

Dear Chairman of the Conference!

Dear participants of the conference!

First of all, let me sincerely thank the management of the State Audit Office of Georgia for a warm welcome and high level of organization of the 7th EUROSAI/OLACEFS Conference.

The theme of the conference is closely linked to the world financial crisis, caused by primarily misbalance between produced real gross product and financial instruments, not backed by real assets, forced all of us to change the view on architecture of the world financial system.

Due to the fact that the main conductors of external shocks, which caused chain reaction in dissemination of the crisis impulses into the real sector of world economy, were certainly financially institutions.

Then, the whole burden of responsibility for economic stabilization was transferred to the state, which was forced to compensate all costs as a creditor of the last resort – to save

banks, which were on the edge of bankruptcy, to guarantee safety of savings of population, to support small and medium sized businesses.

Four years have passed and it is possible to conclude that accumulated problems in the form of “budgetary holes”, serious condition of banks, high ratio of debt to GDP are not fully resolved. Moreover, in the last months the negative dynamic of markets, other alarming signals, oblige analytics to build quite pessimistic forecasts.

In this manner, the International Labor Organization not so long ago made unpromising conclusions about world unemployment. Today, it significantly exceeded the indicators of the end of the last century in leading countries of Europe: 10.9 percent in Italy, 8.2 in Great Britain, 5.9 in Germany, 10.4 in France. In total about 11 million are unemployed in these “forerunners” of Europe, half of them are young men and women. When considering the world as a whole, each third person able to work, or 1.1 bn. people, doesn't have a job, or lives with his or her family on 2 dollars a day.

All of these create a task on the agenda, to produce new methods in the issue of reformation of the system of financial regulation, targeted primarily at support of according balance between economic growth, strict budget policy, protection of the rights of consumers of financial services, provision of social protection to the population.

It is very important to continue the process of strengthening the control of securities turnover and most importantly derivatives, ensure sequential implementation of the new system of financial regulation “Basel 3”, which decreases the likelihood of appearance of some sort of financial “bubbles”.

After the first G-20 Leaders Summit on Financial Markets and the World Economy it was understood that the dialogue on the ways of reformation of the world economy needs to be continued, and with participation of all interested parties.

Therefore, the Head of our state Nursultan Nazarbayev, within the framework of the Economic Forum in Astana, suggested the new format of the dialogue called G-Global, without any division of the countries into “super powers”, “developed” or “developing”. The basic idea suggested by our

country is to establish fair bases of global economy, monetary system and policy, based on equality of all countries.

We hope that this initiative will receive an according response from economic circles, which discuss and propose new measures to reform economies of some states and measures of international integration.

It is worth to note the Forum in Astana became a prestigious platform for discussions on topics of current interest. On the last forum, the Accounts Committee suggested a number of proposals, which could be integrated into the process of modernization of the financial architecture.

First, we suggest strengthening requirements to reports of private audit and appraisal companies. For the state it is necessary to implement mechanisms that will ensure that private audit companies including those belonging to Big 4 will give comprehensive and impartial reports on audited and assessed information. We already know how big and reliable they are after the failure of “Arthur Andersen”.

Second, it is necessary to significantly widen the powers of internal auditors in enterprise management for the purpose of

timely detection of any risks of divergences and violations, to be exact, their prevention.

And finally, issue of establishment of a supranational state audit body, which will audit transnational companies, let it be within the structure of the UN, could become the topic of discussions of experts within the framework of INTOSAI.

Taking into account the huge role which transnational companies play in our states' activities, the public should know how fair transnational and national companies are when allocating their revenues, if they fulfill commitments before the stake-holders, if they contribute to the state goals of sustained and innovative development.

Dear colleagues!

Speaking about the reform of public finance management, I would like to note the achievements of Kazakhstan in this field, which allowed us to keep following the same path of economic growth with the help of the rational policy of saving and timely anti-crisis measures. The resources of the National Fund, volume of which today amounts to 84 billion USD, including gold and reserves in foreign currency, were used as an “air bag”.

Just during the past year our economy increased by 7.5 %, we are expecting the same increase this year, about 160 billion USD were attracted since gaining independence. It is 70 % of the whole volume of foreign direct investments of Central Asia.

Now Kazakhstan realizes a widescale Program of forced industrial and innovational development. Its aim is to establish an economy based on non-primary resources, which will facilitate growth of the volume of the economy by more than half until the year 2020. Financing of projects of this program, is predominantly facilitated by the state funds.

Practically every 6 months dozens of new enterprises are opened. As a result, the indicator of unemployment in our country tends to decrease and today it is equal to 5,3%.

Today, we can confidently state that employees engaged in financial control have made their contribution to economic development of independent Kazakhstan.

In 16 years of existence of the Accounts Committee, we have conducted around six hundred control activities, in meantime all of them incorporated more than 10 controlled entities, which were found to have serious financial violations

According to the results of the just the first half of the year 2012, for each dollar invested in keeping of the Accounts Committee, we have returned the budget 12.

But that is not the effective part of our work. As a result of our activities, which are control, analytics and research, we produce recommendations and proposals for improvement of mechanisms of budget process and the current legislation to the Government. Just in the last two year on the basis of our recommendation the Parliament accepted more than 40 amendments to 6 statutes.

Since establishment, we purposefully work on taking the activities of the Accounts Committee to a qualitatively new level, implement new forms, methods of control and analysis, recruit highly skilled personnel.

The necessity of this kind of work was dictated by dynamically changing situation in formation of tax, budgetary and financial system of the country, the switch to unified principles of organization and functioning of the budgetary system, automation of the budgetary process, implementation of international financial reporting standards.

In order to improve effectiveness and performance of external financial control institutions the Accounts Committee actively works on interaction with regional external revisory committees in the field of exchange of information and experience, coordination of activities and elaboration of systematic approaches during control activities.

We pay a lot of attention to international cooperation. In the years of independence we established partner relations with international organizations such as INTOSAI, EUROSAI, ASOSAI, World Bank, USAID, we have signed agreements and support cooperation at bilateral level with more than 20 Supreme Audit Institutions.

Without resting on achievements, our institution purposefully works on further improvement of effectiveness of state asset management and reformation of the current system of state financial control. The main result of this work should be the transition to international standards on auditing.

Dear participants of the conference!

At the end of my speech, I would like to express the hope that today's discussion will have a constructive character, while

the conference itself will significantly contribute to strengthening of cooperation and mutual understanding between Supreme Audit Institutions of the states represented on this conference.

Thank you for attention!