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## Development of the state audit system in Kazakhstan and the possibility of applying the experience

The research shows the studies of the Kazakhstan state audit system on the example of the experience of the Republic of Latvia. The Latvian Republic is bound by the common membership in the European Union; the country preserves its individuality regarding the language, the culture and the history. And their common democracy is seen in different democratic systems and processes, as well as in distinct parliamentary, constitutional and administrative systems. It is against this backdrop that the supreme control body performs its activity in the Latvian Republic. The state audit in the Latvian Republic is more and more called «state control». The aim of the research is the understanding of the Latvian system for the state audit and the opportunities of its application in Kazakhstan, which may strengthen and lift the state audit to a quality level. The results allowed to offer a range of strategic directions in the development of the state audit system in Kazakhstan. The institution of the state audit exists nearly in all the countries in the world and has recently developed particularly dynamically. The state audit's purpose is to control the budgetary funds and to assess legal use of the administrative resources in order to provide for a reasonable, economical and effective use of the funds. Normative and legal documents in the field of state audit of the countries are studied.

*Keywords:* financial audit, budgetary funds, control, system, management, performance audit, state audit, statutory audit.

### *Methods*

In the work we applied the scientific methods of research: deduction method, used to perceive the essence of the state audit; analysis method; synthesis method; comparison method used to amplify and to ground tendencies and conditions influencing the development of the state audit.

### *Results of the research.*

The purpose of the State control in the Latvian Republic is to aid the governmental bodies to reasonably manage and use the resources. A special mission of the State control comprises assistance: in effective and legitimate use of state funds (taxpayers' money); in development of finance management and liability for the funds spent; in fair and transparent process of taking decisions in the state sector [1, 2].

When performing audits the State control has set forth the following tasks: to assist the development of the state finance control system; to observe the laws; to decrease the risks of mistakes and violations; to assist the development of the inner audit activity and to increase the responsibility of the internal auditors; to assist in improvement of the internal legislation via audit reports.

The State control: daily presents in the Saeima an opinion on the financial year report, provided by the minister of finance, on performance of the state budget and on the budgets of the local governments (its financial condition), yearly delivers opinions on the correctness of doing annual reports by the ministries and other central governmental bodies; delivers reports to the Saeima and the Cabinet of Ministers:

on financial audits in such bodies, where the State audit agency has made a qualified or a negative finding, or there has been a refusal to provide an auditor's finding;

regarding all the performance audits executed by the State control;

regarding particularly important and significant results — to notify the state bodies on the results influencing the activities of such bodies, and also the law enforcement agencies on violations of legal norms during the audits; it also cooperates within its competence with the European Union institutions and with other international organizations and bodies [3].

In Kazakhstan, the regulatory framework necessary for the work of the state audit is available [4]. The legal status is defined in the Constitution of the Republic of Kazakhstan, in terms of appointment of the Chairman, members and approval of the report of the accounts Committee for control over the execution of the Republican budget [5].

*The cooperation with the Saeima comprises the following.*

The Committee for the state expenses and audit under the Saeima bears the responsibility for examining the reports and opinions of the State control, the law projects and proposals on the necessary amendments to laws.

The information provided by the State control to the Committee for the state expenses and audit under the Saeima on the actions of the units subject to audit given the compliance with the recommendations of the State control is revised by the Committee in presence of the representatives of the State control, of the unit subject to audit and of the correspondent competent ministry. The State control cooperates with the Committee for budget and finance (taxation), Committee for legal issues and other committees of the Saeima. The activity of the State control is not under the scope of the Saeima of the Latvian Republic [6, 8].

The extent of the research of the problem. The issues of the state control (audit): theory, practice and perspectives of development, are in the focus from the very beginning of the state control (audit), i.e. from the beginning of the XX century: in 1921 the USA adopt the law «On budget and financial control».

The problems of development of the state audit and financial control have been actively studied by the foreign economic science. The researched of the notable scientists P.L. DeFliese, H.R. Jaenicke, V.M.O'Reilly, M.B. Hirsch are devoted to it [8].

The quality of the state audit plays an important role for the effectiveness of the states bodies. The state audit includes the policy check in compliance with the international standards and perspectives. In the present research we speak on the existing types of the audit: performance audit, financial audit, statutory audit. There have been studied the achieved results of the state control in the Latvian Republic.

*The revision of the State control.* The audit of the annual report of the State control is performed by a sworn-in auditor (a commercial entity of certified auditors), nominated by the Saeima via tender procedures.

The State control presents its annual report together with the opinion of the sworn-in auditor (a commercial entity of certified auditors) to the Saeima and the State treasury in order to prepare an annual finance report [10]. The rights of the State control:

- the State control has the right to receive the projects of statutory acts examined by the Saeima and the Cabinet of Ministers and expose opinions regarding such acts, should these act be able to influence the incomes and expenses of the state and the local governments or, if provided, such acts provide for interaction with the state property as well as with the resources given by the European Union and other international organizations or bodies.

- the authorized persons of the State control have the right to participate in the sessions of the state entities, organizations and local governments on a consultative basis;

- an auditor-general, a member of the State control Council, a head of the audit management sector and the authorized by the auditor-general persons, if needed, may freely visit entities and enterprises (companies) irrespective of their subordination, as well as responsibility and requests of all the necessary information for completion of the State control tasks;

- upon demand of the State control banks and other credit entities should provide the State control with the information in amounts and in order set forth by the Law on the credit entities, information, requested by it regarding accounts and transactions executed by the subjects under audit, should it be necessary for the audit. The State control executes three types of audit: financial audit, which includes expression of an opinion on the audit of the financial statements of the unit under audit; performance audit, which includes review of economy, effectiveness and productivity of the entities subject to audit; statutory audit, which includes checking of correspondence of the operations and the operations of the unit subject to audit to the legal requirements of the laws and statutory acts as well as to the planned results.

The constant combat against the shadow economy, together with the measures for improvement of the tax administration have contributed to the increase in income from taxes and social payments in the sector of the state government in the Republic of Latvia [4].

The state deficit is growing every year, in 2016 it reached 7 865,4 million euro or 31,6 % jn the GDP, which is 477,5 million Euro more, than in 2015. Thus the audit type «Performance audit» of the direction «Effectiveness of the budget management system: part 1 — The estimation of effectiveness of the budget planning cycle during the monitoring activities has concluded: «In the process of the state budget planning there is a lack of an effective teamwork and long-term thinking. The state debt grows; the budget does not provide for a «safety cushion»; the sum of the state debt, which may be allowed by the state, is not estimated; the planning of the policy is performed without taking the financing into account».

Here the State control of Latvia recommends the following: «The Ministry of Finance shall eliminate significant deficiencies in the Law on budget and finance management, provide for precise information on the amount of the state investment expenses, ensure a sharp and equivalent approach to defining the basic expenses of the ministries. The Cabinet of Ministers shall create a system of management of the state investments; the Plan of actions of the Government shall be elaborated in conformity with the national development aims adopted by the Saeima [4]».

The results achieved by the State control of the Republic of Latvia: only in the framework of the pilot project on defining the financial effect there was calculated a total financial effect of the recommendations given by the state audit, in the amount of 9,82 million euro, including 3,80 million euro saved in the State management; the benefit grew on 1,54 million euro; the economy for the population equaled to 4,48 million rubles due to elimination of non-grounded payments and observation of the principle of proportionality.

Results achieved: dishonest state functionaries and irresponsible clerks of the entities received were reprimanded. From 2006 to 2013: four criminal cases against 4 persons were brought before court; four criminal actions were brought against 4 persons; 2 people were judged in the framework of two criminal actions with criminal sentences [9, 10].

From 2014: 16 criminal actions against 18 persons were brought before court; on the basis of 17 criminal cases started a criminal action against 33 persons; in the framework of 9 criminal actions 10 persons were found guilty and sentenced [11].

It should be noted that according to the Concept of introduction of the state audit in the Republic of Kazakhstan at the first stage (2013–2014) there has been provided elaboration and adoption of the standards of the external and internal state audit and of the state financial control, taking into account the requirements of the international standards.

The second stage (2015–2017) concerned the constitution of the state audit system. Starting 2018 the state audit and state financial control bodies function in conformity with the standards of the state audit. The state audit and state financial control will become a full and efficient institution of the state and society.

It should be noted that there is a lack of direct assistance at such an important stage of reforming the state financial control and introduction of the state audit of the correspondent institutions. The macroeconomic project USAID ended in 2014. There is no support from the World Bank and INTOSAI [12].

In 2015 there was published the Law of the Republic of Kazakhstan dated November 12, 2015 No 392-V «On the state audit and financial control» [13].

The state audit comprises analysis, estimation and verification of efficiency of management and use of the budgetary funds, assets of state and entities of the quasi-state sector, linked grants, state and guaranteed state loans, as well as of the loans involved under the bail of the state, including other activity connected with the budget execution, based on the risk management system [14, 10].

In the modern globalized world Kazakhstan highly aspires to take a rightful place of the most competitive country, thus there is a task of an effective, rational and target use of the budgetary funds and savings of the National fund of the country. The clear system of the state control has its defined importance.

Creation of such a system in the republic requires defining the basic elements of the system on the basis of the foreign experience studies. A.B. Zeynelgabdin has marked the elements of the audit: state audits regarding economic areas and a complex of the state audit bodies (Zeynelgabdin, 2015) [1]. We have added some new elements and competences to those above. The structure is set forth in Table.

Table

System of the state audit. Elaborated by the authors on the basis of the data (A.Zeynelgabdin, 2015)

System of the State Audit			
Basic economic areas	Units subject to audit	State audit bodies	
Audit of state funds use	Financial statements audit	External	Internal
Audit of state assets use	-	-	-
Audit of budget income	Compliance audit	Accounts committee	Internal audit
Problematic and organizational audit	-	-	-
Audit of assets of state and quasi-state sectors' units	Performance audit	Audit commission	Internal audit

It should be noted that the results of the state audit conducted by the internal audit Service of the Ministry of foreign Affairs of the Republic of Kazakhstan for January-September 2019 showed the following.

Total amount of budget funds covered by the audit is 23 135.7 mln. KZT. Total amount of detected violations — 567.00 mln. KZT which looks as follows in the context of violations' classification:

- violations of the law in the flow of funds to the budget in the amount of 13.11 mln. KZT;
- violations of the law in the conduct of accounting and budget accounting, preparation of financial and budgetary reports in the amount of 48.89 mln. KZT, violations of current expenses in the amount of 0.58mln. KZT, violations of using budget funds for capital expenditures in the amount of 0.68mln. KZT, other violations in the amount of 503.74mln. KZT.

The amount to be reimbursed to the revenue of the national budget is 1.43 mln. KZT and the amount to be restored in accounting is 0.76 mln. KZT.

Based on the results of the audit activities, 8 decisions to eliminate the identified violations, that had been sent to the state audit objects decisions were executed on time. Execution deadlines for two objects will come in the second half of 2019.

As of July 1, 2019, 1.05 mln. KZT has been reimbursed to the state budget, 0.76 mln. KZT was reinstated in accounting [14].

Disciplinary measures were taken against 4 officials based on the audit results.

As it is seen, the state audit in the economic areas constitutes the basis of the system, as it is one of the elements of economy management. In any state the control of financial resources and state assets and property formation and use is an objective process [14].

Dealing with the experience of the advanced economies possessing deep state financial control traditions, such as Great Britain, the USA, Canada, it would worth noting that the controlling and audit activity in these countries is performed according to the commonly recognized standards for state control, which are similar to the audit standards, but are elaborated with more details. Thus, in the USA they elaborated five utmost standards (The Generally Accepted Government Auditing Standards — «The Yellow book», the Principles of formation and adoption of inquiries for budgetary funds — «The Red book», the Standards for Internal Control in the Federal Government«The Green book», the Guidelines for performance of the state financial audit, The Guidelines on assessment of compliance of the necessary expenses to the results planned) and additional 24 standards based on the ISSAI.

The adoption of the Law of the Republic of Kazakhstan «On the state audit and financial control» allows to construct a solid system of the state audit and financial control, to increase effectiveness of the state bodies' activity, to increase transparency of use of the budgetary funds and state assets management, to timely and promptly prevent financial offences and to eliminate factors conducive to commitment of offences, to deliver to the President, the Parliament, the Government of the Republic of Kazakhstan and to the society complex and objective information [1, 10].

The use of the experience of the Republic of Latvia in the Kazakhstani state audit will allow estimating the quality of activity of the state bodies and organizations dealing with financial resources management. On the grounds of the risk, experience and previous audits analysis, the state control of the Republic of Latvia has constituted socially utmost standards for performance and statutory audit. Thus, the purpose of the development of the state audit system is to increase the effectiveness of use of the budgetary funds and state assets management. The state audit shall not only simply reveal these or those incompliance, but also reveal reserves and potential of use, management of the state financial resources with a stronger feedback, effectiveness.

A systematic use of audits of the financial statements, of compliance audit, of performance audit allows increasing the quality of public resources management. Accounts Committee, when elaborating the concept and plans for the midterm period, proceeds from necessity of a transition from financial audit of functional expenses of a state to performance audit of the result of use of the national resources in the framework of the project approaches towards development management.

Effective management of the economy, financial resources is provided on the basis of a systematic analysis, feedback from the element of the management mechanism, in particular, the mechanisms of planning, use and estimation of the economic events. At that the state audit and financial control constitute two of the basic elements of the economy management.

Thus, the main US audit service does not lead, but guides the activity of other controlling bodies via settling the standards. At the same time it may demand from these bodies the performance of their functions

in conformity with these standards. In Great Britain the system of state and municipal financial control is established as a solid complex based on uniform principles and standards.

The majority of the Supreme financial control (audit) bodies (hereinafter — SFCB) — members of INTOSAI in accordance with the Lima declaration have separate statutes to regulate their activity. Thus, in Spain there is the Organic law on the Accounting Tribunal dated May 12, 1982; in the Czech Republic — Law on the Supreme control service, in China — Law on revision and statements in the People's Republic of China, dated 31 August, 1994; Law of the Republic of Azerbaijan dated July 2, 1999 «On the Court of Audit»; the German Law on the Federal Court of Audit dated June 11, 1985; Law of Denmark on the Auditor-General; Law on the Court of Audit of Austria dated 1948; Law on the Control and revision office of Japan, the US Controller-General Act of 1980, Law on the Auditor-General of Canada, the Federal law «On the Court of Audit of the Russian Federation», the Ukrainian law «On the court of Auditors»; law of the Kyrgyz Republic dated August 13, 2004 «On the Court of Audit of the Kyrgyz Republic»; law «On the Auditor-General of Australia»; the UK National audit act of 1983, law «On the Court of Accounts of Belgium».

We shall also highlight that the system of the state audit of Germany is represented by auditor offices that perform audit of the financial management of the Federation (Bundesrechnungshof) and the Federal lands (the audit courts of the lands/audit courts), including the asset funds of the Federation and the lands and the federal entities. Bundesrechnungshof performs federal budgetary funds audit. It is an independent institution outside the structure of legislative, judicial and executive branches of power. It is a peculiarity of the external audit bodies that differentiates them from internal audit bodies integrated into the structure of different bodies and agencies where they are to perform their audit.

Thus, the difference in the formation of the Supreme financial control (audit) bodies exists in three basic models: parliamentary model, extra-parliamentary model, mixed model; that is, possessing judicial competence, competence in the area of preliminary audit and post-audit (control); having separate laws regulating their activity; having in their structure territorial/regional subdivisions or not having them.

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15 DOI: 10.1186 / s40064–016–2903–0 comprehensive survey of self-efficacy and professional development of state auditors in order to improve the quality of audit. Shu-Jin Li, Zhau-Min su, sang-Bin Cai, zi-Li Lu, 8 and Weiwei Dong

М.К. Успамбаева, З.Р. Мандражи, Р.С. Даулетова, Г.А. Кенбейлова, Г.М. Конакова

### **Қазақстанда мемлекеттік аудит жүйесін дамыту және жинақталған тәжірибені қолдану мүмкіндігі**

Мақалада Латвия Республикасының тәжірибесі мысалында қазақстандық мемлекеттік аудит жүйесінің зерттеулері ұсынылған. Латвия Республикасы Еуропалық одақтағы жалпы мүшелікпен байланысты, ел тілге, мәдениетке және тарихқа қатысты өз даралығын сақтайды. Олардың жалпы демократиясы әртүрлі демократиялық жүйелер мен процестерде, сондай-ақ әртүрлі парламенттік, конституциялық және әкімшілік жүйелерде көрінеді. Дәл осы тұста жоғары бақылау органы өз қызметін Латвия Республикасында жүзеге асырады. Латвия Республикасындағы мемлекеттік аудит «мемлекеттік бақылау» деп жиі аталады. Зерттеудің мақсаты Латвия мемлекеттік аудит жүйесін және оны Қазақстанда қолдану мүмкіндіктерін түсіну болып табылады, бұл мемлекеттік аудитті күшейтеді және сапалы деңгейге көтере алады. Алынған нәтижелер Қазақстанда мемлекеттік аудит жүйесін дамытуда бірқатар стратегиялық бағыттарды ұсынуға мүмкіндік берді. Мемлекеттік аудит институты әлемнің барлық елдерінде іс жүзінде бар және әсіресе соңғы уақытта серпінді дамып келеді. Мемлекеттік аудиттің мақсаты бюджет қаражатының пайдаланылуын бақылау және қаражатты орынды, үнемді және тиімді пайдалануды қамтамасыз ету мақсатында әкімшілік ресурстың заңды пайдаланылуын бағалау болып табылады. Елдердің мемлекеттік аудиті саласындағы нормативтік және құқықтық құжаттары зерделенді.

*Кілт сөздер:* қаржылық аудит, бюджеттік қаражат, бақылау, жүйе, басқару, тиімділік аудиті, мемлекеттік аудит, міндетті аудит.

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### **Развитие системы государственного аудита в Казахстане и возможность применения опыта**

В статье представлены исследования казахстанской системы государственного аудита на примере опыта Латвийской Республики. Латвийская Республика связана общим членством в Европейском союзе, страна сохраняет свою индивидуальность в отношении языка, культуры и истории. Их общая демократия проявляется в различных демократических системах и процессах, а также в различных парламентских, конституционных и административных системах. Именно на этом фоне высший контрольный орган осуществляет свою деятельность в Латвийской Республике. Государственный аудит в Латвийской Республике все чаще называют «государственным контролем». Целью исследования является понимание латвийской системы государственного аудита и возможностей ее применения в Казахстане, что может усилить и поднять государственный аудит на качественный уровень. Полученные результаты позволили предложить ряд стратегических направлений в развитии системы государственного аудита в Казахстане. Институт государственного аудита существует практически во всех странах мира и в последнее время развивается особенно динамично. Целью государственного аудита является контроль за использованием бюджетных средств и оценка законного использования административного ресурса в целях обеспечения разумного, экономичного и эффективного использования средств. Изучены нормативные и правовые документы в области государственного аудита стран.

*Ключевые слова:* финансовый аудит, бюджетные средства, контроль, система, управление, аудит эффективности, государственный аудит, обязательный аудит.