

The Impact of Internal Public Audit on the Use of Public Resources

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Abstract. This study focuses on the targeted use of public resources. Public authorities provide citizens with public resources for the proper targeted use of public resources. This paper analyzes the public auditees in accordance with the standards, common principles and approaches of the risk management system, approved by the joint regulatory documents of the the Accounts Committee for control over the execution of the republican budget, approved orders of the Minister of Finance of the Republic of Kazakhstan, Rules for the interaction between public control and audit service, etc.

Internal public audit is an internal control carried out by internal audit services. The studies were conducted using empirical, theoretical and comparison methods, and on the basis of brainstorming. The paper analyzes the internal public audit of the use of public resources as a management function. A SWOT analysis on the maximum coverage of budget expenditures in international practice is presented in tabular form.

Internal public audit of the public sector is very important for good management, as it identifies key elements for maximizing values.

Research methods: General scientific research methods were applied in this work, including: observation, systems approach, statistical analysis and others.

1. Introduction

Currently, the internal public audit of public resources focuses on the reliability, analysis and constructive resolution of managerial problems. Proceeding to high-quality internal public audit through a change in its object, subject and guidelines was proposed in Kazakhstan. Theoretical, methodological and practical features of the internal public audit of public resources management are formulated.

Government agencies do not consider making a profit and profit distribution between participants as the main mission [1], [2]. However, this plays a fundamental role in the national economy, because the efficient use of public resources is crucial for the country's economic development and improving public welfare. The number of detected violations according to legislation in effect in government institutions has a steady negative trend. This situation does not contribute to the rational use of public resources, strengthening financial discipline, improving the activities of public sector bodies, improving the culture of public administration [3], [4]. As a result, we can state obvious problems in the economic potential development of publicly funded institutions.

The study is relevant, since the development of the internal public audit on public institutions can radically change the described situation [5], [6]. In this case, the internal control is a set of measures used by the conductor to ensure compliance with the validity and efficiency of the use of public funds,

to achieve results in accordance with the established goal, objectives, plans and requirements for budget institution's activity. An internal audit is the separate unit's activity aimed at improving the managerial system, preventing the facts of illegal, inefficient and ineffective use of public funds, errors or other shortcomings in the activities of a budgetary institution, and improving internal control [7], [8], [9].

It is obvious that the use efficiency of public resources after financing a particular state-run program can be established precisely in the process of internal public audit on budget performance. Therefore, the need to change the approach on conducting audits, to pay more attention to the performance of audited organizations has arisen recently.

The forgoing makes it possible to predict a further emerging role of internal public audit on public audit system by clarifying and concretizing the control functions of financial control's individual subjects [10], [11], [12]. In this regard, a clear legal regulatory activity within all aspects of control activity will be a prerequisite for the successful performance of the internal (interdepartmental) financial public audit, including: defining the boundaries, methods and forms of implementation, determining the legal status, scope of rights and obligations of control bodies.

The application of internal public audit standards deserves special attention. The use of common standards in existing conditions can increase the overall methodological level of control activities and ensure the appropriate quality of internal public audit. At the same time, it is important to take into account the practical experience of foreign countries, where modern conceptual models of internal public audit on the budget sphere are used.

Internal public audit and financial control are an integral part of the public administration system, focus on increasing transparency, efficiency, responsibility for the use of public funds, assets of the government and quasi-public sector.

Internal public audit is carried out on the basis of public audited items of the authorized body and its territorial units for the corresponding year (hereinafter referred to as public auditees), formed in accordance with Article 18 of the Law.

Public auditees is compiled in accordance with the standards, common principles and approaches to the risk management system approved by the joint regulatory resolution of the Accounts Committee for control over the execution of the republican budget (hereinafter referred to as Accounts Committee) dated November 28, 2015 No. 10-NK, and by Order of the Minister of Finance of the Republic of Kazakhstan dated November 27, 2015 No. 590 (registered in the National Register of Normative Legal Acts No. 12502), the Rules for the interaction between public control and audit service approved by the joint regulatory resolution of the Accounts Committee dated November 28, 2015 No. 9-HK and the Order of the Minister of Finance of the Republic of Kazakhstan dated November 27, 2015 No. 589 (registered in the National Register of Normative Legal Acts No. 12577.).

The preparatory stage for conducting an internal public audit is the preliminary study of public auditees, drawing up an audit plan and program, an audit engagement for audit arrangements (hereinafter referred to as audit engagement), instructions for audit (inspection) (Act on the audit) (hereinafter referred to as instruction on conducting audit), which is an act on the audit assignment.

The main stage of conducting an internal public audit is the organization of the audit. The final stage of the internal public audit is the decision-making and settling documents on the results of the internal public audit.

The positive experience in the control practice of foreign countries, set forth in the Lima Declaration of Guidelines for State Financial Control, which was adopted in 1977 by the IX Congress of the International Organization of Supreme Audit Institutions (INTOSAI), has an influence on the formation of a unified system of state financial control.

The world experience was presented in the approved Concept of introducing public audit in the Republic of Kazakhstan, emphasizing that "Public audit is notably different from state financial control in that the focus shifts from the compliance audit to the performance audit on use of public

financial resources and property " Let us consider the SWOT analysis on the maximum coverage of budget expenditures in international practice, which is presented in Table 1.

Table 1. SWOT analysis on the maximum coverage of budget expenditures in international practice.

Strengths		
<p><u>Accounts Chamber of the Russian Federation</u> - coverage is provided by two types of audit: (preliminary, current)</p>	<p><u>Office of the Auditor-General of New Zealand</u> - maximum coverage is provided by an audit on financial statements</p>	<p><u>Board of Audit of Japan</u> - full coverage is provided by documentary audit; - <u>additional</u> field audit is conducted to determine the accuracy, legality and validity of the public funds use</p>
Weaknesses		
<p><u>Accounts Chamber of the Russian Federation</u> - insufficient effectiveness of preliminary control during the formation of the budget blueprint</p>	<p><u>Office of the Auditor-General of New Zealand</u> - low coverage of public funds for performance audit (12%)</p>	<p><u>Board of Audit of Japan</u> - documentary audit is limited if determine the adequacy of financial transactions</p>
Opportunities		
<p><u>Accounts Chamber of the Russian Federation</u> - 100% control over public funds; - develop assessments on risk management systems throughout the public sector; - search for development methods and implementation of common standards and sequenced approaches; - need to improve relevant legislation for strengthening its independence and increase its rights to conduct performance audit; - timely detection and prevention of financial irregularities</p>	<p><u>Office of the Auditor-General of New Zealand</u> - maximum coverage of budget expenditures; - search for new control methods; - timely detection and prevention of financial irregularities. - obtaining independent audit reports from private audit firms on an ongoing basis</p>	<p><u>Board of Audit of Japan</u> - according to the Reports on the audit of financial statements for the financial year and the full coverage of budget expenditures, the Board of Audit affords to more precisely determine market volatility for audit priority setting in order to manage financial risks</p>
Risks		
<p><u>Accounts Chamber of the Russian Federation</u> - (labor, financial, time) costs for non-risky objects of verification;</p>	<p><u>Office of the Auditor-General of New Zealand</u> - (labor, financial, time) costs for non-risky objects of verification; - increase in the contract cost of attracted auditors from private accounting firms</p>	<p><u>Board of Audit of Japan</u> - untimely detection of violations during documentary audit; - untimely adoption of preventive measures by the Board of Audit to prevent financial violations by objects of verification</p>

Source: Accounts Committee of the Republic of Kazakhstan. URL: <http://www.esep.kz> (accessed July 1, 2019) [22]

2. Expected results

The research results lie in the fact that the main methodological provisions, the developed set of methods and models are focused on widespread use in conducting internal public audit as a tool to improve the usage efficiency of public resources within the modernization process of the Republic of Kazakhstan.

The Accounts Committee of the Republic of Kazakhstan has vast experience in detecting violations at the operational level, but there is insufficient experience in evaluating the internal public audit on the use of public resources. This paper includes documenting the control, which is or should be carried out according to the normal procedure, and then designing the type and degree of testing necessary to determine whether this control is satisfactory, and if so, whether it works properly. Planning on taking the sampling approach of internal public audit on the use of public resources should be considered.

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