

Ministry of Finance Republic of Kazakhstan

Workshop on Implementation of BC and CoA

*Dushanbe,
October 2010*



Treasury

- After gaining independence, Kazakhstan started active creation of its own financial system that meets requirements of market economy
- Budget system was reformed at all budget stages, including planning, approval, budget execution, accounting and reporting
- Budget system reform is directly related with treasury system development
- In accordance with the Presidential Decree, the Main Treasury Department was set up under the Ministry of Finance in January 1994

Budget Classification

- Reform of new budget system necessitated development of new budget classification
- Current unified budget classification is developed in accordance with the IMF methodology on the basis international standards requirements

Structure of unified budget classification (UBC)

UBC includes:

- Classification of budget revenues (6 symbols)
- Functional classification of budget expenditures (12 symbols)
- Economic classification of expenditures (6 symbols)

Classification of receipts

- This is grouping of receipts by certain features, consists of 6 symbols:

X – CATEGORY (grouping of receipts by economic features),

XX – CLASS (grouping of receipts by sources and types),

X – SUB-CLASS (more detailed grouping of receipts by economic features),

XX – SPECIFICITY (defines type of payment or budget receipt)

Each type of receipts has unique 6-digit code that is formed of codes of all classification levels of receipts

Categories of budget receipts:

- 1** – Tax receipts
- 2** – Non-tax receipts
- 3** – Proceeds from fixed capital sale
- 4** – Transfers receipts
- 5** – Repayment of budget credits
- 6** – Proceeds from sales of financial assets of the state
- 7** – Loans receipts
- 8** – Utilized balances of budget funds

Functional classification of budget expenditures -

grouping of budget expenditures of all levels that defines direction of expenditures reflecting public functions and implementation of strategic plans of state bodies,
consists of 12 symbols:

- XX** – functional group (reflects main directions of expenditures, clearly delineates development priorities)
- X** – functional subgroup (specifies groups of tasks for each strategic priority)
- XXX** – administrator of budget programs (state body responsible for budget programs planning and implementation)
- XXX** – budget program (defines direction of budget expenditures)
- XXX** – budget sub-program (specifies expenditures within one budget program)

Classifier of UBC functional groups

01 – General government services

02 – Defense

03 – Public order, security, legal, judicial, law enforcement activity

04 – Education

05 – Health care

06 – Social assistance and social security

07 – Housing and utilities

08 - Culture, sport, tourism and information space

09 – Fuel and energy sector and subsurface management

10 - Agriculture, water industry, forestry, fishery, natural conservation areas, environment protection, land relations

11 - Industry, architecture, urban planning and construction

12 – Transport and communications

13 – Other

14 – Debt servicing

15 – Transfers

16 – Repayment of loans

Economic classification of budget expenditures -

grouping of budget expenditures that reflects transactions performed by state institutions with the aim of budget programs implementation, **consists of 6 characters:**

X – CATEGORY (reflects division of expenditures by :

- 1 – current expenditures
- 2 - capital expenditures
- 3 – budget credits
- 4 – purchase of financial assets
- 5 – repayment of loans)

X –CLASS (groups expenditures by main types within the category)

XXX – SUBCLASS (more detailed grouping of budget expenditures),

XXX – SPECIFICITY (defines type of transaction)

Budget Programs Administrators



Budget Structure –

Consists of the following sections:

1) revenues:

- Tax receipts *(category 1)*
- Nontax receipts *(category 2)*
- Proceeds from sale of fixed capital *(category 3)*
- Receipt of transfers *(category 4)*

2) Expenditures

(1-15 FGR, specificity 100 – 400)

3) Net budget crediting:

- Budget credits *(1-13 FGR, specificity 500)*
- Repayment of budget credits *(category 5)*

4) Balance of transactions with financial assets (FA):

- Purchase of FA *(1-13 FGR, specificity 600)*
- Proceeds from sale of FA *(category 6)*

5) Budget deficit (surplus)

6) Deficit financing (utilization of surplus):

- Receipt of loans *(16 FGR, specificity 700)*
- Repayment of loans *(category 7)*
- Utilized balances of budget funds *(category 8)*

Interrelation between functional and economic UBC:

- 1) Section of budget structure “Expenditures” - 01- 15 functional groups of expenditures
- 2) Section “Budget credits”
- 3) Section “Purchase of financial assets”
- 4) Section “Repayment of loans”

Such interrelation enables to monitor budgetary process at the stages of planning, execution and reporting

- 1) Specific features related to “Current expenditures” and “Capital expenditures” categories are used (100 – 400 subclasses)
- 2) Specific features of “Budget credits” category are used (500th subclass)
- 3) Specific features of “Financial assets” category are used (600th subclass)
- 4) Specific features of «Repayment of loans» are used (700th subclass)

Also, correct application of UBC codes facilitates:

budget balancing,

absence of distortions in the course of report generation basing on functional, departmental and economic classification for the same reporting date

Accounting system-

- A section is added to the Budget Code of the Republic of Kazakhstan (will take force on January 1, 2013). It regulates accounting system and financial reporting of state institutions, based on accrual method
- Accrual method is ensured by recognition of transaction results as a result of their execution irrespective of the time of payment
- Currently (before January 1, 2013), state institutions in Kazakhstan use budget accounting on the basis of cash method

Transfer to International Public Sector Accounting Standards (IPSAS)

- Regulation of the Government of the RK as of June 6, 2008 «On adoption of action plan on performance based budget» defines main activities on transfer to IPSAS
- In accordance with the Decree of the Ministry of Finance as of August 28, 2008, Working Group on IPSAS was established. It consists of representatives of Accounting Committee, heads of accounting services of central state bodies and employees of the Ministry of Finance of the RK
- Action plan on improvement of accounting and financial reporting of state institutions for 2009-2013 was drafted and approved by the Decree of the Ministry of Finance of RK as of July 24, 2009
- USAID (EREC) project was contracted for consulting on international experience of transfer to IPSAS and organization of training seminars on IPSAS
- Agreement with IFAC was concluded on official translation of IPSAS 2010 into Kazakh and Russian languages

Action plan on improvement of accounting and financial reporting of state institutions for 2009-2013

STAGE 1. Preparation of methodology of new accounting and financial reporting system for state institutions in conformity with IPSAS and accrual method (2009 – 2010)

STAGE 2. Pilot program on new methodology implementation in conformity with IPSAS (2011)

STAGE 3. Implementation (2012)

STAGE 4. Assessment and following control (2013)

Chart of accounts in state institutions developed in conformity with IPSAS and accrual method

Синтетические счета

бухгалтерского учета
в Плане счетов
расположены в
порядке уменьшения
ликвидности и
содержат 4 знака
(XXXX)

1-я цифра –
указывает на
принадлежность к
РАЗДЕЛУ

2-я – на
принадлежность к
ПОДРАЗДЕЛУ

3-я – на
принадлежность к
ГРУППЕ

4-я – на
принадлежность к
СУБСЧЕТАМ

Example from Section 1. “Short-term assets” of the new Chart of Accounts

- **1000 Monetary funds and their equivalents**
- 1010 Cash on hand
- 1020 Current account of state institution
- 1030 Settlement account
- 1040 Control cash account (CCA) for accounting of receipts and settlements
- 1041 CCA of sponsor and charity assistance
- 1042 CCA of paid services
- 1043 CCA of temporary placement of money
- 1050 Foreign exchange account
- 1060 Special account
- 1061 Special account of budget investment grant project
- 1062 Special account of budget investment project from external loans
- 1070 Other monetary means
- 1071 Letters of credit
- 1072 Monetary documents
- 1073 Cash in transit
- 1074 Other monetary means
- 1080 Planned assignments to accept liabilities in conformity with individual plan of financing of liabilities of state institutions financed from the republican budget
- 1081 Planned assignments to accept liabilities in conformity with individual plan of financing
- 1082 Planned assignments to accept liabilities in conformity with capital investment
- 1083 Planned assignments to accept liabilities at the account of other budgets
- 1084 Planned assignments to accept liabilities in conformity with transfers
- 1085 Planned assignments to accept liabilities in conformity with subsidies
- 1086 Planned assignments to accept liabilities in conformity with transactions related with receipts to republican budget in the form of cost of goods (works, services) and their utilization
- 1087 Planned assignments to accept liabilities in conformity with projects from external loans and related grants

Sections of new chart of accounts

- 1 section – «Short-term assets»
- 2 section – «Long-term assets»
- 3 section – «Short-term liabilities»
- 4 section – «Long-term liabilities»
- 5 section – «Net assets/capital»
- 6 section – «Income»
- 7 section – «Expenditures»
- 8 section – «Expenses for production and other purposes»
- 9 section – «Off-balance accounts»

Example: from Scheme of transfer to new CoA of public institutions

Accounts Instruction on accounting in public institutions as of January 27, 1998		Transfer of balances from accounts Instruction on accounting in public institutions as of January 27, 1998 To new CoA		Accounts of new CoA of public institutions to be used in future	
Name of account/subaccount	No. of account / subaccount	No. of account / subaccount	Name of account/subaccount	Name of account/subaccount	No. of account / subaccount
Section I. Assets					
Land	010-1	2310	Land	Land	2310
Intangible assets	014	2710	Intangible assets	Intangible assets	2710
				Software	
				Copyright	2711
				License agreements	
				Patents	2712
				Goodwill	2713
				Other	2714
				Intangible assets	2715
					2716



Thank you!