

**Improving accounting and financial reporting
system in line with ISPAS and accruals accounting
in Kazakhstan**

Skopje, Macedonia, September 2013

Key differences in cash and accruals accounting

Cash accounting

1) Reflects only cash flows and expenditures at the time of actual payment

2) No consolidation



3) Consolidation of accounting reports not carried out

4) Consolidation of accounting reports with SKS not carried out

Accruals accounting

1) Recognition of revenue when receiving allocations for liabilities, assigning as expenditure at the time of transaction and reflecting the financial result

2) Consolidation framework:



3) Consolidation of fin. reports. ГБ =

Consolidation of РБ + consolidation of МБ

4) Consolidation of fin. report ГБ and СКС =

Consolidation of ГБ + financial report for the data of the financial reporting depository of the Ministry of Finance of Kazakhstan

Advantages of accruals accounting

- 1) Allows to reflect factual economic situation thanks to using some accounting principles :
 - Registration or recognition of expenditures at the time they are signed up;
 - Accounting for all flows of resources, including those that do not lead to cash flows but impact the cost of services (depreciation)
- 2) Financial reports compiled on the basis of accruals accounting enable users to assess the results of institution's activity and its financial state;
- 3) Accruals accounting requires that government institutions fully account for assets and liabilities
- 4) Helps to improve public assets management, including maintenance, replacement, identification and disposal of unusable assets, as well as reduces the risks of assets losses;
- 5) Enables to asses the impact of financial decisions and helps to move to midterm planning framework, which is difficult in the case of reports compiled on cash basis.

Financial reporting on accruals basis, in line with IPSAS

Types:

- separate (for government institutions);
- consolidated (at the level of administrators of budget programs and budgets).

Forms:

- Balance sheet (фopма №1);
- Financial performance report (фopма №2);
- Cash flow report of the government institution by sources of financing (direct method) (form №3);
- Report on the changes in net assets and capital (form №4);
- Explanatory note to financial reporting (form №5).

Terms of the transition period :

- Annual as on January 1 of the year following the reporting year
- Quarterly as of 1 July, 1 October of the current fiscal year
Planned as of 2014 - only as of July 1 and January 1 of the year following the reporting year



Goals:

- Standardization of accounting for management purposes
- Information about the financial state of public sector entities, public sector assets and liabilities
- Parliamentary control over the execution of the budget and public assets



USERS:

- Representative and executive branches of power
- Civil society
- International organizations

Stages of reforms of accounting system in line with accruals IPSAS

Implemented

2010

To implement the Budget Coder, National accounting and financial reporting standards are developed in line with accruals IPSAS

2011

Training and education of accountants. Received positive conclusions on National standards from the IMF, WB, USAID; they are recognized as being in compliance with IPSAS

2012

Pilot project implemented. Participants: 5 ministries and 2 regions. Total number of pilot public entities - 2188

2013

1 January of 2013 accounting in public entities shift to accruals. Total number of public institutions - 14717

Under implementation in 2013

Normative and legal provision

Additions introduced to those articles of the Budget Code of Kazakhstan which regulate the provision of consolidated financial reports to the Treasury Committee of the Ministry of Finance by authorized local budget execution agencies.

Реализация

- Created a consolidation entry balance sheet for the republican budget as on January 1, 2013
- Preparation of consolidation financial reports for the republican budget as of July 1, 2013
- Preparation of consolidated financial reports for local budget as on January 1, 2014

Directions of reforms of accounting system in line with accruals IPSAS for 2014-2018

To be implemented

2014

- Introduction of new IPSAS 32 «Concession agreements for service provision: suppliers of concession»
- Changes and amendments to the National Accounting and Reporting Standards on the implementation of IPSAS «Financial instruments of the public sector», «Financial investments of the public sector», «First application of IPSAS»
- Development of Unified Chart of Accounts
- Development of the format and vehicles for submitting consolidated financial reporting of the public sector

2015

- «Pilot project» on the implementation of the Unified Chart of Accounts
- Changes and additions to the National Accounting and Reporting Standards on the implementation of new IPSAS «Analysis of key financial reporting indicators» and «Public commercial enterprises»
- Development of Unified Chart of Accounts
- Development of the format and vehicles for submitting consolidated financial reporting of the public sector

2016

- implementation of the Unified Chart of Accounts
- Changes and additions to the National Accounting and Reporting Standards on the implementation of new IPSAS «Combination procedures standard for different forms of participation of the public sector»
- Creation of consolidated financial reporting in the public sector

2017

- Development of the format and vehicles for submitting consolidated financial reporting of the public sector and quasi-public sector
- Development of recommendations on the use of information from consolidation financial reports in the decision making process

2018

- Development of the format and vehicles for submitting consolidated financial reporting of the public sector and quasi-public sector

- **To continue accruals accounting and financial reporting reforms, the issues of public assets accounting need to be resolved:**
- **1. Reevaluation of long-term assets:**
- **- need to establish the reevaluation procedure, determine volume of required financial and human resources, alternative options of determining fair value of long-term assets, reevaluation of only separate groups of long-term assets and compliance of this procedure with IPSAS ;**
- **- Depreciation norms for groups of long-term assets :**
- **- Rules for recounting taking into account different norms of depreciation and the use of different methods of calculating depreciation when compiling consolidated financial reporting of the public sector and quasi-public sector.**
- **2. Methods for compiling Registry of public sector assets.**
- **.**

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