

## **PEMPAL TCOP Workshop Concept**

**Location:** Podgorica, Montenegro

**Dates:** November 10-12, 2014

### **Background**

The main objective of the PEMPAL program is to strengthen the professional skills of public finance specialists in member countries and support them in implementing various aspects of reforms in their national PFM systems. The primary tools used by the program to achieve this objective are the exchange of experiences and knowledge transfer among the practitioners.

PEMPAL Treasury Community of Practice has identified several themes of priority interest for its members. One of such themes is public sector accounting and reporting reform. The theme is of particular relevance for PEMPAL member countries as the majority of them are either already reforming their public sector accounting and financial reporting systems or are in the process of designing the respective reforms. The scope of reforms being implemented or considered varies by country, but in many instances the reforms involve transition to broader use of the elements of accrual accounting and introduction of national public sector accounting standards aligned to various degrees with international public sector accounting standards (IPSAS). Selected aspects of the respective reforms have already been discussed at several past TCOP events. Approaches to integration of the budget classification and chart of accounts were the main theme of the small group meeting in Dushanbe in October 2010. In April 2011, TCOP held a thematic meeting on transition to IPSAS combined with the regional conference on the same topic. A plenary workshop titled “Public Sector Accounting Policies and Practices” was held on November 2012 in Baku, Azerbaijan.

A new approach in addressing public sector accounting and reporting issues was applied within TCOP by establishing thematic groups for discussing specific topics related to this general thematic PFM area. A specific group for discussing various issues related to Budget Classification and Chart of Accounts integration was established in early 2013. The group finished its work by developing a paper entitled “Integration of the Budget Classification and Chart of Accounts – Good practice among Treasury Community of Practice member countries”. Also, peer assistance was provided to Ukraine in process of the new CoA development. In September 2013 in Skopje other three thematic groups devoted to public sector accounting topic have been established: (i) Public sector accounting standards; (ii) Accounting of public assets; (iii) Consolidation of financial reporting. During their meetings in Skopje and Tbilisi in February 2014, these groups have assessed the status of reforms in these

specific areas, identifying priority topics for discussions within the groups. Also, specific action plans have been developed by all three thematic groups. The groups on public assets accounting and financial reporting consolidation intend to develop specific guidelines, which are expected to be helpful for public sector accountants from TCOP member countries. The main objective of the group on accounting standards is to offer peer assistance to its members in relation to IPSAS implementation. Since their last face-to-face meeting held in Tbilisi the groups conducted several videoconferences according to their action plans. The action plans of all groups envisage one event in the fall 2014 in order to assess the progress achieved since their launching, as well as for discussing priority topics in the face-to-face format. The TCOP Executive Committee has decided to conduct a joint meeting of all three groups in November 2014, offering them the possibility to discuss their topics both in parallel and joint sessions. Representatives of the Ministry of Finance of Montenegro have expressed an interest to host this meeting in Podgorica, the capital of Montenegro. The TCOP Executive Committee accepted this proposal and decided to hold the meeting on November 10-12<sup>th</sup>, 2014, in Montenegro.

## **Objectives**

The general objective of the Podgorica event is to offer an opportunity for TCOP members to exchange experiences in implementing improvements in public sector accounting and reporting in member countries. The event will also provide an opportunity for participants to become familiar with the role and functions of the treasury of Montenegro and learn about the public sector accounting and reporting practices of the hosting country.

The main part of the event agenda will be allocated for parallel meetings of the three thematic groups, which will work according to their individual agendas.

## **Content**

Following the tradition of TCOP meetings and based on agreements reached with the hosts of the event, the meeting will start with the welcome statement of the management of the Ministry of Finance, followed by an overview of the PFM system and the role and functions of the treasury of Montenegro, as well as the presentation on existing public sector accounting and reporting practices and issues faced in this area. The first day of the meeting will finish with a group discussion session on the hosting country experience.

Montenegro is currently preparing a Strategy for introducing accrual accounting in the public sector and its representatives expressed a strong interest in the activities of the TCOP working group on Accounting Standards. At the moment, public sector accounting in Montenegro is organized on a modified cash basis which recognizes income when it is received and expenses when they are paid for, but also includes

arrears. Some of the biggest challenges Montenegro is facing in preparing to move to accruals include development of classification of institutional sectors, adjustment of the chart of accounts, implementation of an asset inventory and introduction of a unified property register, adjustment of the information system. It is also essential for Montenegro to assure compliance with ESA 2010 reporting requirements since the country is a candidate for EU membership.

The first half of the second day will be devoted to the sessions prepared by thematic groups on Assets and Consolidation and will combine presentations by the member countries and TCOP experts. (Croatia, Georgia and Kazakhstan are tentatively proposed to be invited to present for the Assets group, Russia and Bulgaria - for the Consolidation group).

Parallel meetings of the three thematic groups will start in the afternoon of day 2 and will continue in the morning of day 3. These meetings will be conducted according to separate agendas for each of the groups. The group on *Accounting Standards* will look deeper into the Montenegro plans, hear an update from other group members on their progress and discuss the analytical tools that might be helpful in preparation for introduction of the accounting standards. *The Public Assets Accounting* group will continue the discussions launched in Tbilisi and during the 2 videoconferences held in June and October 2014<sup>1</sup>. The group is expected to focus its work on the development of the Manual on Policy and Procedures on public assets accounting, the template for which was discussed and approved during the videoconference in June. The group on *Financial Reporting Consolidation* will continue its work on development of the Guidelines for financial reporting consolidation in the public sector. This work was launched in Tbilisi by developing the template of the guidelines and will continue at the group's videoconference planned for September 2014<sup>2</sup>. By the meeting in Podgorica several parts of the guidelines are expected to be drafted by the group members. These drafts will be discussed and further steps for finalizing the guidelines development will be agreed within the group.

Permanent members of all three thematic groups will be invited to the meeting in Podgorica. The total number of participants expected is around 45, including experts and around 10 representatives of the hosting country. The format of the meeting will be very informal and aimed at stimulating debate and encouraging participation by the country representatives. The working languages for the event will be Russian, English and Bosnian-Croatian-Serbian, using simultaneous interpretation.

The event preparation and implementation will be facilitated by the World Bank resource team working with the TCOP, including Elena Nikulina, Team Leader for the PEMPAL program, Ion Chicu, PEMPAL Operations Adviser, and Mark Silins and Michael Parry, TCOP Thematic Advisers.

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<sup>1</sup> A videoconference of the group is scheduled for September 2014

<sup>2</sup> A videoconference of the group is scheduled for October 2014

## **PRELIMINARY AGENDA OF THE PODGORICA MEETING**

### **November 10, 2014**

#### **Day 1, morning**

##### ***Session 1.***

Introductions, welcome, etc.

##### ***Session 2.***

Presentation by the hosting country on organization of PFM system and the role and functions of the treasury

#### **Day 1, afternoon**

##### ***Session 3.***

Presentation by the hosting country on public sector accounting and reporting practices and issues faced in this area

##### ***Session 4.***

Group discussions on Montenegro Experience

*Feedback and Whole Group Discussion*

### **November 11, 2014**

#### **Day 2, morning**

##### ***Session 5, prepared by the Assets Group.***

Country and Expert presentations

##### ***Session 6, prepared by the Consolidation Group.***

Country and Expert presentations

#### **Day 2, afternoon**

##### ***Session 7***

Parallel thematic groups' meetings according to their individual agendas

**November 12, 2014**

**Day 3, morning**

*Session 8.*

Continuation of parallel thematic group meetings

Preparation of group reports for presentation and discussion in the plenary group

**Day 3, afternoon**

*Session 9*

Reports on the results of thematic group discussions

Discussion on future work plans

Meeting closure