

**SPECTRAL ANALYSIS OF THE QUALITY OF THE AUDIT SERVICES MARKET****<sup>1</sup>G.S.Tussibayeva** , **<sup>1</sup>G.M.Sagindykova**, **<sup>2</sup>A.E.Shakharova**, **<sup>1</sup>U.B.Yussupov**<sup>1</sup>Kazakh University of Technology and Business, Astana, Kazakhstan,<sup>2</sup>L.N.Gumilyov Eurasian National University, Astana, Kazakhstan Корреспондент-автор: [igulmira\\_80@mail.ru](mailto:igulmira_80@mail.ru)

The scientific article is aimed at studying a combination of qualitative and quantitative methods to identify problems related to the audit market, based on the analysis of interactions between all stakeholders that can be applied to the market of audit and related services that affect audit quality. General scientific and economic methods were applied to comprehensively achieve the goals and objectives of the research. The method of generalization allowed for a thorough analysis of the material and the formation of the research structure, while the interpretation and comparison methods helped assess the opinions of researchers and identify the key features of the development of the audit services market. A spectral analysis of the current audit services market and system in Kazakhstan was conducted, allowing the evaluation of the frequency characteristics of service quality over time or in relation to other parameters. Based on data analysis and statistical conclusions, findings about the current state of the audit services market in the Republic of Kazakhstan were made, factors affecting service quality were identified, and recommendations for improvement were proposed. The results of the spectral analysis underwent statistical processing, revealing significant patterns and differences between various audit organizations and situations.

**Keywords:** audit, audit organization, audit services market, audit service, professional audit organization, professional audit activity council, audit quality.

**АУДИТОРЛЫҚ ҚЫЗМЕТТЕР НАРЫҒЫНЫҢ САПАСЫН СПЕКТРЛІК ТАЛДАУ****<sup>1</sup> Г.С.Тусибаева** , **<sup>1</sup> Г.М.Сагиндыкова**, **<sup>2</sup> А.Е. Шахарова**, **<sup>1</sup> У.Б. Юсупов**<sup>1</sup>Қазақ технология және бизнес университеті, Астана қ., Қазақстан,<sup>2</sup>Л.Н. Гумилев атындағы Еуразия Ұлттық Университеті, Астана қ., Қазақстан,  
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Ғылыми мақала аудит сапасына әсер ететін аудиторлық және ілеспе қызметтер нарығына қолданылуы мүмкін, барлық мүдделі тараптар арасындағы өзара іс-қимылды талдау негізінде аудиторлық нарықпен байланысты проблемаларды айқындаудың сапалық және сандық әдістерінің кешенін зерделеуге бағытталған. Зерттеудің мақсаттары мен міндеттерін жан-жақты жүзеге асыру үшін жалпы ғылыми және экономикалық әдістер қолданылды. Жалпылау әдісі зерттеу материалына толық талдау жүргізуге және зерттеудің құрылымын қалыптастыруға мүмкіндік берді. Ғалымдардың пікірлерін бағалау және аудиторлық қызметтер нарығының даму ерекшеліктерін анықтау үшін түсіндіру және салыстыру әдістері пайдаланылды. Қазақстанның қазіргі аудиторлық қызметтер нарығы мен жүйесіне спектрлік талдау жүргізілді, бұл қызметтердің сапасын уақыт пен басқа параметрлерге байланысты бағалауға мүмкіндік берді. Мәліметтер мен статистикалық қорытындыларды талдау негізінде Қазақстан Республикасының аудиторлық қызметтер нарығының қазіргі жай-күйі туралы тұжырымдар жасалды, қызмет сапасына әсер ететін факторлар анықталып, оны жақсарту бойынша ұсыныстар берілді. Спектрлік талдау нәтижелері статистикалық талдауға түсіп, әртүрлі аудиторлық ұйымдар мен жағдайлар арасындағы маңызды заңдылықтар мен айырмашылықтар анықталды.

**Түйін сөздер:** аудит, аудиторлық ұйым, аудиторлық қызметтер нарығы, аудиторлық қызмет, Кәсіби аудиторлық ұйым, аудиторлық қызмет жөніндегі кәсіби кеңес, аудит сапасы.

**СПЕКТРАЛЬНЫЙ АНАЛИЗ КАЧЕСТВА РЫНКА АУДИТОРСКИХ УСЛУГ****<sup>1</sup>Г.С.Тусибаева** , **<sup>1</sup>Г.М.Сагиндыкова**, **<sup>2</sup>А.Е.Шахарова**, **<sup>1</sup>У.Б.Юсупов**

Научная статья направлена на изучение комплекса качественных и количественных методов для определения проблем, связанных с аудиторским рынком, на основе анализа взаимодействий между всеми заинтересованными сторонами, которые могут быть применены к рынку аудиторских и сопутствующих услуг, влияющих на качество аудита. Применение общенаучных и экономических методов исследования способствует всесторонней реализации поставленных целей и задач. Метод обобщения позволил детально проанализировать материал и сформировать структуру исследования, а метод интерпретации и сопоставления помог оценить мнения исследователей и определить ключевые особенности развития аудиторского рынка. В ходе исследования был проведен спектральный анализ казахстанского рынка аудиторских услуг и его текущей системы, что позволило оценить частотные характеристики качества услуг во временном разрезе и в зависимости от других параметров. На основе анализа данных и статистических выводов были сделаны заключения о состоянии рынка аудиторских услуг в Республике Казахстан, выявлены факторы, влияющие на их качество, и даны рекомендации по его улучшению. Результаты спектрального анализа были подвергнуты статистической обработке, что позволило выявить значимые закономерности и различия между аудиторскими организациями и ситуациями.

**Ключевые слова:** аудит, аудиторская организация, рынок аудиторских услуг, аудиторская услуга, профессиональная аудиторская организация, профессиональный совет по аудиторской деятельности, качество аудита.

**Introduction.** The audit market in Kazakhstan has recently faced increasing instability, primarily due to a professional crisis within the auditing sector. This has resulted in a significant decline in trust towards audit institutions and practices. Various strategies to address this crisis have emerged, focusing on the development of auditing standards, heightened quality expectations for audit services, and the creation of a robust system of professional values, ethics, and the reputation of auditors. This includes self-regulating auditor organizations and a comprehensive regulatory framework governing audit activities.

By the late 1990s, the institutionalization of the audit profession was completed, and its role within society became fully realized. All subsequent developments have been shaped by two primary objectives: ensuring high-quality professional services in line with business growth and meeting the evolving needs of society.

Currently, the audit profession is evolving into a sector of socially responsible business, where it offers assurance to stakeholders regarding the reliability of business information, the accuracy of

financial statements, and the credibility of auditors and audit firms.

The importance of exploring the challenges and shifts within the audit market is underscored by major transformations in the delivery of professional audit services from 2013 to 2023. During this time, there has been a notable change in the number of audit firms and Professional Audit Organizations (PAOs) within Kazakhstan. These shifts are largely driven by ongoing reforms within the audit industry and the broader effects of economic crises and recovery periods. According to the Quality Concept of Audit set by the International Auditing and Assurance Standards Board (IAASB), changes in the audit market directly impact service quality, necessitating a critical review of professional practices. The goal is to identify additional methods for enhancing audit quality within the professional landscape. This analysis uses a spectral evaluation of the audit services market, particularly in light of numerous scandals that have tarnished the profession and led to growing dissatisfaction among consumers on a global scale.

**Literature Review.** The review of literature

on the audit services market quality reveals the multifaceted nature of this subject, involving elements such as professional standards, auditor independence and impartiality, staff training and proficiency, internal quality control systems, and the perspectives of stakeholders. Continuous advancements in these areas are essential to maintaining the credibility of financial reporting and the overall stability of financial markets.

Professional auditing standards, like the International Standards on Auditing (ISA), are vital in ensuring high-quality audit services. Studies indicate that adherence to these standards enhances the transparency, reliability, and comparability of financial statements, which is critical for fostering trust in corporate financial reports (Tussibayeva G., Sagindykova G. 2023 [1], Nurseitov E., Nurseitov D. 2016 [2]).

Stakeholder trust and perceptions of audit service quality, especially from investors, creditors, regulators, and the general public, play a crucial role. Research has shown that when trust in auditors and their work is high, companies experience enhanced reputations, which boosts their attractiveness to investors (Ernstberger J., Koch C., Schreiber E. M., & Trompeter G, 2020 [3], Patrick Z, Vitalis K & Mdoom I., 2017 [4]).

Various studies and articles examine the application of ISA across different countries, including Kazakhstan. These works provide analytical reviews, case studies, and discussions on errors and improvements in the practical use of auditing standards (Kzykeeva A.S., Myrzakypova S.T., 2016 [5], Xiao T, Geng C, & Yuan C., 2020 [6]).

Additional research focuses on technological advancements, such as the integration of data analytics and artificial intelligence in audit procedures, which can significantly increase the efficiency and precision of audits. Cultural and organizational factors impacting audit service quality in Asia, along with potential strategies for improvement, are also discussed (Noor A.S., Fatimah M.Y., Rusnah M., 2018 [7], Muhamad Taqi M., Rahmawati R., Bandi B., Murni S., & Warsina W., 2020 [8]).

Analyzing the experiences of regional integration organizations, such as the European Union or Latin America, can offer valuable insights into creating a unified audit services market within the EAEU. A unified market would improve transparency and predictability in audit practices, fostering greater investor confidence and reducing capital costs. Studies explore the economic benefits and potential advantages of such a market for business development in the region (Serov N. Yu., 2020 [9], Kzykeyeva A., 2023 [10]).

**Materials and methods.** The research concentrated on exploring both qualitative and quantitative methods for identifying issues within the audit market, drawing on the historical development of the field as discussed by scholars and incorporating recent studies by both international and local researchers. Furthermore, a spectral analysis of the audit services market was carried out, which examined the interaction dynamics of various stakeholders involved in the audit and related services markets, all of which influence audit quality.

The research methodology employed a range of approaches, including:

- method of data collection and generalization: This approach enabled a detailed analysis of the domestic audit services market, with a particular focus on identifying key developmental challenges;
- method of interpretation and comparison: Through inductive reasoning, this method highlighted the strengths and weaknesses of self-regulation within the auditing profession, influencing the application of the quality concept at both audit firm and Professional Audit Organization (PAO) levels;
- method of analysis and synthesis: This method supported a comprehensive evaluation of the audit services market's quality.

**Results and discussion.** In Kazakhstan, as in many parts of the world, audit services are pivotal to modern economic development, enhancing investment appeal by ensuring transparency and objectivity in corporate reporting. The audit sector in Kazakhstan is a crucial part of the financial

system and the wider economy, playing a vital role in maintaining the transparency, reliability, and stability of financial structures, which in turn directly influences the investment attractiveness of businesses in the Republic of Kazakhstan and the country overall. In a rapidly evolving global economic environment and with Kazakhstan striving for deeper integration into the global economy, the advancement of the audit industry becomes increasingly significant.

The audit services market is expanding and evolving quickly. One of its key features is the level of development and size of audit organizations, with most large firms classified as growing entities. Many of these firms have been established for years, while newer companies are emerging with products and services offered both in Kazakhstan

and internationally [11].

In Kazakhstan, the audit market includes the following types of entities:

- four international firms known as the "Big Four": PricewaterhouseCoopers, KPMG, Deloitte & Touche, and Ernst & Young;
- large domestic audit firms with substantial experience and smaller firms with only a few employees;
- professional audit organizations and the Professional Council for Auditing Activities.

Globally, the "Big Four" are recognized as the largest multinational firms offering both audit and consulting services. This group includes Ernst & Young, Deloitte & Touche, KPMG, and PricewaterhouseCoopers.

**Table 1- Quasi-Governmental Sector Companies Audited by Big-4**

Ernst & Young	PricewaterhouseCoopers	Deloitte	KPMG
- Samruk-Kazyna Sovereign Wealth Fund; - KazMunayGas (Exploration Production KMG, KazTransOil, KazTransGas, and two refineries); Kazakhtelecom; Samruk-Kazyna Construction and United Chemical Company; - Ekibastuz SDPS-2; - KEGOC; - KazAgro Holding; - National Company "Kazakhstan Gharysh Sapary"	- Kazatomprom; - Samruk-Energy; - Samruk-Kazyna Invest; - Zhilstroysberbank (now Otbas Bank); - Kazakhstan Deposit Guarantee Fund	- UAPF (Unified Accumulative Pension Fund); - Kazakhstan Resilience Fund; - Kazakhstan Temir Zholy group and its subsidiaries: Kazakhstan Temir Zholy (national railway company) KazTemirTrans (rail transport company) Passenger Transportation KTZ Freight Transportation - Transtelecom; - KTZ Express; - Aktau Sea Trade Port; - Kazatomprom	- Kazpost - Air Astana - Kazakhstan Airlines (Kazakhstani national carrier) - Baiterek Holding - Development Bank of Kazakhstan - BRK-Leasing (now Industrial Development Fund) - Kazakhstan Mortgage Company - National Bank of Kazakhstan - National Investment Corporation - Astana Expo-2017 - KazAvtoZhol
<i>Note - compiled by the authors based on conducted research</i>			

As of 2024, these four firms employ a combined total of approximately 1.1 million people. Their

collective revenues reach \$157 billion, with the following breakdown (in billions of dollars):

Deloitte - 47.60, PwC - 43.03, EY- 37.20, KPMG- 29.22. Interestingly, these companies are heavily involved in consulting as well. Of the total \$157 billion in revenue, only \$57 billion is generated from audit services, with nearly \$100 billion coming from consulting activities, particularly in tax consulting.

These companies also operate nearly 3,000 offices worldwide. For example, Ernst & Young operates over 700 offices across more than 150 countries, while PwC has approximately 770 offices in 158 countries. Most of these offices function as national legal entities or residents, with some holding branch status under other resident companies.

While it is difficult to determine the exact market share of the Big Four in Kazakhstan's audit

sector, their influence is undeniable. These firms audit nearly all major national companies, including banks, pension funds, insurance companies, and oil firms. Table 1 lists the quasi-public sector companies that are audited by the Big Four.

The audit services market in Kazakhstan has been experiencing dynamic growth year after year. As a crucial component of the financial sector and the national economy, it plays an essential role in maintaining the transparency, reliability, and stability of the financial system, which significantly influences the investment appeal of companies both within Kazakhstan and throughout the country. Currently, the audit market in Kazakhstan is represented by a considerable number of firms. Table 2 highlights the growth trends of audit firms between 2013 and 2023.

**Table 2 - The dynamics of the audit companies market, 2013-2023**

Regional breakdown	Number of audit firms										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Akmola Region	1	1	1	1	2	2	4	4	3	3	5
Aktobe Region	2	2	2	3	5	6	9	9	3	5	10
Almaty Region	2	2	3	3	3	4	4	4	6	5	4
Atyrau Region	-	-	-	-	-	1	3	5	15	10	10
East Kazakhstan Region	2	2	2	2	2	4	4	7	2	3	7
Zhambyl Region	2	2	2	2	2	3	3	4	2	4	4
West Kazakhstan Region	1	1	1	1	1	1	1	2	1	3	3
Karaganda Region	5	5	6	7	10	13	15	18	21	20	22
Kostanay Region	2	2	2	3	3	4	5	6	8	7	8
Kyzylorda Region	-	-	-	-	-	1	2	5	6	5	6
Mangystau Region	1	1	1	3	3	4	5	5	1	4	4
Pavlodar Region	1	1	1	1	1	1	2	2	2	3	4
North Kazakhstan Region	2	2	2	2	2	2	4	4	1	2	2
Turkestan Region	1	1	1	1	1	1	1	1	3	3	4
Abai Region										3	3
Zhetysu Region										2	3
Almaty City	62	67	72	79	88	112	141	161	184	197	158
Astana City	8	10	13	19	25	39	65	92	112	125	133
Shymkent City	6	6	7	8	11	15	21	24	29	30	25
Total	98	105	116	135	159	213	289	353	410	475	417

*Note - compiled by the authors based on conducted research*

The data presented in the tables highlight a substantial increase over the past decade, suggesting a rising demand for audit services, alongside

enhancements in regulatory measures and market conditions for these services. The majority of audit organizations are concentrated in cities



like Almaty, Astana, and Shymkent, which serve as major financial and economic hubs. Across different regions of Kazakhstan, the growth of audit organizations varies significantly.

The analysis indicates that the audit services market in Kazakhstan has seen considerable expansion in several regions over the review period. The highest growth rates were observed in key areas such as Almaty and Astana, driven by investment activities and the development of vital industries. Notable cities and industrial regions, including Karaganda and Aktobe, are experiencing rapid growth, while some regions have shown slower development. The expanding number of audit firms across the country emphasizes the crucial role these services play in enhancing transparency and economic efficiency.

As of 2023, there are 417 audit firms actively operating in Kazakhstan. The majority of these firms are registered in Almaty, the financial hub, with 208 firms (43.2% of the total). Astana and Shymkent follow closely, with 137 (28.5%) and 27 (5.6%) firms, respectively. While the total number of audit firms stands at approximately 417, a more accurate picture emerges when focusing on the "top twenty" firms, including the Big Four—Deloitte & Touche, Ernst & Young, PricewaterhouseCoopers, and KPMG—which adhere to specific quality

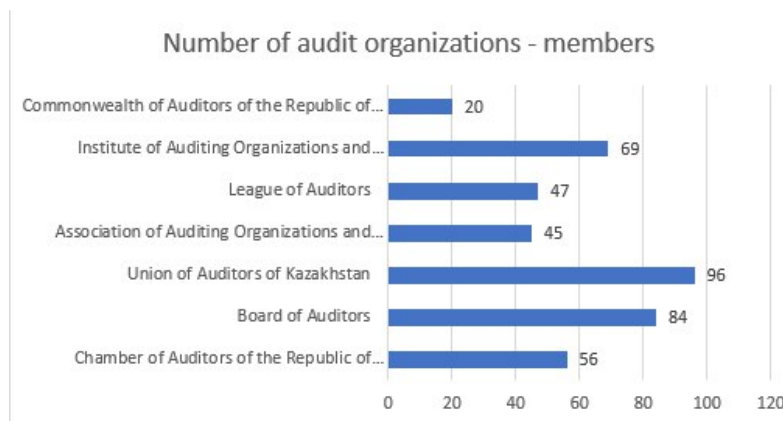
standards and are authorized to operate on the country's stock exchange.

According to recent reports, only 24 audit firms, representing about 5% of the total, are included in the list of organizations recognized by the Kazakhstan Stock Exchange (KASE). These firms are divided into two levels based on their qualifications.

Level 1 consists of 13 firms, including "Russell Bedford A+ Partners" LLP, "KPMG Audit" LLP, "PricewaterhouseCoopers" LLP, "Ernst & Young" LLP, "Deloitte" LLP, and several others like "Almir Consulting" LLP and "Centraudit-Kazakhstan" LLP.

Level 2 includes 11 firms, such as "KoktemAudit" LLP, "MinTax Audit" LLP, "Kazakhstanaudit" LLP, "Audit Company Solomon" LLP, and others like "FinExpertiza Kazakhstan" LLP and "BDO Qazaqstan" LLP.

Despite this small group, the overall audit market in Kazakhstan has shown dynamic growth year after year. According to the Chamber of Auditors of the Republic of Kazakhstan, the audit market reached a volume of 123.5 billion tenge in 2023, with the six largest firms—KPMG, Deloitte, Ernst & Young, PricewaterhouseCoopers, BDO Kazakhstan, and Grant Thornton—accounting for 56% of the market share.



**Figure 1- Distribution of audit organizations by PJSC for 2023**

*Note – compiled by the authors on the basis of past research*

A unique requirement for audit firms in Kazakhstan is membership in an accredited Professional Audit Organization (PAO), a non-profit entity that unites auditors and audit firms. Currently, there are seven registered PAOs in Kazakhstan, encompassing the 417 audit firms mentioned earlier (Figure 1).

The distribution of audit firms across Professional Audit Organizations (PAO) in 2023 is as follows [11]:

Chamber of Auditors of the Republic of Kazakhstan: 56 firms

Collegium of Auditors: 84 firms

Union of Auditors of Kazakhstan: 96 firms

Association of Audit Organizations and Auditors of Kazakhstan: 45 firms

League of Auditors: 47 firms

Institute of Audit Organizations and Auditors of Kazakhstan: 69 firms

Commonwealth of Auditors of the Republic of Kazakhstan: 20 firms

According to the Ministry of Finance's digital platform, Kazakhstan currently has over 1,600 auditors, with a notable rise in numbers over the past few years. However, as reported by zakon.kz, a major issue in the audit market has emerged due to the influx of auditors who lack proper qualifications. Over the last two years alone, the number of auditors increased by 1,300, a figure that surpasses the total growth seen during the previous 25 years of the audit profession in Kazakhstan.

In terms of legal entities, only 18 out of the 417 audit firms in Kazakhstan are part of the top 25 largest international audit networks. Membership in these international networks allows firms to merge global best practices with local expertise in providing audit services, enhancing their reputation and establishing high standards of service.

Table 3 provides a breakdown of the membership of various audit organizations across Kazakhstan's regions, shedding light on the regional distribution of auditors and the influence of different professional associations on audit practices within

the country.

There are noticeable differences in the regional distribution of audit organization memberships. For instance, the Chamber of Auditors of the Republic of Kazakhstan and the Collegium of Auditors have a significant presence in Almaty and Astana, while their membership numbers in other regions are far lower, or these organizations may not be represented at all.

The membership dynamics of different audit associations also vary across regions over time. In Shymkent, for example, the League of Auditors and the Association of Audit Organizations and Auditors of Kazakhstan have seen a particularly strong increase in membership compared to other regions.

Each of the listed audit organizations has distinct regional distribution patterns, reflecting varied approaches to audit operations and the recruitment of professionals.

In the first half of 2020, lawmakers and the Ministry of Finance in Kazakhstan initiated amendments to legislation, which led to the creation of the Professional Council for Audit Activities (PCAA), a non-profit organization tasked with overseeing quality control and the certification of auditors. The formation of the PCAA is intended to align audit legislation with international standards, improving the overall quality of audit services by implementing transparent requirements for quality assurance and auditor certification [12].

The Law of the Republic of Kazakhstan, "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on Audit Activities" No. 358-VI, issued on July 3, 2020, establishes the PCAA as a non-membership, non-profit organization created by professional bodies. The council's goal is to "enhance the state's economic policy" and to provide independent oversight aimed at protecting investors. Representatives from Kazakhstan's Ministry of Finance will be part of the council's board. Additionally, representatives from KASE, the MFCA administration, auditors, and others will also be involved.

**Table 3 - Distribution of audit firms by professional audit organizations in the regional context, 2023**

Regional section	Chamber of Auditors of the Republic of Kazakhstan	Board of Auditors	Union of Auditors of Kazakhstan	Institute of Auditing Organizations and Auditors of Kazakhstan	League of Auditors	Association of Auditing Organizations and Auditors of Kazakhstan	Commonwealth of Auditors of the Republic of Kazakhstan
Kazakhstan	56	84	96	45	47	69	20
Akmola region	2	1	-	-	-	1	1
Aktobe region	1	1	-	2	5	-	1
Almaty region	1	-	1	-	1	-	1
Almaty	31	43	44	14	18	5	3
Astana	12	26	20	22	10	36	7
Atyrau region	-	1	2	1	2	3	1
East Kazakhstan region	2	1	1	1	-	-	2
Zhambyl region	1	-	-	-	1	2	-
West Kazakhstan region	1	-	2	-	-	-	-
Karaganda region	1	1	14	-	1	5	-
Kostanay region	-	5	-	2	-	-	1
Kyzylorda region	1	1	2	-	1	1	-
Mangystau region	1	1	-	-	-	1	1
Abai region	-	2	1	-	-	-	-
Jetysui region	-	-	-	-	2	-	1
Atyrau region	-	-	-	-	-	-	-
Pavlodar region	-	-	2	1	-	1	-
North Kazakhstan region	-	-	-	-	-	2	-
Turkestan region	-	-	1	1	-	2	-
Shymkent	2	1	6	1	6	8	1

*Note - compiled by the authors on the basis of the conducted research*

The new council will set the standards for audit firms conducting mandatory audits of KASE-listed organizations, MFCA, national management holdings, national companies, and subsoil users. Furthermore, the council will be responsible for auditing firms' quality checks, addressing complaints about auditors, approving external quality control procedures, and coordinating auditor candidate certifications.

Many within the auditing community are skeptical about the new body's effectiveness, particularly because the quality control of audit services by the council is not governed by the Entrepreneurial Code of the Republic of Kazakhstan. This creates a situation where audit firms may not be able to defend their rights under the law, potentially increasing corruption risks.

According to the PAO "Collegium of Auditors,"

the creation of this new body may result in a loss of client trust in auditors. Given that Kazakhstan is part of the Eurasian Economic Council (EAEU) and an agreement has been signed for a unified audit market within the EAEU, clients may seek audit services in Russia or Kyrgyzstan if the situation in Kazakhstan's audit market worsens.

A similar reform in Russia led to a reduction of 600 audit firms between 2018 and 2020, while the number of auditors with the right to perform mandatory audits dropped by 76%. Gulmira Zhamukhanbetova, Executive Director of the PAO "Institute of Audit Organizations and Auditors of Kazakhstan," has noted that amendments to the Law "On Audit Activities" have created operational challenges for audit firms. For instance, amendments did not clarify whether qualifications issued to auditors before July 6 remain valid. Consequently, auditors are now



required to undergo certification by the qualification commission of the council, but such certified auditors currently do not exist in Kazakhstan, and no certifications have been conducted since July 6, 2021.

Thus, the establishment of the Professional Council for Audit Activities is a contentious issue. On one hand, the council is aimed at raising audit service quality, globally recognizing Kazakhstani audit reports, introducing corporate governance methods, and improving Kazakhstan's investment appeal through transparent financial reporting. On the other hand, there is concern that audits could fall under governmental control, from the approval of audit licenses to the audit processes themselves, which may lead to market monopolization by a select group of companies.

It is also important to mention that soon, Kazakhstani auditors will be able to work freely across EAEU countries, as Kazakhstan ranks second after Russia in the number of audit organizations. On April 19, 2022, the EAEU Agreement on Audit Activities was signed in Moscow [13], and it came into effect on May 26, 2023, following ratification by all member countries: Belarus (September 20, 2022), Armenia (November 16, 2022), Kyrgyzstan (January 11, 2023), Kazakhstan (October 4, 2023), and Russia (April 26, 2023). The agreement facilitates the creation of a single audit market within the EAEU, allowing audit firms from any member country to operate throughout the Union. Audit reports produced in one EAEU country will be accepted across the Union [13]. Unified standards for audit practices, audit firms, and auditors will be implemented.

Within the context of the EAEU, Kazakhstan's audit services market is competitive, represented by 417 firms and 1,500 auditors. In comparison, Russia had 2,700 authorized audit firms at the end of 2022, down from 4,200 in 2020, with 16,400 auditors. In Belarus, the number of audit firms decreased from 67 to 63 in 2022, while the number of individual auditors dropped from 286 to 262, and certified auditors from 1,321 to 1,224, reflecting a 7.3% decrease.

Establishing a unified market is a complex,

long-term process requiring the collaboration of all EAEU member states. Key issues being addressed include differences in national audit legislation, the lack of a unified audit regulation system, underdeveloped infrastructure, and the shortage of qualified personnel [14]. In conclusion, the audit markets in Kazakhstan and the EAEU are undergoing active development and modernization, creating new opportunities for audit firms and contributing to a more favorable investment environment. Additionally, the EAEU audit services market, especially in Kazakhstan, is projected to grow at a faster rate than the global market, though the region still lags behind in the adoption and integration of AI into the audit workspace compared to global trends.

In summary, the research has identified several problematic areas in the self-regulation of the audit services market in Kazakhstan:

**Inability to objectively assess financial reporting quality:** There is a risk that management or staff within audit organizations may engage in actions or inaction that compromise the objectivity of financial reporting assessments.

**Non-compliance with regulations:** Many audit organizations fail to comply fully or appropriately with the legal framework that governs the audit market.

**Weaknesses in the regulatory framework:** There is a lack of robust methodologies and approaches to external quality control, which currently relies heavily on formalities and selective document reviews by auditors rather than a comprehensive audit quality analysis.

**Public Audit Organizations (PAOs) struggling with responsibilities:** PAOs are unable to adequately fulfill their roles in coordinating the audit market and overseeing external quality control, and there is an absence of a risk-oriented approach to external audits to address industry dumping.

**Lack of a long-term strategy for audit organizations:** Particularly for small and medium-sized firms, there is no clear development strategy for the medium or long term.

**Concealment of illegal actions:** Some audit

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organizations may hide unlawful practices by the audited entities in order to retain contracts and clients.

Reluctance to provide financial statements for voluntary audits: There is often hesitation on the part of entities to submit financial statements for voluntary audits.

Abolition of auditor confidentiality: This undermines trust and transparency in audit processes.

Introduction of criminal liability for auditors: This presents significant legal risks for auditors and may deter professionals from performing their duties effectively.

These issues prevent the proper implementation of the quality concept in auditing, both at the level of individual audit firms and PAOs.

To address these challenges, the following measures are recommended to reduce the risks of compromising the quality of professional activities:

Revise quality assessment practices: The current methods, focused on standard compliance, are becoming outdated and are contributing to a crisis within the audit industry. A review and update of these practices are needed.

Eliminate excessive regulatory requirements: Reducing unnecessary demands on the audit business will help improve the professional quality of services.

Implement anti-dumping strategies: PAOs and industry regulators should introduce measures to combat dumping in the professional audit market.

Adjust PAO methods for evaluating audit efficiency: PAOs need to revise how they assess auditor efficiency and ensure that fees align with the scope and duration of audit services. This may involve an overhaul of the entire pricing system for audit firms.

Develop new PAO control mechanisms: PAOs should introduce additional tools to enforce accountability, especially regarding violations of the Code of Professional Ethics for Auditors and the Rules of Independence. In the long term, these measures should help balance audit pricing with

the costs incurred by audit organizations, including personnel, programs, and control mechanisms.

Improving the quality of auditing in a professional environment as a multifaceted process includes improving the methodology of audit work, professional development of specialists, the introduction of modern technologies and control methods.

A key factor in improving quality is the continuous training of auditors and their professional development. This includes both regular updating of accounting knowledge and new legislative initiatives, as well as obtaining professional certifications such as CPA or ACCA. The independence of the auditor is also one of the fundamental principles on which a quality audit is based. In order to maintain objectivity and impartiality in the audit process, it is necessary to ensure the auditor's independence from both the client and personal interests.

Risk management is also an important element. Auditors should carefully assess the risks at each stage of the audit and determine which areas of reporting require the most attention. To do this, it is necessary to use modern risk management systems that help identify potentially problematic areas and focus efforts on their analysis. The introduction of such tools can significantly improve the efficiency of audit work. Modern technologies, including big data analysis, artificial intelligence and automation of routine processes, also play an important role in improving audit quality. Data analysis software, such as tools such as IDEA and ACL, allows auditors to more quickly detect anomalies and errors that might have been overlooked with the traditional verification method. Automating repetitive tasks reduces the burden on auditors and helps them focus on more complex and important aspects of the audit.

An important aspect is also the organization of interaction with the client. Regular communication with the management of the organization helps the auditor to better understand the specifics of the business and take into account the possible risks associated with its activities. Clear and timely interaction helps to prevent misunderstandings and timely identify potential problems in reporting. To

improve the quality of work, it is also important to monitor the implementation of standards within the audit organization itself. The implementation of an internal quality control system, as well as regular internal audits of the auditors' work, help identify inconsistencies and errors at an early stage, which contributes to improving the final result. In addition, external quality control conducted by regulatory authorities plays an important role in maintaining a high level of professionalism and in preventing possible violations.

Thus, improving the quality of audit requires an integrated approach, including improving methodology, training specialists, using modern technologies and ensuring strict control at all stages of work. This helps to increase the reliability of financial reports and strengthen trust in the auditing profession as a whole.

**Conclusions.** The audit services sector in Kazakhstan is a regulated market overseen by state authorities, legal frameworks, and accredited organizations. This segment is continuously evolving to meet global standards while addressing the specific needs of the national economy. The involvement of international network representatives enhances the appeal and competitiveness of the market. The growth of Kazakhstan's audit services market has led to the

strengthening of both market and government regulation. Increased competition among audit firms, the introduction of new audit services, the establishment of audit associations focused on service quality control, and the development of new auditing standards—closely aligned with international norms—are all key drivers of this progress. Additionally, the legislative framework has also evolved alongside these developments. Looking forward, the ongoing expansion of the audit services market will further amplify the role of state regulation. Continuous legislative updates and increased government oversight will be essential to ensuring high-quality audit services.

Improving the quality of the audit is critical to ensure the reliability of financial statements, increase the confidence of investors and other stakeholders, as well as to minimize risks and prevent financial losses. A high-quality audit contributes to compliance with the law, improving the company's reputation, and improving the effectiveness of internal control and corporate governance. It also plays a key role in reducing the cost of capital and supporting strategic decision-making. Ultimately, improving the quality of audit contributes to the sustainability of the business, its competitiveness and the growth of trust in financial markets.

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