ACCOUNTING AND IT AUDIT:
TOWARDS SUSTAINABLE DEVELOPMENT

Nur-Sultan, 2021
Reform of the accounting and reporting system of State institutions

Since January 1, 2013, the initial transition to the accrual method has been carried out in all state institutions.

Within the framework of the IT system «e-Ministry of Finance», a subsystem «Collection and consolidation of financial and budget reports» has been developed. Currently, subsystem implementation is being carried out in state institutions and local self-government bodies.

In accordance with the rules of the Budget Code, in 2019, the consolidated financial statement is included in the annual reports on the implementation of the republic budget.

The top indicators of the assessment of strategic documents are 78% in line with the SDGs (the assessment was carried out by UNDP and the Institute for Economic Research).
Preparation of consolidated reports on the implementation of the republic budget

- Annual report on the implementation of the republic budget
  - Annual consolidated financial statement
  - Verification
- Audit and finance control bodies
- Central authorized body for budget execution
  - Ministry of finance
- Government of the Republic of Kazakhstan
- Accounts Committee
  - Conclusion on the objectivity of the information provided, including the conclusions and recommendations for the entire consolidated report
- Parliament of the Republic of Kazakhstan
For the first time, the Accounts Committee submitted qualified opinion for the CFS for 2019 on the following issues:

- Non-revaluation of long-term assets by indexing and retrospectively reflection in the financial statement at the date of transition to the fair value
- Quasi-public sector operations are not presented on assets and liabilities line-by-line basis
- The disparity of information systems and the inconsistency of information provided in budget and financial statement, as well as the absence of assessment of the register of republic property for completeness.

Recommendations of the Accounts Committee:
- to specify the rules for the identification and classification of organizations that led to the consolidation;
- to consider the possibility of revaluation of long-term assets of state institutions (land, buildings and structures) *more costs – as much as necessary, Do we need large costs for revolution when the property represented by the state does not change and there are no plans to sell it*;
- to improve the mechanism for accounting for public investments when transferred to the quasi-public sector;
- to provide comparability of the data of the CFS of state bodies with the Register of Republic Property and financial reports;
- conducting a systematic check of information provided by government agencies, comparing data from several sources.

The annual internal state audit of the CFS of a state institution should act as a preventive tool. Internal audit bodies should intensify efforts to identify all risks of financial analysis and analysis of the factors of their occurrence (in 2020, Internal state audit committee and its territorial bodies carried out 2,177 audit activities, during which 2.5 billion US dollars were covered; Internal audit services carried out 459 audit activities, about 7 billion US budget funds were covered).
International experience of the Sustainable development goals

Russia

A domestic software product is used in accounting

1C-Accounting

The system configurations have advanced data exchange capabilities and integration with any information systems. «1C-Accounting» allows you to:

- save time when making payments with counterparties;
- minimize errors;
- reduce costs by increasing the efficiency and quality of accounting by automating the electronic exchange of documents.

France

Created to support government reforms. To visualize the programming process, Chorus is equipped with a number of functional features:

- a network version that allows you to transfer messages between the ministry and its local branches;
- version with overwrite protection for external controllers, makes it possible to revise government policy towards simplification of procedures.

South Korea

The system manages the entire life-cycle of national financial management, from the development of national financial management plans, asset and debt management, accounting and settlement, to performance evaluation. The system includes integrated modules:

- budget planning;
- project management;
- payments;
- revenue;
- accounting services;
- financial management.

Certification

Within the framework of the cooperation of the Ministry of Finance with the World Bank, 52 employees of the Ministry and other government agencies were trained (44 certificates «State Audit and Assurance» and «International Public Sector Accounting Standards (IPSAS)» were issued) – We need to build human capacity to ensure the effective implementation of IPSAS
Unified accounting information System

Paragraph 17 of the Plan for the Implementation of the Concept of Public Administration Development until 2030 includes the optimization of supporting divisions of state bodies by transferring them to a competitive environment, or their centralization in authorized bodies.

On January 26, 2020 at an expanded meeting of the Government, President Tokayev K. K. pointed out the lack of active work on the centralization of auxiliary functions, such as accounting. It was instructed to extend the experience of «Samruk-Kazyna» Joint Stock Company on the creation of common service centers to the public sector.

Current IT

More than 20000 state institutions, budget organizations (schools, kindergardens, hospitals, etc.)

1. SAP
2. 1C
3. Parus
4. Looka-budget
5. Esep
6. Other

Unified Accounting Information System

Conducting electronic state audit

Reducing corruption risks

Reduction of software maintenance costs by 3 times (from 8.1 billion tenge (19 mln$) to 2.7 billion tenge (6.3 mln$))

Transparent accounting from the primary document to the consolidated financial statements

Reduction of accounting violations (according to the Account committee reports: in 2017 -82.5% in 2018 -59.5%).

The authority of the accounting information system operator:

- Provides creation, development, replication, maintenance and system maintenance of accounting information systems
- Manages projects for the development of accounting information systems
- Provides consulting and practical assistance to accounting entities
- Interacts with authorized entities on the integration of accounting information systems, state electronic resources and information security
- Provides information security, storage of electronic information resources of accounting information systems
- Performs the information content of the accounting information system
- It will allow you to carry out desk control, check the operating life of the fixed assets and check with the balances in warehouses

Violations in accounting and financial reporting

Percentage of the total amount of violations detected

- When conducting accounting and financial reporting (billion tenge)
- 2016 year: 50.5
- 2017 year: 79.7
- 2018 year: 32.7
- 2019 year: 189.1
- 2020 year: 186.1

- 2016 year: 77.8
- 2017 year: 218.8
- 2018 year: 60.4
- 2019 year: 189.1
- 2020 year: 186.1

- 2016 year: 77.1
- 2017 year: 186.1
- 2018 year: 74
- 2019 year: 74
- 2020 year: 74
Introduction of IT accounting

Since 2016, more than 18 thousand audit reports have been sent to the «Unified Database on State Audit» information system by Internal state audit committee, Internal audit services. However, there is no analysis on preventive measures.

The «Depository of Financial Statements» information system contains about 33 000 financial accounts of Public interest companies and more than 22 000 audit reports. The administrative responsibility for evading the mandatory audit involved 183 PIC and for not submitting financial statements - 304 (487 PIC).

For a full transition to electronic audit, it is necessary to create IT accounting system.

SDG Goal 17 Relevant indicators:
17.1.2: Proportion of domestic budget funded by domestic taxes
17.1.1: Amount allocated to public, public-private and civil society partnerships (We need disclosures in IPSAS for these contracts) – IPSAS 32 «Service concession arrangements» - does not disclose

There is no integration and information system for IAS focused on consulting.

Expected results:
- submission of the audited consolidated financial statement (balance sheet approach) to the report of the Government of the Republic of Kazakhstan and the Accounts Committee to the Parliament of the Republic of Kazakhstan
- adoption of preventive measures to prevent misstatements of the consolidated financial statement
- revenue forecasting and annual cost reduction of 5.4 billion tenge (13 mln$) for system maintenance
Key SDG indicators
The relationship requires disclosures in the explanatory note to the financial statements (IFRS and IPSAS)

**Economic area**
- Revenue - Financial reporting depository
- Value added (gross value added, GVA)
- Net Value Added (NVA)
- Taxes and Other payments to the Government – IT system of tax authorities
- Green Investment - AIFC, Kase
- Community investment
- Total expenditures on research and development expenses – Financial Reporting Depository
- Percentage of local procurement – public procurement IT system

**Social area**
- Proportion of women in managerial positions
- Average hours of training per year per employee
- Expenditure on employee training per year per employee
- Employee wages and benefits, by employment type and gender
- Expenditures on employee health and safety
- Frequency/Incident rates of occupational injuries;
- Percentage of employees covered by collective agreements

**Environmental area**
- Water recycling and reuse
- Water use efficiency
- Water stress
- Reducing of waste generation
- Waste reused, re-manufactured and recycled
- Hazardous waste
- Greenhouse gas emissions 1
- Greenhouse gas emissions 2
- Ozone-depleting substances and chemicals
- Renewable energy
- Energy efficiency

**Institutional area**
- Number of Board meetings and attendance rate
- Number and percentage of female board members
- Board members by age range
- Number of meetings of audit committee and attendance rate – the role of internal audit services (reporting)
- Compensation: total compensation per board member (both executive and non-executive directors)
- Amount of fines paid or payable due to settlements
- Average hours of training on anti-corruption issues per year per employee – from the treasury system

**Amend paragraph 125 of IPSAS 31 for detailed disclose (not just aggregated amounts)**

**There is no IPSAS on:**
1) national wealth resources and their depletion
2) Trust management agreements

UNCTAD is the secretariat of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR).
ISAR was founded in 1982 and is the head office of the UN system for accounting and reporting of enterprises.
The Department of Accounting, Audit and Evaluation Methodology has sent letter to the Presidential Administration about the need to use the SDGs in calculating the economic and social effect of budget expenditures.
On July 3, 2020, amendments to the Law on Auditing Activities were adopted, which provide for the creation of a Supervisory Body - the Professional Council

Audit Agreement

Qualification exam:
Test your knowledge in the following areas:
• audit activities;
• member State legislation on audit and accounting;
• IFRS and ISA;
• risk management, internal quality control of work;
• management accounting;
• professional ethics and auditor independence;
• accounting theory;
• financial analysis and financial accounting.

And also
a) inf. technologies and comp. the system;
b) mathematics, statistics;
c) tax, civil, and labor legislation of the member state;
d) general economy: theory, finance, microeconomics;
e) basic principles of financial management of the organization.

Requirements:
By 2025, development on the territory of the EAEU of general requirements for service providers in the field of reporting and accounting of one member state operating in the territory of another member state.

Practical experience:
Minimum work experience of at least 3 years.

At the same time, at least 1 year of the last 3 years of work must fall on the work in the audit organization.

CERTIFICATION OF ACCOUNTANTS:
- In the Republic of Kazakhstan certification «professional accountant»
- in the Republic of Armenia, the Republic of Belarus applies,
- in the Kyrgyz Republic, there is no,
- in the Russian Federation-carried out on a voluntary basis.

since 2022 – a single market for audit services

from 2025 - a single market for reporting and accounting services
Additional materials:

Impact on the environment

The policy of UK to manage organization in the most environmentally responsible manner. Direct impact on the environment includes the greenhouse gas emissions associated with business travel, the energy use, water use, paper consumption and waste generated in buildings and challenging sustainability targets in all these areas; the related data are published on their external website and summarized in the figure below. UK assess the impact on the environment of their activities and use an environmental management system to provide a framework for setting and reviewing targets to support continuous improvement.

<table>
<thead>
<tr>
<th>Plant, equipment and purchased energy</th>
<th>Waste generation and paper consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td><strong>Target</strong></td>
</tr>
<tr>
<td>16% reduction in CO₂e (compared with 2010-11)</td>
<td>Less than 10% of waste to go to landfill</td>
</tr>
<tr>
<td><strong>Result</strong></td>
<td><strong>Result</strong></td>
</tr>
<tr>
<td>48% target achieved</td>
<td>0% target achieved</td>
</tr>
</tbody>
</table>

- Business travel
  - **Target**: 30% reduction in domestic flights (compared with 2009-10)
  - **Result**: 50% target achieved

- Water usage per full-time equivalent (FTE) employee
  - **Target**: ratio of 4m³ to 6m³ per FTE
  - **Result**: 5.6m³ target achieved

Core SDG Indicators

Decision

- Technical guidance on data disclosure
- 4 chapters with a list of selected sources
- Available in English and Spanish