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**Intergovernmental Working Group of Experts on  
International  
Standards of Accounting and Reporting  
(ISAR)**

**31st SESSION**  
15 - 17 October 2014  
Room XVIII, Palais des Nations, Geneva

Friday, 17 October 2014  
Morning Session

**Follow-up on the Accounting Development Tool (ADT)**

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**31st session of the Intergovernmental Working  
Group of Experts on International Standards of  
Accounting and Reporting (ISAR)  
Geneva, Switzerland, 15-17 October 2014**

**Kazakhstan on the eve of the evaluation of  
Accounting Development Tool**

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# 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 9<sup>th</sup> place in the world, yielding only to Russia, China, USA, Argentina, Brazil, Canada, India and Australia; the CIS's second largest country.



**Population** – 17 million 330 thousand of people. Density of population: 5,7 people on 1 sq. km.



**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**

**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**



## The accounting standards applied in Kazakhstan

**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.**

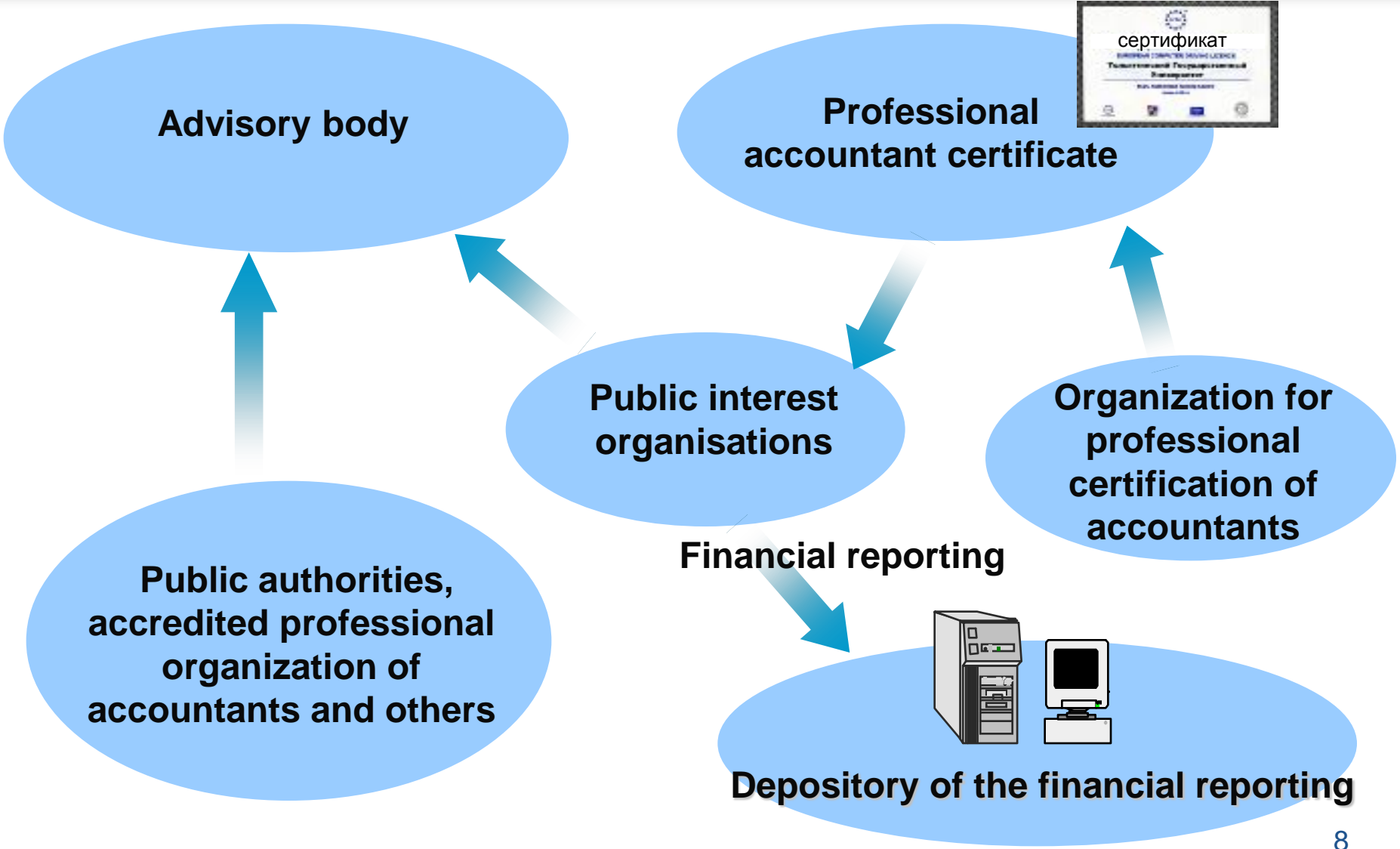
**National financial reporting standard – the subject of small businesses, as well as legal persons, sole activity of which is the organization of exchange operations with foreign currency.**

**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





# 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 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.**

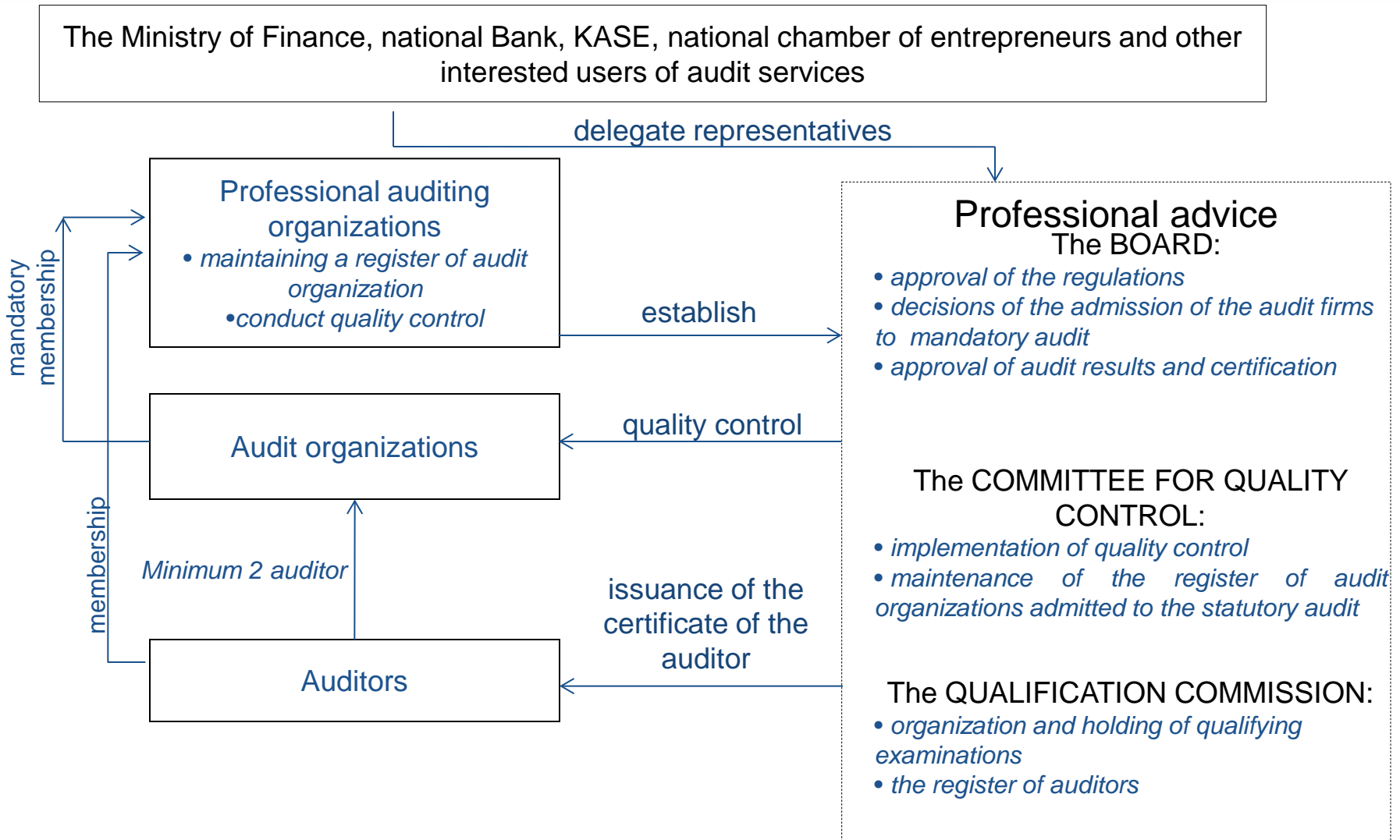
**To create an independent non-profit organization.**

**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:





## 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.**





# The strategy of Kazakhstan in improving the quality of 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.**



## Contact information

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***Thank you for your attention!***