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## Public audit and ways to enhance the activities of the revision group in the republic of Kazakhstan

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**Abstract:** The analysis of activity of revision group in the system of public audit in regions of the Republic of Kazakhstan in modern conditions has been carried out in this article. The issues of effective management of budget funds and reinforcement of financial and executive discipline, as well as the importance and necessity of carrying out joint or parallel control activities by external state control bodies have been studied. The author has studied the issues of efficiency of using budget funds and control activities.

**Key words:** competitiveness, national economy, state control, efficiency, revision group.

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### INTRODUCTION

Kazakhstan's aspiration to improve the competitiveness of the national economy poses the task of managing budget funds more efficiently and strengthening financial and executive discipline. The work of state bodies on audit and financial control, aimed at the analysis and assessment of the correct and rational use of budget funds and state assets is of the biggest importance in these conditions.

As practice shows, the most difficult and undeveloped process in the regions is the process of implementation of recommendations and instructions in terms of making changes to the legislatively approved mechanisms for the implementation of large-scale state and sectoral programs.

In these conditions, the importance and necessity of carrying out joint or parallel checks by external state control bodies increases significantly, the results of which will allow to give a comprehensive assessment of the effectiveness of the implementation of program documents, to identify weaknesses and to determine the existing risks.

Thus, the revision groups at the oblast levels are state bodies and perform the following functions:

- control;

- expert and analytical.

They are relatively young, only emerging. Practice shows that in the course of achieving results in the performance of their tasks to ensure compliance with the budget and other legislation, in addition to carrying out control activities, they face a range of issues that require a comprehensive solution. It should be noted that, according to the data of the National Commission on Certification of Persons, the candidates of the revision

group of Akmola oblast successfully passed the interview for the assignment of the qualification of the state auditor and occupied the 5th place (96,6%) among the regions of the country [1].

In accordance with the Law on Public Audit and Financial Control, the competence of revision groups includes external public audit, compliance audit and performance audit [2].

According to the current legislation, the actions of the revision group bodies are assessed by the executive authorities with regard to the nature of the revealed violations and its classification. Thus, the work of the latter is made dependent on the executive authority, thus violating the principle of its functional independence.

We believe that an important appropriate step in this direction is to make proposals for amendments and additions to the Code of Administrative Offences of the Republic of Kazakhstan to give the revision group the right to draw up and review protocols on administrative offences, in particular when committing violations:

- when keeping accounting records;
- in the execution of the local budget;
- in the course of public procurement;
- when using budget funds and state assets, etc.

The analysis shows that the Akmola Oblast Revision Group conducted audits of 299 facilities in 2016, 212 in 2017, and 243 in 2018 (Table 1) [1].

**Table 1: Number of control activities carried out during the period of 2016-2018**

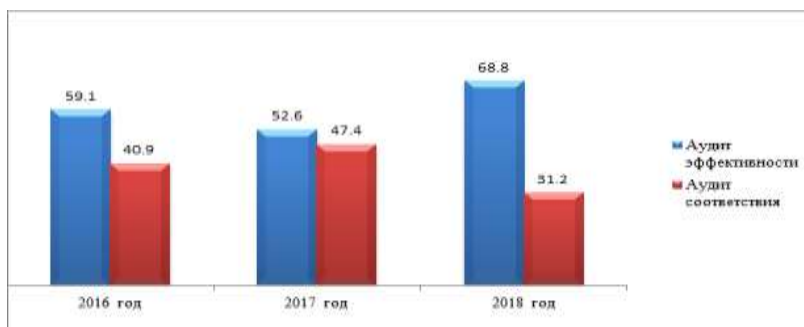
Name of indicators	2016	2017	2018	Total
Total of audits including:	22	19	16	57
Performance control	13	10	11	34
Specific weight in the total number of audits,%	59.1	52.6	68.8	
Compliance control	9	9	5	23
Specific weight in the total number of audits,%	40.9	47.4	31.2	
<i>Note: compiled according to the literature [3]</i>				

Thus, the Akmola Oblast Revision Group conducted 22 audits in 2016, 19 in 2017, 16 in 2018. As can be seen from Figure 1, out of 22 audits conducted in 2016, 13 (59.1%) were on the efficiency of budget funds use and 9 (40.9%) on the efficient use of budget funds.

In 2017, out of 19 inspections, 10 (52.6%) were carried out on the issue of efficiency of the use of budget funds, and 9 (47.4%) on the issue of efficient use of budget funds.

Performance audit

Compliance audit



**Figure 1: Comparison of the share of performance and compliance audits in the total number of audits conducted in 2016-2018, %**

*Note: compiled according to the literature [3]*

In 2018, out of 16 audits conducted, 11 (68.8%) were on the efficiency of budget funds use, and 5 (31.2%) on the efficient use of budget funds.

**Table 2: Key performance indicators of the revision group**

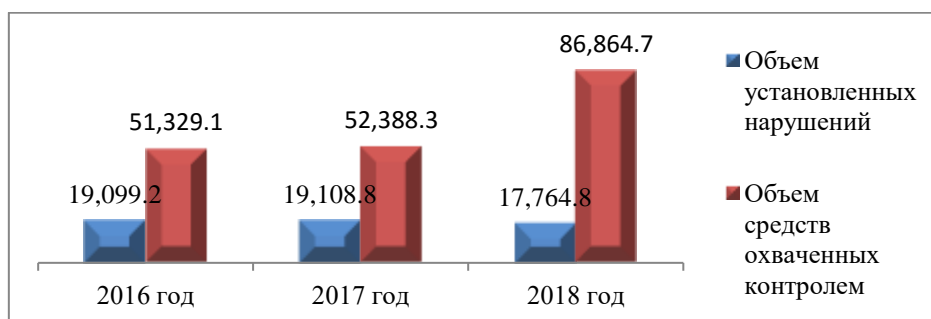
Name of indicators	Measurement unit	2016	2017	2018
Control measures taken including:	unit	22	19	16
Number of control facilities	unit	299	212	243

Violations established	thnd, tenge	19 099.1	19 108.7	17 764.8
Amount to be reimbursed/recovered	thnd, tenge	3 391.6	1 054.6	3 073.2
Of these, the funds have been reimbursed by the control facilities, in total	thnd, tenge	3 275.7	1 005.3	2 191.1
Amount of funds covered by the control	thnd, tenge	51 329.1	52 388.3	86 864.7
Share of funds recovered in the amount of established violations	in %	17.2	5.3	12.3
Share of recovered violations in the amount to be recovered/reimbursed	in %	96.6	95.3	71.3

*Note: compiled according to the literature [3]*

The control measures taken in 2018 revealed violations for the total amount of 17 764.8 thousand tenge, which is by 1 343.9 million tenge less than in 2017 (Table 2). Compared to 2017, there was an increase in the number of established violations by 0.1% or 9 640.7 thousand tenge compared to 2016.

Figure 2 below shows the dynamics of the established violations in terms of the amount of funds covered by the control.

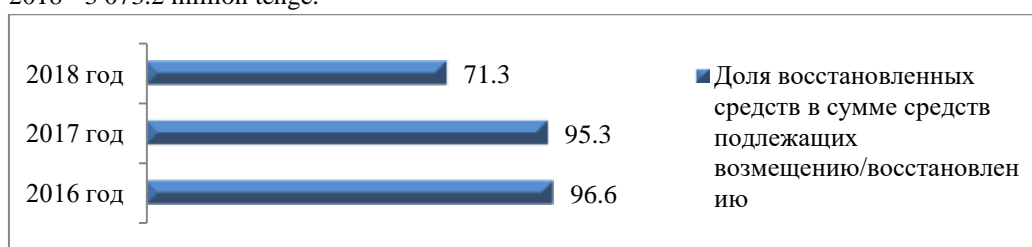


Volume of the violations established  
Volume if the funds covered by the control

**Figure 2: Dynamics of the volume of established violations over 2016-2018, mln. tenge**

*Note: compiled according to the literature [4]*

Based on the results of audits carried out by the Akmola Oblast Revision Group, the audited objects were presented for recover of funds: in 2016 - 3 391.6 million tenge, in 2017 - 1 054.6 million tenge, in 2018 - 3 073.2 million tenge.



**Figure 3: Share of reimbursed and recovered amounts over 2016-2018, %**

Share of recovered funds in the amount to be recovered/reimbursed

*Note: compiled according to the literature [4]*

For example, 3 275.7 mln tenge (96.6%) in 2016, 1 005.3 mln tenge (95.3%) in 2017 and 2 191.1 mln tenge (71.3%) in 2018 (figure 3) were reimbursed/recovered from the funds presented for reimbursement and recovery.

In the total amount of the revealed facts there were violations in the use of budget funds of the local budget, which amounted to 7 764,120,900 tenge or 38.9%, violations in the use of transfers from the national budget - 4 116 522.2 thousand tenge or 21.5%, violations of the budget revenue - 555 741.6 thousand tenge or 2.9%,

violations in the use of government assets - 1 672 406.7 thousand tenge or 8.8%, in public procurement - 4 874 532.2 thousand tenge or 25.5% and other violations - 457 780.1 thousand tenge or 2.4% (figure 4).

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Local budget

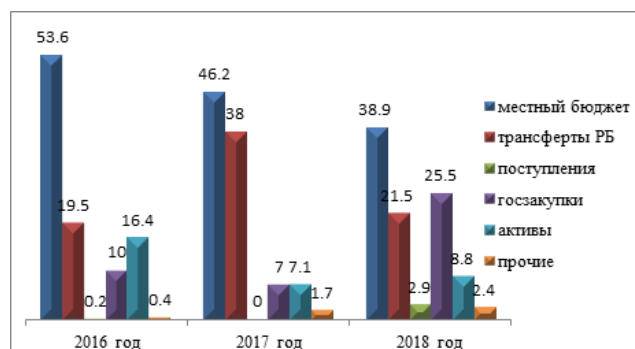
Transfers of the national budget

Revenues

State procurement

Assets

Others



**Figure 4: Dynamics of the structure of violations identified by the Akmola Oblast Revision Group in 2016-2018, %**

*Note: compiled according to the literature [3]*

Stably high facts of violations are observed at use of means of local budgets that makes 38-50 %. The share of violations in the use of transfers from the national budget is from 19 to 46%.

Relatively stable dynamics over the last 2 years in the percentage ratio falls on the share of violations in the use of state assets - 7-9%. In the reporting year 2018, compared to 2017, there was an increase in the share of established violations according to the results of public procurement by 18.5%.

Also, in 2017, there was an increase in the share of detected violations of the budget revenues and other violations of regulatory legal acts of the Republic of Kazakhstan. The reason for the increase in the share of such violations in the budget revenue is the audits conducted in the first half of 2017 on the completeness and timeliness of revenues from the lease of state property and the completeness of revenues to the local budget from the sale of land and other revenues in the field of land relations.

The analysis of revealed violations in the context of legislative acts for 2017 showed that the largest share of violations, namely 32.9% are violations of the law in the budget system.

A significant share of the detected violations is accounted for by those that were committed in the course of public procurement procedures - 25.7%. At the same time, the share of violations in accounting and financial reporting amounted to 8.7%.

Compared to 2016, there has been a 45.7% decrease in violations of the budget legislation of the Republic of Kazakhstan and 80.8% decrease in violations of the legislation in the field of construction and urban planning. At the same time, there is an increase in violations in the field of public procurement by more than 140 times and in other narrowly focused and specialized regulations by 50.3%.

Such facts testify to the fact that one of the most susceptible to violations in various industries is the procedure for conducting public procurement.

In addition, despite the decrease in the share of identified violations in the reporting period in the construction industry, this area is also the most susceptible to violations, as also evidenced by statistics from previous years. The violations revealed in 2017 in the construction industry were primarily manifested in the course of monitoring the reliability of the confirmation of work performed and (or) services rendered in accordance with the concluded civil law transactions for the provision of construction, reconstruction, capital and current repairs services.

The established facts indicate, first of all, a low level of internal control organization.

As practice has shown, the reasons for the identification of systemic violations still remain the violations committed in the course of accounting in organizations and institutions [2].

According to analysts' data, the reasons for the identified violations and shortcomings, including those of a procedural nature, are the lack of qualification of the executors and responsible officials, the lack of proper planning of revenues and expenditures and the organization of control over the activities of subordinate organizations.

If no violation is detected, it is more often an evidence of the lack of access, which is very rare. Practice shows that such a situation occurs in the absence of an approved regulatory framework governing one or another narrowly focused area.

Based on the results of the audits carried out by the revision group bodies, the relevant recommendations have been made, which are aimed at improving the activities of the audited entities and the regulatory framework, etc. Frequently such norms do not find their application since they have only recommendatory character.

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