Follow-up on the Accounting Development Tool (ADT)

Presented by

Shapiga Nassyrova
Head of Sub department of Methodology of Accounting and Audit of Real Sector
Ministry of Finance of the Republic Kazakhstan

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Kazakhstan on the eve of the evaluation of Accounting Development Tool

Sh. Nassyrova

Head of the Sub department of methodology of accounting and audit of the Ministry of finance of Republic of Kazakhstan
Республика Казахстан
General information about the Republic of Kazakhstan

Geographical location of Kazakhstan – Kazakhstan is situated in Central Asia, in the heart of the Eurasian continent.

 Territory - 2,724,900 sq. km (1,049,150 sq. miles). On the area Kazakhstan occupies 9th place in the world, yielding only to Russia, China, USA, Argentina, Brazil, Canada, India and Australia; the CIS’s second largest country.


Capital - Astana (since December 10, 1997) with population of 811 529 (as of 1.12.2013).

State language - Kazakh, in the state organizations and local authority on equal terms with state language officially uses the Russian language

State structures – Republic of Kazakhstan is a unitary State with presidential form of the rule. The head of State – President Nursultan Nazarbayev (since 1991)
Regulation of accounting

Ministry of Finance

National Bank (financial and insurance institutions)

An Advisory body, Professional organization of accountants, the Organization for professional certification of accountants
The main functions of the Ministry of Finance

- Improvement of legislation on accounting and auditing
- Development of the market of highly qualified specialists in the field of accounting and auditing
- Ensuring compliance with legislation of the Republic Kazakhstan
- Providing translation and dissemination on the territory of Kazakhstan texts IFRS, IPSAS and ISA on state language
- Improving the position of Kazakhstan in the Global Competitiveness Index of the World Economic Forum in terms of “Strength of auditing and reporting standards”
- Active participation in international development accounting and auditing
Basic normative legal acts in the field of accounting

The law Of the Republic of Kazakhstan “Concerning accounting and financial reporting”

National financial reporting standard

The rules of presentation of the financial statements in the Depository

The rules for the accreditation of Professional organizations of accountants, Organizations professional certification of accountants

Rules for certification of candidates for professional accountants
IFRS - the subjects of large businesses and public interest entities*.

IFRS for SMEs – the subject of medium enterprises, and state enterprises based on the operational management.

National financial reporting standard – the subject of small businesses, as well as legal persons, sole activity of which is the organization of exchange operations with foreign currency.

IPSAS - state institutions.

* public interest organisations — financial organizations, joint-stock companies (except for non-commercial), subsurface user organizations (except for organizations mining general useful minerals) and organizations, in whose authorized capital the state has a participation share, as well as state-owned enterprises organized on the basis of business authority right.
The law provides

Advisory body

Professional accountant certificate

Public interest organisations

Organization for professional certification of accountants

Public authorities, accredited professional organization of accountants and others

Financial reporting

Depository of the financial reporting
Quantitative indicators in the field of accounting and auditing

- **4010** – professional accountants
- **788** – issued qualification certificates of "auditor"
- **3500** – public interest organisations (PIO) are required to submit financial statements to the Depository
- **300-500** – PIO annually brought to administrative responsibility for financial reporting with the delay or failure without reasonable excuse to the Depository
Problems in accounting

- Training of accountants.
- Certification of accountants.
- Inadequate teaching professionals at universities IFRS.
- Training of specialists provided relying submitted to the Depository financial statements in compliance with IFRS.
- Oversight of financial reporting quality.
Regulation of the audit system in the Republic of Kazakhstan

Ministry of Finance of the Republic of Kazakhstan

1. Development and implementation of the state policy in the field of auditing
2. Development of normative legal acts in the field of auditing
3. The licensing
4. Accreditation of professional auditing organizations

Professional organizations

1. Certification of candidates for auditors
2. Cancellation of certificate of "auditor"
3. Training of auditors
4. The petition for suspension of license auditing organization
5. The implementation of external quality control
The problems in auditing

The difference of approaches, methods, programs, and procedures for quality control carried out by various professional organizations.

The difference of approaches, methods, programs and procedures for certification to qualify as "auditor".

The level of quality of audit services is heterogeneous among different companies, which led to the division of market approximately 80% - BIG 4, and 20% of other companies.

The proof of the invalidity of the audit report.
Planned changes in the legislation on auditing

The abolition of licensing of audit activities.

To create an independent non-profit organization.

To delegate representatives of: the Ministry of Finance of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan and the Kazakhstan stock exchange (KASE) in the election management body of the non-profit organization.

Executive bodies of the organization will be a Single Committee for quality control and unified Qualification Commission.
The proposed control scheme:

- Professional auditing organizations
  - maintaining a register of audit organization
  - conduct quality control

- Audit organizations
  - Minimum 2 auditor

- Auditors

- The BOARD:
  - approval of the regulations
  - decisions of the admission of the audit firms to mandatory audit
  - approval of audit results and certification

- The COMMITTEE FOR QUALITY CONTROL:
  - implementation of quality control
  - maintenance of the register of audit organizations admitted to the statutory audit

- The QUALIFICATION COMMISSION:
  - organization and holding of qualifying examinations
  - the register of auditors

The Ministry of Finance, national Bank, KASE, national chamber of entrepreneurs and other interested users of audit services

delegate representatives

mandatory membership

group membership

issue of the certificate of the auditor
What we expect from the evaluation of Accounting Development Tool (ADT)

It is expected that the results of the ADT will determine:

- directions for further improvement of infrastructure corporate reporting;

- on that note, what exactly should be done in a particular area to improve corporate reporting.
At this time, the main problem of corporate reporting, we see low professional skills as accountants and auditors and specialists regulatory bodies corporate reporting.

So now strategic challenges for Kazakhstan in this area are:

- to improve professional qualification of accountants, auditors and experts of the Supervisory authorities;

- to improve the quality of services provided by audit organizations, by establishing clear requirements conduct quality control and establishing a system of public regulation.
Ministry of Finance of the Republic Kazakhstan
11 Pobedy ave., Astana, 010000
Web-site: www.minfin.gov.kz
E – mail: sh.nassyrova@minfin.gov.kz
tel.: 8-7172-717141
Thank you for your attention!