



Ministry of Finance Republic of Kazakhstan

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**Transfer to accrual
accounting in public
sector in the Republic of
Kazakhstan**

April, 2011

Content :

- 1. IFRS**
- 2. Treasury System**
- 3. IPSAS**
- 4. Budget Accounting**



Kazakh accounting standards (KAS) were used in Kazakhstan in the course of ten years from 1997 till 2006.

Requirements on transfer to IFRS in Kazakhstan were set for:

- 1. Financial sector – 2003 год;**
- 2. Joint-stock companies – 2006;**
- 3. Other public interest organizations – 2007.**

- **Public interest organizations – financial organizations, joint-stock companies (except for non-profit ones), subsoil users (except for the companies extracting widespread mineral resources) and organizations with state participation in their capital, as well as state-owned companies based on the right of economic management.**



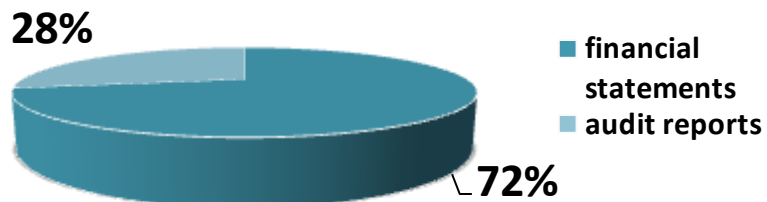
Application of IFRS in Kazakhstan



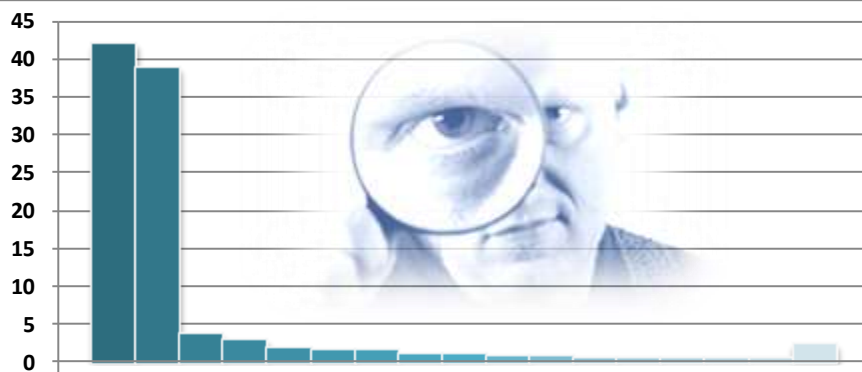
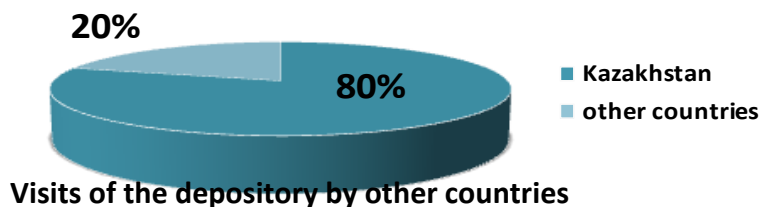
	<u>IFRS</u>	<u>IFRS for SME</u>
	Independent from each other	
	Implemented in Kazakhstan by large companies and by public interest organizations	In 70 countries their implementation is allowed, required or planned
	<u>Main differences</u>	
<i>Volume of standards (pages)</i>	~1 000	230
<i>Amended</i>	Annually	Once in 3 years

WWW.DFO.KZ

PRESENTATION BY COMPANIES OF FINANCIAL REPORTING AND AUDIT REPORTS



ATTENDANCE OF DEPOSITORY



- Russia
- USA
- EU
- Latvia
- Sweden
- Ukraine
- UK
- Korea
- Netherlands
- China
- Czech Republic

Value
9,179.53
11,426.60

STATISTICS

3623 PUBLIC INTEREST ORGANIZATIONS ARE REGISTERED IN THE DFR

IN 2010:

257 INCLUDED

163 EXCLUDED

210 000 USERS REVIEWED THE DFR DATA

Treasury System in the Republic of Kazakhstan

- In January 1994, Main Treasury Division was established in the Ministry of Finance;
- In 1995, the Treasury developed new budget classification of revenues and expenditures of the budgets of the Republic of Kazakhstan consistent with international practice;
- In June 1996, Single Treasury Account was opened in the National Bank;
- within the period from 1999-2004, the treasury system was modernized and included the following functional modules:
 - General Ledger;
 - Budget Receipts Management ;
 - Issuance of Treasury and Financial Permissions;
 - Cash Management ;
 - Commitments Management and Control;
 - Payments Management ;
 - State Debt Management and Crediting of Guaranteed State Debt;
 - Interface between the treasury and payment systems.

ACTIVITIES FOR 2010-2013:

REFORM STAGES OF ACCOUNTING AND FINANCIAL REPORTING OF PUBLIC INSTITUTIONS

2010	2011	2012	2013
<p>With the aim of Budget Code implementation regulations on accounting and financial reporting in public institutions were developed in conformity with IPSAS and accrual method</p>  <p>IMPLEMENTED</p>	<p>Development of “Accounting in public institutions” software, training of accountants in pilot program</p>	<p>Implementation of accounting and financial reporting system in conformity with IPSAS and accrual method in pilot public institutions, training of accountants, as well as external and internal auditors</p>	<p>Implementation of accounting and financial reporting system in conformity with IPSAS and accrual method in all public institutions</p>



DIFFERENCES IN TRANSACTIONS REFLECTION IN ACCOUNTING BASING ON ACCRUAL AND CASH METHODS

INDICATOR	ACCRUAL METHOD	CASH METHOD
Financial investments, including :		
Investments into entities of quasi-public sector	reflected	not reflected
Capitalized expenditures in construction, creation an reconstruction of long-term assets (fixed assets; intangible assets and etc.)	reflected	Partially reflected
Revenues from assets management, including :		
Receipt of part of net profit of object of investment	reflected	not reflected
Dividends of state share holdings	reflected	not reflected
Revenues from participation shares in legal entities	reflected	not reflected
Revenues from property rent	reflected	not reflected

LEGISLATION



BASIS

- Budget Code of the RK;
- Order of the Prime Minister of the RK of 29.12.2008 No. 292-r “On measures to implement the Budget Code of the Republic of Kazakhstan”;
- Action Plan on implementation of performance budgeting (06.06.2008 No. 554);
- Action Plan on improvement of accounting and financial reporting in public institutions (Order of the MF of RK as of 24.07.2009 No. 318).

- Chart of accounts for public institutions enacted by the Order of the Minister of Finance of June 15, 2010 No. 281, Registered in the MJ of the RK, No. 6314 as of 29.06.2010.

- Rules for drawing up by the budget programs administrators of consolidated financial reporting, enacted by the Order of the Minister of Finance of the RK, June 25, 2010 No. 303, Registered in the MJ of the RK, No. 6339 as of 19.07.2010.

- Forms and Rules of financial reporting compilation and presentation by public institutions, enacted by the Order of the Minister of Finance of the RK, July 8, 2010, No. 325, Registered in the MJ of the RK, No. 6352 as of 26.07.2010.

- Accounting rules for public institutions, enacted by the Order of the Minister of Finance of the RK, August 3, 2010, No. 393, Registered in the MJ of the RK, No. 6443 on 25.08.2010.

- Accounting policy approved by the Order of the Minister of Finance of the RK on September 7, 2010, No. 444, Registered in the MJ of the RK, No. 6505 on 22.09.2010.

- Accounting forms for public institutions, approved by the Order of the Minister of Finance of the RK on February 24, 2011, No. 95, Registered in the MJ of the RK, No. 6829 on 18.03.2011.

Reform Support

Agreement with International Public Sector Accounting Standards Board of the International Federation of Accountants (IFAC):

- translation of IPSAS from English into Kazakh and Russian languages;
- publication of IPSAS in Kazakh and Russian languages on the website of the Ministry



The Institute of Chartered Accountants of England and Wales (ICAEW) and the Chartered Institute of Public Finance and Accountancy (CIPFA):

- in the area of provision of access to Kazakh specialist to learn IPSAS and implement internationally recognized certification program in public sector accounting CertIPSF («Certificate in International Public Sector Financial Reporting») we cooperate with the Institute of Chartered Accountants of England and Wales (ICAEW) and the Chartered Institutes of Public Finance and Accountancy (CIPFA) and plan to open their representative offices Kazakhstan



UNIFIED SOFTWARE

ACCOUNTING IN PUBLIC INSTITUTIONS



Methodology has been developed with taking into consideration the experience of various countries in development of similar software

There have been coordinated the Terms of Reference and Schedule for “Accounting in public institutions” software implementation as part of the project on development of integrated automated information system “e-MF” of the e-Government program

This software is being developed on the basis of SAP



Unified training complex



Training programs:

Accounting in conformity with accrual IPSAS (for chief accountants, 80 hours);
Accounting in conformity with accrual IPSAS (for accountants, 40 hours);

Practical training

On transfer of public institutions from cash accounting to accrual accounting

Training programs, lectures, manuals, tests and exercises on regulations developed in conformity with IPSAS for public institutions accountants and specialists of external and internal control

Distance training

On-line, Q&A blog, videoconferences with teachers



Common features of public sector accounting

- consolidate budget, assets management and treasury information for each public institutions, as well as reporting at the national level;
- reflect budget execution indicators, cash flow and financial situation in public institutions;
- the system should ensure evaluation of costs of public institutions transactions;
- should be based on commonly accepted accounting principles for public sector;
- integration of budget and accounting systems; i.e., the same definitions, recognitions and notions should be used in both budget and accounting systems;
- implementation and application of accrual principle for accounting expenditures and non-tax resources. The main principles of accrual accounting include conformity with IPSAS, except for tax resources that are accounted on the basis of cash method. The reason is difficulties in defining the exact tax event and its accurate assessment.

Best international practice of transfer to budget accounting

“If administrative and territorial unit plans to change its budgeting method by accrual method, this change can be planned for one or two period after implementation of accrual method for financial reporting”

(“Transfer to accrual method: guidelines for governments and public institutions”, International Federation of Accountants (IFAC), New York, USA)

4 types of implementation

Big Bang	Stage-by-stage implementation	Gradual Implementation	Partial Implementation
Estonia	UK, New Zealand	Argentina	France



Proposed activities after successful implementation of accrual accounting

<p style="text-align: center;"><u>First component</u></p> <p>Research and analysis of budget reform with the help of international experts</p>	<p style="text-align: center;"><u>Second component</u></p> <p>Making political decision on transfer to accrual method at the legislative level</p>	<p style="text-align: center;"><u>Third component</u></p> <p>Development of regulations on transfer to accrual method in budget system</p>
<p style="text-align: center;"><u>Activities:</u></p> <ol style="list-style-type: none"> 1) Assessment of development level of the treasury system; 2) Studying international experience in implementation of accrual method in budget system; 3) Improvement of treasury information system given transfer to accrual budget accounting. 	<p style="text-align: center;"><u>Activities:</u></p> <ol style="list-style-type: none"> 1) Amendments and additions to the Budget Code and Decision of the Government of the RK on adoption of the Action Plan on budget accounting improvement; 2) Decision of the Government of the RK on budget financing and/or attraction of foreign credits, grants for the project implementation. 	<p style="text-align: center;"><u>Activities:</u></p> <ol style="list-style-type: none"> 1) Consultations with international experts on : <ul style="list-style-type: none"> - Accrual accounting of revenues; - Accounting of assets; - Wage accounting; - Accounting of government claims (commitments); - Accounting of grants, foreign loans and etc.; - Cash management (analysis of cash); 2) Implementation of Chart of Accounts of budget accounting on execution of republican and local budgets basing on accrual method; 3) Consultation on bringing Chart of Accounts of budget accounting in conformity with Accounting Chart of Accounts; 4) Consultations on harmonization of budget reporting with financial reporting; 5) Integration of Chart of Accounts with Unified Budget Classification; 6) Maintenance of the Treasury General Ledger in conformity with Chart of Accounts of budget accounting basing on accrual method; 7) Consultations on finalization of the Treasury information system and development of user-manuals.
<p style="text-align: center;"><u>Expected results and completion forms:</u></p> <ul style="list-style-type: none"> - Findings of international consultants and recommendations on implementation of accrual method in budget system. 	<p style="text-align: center;"><u>Expected results and completion forms:</u></p> <ul style="list-style-type: none"> - enactment of amendments and additions to the Budget Code; - adoption of the Decision of the RK Government; 	<p style="text-align: center;"><u>Expected results and completion forms:</u></p> <ul style="list-style-type: none"> - Development of methodological basis on transfer to accrual accounting in budget system with consideration of international experience; - Improvement of Treasury information system with the aim of accrual method implementation.



Activities necessary to support implementation of accrual system in the public sector of the Republic of Kazakhstan

- 1. Further cooperation with international organizations;***
- 2. Studying international experience by means of trainings of the MF specialists in the countries that have already transferred to accrual method in public sector;***
- 3. Organization of seminars and trainings by international specialists, IPSAS authors and developers of respective software.***



Contact information:

- 1. Ministry of Finance of the Republic of Kazakhstan, Astana, Kazakhstan, pr. Pobedy 11, House of Ministry www.minfin.kz;**
- 2. IFRS in Kazakh and Russian languages, annually updated are presented on the website of the Ministry of Finance of the Republic of Kazakhstan in the section “International financial reporting standards”;**
- 3. IPSAS in Russian are presented on the website of the Ministry of Finance of the Republic of Kazakhstan in the section “International Public Sector Accounting Standards”;**
- 4. Joint-stock company “Center of training and upgrading skills in finance”, Astana, Kazakhstan, Left Bank, Syganak str, 10, “NOMAD” Business-Center, 10 floor. www.ecmf.kz;**
- 5. Depository of Financial Reporting, www.dfo.kz.**



Спасибо за внимание!