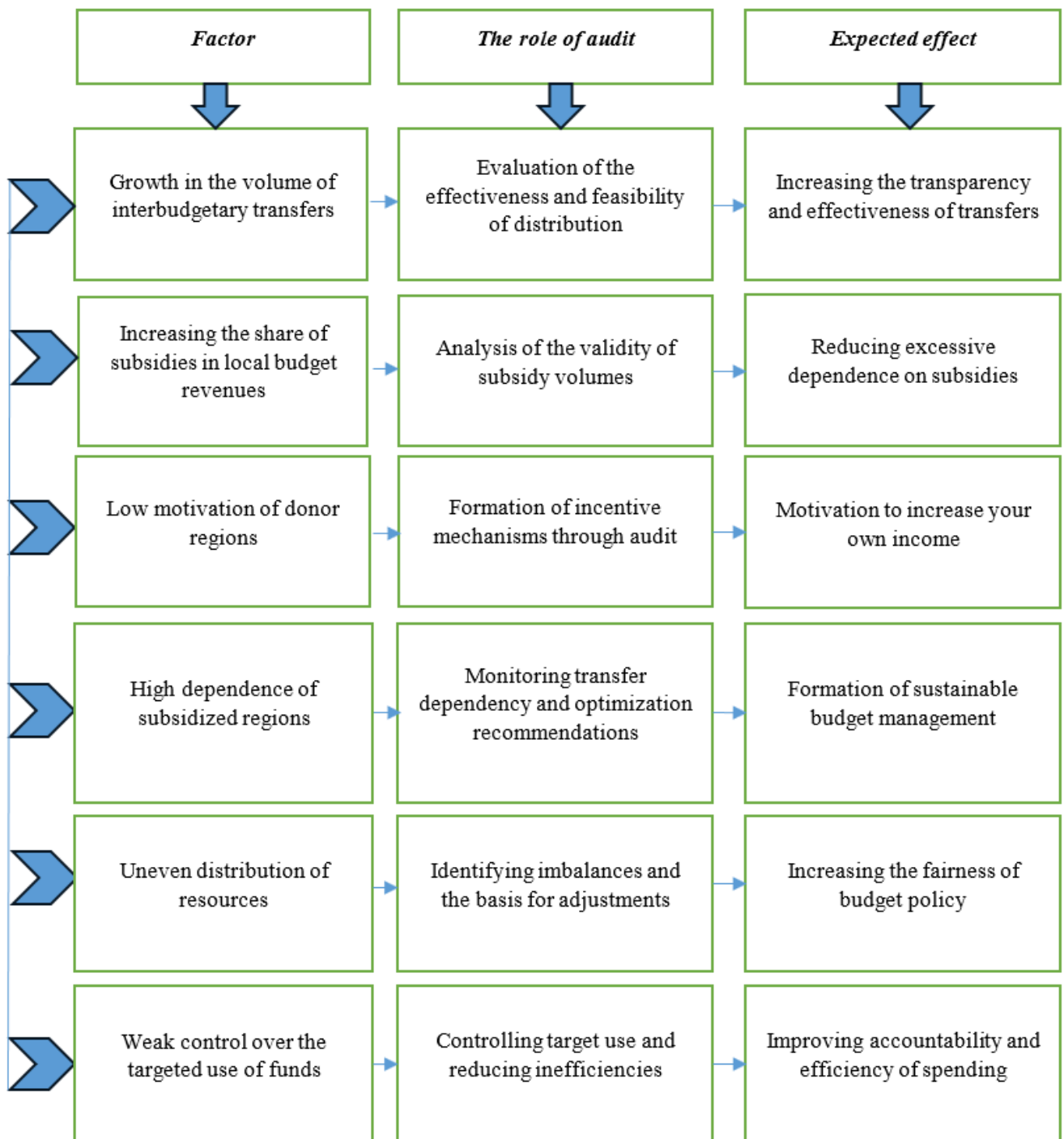


Figure 3.
Relationship between auditing activities and interbudgetary flows.

In the context of the impact of the activities of state audit bodies on the efficiency of budget management at the local level, the presented analysis of the dynamics of interbudget transfers and subventions from the republican budget allows us to identify systemic problems that require audit control and strategic rethinking.

A significant increase in the volume of interbudget transfers, especially subventions sent to subsidized regions, indicates the need for,

- 1) Strengthening state audit to assess the targeted and effective use of funds coming from the center.
- 2) Identifying factors of chronic dependence of regions on republican subventions, including ineffective budget planning and a weak revenue base.
- 3) Monitoring the results of applying transfers in order to assess their real contribution to the development of the regional economy and reducing imbalances.

A decrease in the motivation of successful regions to increase their own revenues is due to the fact that part of their additional revenues can be redistributed to the republican budget. This problem can be identified and substantiated through an audit of fiscal policy and interbudgetary regulation mechanisms.

The lack of interest of subsidized regions in improving their own budget discipline and management practices makes it necessary to assess the effectiveness of the use of transfers at the local level. With the level of subventions reaching more than 50% in a number of regions, it is especially important to introduce regular audits with elements of strategic analysis, which would not only record violations but also propose measures to move towards greater fiscal autonomy.

Systematic and methodologically sound activities of state audit bodies can become a key tool for ensuring transparency, efficiency, and effectiveness of interbudgetary relations in the Republic of Kazakhstan. This, in turn, will create prerequisites for increasing the autonomy of local budgets and sustainable socio-economic development of regions (Table 2).

Table 2.

The role of audit in improving the efficiency of interbudgetary relations.

Direction of impact	Audit control mechanism	Expected effect
Analysis of the target use of transfers	Verification of reporting, comparison of goals and results	Improving the targeting and effectiveness of spending
Assessment of budget discipline	Audit of budget planning and execution procedures	Reducing inefficient and unnecessary spending
Identification of regional dependence on subventions	Comparative analysis of the share of subventions in regional budgets	Suggestions for optimizing the financing model
Taking into account regional specifics	Development of individual recommendations based on audit data	Increasing fiscal sustainability and the initiative of regional authorities
Formation of recommendations	Preparation of conclusions sent to the Ministry of Finance, the Ministry of National Economy, and the Agency for State Regulation.	Improving the quality of interbudgetary policy at the strategic level

From 2001 to the present, there has been an increase in the dependence of local budgets on republican financial support, indicating a deterioration in their fiscal sustainability. The constant increase in the need for subsidies has a significant impact on the parameters of the republican budget. One of the clear indicators of this trend is the stable growth in the number of regions receiving subventions, while the number of donor regions that transfer part of their income to the budget of a higher level has decreased (Figure 4).

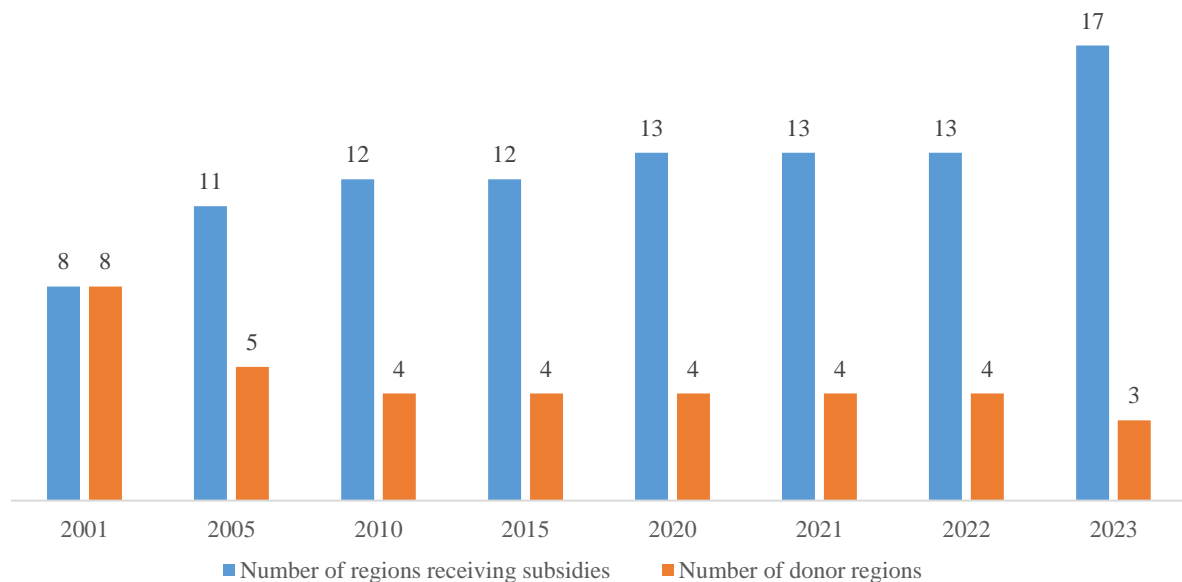


Figure 4.

Change in the number of regions of Kazakhstan receiving subventions from the republican budget and contributing funds to it.

Source: <https://www.gov.kz/memleket/entities/minfin/documents/>

In 2001, the number of donors and recipients was comparable. However, at present, the share of donor regions has decreased to 15% of the total number of regions in the country. The situation appears even more unfavorable when considering not only subsidies but also the entire volume of transfers received from the republican budget, as well as transfers sent from local budgets to the center. In 2023, only two regions, the city of Almaty and the Atyrau region (the key center of oil production in Kazakhstan), sent to the republican budget a volume of transfers exceeding the volume of funding received. It should be noted that the volume of funds transferred by regions to the republican budget remains insignificant, while the amount of transfers they receive is quite large (Table 3).

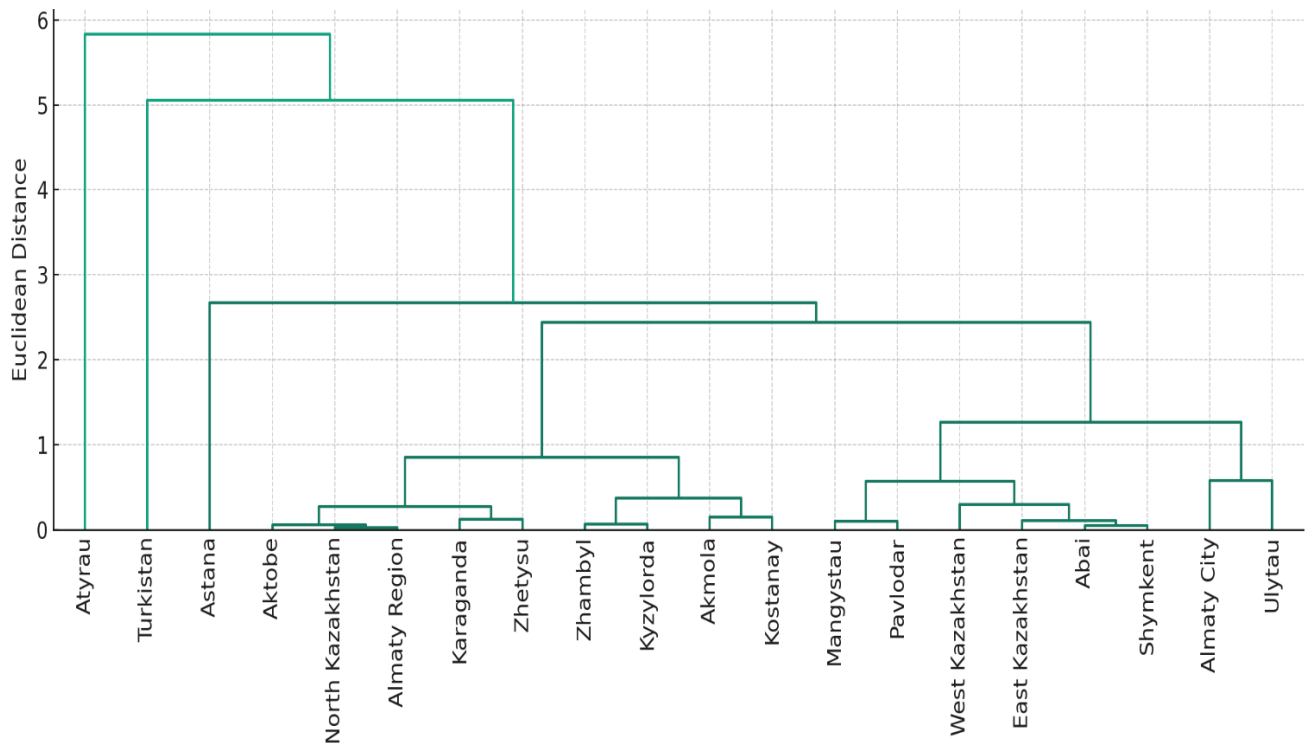
Table 3.

Volumes of received and transferred transfers by budgets of regions and cities of republican significance in 2023, million tenge.

Region	Receipts of transfers to the revenue side	Payment of transfers from expenses	Ratio of received and transferred transfers, times
Turkestan	1169764	7887	148.3
Zhambyl	496914	2180	227.9
Kyzylorda	487633	491	993.1
Akmola	448975	2911	154.2
Astana city	438173	74530	5.9
Kostanay	417578	782	534.0
Karaganda	392960	5179	75.9
Zhetysu	387624	9514	40.7
Aktuibinsk	367892	3074	119.7
North Kazakhstan	359622	2611	137.7
Almaty	355360	2972	119.6
East Kazakhstan	309364	1840	168.1
Abay	294246	1233	238.6
Shymkent city	284334	1024	277.7
West Kazakhstan	262902	8694	30.2
Mangistau	210097	5123	41.0
Pavlodar	207231	1486	139.5
Almaty city	125844	21557	0.6
Ulytau	77897	1346	57.9
Atyrau	71245	158782	0.4

Source: <https://www.gov.kz/memleket/entities/minfin/documents/>

The largest recipients of transfers in 2023 were three southern regions, which received a total of 2.15 trillion tenge, representing 30% of the total volume of interbudgetary transfers, despite accounting for only 21% of the country's population. On average, across twenty regions, the ratio between the volume of received and transferred transfers is 176 times higher, clearly illustrating the current structure of interbudgetary relations in the Republic of Kazakhstan. Figure 4 shows a dendrogram reflecting the hierarchical clustering of the regions of Kazakhstan by the volume of receipts and payments of transfers in 2023.

**Figure 4.**

Dendrogram of regions based on transfers.

According to Figure 4, distinct clusters of regions are visible, for example:

- Almaty and Atyrau regions form a separate cluster; they are characterized by an extremely low ratio of received to transferred transfers, effectively functioning as budget donors.
- Kyzylorda, Zhambyl and Abay regions form a cluster with an extremely high dependence on transfers;
- Astana stands apart, having high payments and relatively high receipts, but a low ratio between them.

Based on the mathematical analysis of data on transfers between the republican and local budgets in the regions of Kazakhstan for 2023, the following results were obtained (Table 4).

Table 4.
Results of the analysis.

Indicator	Receipts (Million tenge)	Payments (Million tenge)	Ratio. times
Average value	358283	15661	175.82
Standard deviation	228912	37456	228.70
Min	71245	491	0.45
Max	1169764	158782	993.14
Coefficient of variation	63.9%	239.2%	130.1%

The coefficient of variation shows high unevenness of distribution:

- The greatest instability is in payments (239.2%), indicating a significant gap between donor and recipient regions;
- High dispersion in the ratio of transfers (130.1%) confirms the extreme degree of dependence of a number of regions on the republican budget.

Based on the analysis, it can be concluded that interbudget transfers are characterized by pronounced asymmetry, with only two regions acting as net donors. The high share of transfers in the budgets of most regions indicates a critical dependence on the center. These data require:

- Activation of the economic potential of weak regions;
- Improvement of fiscal discipline;
- Increasing responsibility for the use of interbudget funds.

The relationship between the influence of the activities of state audit bodies and the effectiveness of interbudget transfer management at the local level is as follows:

1. Growing dependence of regions on transfers is an indicator of management problems.

The analysis indicates that in 2023, only two regions, Alma-Ata and Atyrau, transferred more to the republican budget than they received. The remaining regions are recipients, with some regions' shares of transfers exceeding 50% of their total revenue. This suggests:

- A weak tax and investment base;
- A low level of internal financial management;
- A lack of incentives to grow their own revenue base.

This situation requires increased attention from state audit bodies, since high volumes of subventions should be accompanied by an appropriate assessment of the effectiveness of their use.

2. Functions of state audit in the context of interbudgetary imbalance:

1) Verification of the targeted and effective use of transfers - eliminates ineffective spending, optimizes program planning.

2) Assessment of compliance of expenditure commitments with budgetary provision - reveals inflated or unbalanced spending.

3) Identification of risks of dependence on centralized financing - serves as a basis for measures to diversify local sources of income.

4) Preparation of recommendations for increasing the independence of regions - promotes the introduction of sustainable budget management practices.

3. A systems approach to audit: from a formal check to a management tool.

State audit, focused not only on formal compliance with budget procedures but also on performance assessment, is becoming the most important mechanism:

- Identifying ineffective spending in subsidized regions;
- Limiting the practice of "equalizing" redistribution;
- Increasing fiscal discipline and transparency of local budgets

State audit bodies play a key role in increasing the efficiency of interbudgetary flows. Their activities should be focused on:

- Assessing the efficiency of using transfers;
- Identifying the risks of chronic dependence on the center;
- Developing recommendations for the sustainable development of local finances;
- Motivating regions to increase their own revenue base.

Thus, audit is not only a control but also a strategic mechanism that forms high-quality budget management at the local level.

The increase in the number of regions dependent on subsidies has led to an increase in the republican budget expenditure on subventions and has been accompanied by a number of negative trends in the budget process. As a result, the current situation in the sphere of interbudgetary relations, as well as the changes observed in it, can be characterized to a greater extent as unfavorable: they contribute to the growth of budget imbalance, an increase in the deficit, and limit the possibilities of financing socially significant areas. The problem of interbudgetary relations is manifested not only in the change in the ratio between the number of donor regions and subsidized territories but also in a steady decrease in the volume of revenues from local budgets to the republican budget (in relative terms), which directly correlates with the reduction in the number of financially independent regions. At the same time, there is a steady increase in expenditure on transfers to local budgets, the share of which in the structure of the republican budget expenditures continues to increase, which is also associated with the expansion of the range of subsidy-dependent entities (Figure 5). According to Figure 5:

- Solid line (Incoming transfers): shows a steady decline in the share of transfers coming from lower-level government bodies in the republican budget revenues from 20% in 2001 to only 2% in 2023 indicating a decline in the role of reverse transfers and the growing dependence of the budget on other sources.
- Dotted line (Outgoing transfers): the share of transfers directed to other levels of government increased sharply from 12% in 2001 to 27% in 2015, and stabilized at around 25–27% from 2015 to 2023, confirming the strengthening of the redistribution function of the republican budget and its increasing burden of supporting local budgets.

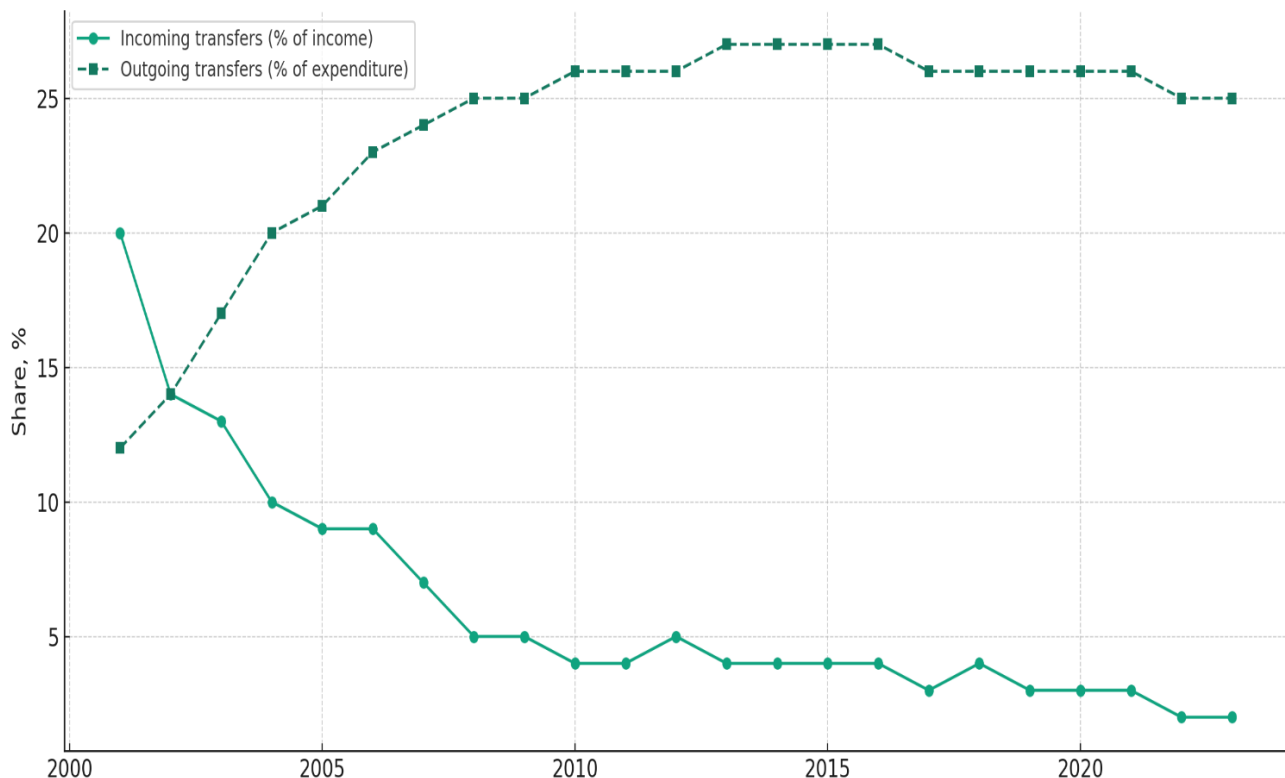


Figure 5.

Change in the role of transfers between levels of government in the republican budget in 2001–2023, %.

Source: <https://www.gov.kz/memleket/entities/minfin/documents/>

Such trends increase the importance of the activities of state audit bodies:

1) In the context of increasing transfer volumes, it is necessary to strengthen control over the validity and effectiveness of fund expenditures at the local level.

2) A decrease in the share of revenues from lower levels is a signal of the ineffectiveness of fiscal independence, which audits can monitor through an assessment of financial discipline and revenue management at the local level.

3) Statistics can be used in audit reports to assess the sustainability of budget policy, especially in subsidy-dependent regions.

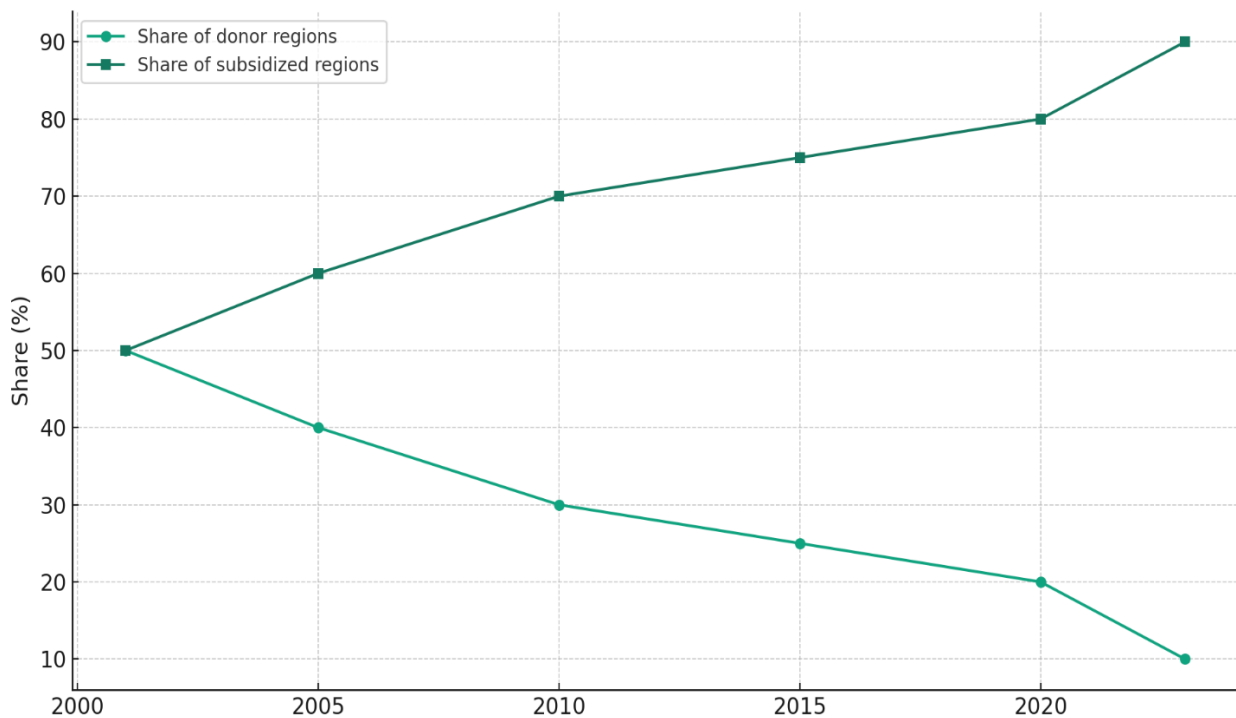
The current state of interbudgetary relations in Kazakhstan is characterized by a high degree of fiscal centralization and the dependence of the overwhelming majority of regions on transfers, reducing the motivation for independent development and increasing the burden on the national budget (Table 5).

Table 5.

Efficiency of interbudgetary relations.

Year	Share of donor regions, %	Share of subsidized regions, %	Revenues to the republican budget, billion tenge	Expenditures on subventions, billion tenge	Share of transfers in the republican budget expenditures, %
2001	50	50	60	45	9.7
2005	40	60	58	120	13.5
2010	30	70	45	900	19.8
2015	23	75	38	1900	24.3
2020	20	80	30	4000	27.2
2023	10	90	28	4995	25.0

Increasing the efficiency of interbudgetary mechanisms is possible only under the condition of systemic reform, transparent auditing, and the introduction of mechanisms to stimulate regional initiatives. Figure 6 shows the dynamics of changes in the share of donor regions and subsidized regions in Kazakhstan from 2001 to 2023.

**Figure 6.**

Changes in the structure of regions by type of financing (2001–2023).

The table also reflects key financial indicators of interbudgetary relations receipts and expenditures on transfers, as well as their share in the expenditures of the republican budget:

- The share of donor regions in Kazakhstan decreased from 50% in 2001 to 10% in 2023;
- Accordingly, the share of subsidized regions increased to 90%, which indicates the growing dependence of most regions on subventions from the republican budget;
- The volume of transfers in the expenditures of the republican budget increased significantly: from 45 billion tenge to almost 5 trillion tenge, exceeding the growth of all budget expenditures as a whole;
- The share of transfers stabilized at about 25% of all expenditures, which indicates a long-term structural dependence of the territories on central assistance.

5. Conclusion

An analysis of the dynamics of interbudgetary relations in Kazakhstan for the period 2001–2023 indicates a growing imbalance in the budget system. A significant reduction in the share of donor regions from 50% to 10%, and a simultaneous increase in the share of subsidized regions to 90%, indicate a systemic dependence of most regions on transfers from the national budget.

Such a structure of interbudgetary flows reduces the fiscal autonomy of local authorities, weakens incentives to increase their own revenues, and improves the efficiency of budget management. In addition, this increases the burden on the central budget, limiting the ability to finance strategic and socially significant areas.

In the context of a deteriorating balance between recipients and donors, it is necessary to revise the current mechanisms for distributing transfers and to activate the role of state audit bodies. Increasing transparency, accountability,

and efficiency of budget spending at the local level should become a priority of state policy aimed at strengthening the sustainability of interbudgetary relations and equalizing regional development. Thus, the observed trend of increasing transfer dependence of most regions of Kazakhstan emphasizes the need to reform the system of interbudgetary relations. The increasing share of subsidies and the reduction in the number of donor regions indicate a decrease in the effectiveness of budget planning at the local level and the limited independence of regional budgets.

One of the key tools for overcoming these problems should be the activation of the activities of state audit bodies. Their influence lies not only in monitoring the targeted and effective use of budget funds but also in the formation of recommendations aimed at eliminating systemic financial risks, increasing transparency, and motivating effective financial management.

An important area of improvement will be the introduction of performance indicators in the distribution of transfers, as well as stimulating regions to expand their own revenue base. Only with a balance between financial support and responsibility for the final results is it possible to achieve sustainable and balanced budgetary development of the country. Consequently, the effectiveness of interbudgetary relations directly depends on a systemic approach based on monitoring, audit, and strategic planning, taking into account regional characteristics and needs.

References

- [1] F. L. Hutapea and A. Widyaningsih, "Good government governance," *Journal ASET (Accounting Research)*, vol. 9, no. 1, pp. 173–186, 2017. <https://doi.org/10.17509/jaset.v9i1.5446>
- [2] H. Basri and A. S. Nabiha, "Accountability of local government: The case of Aceh Province, Indonesia," *Asia Pacific Journal of Accounting and Finance*, vol. 3, no. 1, pp. 1–14, 2014.
- [3] B. Fleron, J. Pries-Heje, and R. Baskerville, "Digital organizational resilience: A history of denmark as a most digitalized country," presented at the 54th Hawaii International Conference on System Sciences. HICSS, 2021.
- [4] A. Ramsetty and C. Adams, "Impact of the digital divide in the age of COVID-19," *Journal of the American Medical Informatics Association*, vol. 27, no. 7, pp. 1147–1148, 2020. <https://doi.org/10.1093/jamia/ocaa078>
- [5] A. O. Pavlyukova and O. I. Lozitskaya, "Performance audit of budget spending: Features and problems. In Economic Science Today: Theory and Practice," in *Proceedings of the 9th International Science-Practice Conference. Cheboksary, Russia*, 2018, pp. 134–138.
- [6] V. M. Dreshpak, V. G. Kovalov, O. O. Kritenko, N. I. Shevchenko, and N. V. Babachenko, "Communication of EU public servants in the digital environment during the Covid-19 Pandemic," *Amazonia Investiga*, vol. 11, no. 51, pp. 171–182, 2022. <https://doi.org/10.34069/AI/2022.51.03.16>
- [7] E. Kabbar, "A comparative analysis of the e-government development index (EGDI)," in *Proceedings of IADIS. IADIS Press*, 2021, pp. 23–29.
- [8] S. J. Eom and J. Lee, "Digital government transformation in turbulent times: Responses, challenges, and future direction," *Government Information Quarterly*, vol. 39, no. 2, p. 101690, 2022. <https://doi.org/10.1016/j.giq.2022.101690>
- [9] A. A. Arens, R. J. Elder, M. S. Beasley, and C. E. Hogan, *Auditing and assurance services – Limited*. Boston, MA: ProQuest Ebook Central, 2016.
- [10] S. C. Lee, J. M. Su, S. B. Tsai, T. L. Lu, and W. Dong, "A comprehensive survey of government auditors' self-efficacy and professional development for improving audit quality," *SpringerPlus*, vol. 5, no. 1, p. 1263, 2016.
- [11] S. Rahayu, Yudi, and Rahayu, "Internal auditors role indicators and their support of good governance," *Cogent Business & Management*, vol. 7, no. 1, p. 1751020, 2020. <https://doi.org/10.1080/23311975.2020.1751020>
- [12] V. A. Vuimo, "Performance auditing of State programmes of the Russian federation," *Accounting. Analysis. Auditing*, no. 5, pp. 78–87, 2017. <https://doi.org/10.26794/2408-9303-2017--5-78-87>
- [13] B. Sutopo, T. R. Wulandari, A. K. Adiati, and D. A. Saputra, "E-government, audit opinion, and performance of local government administration in Indonesia," *Australasian Accounting, Business and Finance Journal*, vol. 11, no. 4, pp. 6–22, 2017. <https://doi.org/10.14453/aabfj.v11i4.2>
- [14] L. Ferry and H. Midgley, "Democracy, accountability and audit: The creation of the UK NAO as a defence of liberty," *Accounting, Auditing & Accountability Journal*, vol. 35, no. 2, pp. 413–438, 2022. <https://doi.org/10.1108/AAAJ-10-2020-4985>
- [15] B. J. Othman, F. Al-Kake, M. L. M. Diah, B. Othman, S. Hussein, and N. M. Hasan, "Impact of the foreign direct investment on the economy of the United Kingdom," *International Journal of Psychosocial Rehabilitation*, vol. 23, no. 2, pp. 743–763, 2019.
- [16] P. Dixit, F. Al-Kake, and R. R. Ahmed, "A critical review over the role of micro-finance institution and its relevance in growing Indian economy," *Russian Journal of Agricultural and Socio-Economic Sciences*, vol. 6, no. 90, pp. 161–167, 2019.
- [17] S. A. Ibrahim, "The impact of foreign direct investment on economic growth in Nigeria," *Information Management and Business Review*, vol. 7, no. 4, pp. 90–97, 2015. <https://doi.org/10.22610/imbr.v7i4.1166>
- [18] A. K. Kamara, "The study on effectiveness of internal audit on the performance of the public sector in Sierra Leone: A case study of the national social security insurance trust," *Open Access Library Journal*, vol. 10, no. 8, pp. 1–30, 2023. <https://doi.org/10.4236/oalib.1110431>
- [19] G. Grossi and D. Argento, "The fate of accounting for public governance development," *Accounting, Auditing & Accountability Journal*, vol. 35, no. 9, pp. 272–303, 2022. <https://doi.org/10.1108/AAAJ-11-2020-5001>