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## Preparing to start an audit: key steps and recommendations

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**Abstract**

The article examines the essential steps for audit preparation in accordance with Kazakhstan's legislation. It emphasizes that thorough preparation enhances data accuracy, strengthens internal controls, streamlines the audit process, and boosts stakeholder confidence. Key stages include understanding the audit cycle—planning, evidence gathering, procedures, evaluation, and reporting—and focusing on the planning phase. This involves signing an engagement agreement (often including an NDA), familiarizing auditors with the company's structure and industry, and conducting preliminary analyses of financial reports, primary records, and tax filings. Critical documentation must be collected: financial statements, accounting registers, contracts, license and internal control materials. The internal control system is assessed through interviews, documentation reviews, testing, and prior-audit findings. The audit team is prepared by assigning roles, training personnel, and establishing clear communication. A pre-audit analysis, including review of past audits and internal audit checks, helps identify potential issues. Finally, a readiness review, team meeting, and scheduling with auditors conclude the preparation. This structured approach ensures a smooth and effective audit process.

**Keywords:** audit, check list, preparation for audit.**Bobryashov D.N.****Information about authors:**

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## Аудит бастауға дайындалу: негізгі қадамдар және ұсыныстар

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**Түйіндеме**

Мақалада Қазақстан Республикасының заңнамасына сәйкес аудитке дайындықтың негізгі аспектілері қарастырылған. Жоғары сапалы дайындық тәуекелдерді азайтуға, деректердің дәлдігін арттыруға, ішкі бақылауды жақсартуға және инвесторлар мен серіктестердің сенімін нығайтуға көмектесетіні баса айтылды. Автор аудит процесін түсіну, қажетті құжаттаманы жинау (қаржылық есеп беру, бухгалтерлік есеп регистрлері, келісім-шарттар және ішкі бақылау құжаттары), ішкі бақылау жүйесін бағалау, топты қалыптастыру және алдын ала талдау жүргізуді қамтитын дайындық кезеңдерін егжей-тегжейлі талдайды. Ішкі аудиттің маңыздылығына және құжаттарды түпкілікті қарау және аудиторлармен кездесу кестесін келісу қажеттілігіне ерекше назар аударылады. Топты дайындау, қызметкерлерді оқыту және тиімді коммуникация да табысты аудиттің маңызды факторлары ретінде танылады. Мақала бухгалтерлер, аудиторлар, компания басшылары және қаржылық есеп берумен айналысатын басқа да мамандар үшін пайдалы болуы мүмкін, өйткені ол аудитке жан-жақты дайындықты жүйелі түрде түсіндіреді.

**Түйін сөздер:** аудит, аудит, аудитке дайындық.**Бобряшов Д.Н.***Авторлар туралы ақпарат:**э.ғ.к., қауым.профессор Л.Б.Гончаров атындағы Қазақ автомобиль-жол институті, Алматы қ., Қазақстан. ORCID ID: <https://orcid.org/0009-0001-8737-3912> E-mail: [d\\_bobryashov@mail.ru](mailto:d_bobryashov@mail.ru)***Нурманов А.А.***э.ғ.д., профессор Л.Б.Гончаров атындағы Қазақ автомобиль-жол институті, Алматы қ., Қазақстан. ORCID ID: <https://orcid.org/0009-0000-0252-2871> E-mail: [k.ekonomika@mail.ru](mailto:k.ekonomika@mail.ru)*

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МРНТИ:

**Подготовка к началу аудита: основные шаги и рекомендации****\*<sup>1</sup>Бобряшов Д.Н., <sup>1</sup>Нурманов А.А.**<sup>1</sup>Казахский автомобильно-дорожный институт им. Л.Б.Гончарова, г. Алматы, Казахстан\*Автор-корреспондент e-mail: [d\\_bobryashov@mail.ru](mailto:d_bobryashov@mail.ru)

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**Аннотация**

В статье рассматриваются ключевые аспекты подготовки к аудиту в соответствии с законодательством Республики Казахстан. Подчеркивается, что качественная подготовка способствует снижению рисков, повышению точности данных, улучшению внутреннего контроля и укреплению доверия со стороны инвесторов и партнеров. Автор подробно анализирует этапы подготовки, включая понимание процесса аудита, сбор необходимой документации (финансовой отчетности, бухгалтерских регистров, договоров и документов внутреннего контроля), оценку системы внутреннего контроля, формирование команды и проведение предварительного анализа. Особое внимание уделено важности внутреннего аудита и необходимости финальной проверки документов и согласования графика встреч с аудиторами. Подготовка команды, обучение сотрудников и эффективная коммуникация также признаются важными факторами успешного прохождения аудита. Статья может быть полезна бухгалтерам, аудиторам, руководителям компаний и другим специалистам, связанным с финансовой отчетностью, поскольку дает системное представление о комплексной подготовке к аудиторской проверке.

**Ключевые слова:** аудиторская проверка, аудит, подготовка к аудиторской проверке.

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## Introduction

The Law of the Republic of Kazakhstan dated November 20, 1998 "On Auditing Activity" does not provide a direct definition of an audit, but it implies the definition given to the term "Audit" - "a check for the purpose of expressing an independent opinion on the financial statements and other information related to the financial statements, in accordance with the legislation of the Republic of Kazakhstan".

Preparation for an audit is key to successfully passing the audit and minimizing risks. The main reasons why this is important include the following:

1. Ensuring data accuracy: Preparation helps ensure that all financial data is accurate and complies with accounting standards.
2. Reducing the risk of errors: Checking and adjusting documents before the audit allows you to identify and correct errors in advance.
3. Improving internal control: The preparation process can reveal weaknesses in the internal control system, which allows them to be eliminated.
4. Reducing audit time: Well-prepared documents and organized data allow auditors to conduct their audit faster and more efficiently.
5. Increasing trust: Companies that thoroughly prepare for the audit demonstrate their commitment to transparency and responsibility, which increases the trust of investors and partners.

In connection with the above, the author raises the following points for consideration in this article:

1. Understanding the audit process (description of the stages of the audit, disclosure of the preparatory stage).
2. Collection of necessary documentation (financial statements, accounting registers, contracts and agreements, documents on internal controls).
3. Evaluation of internal control (the importance of internal control for the audit, procedures for assessing the effectiveness of internal control, identification and elimination of deficiencies).
4. Preparing the audit team (appointing persons responsible for preparing for the audit, training employees and informing them about the audit process, the role of communication within the team).
5. Conducting a preliminary analysis (ways to identify potential problems, assessing previous audits and their recommendations, the importance of internal audit before an external audit).
6. The final steps before the audit (checking the readiness of documentation, holding a final discussion within the team, creating a schedule and plans for meetings with auditors).

### **(1) Understanding the audit process**

Any audit consists of the following main stages:

- A) planning the audit,
- B) collecting audit evidence,
- C) performing audit procedures,
- D) evaluating audit evidence
- E) preparing the audit report.

This article will consider the first point of the audit, its planning. It is at the stage of planning the audit that preparations for its start are made.

And the key steps to prepare for the audit can be highlighted as follows:

**1. Concluding an agreement and defining goals:** Let's start with concluding an agreement with the audit firm. In this document, the parties specify the goals, timing and location of the audit. Sometimes the audit can be on-site, on the territory of your company. In any case, it is important to document the intention to perform audit actions, their list and cost of services. In practice, the parties increasingly enter into an agreement on non-disclosure of information that became known to the parties as a result of concluding an agreement for the provision of audit services, the so-called Non-

disclosure agreement (NDA). It should be noted that penalties for violating the terms of the NDA can be very high, so it is recommended to carefully study the package of documents being signed. Regarding the main agreement, it is necessary to take into account the fact that it is provided by an audit company and making any additions to it is generally not allowed.

**2. Familiarization with the company:** Before starting the audit, the Auditor begins by studying the approved organizational structure of your company, its features and the specifics of the industry. Unlike auditors from the fiscal authorities, the auditor does not request a staffing table and staff replacement at this stage. But he will definitely familiarize himself with departmental regulations, accounting policies, business plans (development strategy) and other documents.

**3. Analysis of financial statements:** The auditor studies the financial statements for the audited period, comparing their indicators with the planned ones and data for previous periods. This allows for a preliminary assessment of the company's financial condition.

**4. Checking primary documents and records:** The auditor compares the financial statements with the data of the synthetic accounting registers (balance sheet, general ledger, journals-orders). If there are discrepancies, employee survey procedures and written requests to counterparties can be carried out at this stage. In other words, preliminary reasons for the discrepancies are sought.

**5. Checking tax returns:** The auditor analyzes tax returns, comparing their figures with the data of the accounting registers. He also checks the timeliness of tax payments.

For each of the five points considered, an auditor's working paper with sequential numbering is prepared. The data in the working papers will subsequently be used to write the final audit report.

## **(2) Collecting the necessary documentation**

To conduct a successful audit, it is necessary to collect a certain set of documents. Let's consider each of them in more detail.

### **• Financial statements**

Financial statements are official documents that reflect the financial condition of the company for a certain period of time. They include the following components:

1. Balance Sheet - shows the state of the company's assets, liabilities and equity on a specific date.
2. Income Statement - shows the company's income, expenses and profit/loss for the reporting period.
3. Statement of Changes in Equity - reflects the change in the company's capital for the analyzed period.
4. Cash Flow Statement - shows the company's cash flow by main types of activities: operating, investing and financial.
5. Notes to the Financial Statements - supplement the main statements with information on accounting methods, estimates, reserves and other important aspects of the company's activities.

These documents provide a complete picture of the company's financial condition and allow auditors to conduct a detailed analysis of financial results and transactions.

### **• Accounting Registers**

Accounting registers are key documents for auditors, as they contain detailed information on all business transactions of the company. The main types of accounting registers include:

1. Transaction Registration Journals - record each individual transaction and serve as the basis for the formation of accounting entries.
2. General ledger – systematizes all entries in the journal of transactions in accounting accounts.
3. Cash book - keeps track of cash flow through the company's cash desk.
4. Warehouse accounting cards - used to record inventory in the warehouse.
5. Advance reports - used to control the use of accountable amounts.
6. Payroll sheets - kept to record settlements with personnel on wages.

Accounting registers help auditors ensure that accounting records are maintained correctly and that records comply with legal requirements.

- ***Contracts and agreements***

Contracts and agreements are important legal documents that regulate a company's relationships with external parties. They may include:

1. Contracts with suppliers and customers - establish the terms of delivery of goods and services.
2. Agreements with employees - define the rights and obligations of employees and the employer.
3. Licenses and permits - confirm the right to carry out certain types of activities.
4. Lease and sublease agreements - regulate the relationship between the lessee and the lessor.
5. Loan and credit documents – establish the terms and conditions for providing borrowed funds.

Checking these documents allows auditors to verify the legality of the company's activities and its compliance with its obligations to third parties.

- ***Internal control documents***

Internal control documents are internal regulatory documents that establish the procedure for implementing business processes and performing control functions within the company. These include:

1. Internal control policy – defines the general principles and approaches to risk management and control over them.
2. Internal control procedures – describe in detail the procedure for performing specific control procedures.
3. Division work regulations – regulate the activities of individual structural units of the company.
4. Methodological guidelines and instructions – explain the procedure for performing various operations and actions.
5. Management information systems – automated systems designed to improve the efficiency and transparency of internal processes.

These documents help auditors evaluate the effectiveness of existing internal control systems and identify possible deficiencies and weaknesses in risk management.

Thus, collecting the necessary documentation is an important stage in preparing for the audit, which allows the auditor to obtain a complete picture of the company's financial position, its operating processes and internal control system.

### **(3) Evaluation of Internal Control**

Evaluation of internal control by auditors plays an important role in the process of auditing the company's financial statements. It allows auditors to determine the degree of reliability of the internal control system, which affects the quality of the audit review and may affect the auditors' conclusions regarding the reliability of the financial statements.

- **What is internal control?**

Internal control is a system of measures and procedures implemented in an organization to ensure the fulfillment of its goals and objectives, as well as the prevention of errors and abuses. It includes such elements as:

1. Organizational structure - distribution of responsibilities and authorities among company employees.
2. Policies and procedures - established rules and processes that employees follow in performing their duties.
3. Information and communication systems - methods of collecting, processing and transmitting data within the company.



4. Risk management - activities to identify, assess and control risks.

5. Control procedures - regular checks and audits conducted within the company to identify possible violations and deficiencies.

• *Methods of assessing internal control*

Auditors use various methods to assess the company's internal control:

1. Interviews with employees - talking with managers and performers of key processes to understand how the internal control system works.

2. Documentation review - examining policies, procedures and other written materials related to internal control.

3. Testing control procedures - checking how effectively the established control procedures work.

4. Review of previous audits - evaluating the auditors' previous conclusions about internal control.

5. Use of professional judgment - analyzing all the information collected and forming an independent opinion on the quality of the internal control system.

• **Results of the internal control assessment**

Based on the results of the assessment, auditors can draw the following conclusions:

1. The internal control system is effective and provides reasonable assurance that the financial statements comply with established requirements.

2. The internal control system requires improvement, but is generally adequate and may serve as a basis for reducing the scope of audit testing.

3. The internal control system is not sufficiently reliable and requires significant efforts from the auditors to confirm the reliability of the statements.

These findings will be taken into account when planning further audit procedures and determining the level of confidence in the company's financial statements.

#### **(4) Preparing the audit team**

Preparing the audit team is an important stage that precedes the start of the audit and has a significant impact on its successful implementation. This process includes assigning responsible persons, training employees, informing about the audit process, and establishing effective communication within the team.

• **Appointing responsible persons**

To coordinate preparation for the audit, it is necessary to appoint responsible project managers. These people will be engaged in organizing the team's work, distributing responsibilities, monitoring progress, and resolving emerging problems. Responsible persons should have good organizational skills, audit experience, knowledge of the client's business specifics and the ability to communicate effectively with colleagues and the client.

• **Employee training**

Preparation for the audit includes training employees in the necessary skills and knowledge. This may include:

o General knowledge of the audit process

o Features of legislation and regulations related to auditing

o Familiarization with software and tools used in the audit

o Training in data analysis and financial modeling methods

o Training in communication techniques with clients and conflict resolution

It is also important to take into account the specifics of the client's business so that employees can adapt to the specifics of their work and better understand their needs.

• **Communicating about the audit process**

The team must be fully aware of the goals, objectives and expected results of the audit. It is important to explain to them what documents and data will be checked, what questions will be asked of clients and how their answers will be assessed. It is also necessary to communicate the tim-

ing of the audit, the stages of work and the criteria for assessing the quality of work of each team member. • **The Role of Communication**

Communication within the team plays a key role in preparing for the audit. Effective communication allows for the rapid exchange of information, coordination of work, and resolution of problems. Important aspects of communication include:

- o Regular meetings and conferences to discuss the progress of work
- o Use email and instant messaging for prompt exchange of messages
- o Develop clear communication channels for the transfer of information between different departments and team members
- o Create a knowledge base where all the necessary information about the project, procedures and instructions is stored

A well-organized team with clearly defined roles, trained employees and established communication significantly increases the chances of a successful audit and achieving the set goals.

### **(5) Conducting a preliminary analysis**

Conducting a preliminary analysis during an audit is an important stage that allows you to identify potential problems and evaluate the quality of previously conducted audits. This process includes several key steps, such as identifying potential problems, evaluating previous audits and the importance of internal audit before an external audit.

#### **• Methods for identifying potential problems**

Identifying potential problems is one of the main stages of the preliminary analysis. Auditors may use a variety of methods for this purpose, including:

1. Financial statement analysis - examining balance sheets, income statements, cash flow statements, and other financial documents.
2. Internal reporting and information systems review - analyzing data collected by internal control systems such as ERP, CRM, and other information systems.
3. Accounting records and documentation review - comparing accounting records with source documents such as invoices, contracts, etc.
4. Employee surveys and interviews - obtaining information directly from people working in the company to understand how processes and systems actually function.
5. External review - assessing the impact of the economic situation, market conditions, and other external factors on the company's operations.

These methods help auditors identify deviations, anomalies, and other signs that may indicate problems.

#### **• Evaluation of previous audits**

Evaluation of the results of previous audits is also an important part of the preliminary analysis. This enables us to identify trends, errors and omissions that have been previously identified and determine whether they have been corrected. Auditors examine:

1. Previous audit reports
2. Implemented recommendations
3. Internal control quality assessment
4. Systematic errors and violations

This helps to determine how effectively the company manages its risks and implements the recommendations of the auditors.

#### **• The importance of internal audit before an external audit**

Internal audit plays an important role in preparing for an external audit. Its purpose is to identify and eliminate internal risks and problems before the external audit begins. Benefits of internal audit:

1. Allows you to identify and correct errors and deficiencies in advance.
2. Ensures continuous improvement of the internal control system.
3. Helps improve the company's processes and procedures.



4. Reduces the risk of inconsistencies and violations identified by external auditors.

Internal audit allows you to prepare the company for an external audit, minimize risks and increase confidence in the financial statements.

#### **(6) Final steps before the audit begins**

Before the audit begins, it is necessary to take a number of final steps to ensure that the documentation is ready, discuss details within the team and create a meeting schedule with the auditors. Let's look at these steps in more detail.

##### **• Checking the readiness of the documentation**

Before the audit begins, it is important to ensure that all the necessary documents are prepared and available. This includes:

1. Financial statements - annual reports, income statements, balance sheets and other financial documents.
2. Accounting ledgers - transaction journals, general ledger, inventory cards and other accounting documents.
3. Contracts and agreements - all contracts with suppliers, customers, employees and other parties.
4. Internal control records - internal control procedures and policies, as well as reports on their implementation.

It is important to ensure that all documents are available and up-to-date before the audit to avoid delays and unexpected situations.

##### **• Conduct a final discussion within the team**

Preliminary, a final discussion within the team should be held to ensure that everyone is aligned and fully prepared for the audit. During this discussion, the following points are discussed:

1. Audit objectives and tasks.
2. Key areas to be covered.
3. Work plans and schedules.
4. Allocation of responsibilities among team members.
5. Methods and tools to be used during the audit.

The purpose of this discussion is to fully understand the roles and responsibilities of each team member and to ensure that the audit process runs smoothly.

##### **• Create a schedule and plans for meetings with auditors**

It is important to create a schedule and plans for meetings with auditors to ensure effective communication and that all planned activities are completed on time. The schedule should include:

1. Dates and times of meetings.
2. Location of meetings.
3. List of participants.
4. List of issues to be discussed.

This will help organize the work and ensure that the audit proceeds smoothly without delays.

All of these steps play an important role in preparing for the audit, helping the team work effectively and achieve its goals.

**Conflict of interest.** The corresponding author declares that there is no conflict of interest.

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