

Methodology and Organization of Internal State Audit of the Republic of Kazakhstan and the Russian Federation

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Abstract—The relevance of the researched problem is determined by the necessity to organize internal state audit in state institutions. The purpose of the study is to develop recommendations for state institutions of the Republic of Kazakhstan to improve the organization of internal state audit on the basis of the Russian Federation foreign practice. **Research methods:** empirical research, i.e. comparison. **Research results:** this article presents the main approaches to the organization of internal state audit. At present, there appears a need for continual improvement of internal state audit on the basis of a risk-oriented approach.

Keywords—*internal state audit; financial control; internal audit; standards.*

I. INTRODUCTION

Examining scientific literature, normative-legal acts, legislation of the two countries and current international standards relating to internal state audit, it was found out that many studies are devoted to internal state audit, but not all of them consider it as a systematic phenomenon.

The main law regulating the procedure for auditing in the Russian Federation is the Federal Law No. 307-FZ dated 30.12.2008 “About audit activity” [9].

During the audit and analysis of the internal audit effectiveness, various resolutions of the Russian Government, methodological recommendations in the field of internal state audit are taken into account.

International internal audit standards are developed by the Institute of internal auditors, headquartered in the United States. These standards were introduced in 1979, and their last edition came into force in 2007. They represent an integral part of the Framework of professional practice, or Red book, which also includes the code of ethics, practical recommendations on internal audit, manuals for improvement and practice of internal audit.

Internal audit as an element of the internal control system is also given an important significance in the scientific literature and publications. ISA 610 (ISA 610, 2013) provides basic concepts related to the internal audit service of the organization and use of its activities results in the external audit. This standard specifies that the internal audit service is a department that performs work related to assurance, consulting activities to assess and improve the effectiveness of corporate governance processes of the organization, as well as work on risk management, management of internal control processes. When conducting an external audit, the status, subordination and qualifications of the internal audit service employees are taken into account. That is, the standard provides recommendations for the external auditor to assess the work of the internal audit body of the audited entity, but does not regulate the work of this body. At the same time, the scientific literature also highlights the preconditions that indicate that organizations should create an internal audit service in ex-USSR countries.

Internal state audit in the Republic of Kazakhstan is carried out by the authorized body for internal state audit and by internal audit services of central state bodies.

Bodies of internal state audit and financial control perform their activity according to the plan of works approved for the corresponding financial year by CEO.

During the preliminary analysis of the state audit object, the activity of the internal state audit at the state audit object and the results of previous audits of the state audit and financial control bodies are studied.

The audit team conducts a preliminary study of the state audit object activities on the basis of information from available sources and, in case of necessity, the objects of state audit are sent requests for documents and information for their preliminary investigation.

Internal state audit in Kazakhstan is carried out on the basis of the approved Rules of internal state audit and financial control.

Regulation of audit activities of different countries has significant differences due to their socio-economic peculiarities; socio-political features; specific legislation characteristics of separate countries.

II. RESEARCH METHODOLOGY

The following scientific research methods were used in the study:

- method of empirical research. Comparison is made on the basis of two legislative acts;
- method of theoretical research.

The practical significance of the study lies in the fact that theoretical and methodological developments, as well as practical recommendations allow to arrange in a more rational way the process of internal state audit introduction.

The practical significance of the results of the study is that the main methodological regulations and the developed set of techniques and models are directed toward the widespread use in the internal audit as a tool to improve the efficiency of using public resources in the context of modernization of the Republic of Kazakhstan.

III. RESULTS

In order to determine the effectiveness of the state financial control bodies (SFC) and to consider the issues of implementation of full control coverage (maximum) of budget funds, there is a need to study and systematize the legislative, regulatory and legal framework of the current SFC system. The activities of state financial control bodies are regulated by legal rules stated in the Constitution of the Republic of Kazakhstan as well as in other regulatory legal acts.

Let's present three Kazakhstan legislative levels (Fig. 7).



Fig. 1. Legislative levels in the Republic of Kazakhstan

Thus, as reflected in figure 1, the first level is represented by the Constitution of the Republic of Kazakhstan, Codes which form the legal basis for the organization and activities of state financial control bodies. Currently, the legal status is defined in the Constitution; it concerns the appointment of the Chairman and members and approval of the report of the Accounts Committee of Kazakhstan.

In elaboration of the legislative basis for the formation and development of financial audit, the government of the Russian Federation adopted Resolution No. 193 dated 17.03.2014.

In this resolution it is defined that internal state audit (hereinafter - ISA) is carried out by structural divisions, authorized officials, employees of the chief administrator of budgetary programs and employees of the administrator of budgetary funds.

The purpose of internal public audit of the Russian Federation and the Republic of Kazakhstan is to evaluate

reliability of the ISA; to prepare recommendations for improving the effectiveness of the ISA; to confirm the accuracy of budget reporting and confirm budget compliance order with accounting methodologies and standards for fiscal accounting; to draft proposals for improving efficiency and effectiveness of using budgetary funds [4,5,6].

In order to properly monitor the quality of the ISA, in 2015 Accounts Chamber of the Russian Federation developed the standard of external state control SGA311 "Verification and analysis of the effectiveness of internal financial audit".

The comparative analysis showed that in the legislations of the two countries, the goals, objects, subjects, rights and obligations of officials of ISA subjects are similar.

In the Russian Federation and the Republic of Kazakhstan, the responsibility for the organization of internal state audit is laid on the head of the chief administrator of budgetary funds, head of the administrator of budgetary funds.

Preparation, approval and maintenance of the plan in the Russian Federation and the Republic of Kazakhstan is carried out in the order established by the chief administrator of budgetary funds, the administrator of budgetary funds.

To control the quality of the internal state audit, Accounts Chamber of the Russian Federation has developed the standard of external state control SGA 311 "Verification and analysis of the effectiveness of internal financial audit" which was approved by The Board of Accounts Chamber of the Russian Federation (minutes of July 10, 2015 No. 32K (1043) [19,10].

The Republic of Kazakhstan has developed a procedural standard of internal state audit and financial control "Assessment of the effectiveness of internal audit services" [13,20,21].

At the level of individual ministries and departments of the Russian Federation, local regulations on the organization of internal financial control and audit have been adopted. The Republic of Kazakhstan has not yet approved, but is working on the implementation and introduction of additional regulatory legal acts [16], [15].

According to the made research, the internal state audit of Russia and Kazakhstan is very similar in its kind, but in the Republic of Kazakhstan this is a new direction and before there was only financial control in state bodies, and audit - in private organizations, since 2015 the state audit has been implemented. At the moment, state audit in Kazakhstan is introduced and improved on the basis of the experience of Russia and other countries [17], [18].

IV. CONCLUSION

As internal state audit is a new direction in Kazakhstan it is necessary to apply the Russian experience on the basis of studying the practice of its functioning and formation. To solve the tasks set in the research work it is required to develop a system of internal normative regulations (standards) of activity of internal state audit service, namely to establish organizational and methodical basis of activity of internal public audit service, to provide the basis for estimating the activity of internal public audit service and its employees, to contribute to the improvement of systems and processes of internal state audit, to minimize the risks in the activities of internal public audit.

According to the results of the study, it is recommended to develop four groups of internal standards: general-purpose internal regulations; internal regulations governing the activities of the internal state audit service; internal regulations governing the procedure for conducting audits; internal regulations governing specialized audits.

The possibility of stepwise implementation makes the system of internal regulatory standards even more attractive for implementation. It should be noted that stepwise implementation of this system contributes to achievement of the main goal, namely, to improving the quality and efficiency of the internal state audit service of the relevant ministries and agencies.

According to the Concept of implementation of the state audit in the Republic of Kazakhstan, the existing mechanism of interaction of financial control bodies is ineffective, there is no unified system of methodology, planning of the state financial control, irrational use of labor and other resources of the state financial control bodies.

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