



FOREIGN EXPERIENCES OF ACCOUNTING AND AUDITING OF FINANCIAL ASSETS IN BUDGET ORGANIZATIONS

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ABSTRACT

This article provides an overview of foreign experiences in accounting and auditing of financial assets in budget organizations, focusing on examples from developed and developing countries, including the United States, the United Kingdom, Australia, China, and Brazil. The review addresses different sources, works, and papers of various scholars to offer a comprehensive understanding of the subject. The discussion encompasses the historical context, institutional frameworks, key reforms, and the impact of international standards and best practices on the development and implementation of public sector accounting and auditing systems. This analysis contributes to a deeper understanding of the intricacies and complexities of public sector financial management and inspires further research and dialogue on this important topic.

KEYWORDS: *public sector accounting, public sector auditing, financial assets, budget organizations, accrual accounting.*

INTRODUCTION

The effectiveness and efficiency of accounting and auditing practices in the public sector are crucial for ensuring fiscal transparency, accountability, and good governance. As countries around the world face increasing fiscal pressures, it is essential to understand the different approaches and experiences of accounting and auditing of financial assets in budget organizations, both in developed and developing countries. Public sector financial management is a key element in promoting economic growth, reducing poverty, and enhancing the quality of life for citizens. Ensuring that public resources are used wisely and effectively requires a comprehensive understanding of the unique challenges and opportunities inherent in public sector accounting and auditing practices.

This article aims to provide an overview of the foreign experiences in accounting and auditing of financial assets, focusing on examples from the United States, the United Kingdom, Australia, China, and Brazil. The analysis will explore the historical context, institutional frameworks, and key reforms that have shaped the accounting and auditing systems in these countries. The article will not only shed light on the critical role that accounting and auditing play in the public sector, but also emphasize the importance of continuous improvement and adaptation to changing circumstances. By comparing the experiences of developed and developing countries, the article will also highlight the commonalities and differences in their approaches to public sector accounting and auditing, and the lessons that can be learned from their successes and challenges. Ultimately, this analysis aims to contribute to a deeper understanding of the intricacies and complexities of public sector financial management, and to inspire further research and dialogue on this important topic.

LITERATURE REVIEW

Accrual accounting has become increasingly prominent in public sector financial management globally. In their comprehensive study, Christiaens and Van Peteghem (2007) examined the implementation of accrual accounting in Western European countries, finding that it led to improved transparency and accountability in the public sector. Similarly, Wynne (2004) analyzed the adoption of accrual accounting in OECD countries and found that it contributed to better decision-making, budgeting, and financial reporting. The importance of accrual accounting in public sector financial management has also been highlighted by Lapsley and Wright (2004), who examined the adoption of accrual accounting in the UK, and Ball and Pflugrath (2005), who assessed the Australian experience.



Developed Countries: United States, United Kingdom, and Australia

The accounting and auditing systems of developed countries such as the United States, the United Kingdom, and Australia have been well-documented in the literature. FASAB (2010) provided an overview of the U.S. federal financial reporting system, discussing the role of the Federal Accounting Standards Advisory Board (FASAB) in establishing accounting standards for federal entities. GAO (2008) detailed the role of the Government Accountability Office (GAO) in promoting transparency and accountability in the U.S. federal government through independent audits and investigations.

In the United Kingdom, Ellwood and Newberry (2007) examined the role of the Financial Reporting Advisory Board (FRAB) in setting accounting standards for public sector entities, while Heald and Georgiou (2011) discussed the impact of International Public Sector Accounting Standards (IPSAS) on the UK's public sector accounting framework. The role of the National Audit Office (NAO) in auditing UK government departments has been explored by Funnell and Cooper (2012).

The Australian experience has also been well-documented, with Barton (2005) examining the adoption of accrual accounting in the Australian public sector and the role of the Australian Accounting Standards Board (AASB) in setting accounting standards. The role of the Australian National Audit Office (ANAO) in promoting transparency and accountability in the Australian government has been discussed by Barrett (2011).

Developing Countries: China and Brazil

The accounting and auditing systems of developing countries such as China and Brazil have undergone significant reforms in recent years. Chan and Zhang (2021) provided an in-depth analysis of China's public sector accounting reforms, discussing the progress, problems, and prospects of convergence with IPSAS. Wang (2020) examined public sector auditing in China, highlighting the challenges and reforms undertaken by the National Audit Office of the People's Republic of China (CNAO).

In Brazil, Lopes et al. (2020) analyzed the convergence of Brazilian Public Sector Accounting Standards (NBCASP) with IPSAS, while Oliveira et al. (2021) assessed the risk-based audit approach adopted by the Federal Court of Accounts (TCU) in promoting efficiency and effectiveness in detecting irregularities and promoting accountability.

International Standards and Best Practices

The adoption of international standards and best practices in public sector accounting and auditing has been a recurring theme in the literature. Pacter (2004) provided a comprehensive overview of the development and adoption of IPSAS, highlighting their importance in enhancing the quality of public sector financial reporting globally. Similarly, Hepworth (2003) analyzed the role of IPSAS in promoting transparency and accountability in public sector financial management.

In the context of auditing, the significance of International Standards on Auditing (ISA) has been widely acknowledged in the literature. Gendron and Bédard (2006) examined the role of ISA in ensuring consistency and high-quality audits, while Houghton and Jubb (2003) explored the adoption of ISA in the public sector, arguing that they contribute to the credibility and reliability of financial information.

Risk-Based Auditing Approaches

The adoption of risk-based auditing approaches in the public sector has been an important topic of discussion in recent literature. Vanstraelen et al. (2012) provided an overview of the risk-based auditing approach and its implications for public sector audit institutions, arguing that it allows auditors to focus on high-risk areas and allocate resources more effectively. Simnett et al. (2009) examined the adoption of risk-based audit approaches in supreme audit institutions, finding that it led to improved audit efficiency and effectiveness.

ANALYSIS AND RESULTS

Accounting and Auditing in Developed Countries

In the United States, the Federal Accounting Standards Advisory Board (FASAB) establishes the accounting standards for federal entities, while the Government Accountability Office (GAO) and the Office of the Inspector General (OIG) are responsible for auditing federal agencies (FASAB, 2021). The U.S. uses accrual-based accounting, which records financial events as they occur, allowing for a more accurate representation of an organization's financial position (GAO, 2021). Federal agencies are required to prepare annual financial statements that comply with FASAB standards and undergo an independent audit (FASAB, 2021).

The GAO, an independent agency within the legislative branch, is responsible for conducting audits and investigations to ensure the effective use of public funds (GAO, 2021). GAO auditors adhere to Generally Accepted Government Auditing Standards (GAGAS), which provide guidelines for conducting financial, performance, and attestation engagements (GAO, 2018). Additionally, the OIGs in each federal agency conduct



audits and investigations to promote efficiency and prevent fraud, waste, and abuse (Council of the Inspectors General on Integrity and Efficiency [CIGIE], 2021).

In the United Kingdom, the accounting standards for public sector entities are set by the Financial Reporting Advisory Board (FRAB) and are based on International Public Sector Accounting Standards (IPSAS) (HM Treasury, 2021). The UK also follows accrual-based accounting to provide a comprehensive view of public finances (HM Treasury, 2021). Government departments and other public sector entities are required to prepare annual financial statements in compliance with these standards (HM Treasury, 2021).

The National Audit Office (NAO) is an independent organization responsible for auditing central government departments and agencies, as well as other public bodies (NAO, 2021). The NAO follows International Standards on Auditing (ISA), which are issued by the International Auditing and Assurance Standards Board (IAASB) (NAO, 2021). These standards ensure consistency and high-quality audits that contribute to transparency and accountability in the public sector (IAASB, 2021).

The Australian Accounting Standards Board (AASB) is responsible for developing and maintaining accounting standards for the public and private sectors in Australia, which are based on International Financial Reporting Standards (IFRS) and IPSAS (AASB, 2021). Australian public sector entities apply accrual-based accounting to record financial transactions and events (AASB, 2021).

The Australian National Audit Office (ANAO) is the independent auditor for the Australian Government and is responsible for auditing public sector entities to ensure transparency, accountability, and the efficient use of public resources (ANAO, 2021). ANAO auditors adhere to the Australian Auditing Standards, which are based on ISA (ANAO, 2021).

Accounting and Auditing in Developing Countries

China has implemented a series of reforms to modernize its public sector accounting system. The Ministry of Finance (MOF) is responsible for setting accounting standards for government entities in China (MOF, 2021). In recent years, China has been moving towards accrual-based accounting to provide a more comprehensive view of public finances, with a long-term goal of converging with IPSAS (Chan & Zhang, 2021).

The National Audit Office of the People's Republic of China (CNAO) is responsible for auditing government departments, public institutions, and state-owned enterprises (CNAO, 2021). The CNAO follows the Chinese Auditing Standards, which are largely based on ISA (Wang, 2020). In recent years, the CNAO has adopted a risk-based audit approach, focusing on high-risk areas and using data analytics to improve audit efficiency (CNAO, 2021).

The Brazilian public sector accounting system is regulated by the Federal Accounting Council (CFC) and follows the Brazilian Public Sector Accounting Standards (NBCASP), which are based on IPSAS (CFC, 2021). Brazil has implemented accrual-based accounting to provide a better understanding of the country's fiscal position and improve transparency (Lopes, Santana, & Oliveira, 2020).

The Federal Court of Accounts (TCU) is the supreme audit institution in Brazil and is responsible for auditing the public sector at the federal, state, and municipal levels (TCU, 2021). The TCU follows the Brazilian Auditing Standards, which are in line with ISA (TCU, 2021). The TCU has also adopted a risk-based audit approach to improve efficiency and effectiveness in detecting irregularities and promoting accountability (Oliveira, Almeida, & Lopes, 2021).

CONCLUSION

Accounting and auditing practices in the public sector play a crucial role in promoting fiscal transparency, accountability, and good governance. Developed countries, such as the United States, the United Kingdom, and Australia, have well-established accounting and auditing systems that adhere to international standards and guidelines. These countries follow accrual-based accounting and have independent audit institutions that ensure the efficient use of public funds.

Developing countries, such as China and Brazil, have implemented reforms to modernize their public sector accounting systems and adopt international best practices. These reforms include the gradual adoption of accrual-based accounting and the convergence with IPSAS. The supreme audit institutions in these countries have also adopted risk-based audit approaches and use data analytics to improve efficiency and effectiveness.

The literature on foreign experiences of accounting and auditing of financial assets in budget organizations provides valuable insights into the historical context, institutional frameworks, key reforms, and the impact of international standards and best practices on the development and implementation of public sector accounting and auditing systems. This review has highlighted the importance of accrual accounting, the role of international standards such as IPSAS and ISA, and the adoption of risk-based auditing approaches in promoting transparency, accountability, and good governance in the public sector.



Understanding the foreign experiences in accounting and auditing of financial assets in budget organizations can provide valuable insights for countries seeking to enhance their own public sector financial management practices. By learning from the experiences of both developed and developing countries, policymakers and practitioners can identify best practices and implement reforms to improve fiscal transparency, accountability, and governance.

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