





Development of Treasury System in Ukraine

State Treasury Service of Ukraine

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PEM PAL, Kiev, April 24-26, 2013



Государственная казначейская служба Украины

Development of the treasury system in Ukraine

Period	Investment development (status)	Functions	Legislation
1995 – 1999	<ul style="list-style-type: none"> Treasury of Ukraine – state executive body acting under the auspices of the Ministry of Finance Creation of three-level structure of the treasury bodies 	<ul style="list-style-type: none"> transfer of financing functions from the line departments of the Ministry of Finance to the Treasury In parallel with the banks, the Treasury maintains accounting of the state budget revenue transactions Treasury services to the state budget funds administrators 	<p>Decree of the President of Ukraine of 27.04.1995 №335/95 “On State Treasury of Ukraine”</p> <p>Regulation on the State Treasury of Ukraine, approved by the Decree of the Cabinet of Ministers of Ukraine 31.06.1995 № 590</p> <p>Decree of the Cabinet of Ministers of Ukraine as of 14.01.1997 №13 “On implementation of treasury system for state budget execution”</p>

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2



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1999-2005	Treasury of Ukraine – central executive body whose activity is coordinated by the Ministry of Finance	<ul style="list-style-type: none"> • Cash management services to the state budget administrators • control of budget competences in revenues recording, assumption of commitments and payments execution • treasury services for off-budget funds of the institutions and organizations financed from the state budget • treasury services to the local budgets • management of financial resources on the basis of the single treasury account • preliminary and current control of primary documents of the budget funds administrators • accounting of state and local budgets execution on the basis of treasury inclusion into the electronic payment system of the National Bank of Ukraine • accounting of budget administrators' commitments • treasury services to the mandatory state social and health insurance funds • undisputable write-off of the funds from the accounts of budget funds administrators 	<p>Budget Code of Ukraine as of 21.06.2001 №2542-III</p> <p>The Law of Ukraine on execution of the state budget of Ukraine for 2001</p> <p>Decree of the President of Ukraine as of 05.12.2002 №1133 on immediate measures to improve treasury services mechanisms</p> <p>Decree of the Cabinet of Ministers of Ukraine as of 15.09.1999 № 1721 on development of internal payment system of the State Treasury of Ukraine</p>



Development of the treasury system in Ukraine

Period	Investment development (status)	Functions	Legislation
2005 – 2011	Treasury is a government body acting as part of the Ministry of Finance of Ukraine	<ul style="list-style-type: none"> •bridging of temporary gaps of the local budgets and provision of mid-term loans to them • transitional model of state budget expenditures servicing that envisions shift from budget allocations to payment of commitments of the budget funds administrators •treasury services to other clients •bridging temporary cash gaps of the Pension Fund of Ukraine •Coordinated appointments and dismissals of chief accountants of budget-funded institutions •Drafting of the national public sector accounting standards and chart of accounts 	<p>Budget Code of Ukraine (new version)</p> <p>The Law of Ukraine on accounting and financial reporting in Ukraine</p> <p>The Law of Ukraine on execution of the state budget of Ukraine for 2003</p> <p>Decree of the Cabinet of Ministers of Ukraine as of 21.12.2005 №1232 'Aspects of the State Treasury of Ukraine'</p> <p>Decree of the Cabinet of Ministers of Ukraine om 01.12.2010 №1080 on adoption of the procedure of covering cash gaps of the Pension Fund of Ukraine related to pension payments</p> <p>Decree of the Cabinet of Ministers of Ukraine as of 26.01.2011 №59 on adoption of model regulation on accounting in the budget-funded institutions</p>



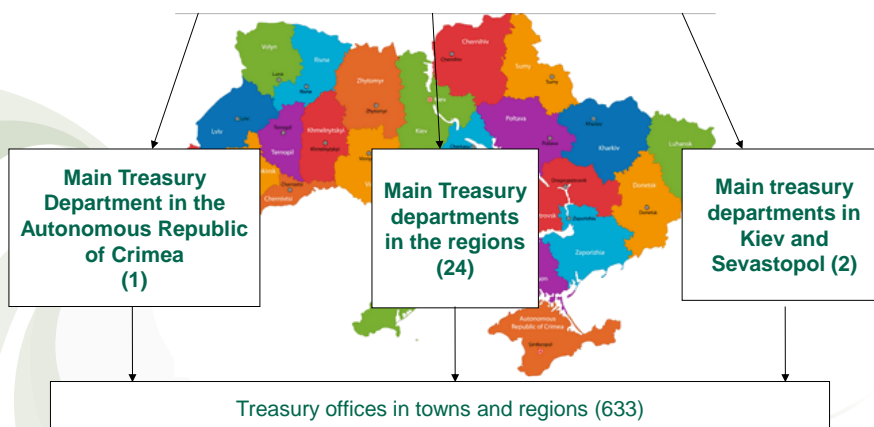
Development of the treasury system in Ukraine

Period	Investment development (status)	Functions	Legislation
2011 – 2013	Treasury is the central executive body; it acts as an integral, vertically designed organizational system. Its activity is guided and coordinated by the Cabinet of Ministers of Ukraine via the Minister of Finance of Ukraine	<ul style="list-style-type: none">• <i>Assessment of the activity of the budget-funded institutions' chief accountants</i>• <i>Internal control and internal audit in treasury bodies</i>• <i>Drafting of regulatory legal acts</i>	<i>Budget Code of Ukraine</i> <i>Decree of the President of Ukraine as of 13.04.2011 №460/2011 on the regulation on the State Treasury Service of Ukraine</i>



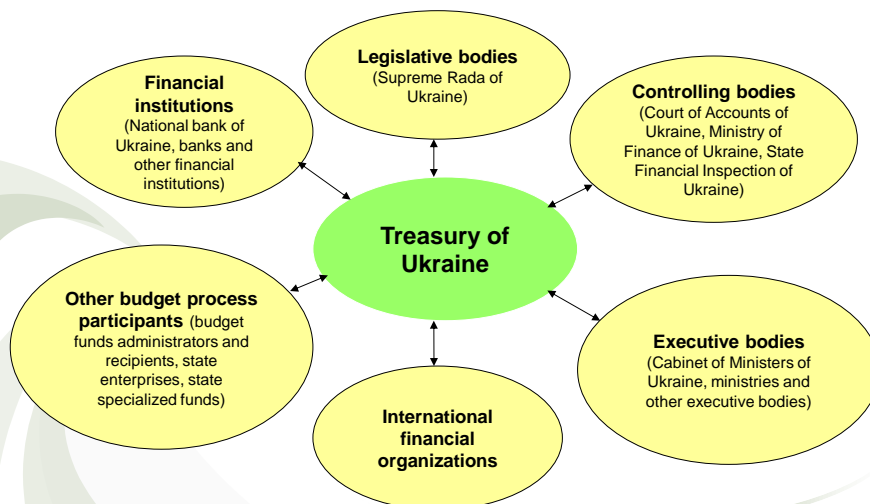
Organizational Structure of the Treasury of Ukraine

State Treasury Service of Ukraine





Interaction of the Treasury with other state bodies and other institutions



Functions of the Treasury in Ukraine

- Cash management of the budget funds administrators, recipients and other clients via electronic payment system of the National Bank of Ukraine, and execution of other transactions with budget funds
- Maintains unified registry of budget funds administrators and recipients, as well as data base of budget funds administrators network
- Services to the investment projects supported by international financial organizations
- Accounting of all transactions for the state and local budgets execution, reporting on budgets execution
- Management of the liquidity on the subaccounts of the single treasury account
- By agreement with the Ministry of Finance, attracts on a repayable basis the funds from the single treasury account to cover temporary cash gaps of local budgets, the Pension Fund of Ukraine and for mid-term loans to local budgets



Functions of the Treasury in Ukraine

- On the basis of the court rulings, undisputable write-off of the funds from the state budget and local budgets
- At the instruction of the Ministry of Finance, repays and services the state debt in local currency and foreign exchange
- Ensures functioning of the multi-level information system and internal payment system; takes measures to protect the information processed by the treasury bodies
- Coordinates appointment (dismissal) of the chief accountants of the budget-funded institutions, activity of the chief accountants of the budget-funded institutions, controls and assesses their activity
- Enforces budget legislation and takes remedial actions in case of violations
- Drafts proposals on legal framework refinement



Forms of control performed by the Treasury

- **Preliminary control**
 - of organizational activities
 - Network development
 - Notification about planned indicators
 - Coordination of appointment of the chief accountants of the budget-funded institutions
 - in the process of revenues handling
 - recording and distribution of payments in the budget
 - repayment of the funds transferred to the budget erroneously or in excess
 - undisputable write-off the funds
 - In the course of expenditures handling
 - allocation of funds
 - commitments registration
 - undisputable write-off the funds
 - In the course of covering temporary cash gaps of the local budgets

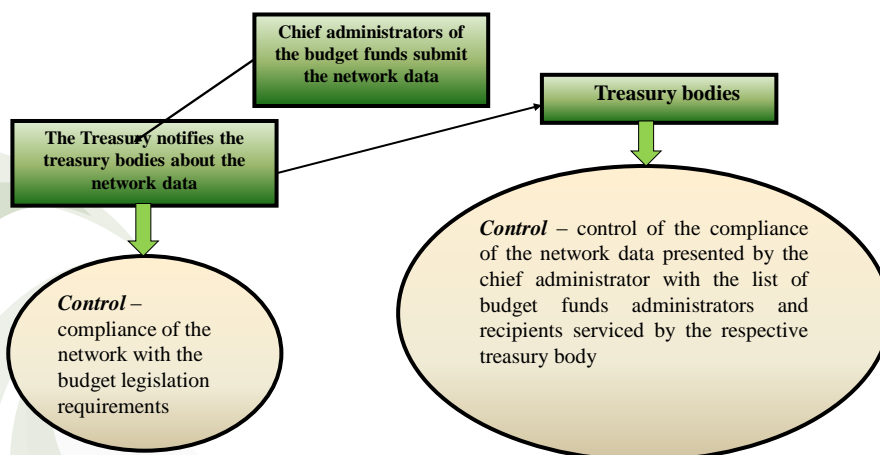


Forms of control performed by the Treasury

- **Current control**
 - When payments are made
 - In the course of accounting
 - In the course of reporting
- **Further control**
 - Assessment of the chief accountant's activity



Control over formation of unified data base of the budget funds administrators network





Accounting of budgets servicing as a system control instrument

Automated accounting system

- General ledger is maintained on-line at the central treasury office and 27 Main Treasury Offices (balance is drawn up at the end of each business day)
- Treasury offices operate remotely from data bases of the Main Treasury Offices

Budget servicing accounting entities :

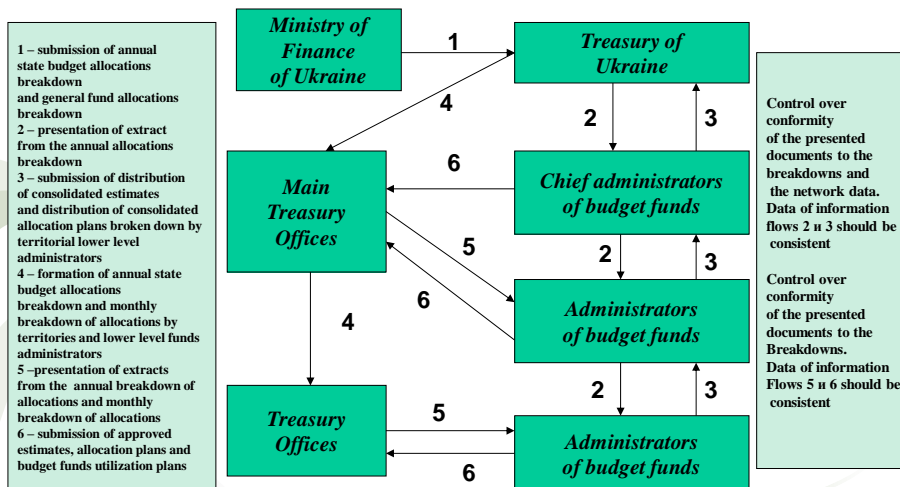
- Planned indicators (according to the breakdown and estimations)
- Commitments of the budget funds administrators and recipients (budget and financial)
- revenues, expenditures, crediting and budget financing

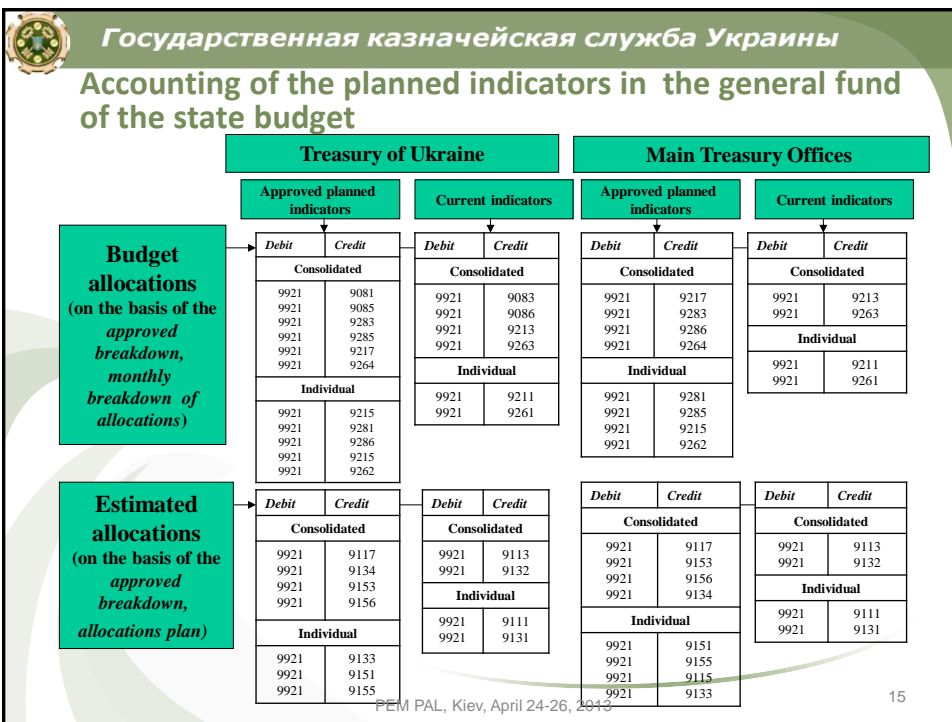
All transactions are recorded on the basis of double entry method with utilization of the chart of accounts that functions in the electronic payment system of the National Bank of Ukraine

Treasury bodies accounting and reporting control competences are regulated by the **technical regulation**



Control over notification about planned indicators





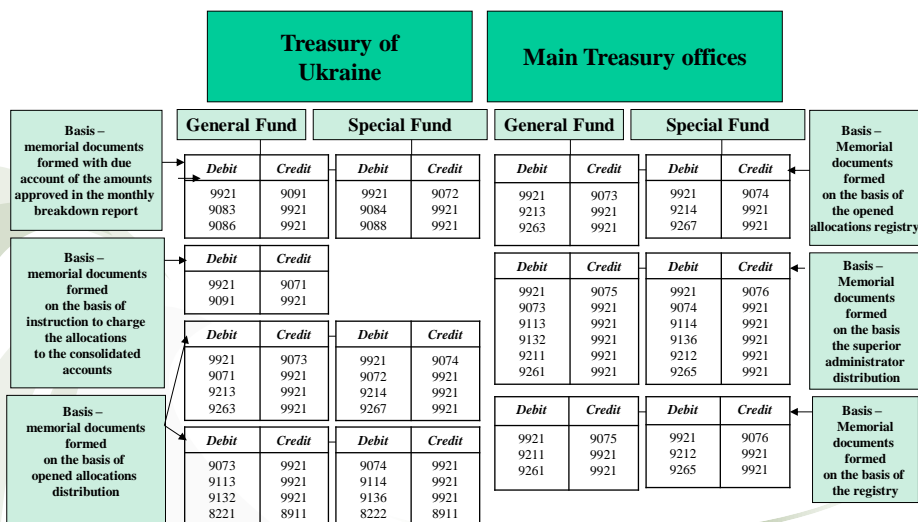
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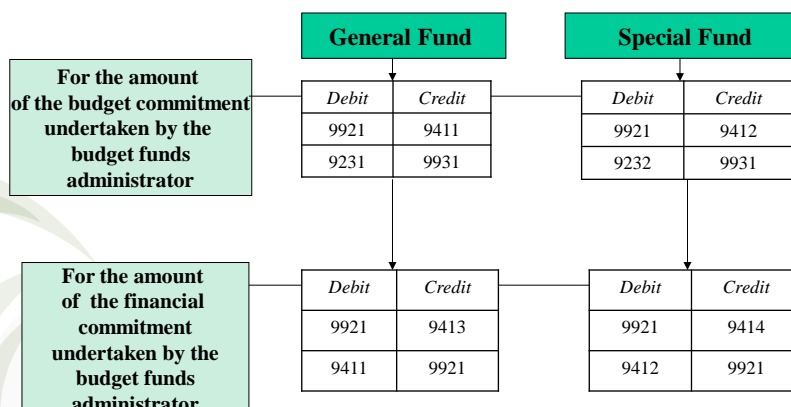
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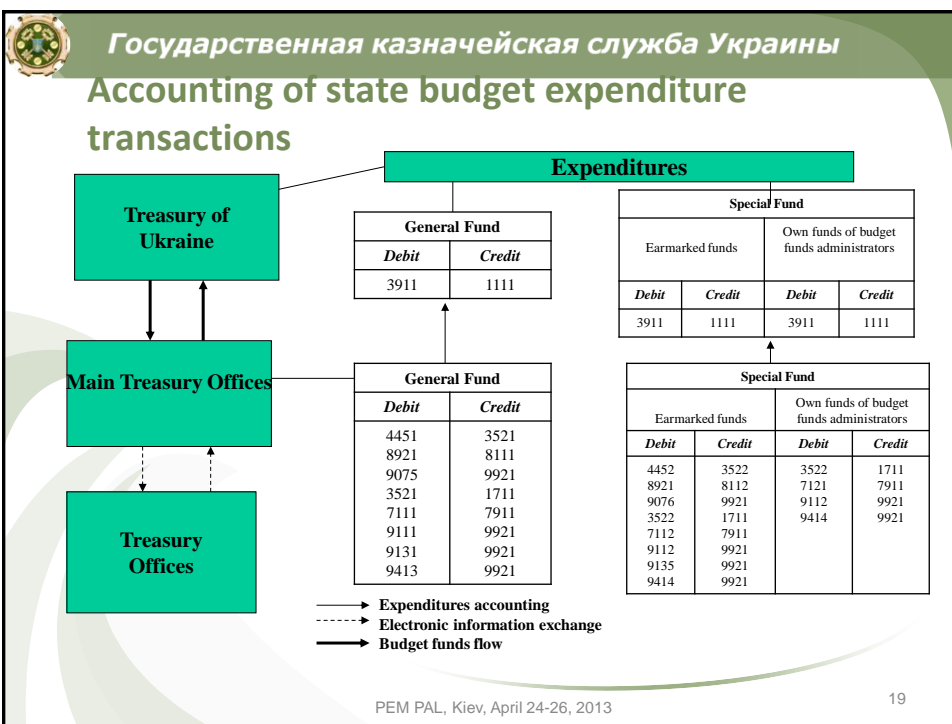


Accounting of transactions with opened allocations



Accounting of budget administrators commitments transactions





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Preconditions for the Treasury development

- Need to harmonize Ukrainian accounting and reporting legislation in line with the international requirements
- Inability to compare the data on financial status with similar reports from other countries
- Need to strengthen state control over accounting and reporting in budget-funded institutions

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20



Strategic areas of Ukrainian treasury development

- Modernization of public sector accounting sector
- Development of unified information analytical system
- Improvement of internal control and audit system



Objectives of public sector accounting reforms

Improvement of public sector accounting
and reporting systems in line with
IPSAS requirements

**Strategy of public sector accounting system
modernization for 2007-2015**

(Decree of the Cabinet of Ministers No. 34 as of 16.01.2007)



Improvement of accounting and reporting systems

Development and implementation of public sector accounting and reporting standards

Development of public sector chart of accounts consistent with the budget classification

Improvement of consolidated reports development methods

Development of unified organizational accounting system by organizing and coordinating activity of chief accountants in budget-funded institutions



Adopted national standards

Reporting

101 Presentation of financial reporting
102 Consolidated financial reporting
103 Financial reporting by segments
105 Financial reporting in hyperinflation period

Accounting

121 Fixed assets
122 Intangible assets
123 Inventory
124 Income
125 Changes in accounting estimates and correction of errors
126 Rent
127 Depreciation period of assets
128 Provisions, contingent liabilities and contingent assets
129 Investment property
130 Effect of changes in foreign exchange rates
131 Construction contracts
132 Employee benefits
133 Financial investments
134 Financial instruments
135 Expenditures

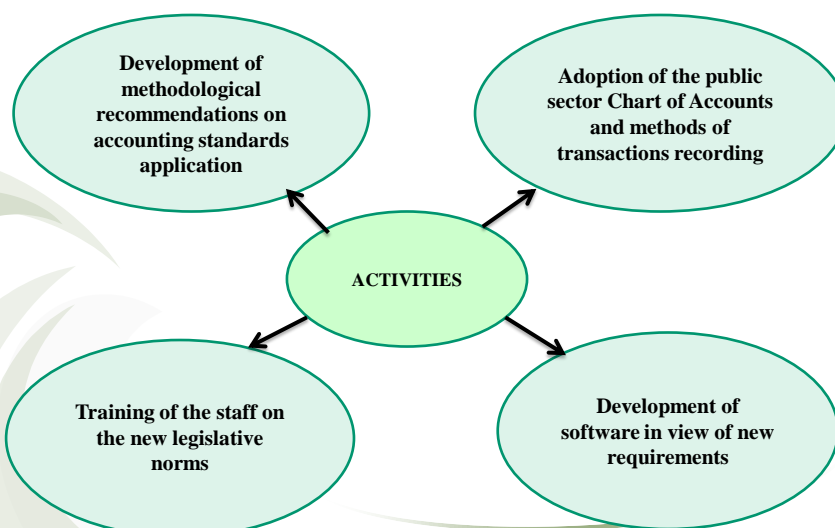


Structure of the public sector Chart of Accounts

- 1 class Non-financial assets
- 2 class Financial assets
- 3 class Funds of the budget and of budget funds administrators
- 4 class Settlements
- 5 class Capital and financial performance
- 6 class Liabilities
- 7 class Revenues
- 8 class Expenditures
- 9 class Off-balance accounts



Preparatory activities for public sector standards implementation





Expected results of the public sector accounting reform

- Bringing accounting and reporting legislation of Ukraine in line with IPSAS
- Transparency of public sector financial reporting data and possibility to compare it with similar data from other countries
- Strengthening of control over reporting in public sector entities
- More efficient utilization of public financial and material resources and increase of budget process transparency
- Quality improvement of preliminary and current control through utilization of unified information and analytical system based on new accounting and reporting methodology



Thank you for attention!

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