MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN



PROGRESS IN PUBLIC SECTOR ACCOUNTING AND REPORTING REFORMS IN KAZAKHSTAN

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INTERNATIONAL STANDARDS AS THE BASIS FOR NATIONAL ACCOUNTING AND REPORTING REFORMS IN KAZAKHSTAN



DEPOSITORY OF FINANCIAL REPORTING — ELECTRONIC DATA BASE, WHICH CONTAINS ANNUAL FINANCIAL REPORTS AND AUDITOR REPORTS SUBMITTED BY INSTITUTIONS, AS WELL AS INFORMATION ON CORPORATE EVENTS AT JOINT-STOCK VENTURES; OPEN-ENDED ACCESS FOR USERS.

INCREASE IN THE NUMBER OF FOREIGN USERS (INVESTMENT INTEREST)

www.dfo.kz

FROM 20.3% IN 2010 TO 42.8% IN 2011

- AS OF JANUARY 1, 2003 IN THE FINANCIAL SECTOR
- AS OF JANUARY 1, 2006 IN THE REAL SECTOR

Organizations of public interest are financial organizations (except for legal entities whose sole activity is foreign exchange transactions), joint-stock ventures (except for non-commercial entities), organizations that extract natural resources (except for companies extracting widespread mineral resources) and organizations whose statutory funds are owned in part by the government, as well as government-owned companies which operate on the basis of economic management rights.

- IMPLEMENTED AS OF JANUARY 1, 2013

Sole proprietors, which benefit from a special tax regime through a simplified tax declaration, which are not payers of VAT, except for companies that are natural monopolies or operate on regulated markets:

- conduct tax accounting under the Tax Code
- Exempted from accounting

Sole proprietors and small businesses compile financial reports in accordance with national standards.

Middle businesses, as well as government-owned companies which operate on the basis of economic management rights must provide financial reports in line with IFRS for SMEs.

- IMPLEMENTED AS OF JANUARY 1, 2013

National IPSAS-comlpiant standards have been used from January 1, 20013 in all public institutions.

THE COMMITTEE OF THE TREASURY Consolidation of financial reports for central and local budgets

LEGISLATIVE FRAMEWORK



GOVERNMENT POLICY TO SHIFT TO IPSAS AND ACCRUALS Kazakhstan Budget Code
Prime Minister's Decree №292-p
«On measures to implement the Budget Code»
Action plan for implementing Results-based budget



Action plan to improve public sector accounting and financial reporting in 2009-2013



- 1. Accounting policy
- 2. Chart of Accounts in the public sector
- 3. Accounting rules in the public sector
- 4. Forms and rules for preparing and submitting financial reports in the public sector
- 5. Rules for budget program administrators to compile consolidated financial reports
- 6. Registry of accounting forms and documents for the public sector
- 7. Annual amortization norms for long-term assets held by public institutions
- 8. Rules for stock taking in public institutions



Agreement with IFAC's Council for International Public Sector Accounting Standards on the translation of IPSAS from English into the state language and Russian language and their publication on Kazakhstan's MoF website (posted on WWW.MINFIN.KZ)

OUTCOMES OF IPSAS AND ACCRUALS-DRIVEN ACCOUNTING AND FINANCIAL REPORTING REFORMS IN THE PUBLIC SECTOR

STAGE

STAGE

Accounting policy stipulates the use of accounting principles, methods and rules by public institutions when compiling and submitting financial reports – unified for all public sector institutions.

Accounting rules for the public sector include a full and detailed description of all alternative accounting options which correspond to IPSAS and accruals accounting

Stages of developing national standards in Kazakhstan

IPSAS standards interpreted in terms of their specific use and the circumstances of public agencies

Assessment carried out of the impact of standards on the operations of respective institutions

Accounting policy developed

- Reflects new business practice and processes;
- Compliance with IPSAS procedures and requirements

4 STAGE

STAGE

Development of accounting rules for the public sector

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COMPARISON ACROSS ACCOUNTING AND ASSESSMENT ITEMS

*M M-	Item	Accounting policy in the public sector	Accounting rules in the public sector
	Fixed assets accounting	original cost model	original cost model Revalued cost model
	Accounting of stocks – assessment	Specific identification method, weighted average cost method	Assessment methods: FIFO, specific identification method, weighted average cost method
	Accounting of non-material assets	original cost method	original cost model Revalued cost model
	Accounting of investment real estate	original cost model	original cost model Revalued cost model
	УЧЕТ ОЦЕНКА ДОЛГОСРОЧНЫХ АКТИВОВ: ОСНОВНЫЕ СРЕДСТВА		
2	Item	Accounting policy in the public sector	Accounting rules in the public sector
	original recognition and assessment	At original cost (prime cost)	At original cost (prime cost)
	Subsequent assessment of fixed assets	original cost model	original cost model Revalued cost model
	Amortization accrual method	Uniform linear accruals methods using approved annual amortization values	Uniform linear accruals methods, diminishing residual value method, method per unit of production (production method)

COMPARISON ACROSS ACCOUNTING AND ASSESSMENT ITEMS

BALANCE SHEET (CASH ACCOUNTING) BALANCE SHEET (ACCRUALS ACCOUNTING) Liabilities (commitments, net Liabilities **Assets Assets** assets (capital) Fixed assets at prime cost Financing of capital Fixed assets at balance sheet Funds in assets value investments In the explanatory note - information about the movement of Balance-sheet total at original cost fixed assets at original cost, accumulated amortization and

List of annual, quarterly consolidated financial reports submitted by budget programs administrators to the Committee of the Treasury:

- 1. Accounting balance;
- 2. Financial performance statement:
- 3. Cash flow statement through the accounts of a public institution by sources of financing (direct method);
- 4. Report on changes in net assets;
- 5. Explanatory note accompanying the consolidated financial report.

In its explanatory note, a public institution provides a breakdown of expenditures by subcategories using a classification based on the nature of expenses or their functional designation.

balance sheet value

Expenditure items are broken down into subcategories in order to single out expenses and reimbursement of expenses by specific programs and types of activity by using one of the two methods – the nature of expenses or their functional designation.

«PILOT» PROGRAM TO IMPLEMENT IPSAS



- Methodological explanations for implementation of "pilot projects"
- Budget program administrator provided opening balance sheets compiled on accruals basis for the pilot project as on January 1. 2012
- Provision of consolidated balance sheets as of July 1, 2012

ORGANIZATION



 Meetings and round tables for administrators of pilot budget programs



SOFTWARE

 Testing of three working software programs as part of the pilot program, to check their compliance with the new accruals accounting methodology in public institutions



AND TRAININGS

EMINARS

- •For working groups:
- Conduct in February 2012 a seminar "International experience in using IPSAS and practical aspects of moving to accruals-based IPSAS by public institutions in Kazakhstan".
- Conduct in May of 2012 a seminar "New standards and prospects of IPSAS projects"
- •As on 01.10.2012 the training center under the MoF has trained 10,713 specialists from financial departments

CENTRAL BUDGET

Ministry of Finance - 98 Ministry of Transportation - 38 Ministry of Education - 35 Ministry of Labour - 17 Ministry of Agriculture -305

Local budgets Local administration of Akmolin region – 809 Local administration of Karaganda region – 886

Information about accounting and reporting reforms is posted on the Ministry of Finance website, at WWW.MINFIN.KZ, under the section «International financial reporting standards for the public sector»

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INTERNATIONAL COOPERATION

2009

COOPERATION WITH USAID'S MACROECONOMIC PROJECT (MEP)

- approval of new IPSAS-based accounting and financial reporting methodology;
- IPSAS seminars:
- assistance and recommendations in reforms to shit to IPSAS.

2010

COOPERATION WITH IMF

- review of the public finance management system in Kazakhstan following IMF's mission in 2011;
- approval of new IPSAS-based accounting and financial reporting methodology;
- approval of new IPSAS-based software, fine-tuned and modified during the pilot phase;
 - approval of events, consultations and recommendations.

2011

COOPERATION WITH ICAEW AND CIPFA

- collaboration to open a representative office in Kazakhstan;
- training and certification in IPSAS (CIPFA/ICAEW international IPSAS certificate).

2012

COOPERATION WITH PUBLIC MANAGEMENT INSTITUTE UNDER THE SWISS UNIVERSITY OF APPLIED SCIENCES

 Report on improving public sector financial reporting (REPF) is conceptually similar to ROSC (ROSC for Kazakhstan for 2007) and includes the following:

Conclusion on the progress in developing national accounting standards, the coverage and compliance of them all with IPSAS (400 of them have been checked for compliance with IPSAS).

A detailed analysis has showed that:

PRACTICAL IMPLEMENTATION OF STANDARDS COMPLIES WITH IPSAS;

-the creation of the legislative framework for accounting reforms has been confirmed;

-31 standard out of 32 IPSAS standards have been incorporated into the national standards, there are no gaps in terms of standards.

(IPSAS 32 «Concessional agreements for the provision of services: supplier supplier of concessions» was developed in October of 2011 (to be implemented as of January 1, 2014);

- Key elements of accruals accounting have been adopted;
- -high-quality training system has been established;
- -a pilot project is up and running;
- -reputational impact only subject to full implementation of IPSAS



FURTHER DIRECTIONS FOR PUBLIC SECTOR REFORMS TOWARDS IPSAS AND ACCRUALS ACCOUNTING FROM 2013

EVENTS ADVANTAGES **TASK** Develop and adopt single Chart of 1. Meet the requirements of leadership in terms of public finance statistics (GFS 2001); Accounts in order to harmonize 2. Analyze interaction between single Chart of Accounts and the single Budget Classification; accounting and budgetary (treasury) Changes in budget execution processes and change the format of reporting submitted to 3. Analyze institutional units (public governance sector); budget execution reports submitted to 4.Prepare corresponding accounts under the single Chart of Accounts for accounting Parliament of Kazakhstan the Parliament of Kazakhstan 5. Prepare and approve the Action Plan for training and implementation of single Chart of Accounts. Reassess long-term assets through indexation and retrospective entries in financial reports as of the date the Inclusion of fixed assets in system shifted to accrual accounting/ financial reports at fair value 1. Develop long-term asset re-evaluation indices. based on fair value Develop and implement a professional certification system for public sector Body of professional knowledge of 1. Legislative provision that would require mandatory professional certification of public Chief Accountants in order to bring their Chief Accountants meets sector Chief Accountants; qualifications professional and i international standards knowledge into line with international 2.Develop and implement professional certification program for public sector Chief standards Accountants. Prepare consolidated financial reports Insignificant volume of consolidated for the republic-wide budget on accruals financial reports for better understanding 1. Develop forms for consolidated financial reporting; basis, in order to submit it to the and perception by external users. On the Parliament and provide a more informed 2. Show in consolidated financial reports only big expenses, which are reflected in the budget basis of consolidated financial reports more assessment basis for budget decisionand financial reports; informed decision-making in the budgetary making 3. Provide information in consolidated financial reports with the use of Single Chart of sector. Accounts. Prepare consolidated financial reports 1. Introduce legislative provision in the Budget Code that would require consolidation of financial for the public sector and quasireports in the public sector and quasi-public sector; government sector in order to account Accounting for the use of public 2. Develop laws and regulations (Chart of Accounts, forms for consolidated financial reporting, for the use of public assets and liabilities assets and liabilities. consolidation procedures, procedures for providing reports to external users).

CHART OF ACCOUNTS AND APPROACHES TO ITS INTEGRATION WITH BUDGET CLASSIFICATION

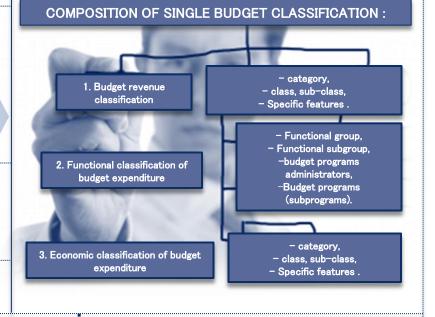
For integration purposes linkages could be used:

- •Direct linkage (economic classification codes are part of the codification of the Chart of Accounts:
- •Transition tables:
- •Software with a database of budget classification codes.

Chart of accounts of public institutions is based on cash method (will be stopped as of January 1, 2013).

Integration works through the use of software with a database of budget classification codes.

Single budget classification is about grouping budget revenue and expenditure by functional, line ministry and economic features and assigning grouped codes to classification items.



Progress is achieved whenever one software accounting product exists for all public institutions, is based on the single budget classification, and enables them to create reporting form on a cash basis (for control purposes) and financial reporting on accruals basis.

Accruals chart of accounts of public institutions is designed to group and reflect the current costs of some elements of financial reporting (enters into force on January 1, 2013

Integration will function through the use of software products with updated database of budget classification codes on accruals basis.

Structure of the chart of accounts
Synthetic accounts in the Chart of Accounts
are located on the basis of diminishing liquidity
and include 4 digits: first digit is a chapter,
second digit is a sub-chapter, third digit is a
group of synthetic codes and the fourth digit is
a sub-account.

Chapters in the plan of accounts

- 1. Short-term assets;
- 2. Long-term assets;
- 3. Short-term liabilities;
- 4. Long-term liabilities;
- 5. Net assets and capital;
- 6. Revenue;
- 7. Expenditure;
- 8. Production and costs and related costs;
- 9. Off-balance-sheet accounts.

The following is attached to the chart of accounts:

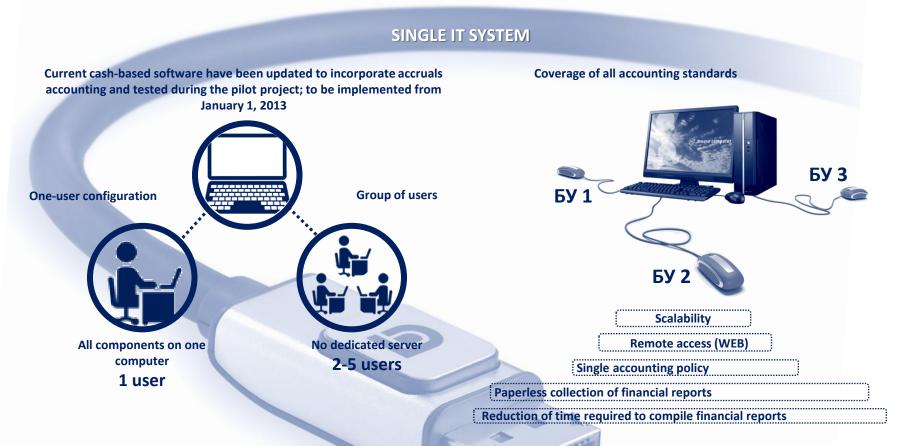
- 1. A framework for transition to accruals accounting from cash-based Chart of Accounts, in order to transfer residue from the accounts:
- 2. Accounts correspondence for key accounting transactions.

AUTOMATIZATION OF ACCRUALS ACCOUNTING AND FINANCIAL REPORTING

ACCRUALS ACCOUNTING – SINGLE POLICY FOR ALL BUDGET LEVELS,
WHICH ALLOWS TO MAKE PUBLIC SECTOR ACCOUNTING COMPATIBLE
FOR THE PURPOSE OF FINANCIAL REPORTING AND SUBSEQUENT CONSOLIDATION

PROSPECT OF CREATING IT SYSTEM THAT WOULD LIVE UP TO THE NEW PUBLIC SECTOR

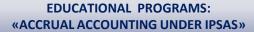
ACCOUNTING POLICY



Positive conclusions and recommendation from IMF's and USAID's international consultants: "The functionality of the three updated software products will ensure registration, systematization and aggregation of accounting data on day—to-day recurrent transactions of a public institution though double-entry method with the use of approved forms of accounting registries and the forms of budgetary and financial reporting".

SINGLE EDUCATION SYSTEM

Joint-stock venture «the Centre for training, retraining and professional development of financial specialists".



TRAINING PROGRAMS, LECTURES, TEXTBOOKS, TESTS
AND TASKS, PUBLICATION OF STUDY MATERIALS IN
MAGAZINE "KAZAKHSTAN FINANCES"

PRACTICAL SEMINAR ON THE TRANSITION OF PUBLIC INSTITUTIONS FROM CASH ACCOUNTING TO ACCRUALS ACCOUNTING

DISTANCE LEARNING ON-LINE (WEBINARS), Q&A BLOGS, VIDEO-CONFERENCE WITH THE TUTOR, ELECTRONIC TRAINING COURSE (ELECTRONIC TEXTBOOK)

INVOLVEMENT OF ACCREDITED CERTIFICATION INSTITUTIONS AND UNIVERSITIES FOR THE PURPOSE OF TRAINING PUBLIC SECTOR ACCOUNTANTS IN NEW IPSAS-BASED ACCRUALS ACCOUNTING METHODOLOGY

48 HOURS for accountants and other accounting and finance specialists

Practical classes

SITUATIONAL TASKS

TEST QUESTIONS AND CONTROL TESTING



80 HOURS for heads of accounting and financial units, other public sector agencies

Theory

Lectures

TEST QUESTIONS AND CONTROL TESTING



University-level



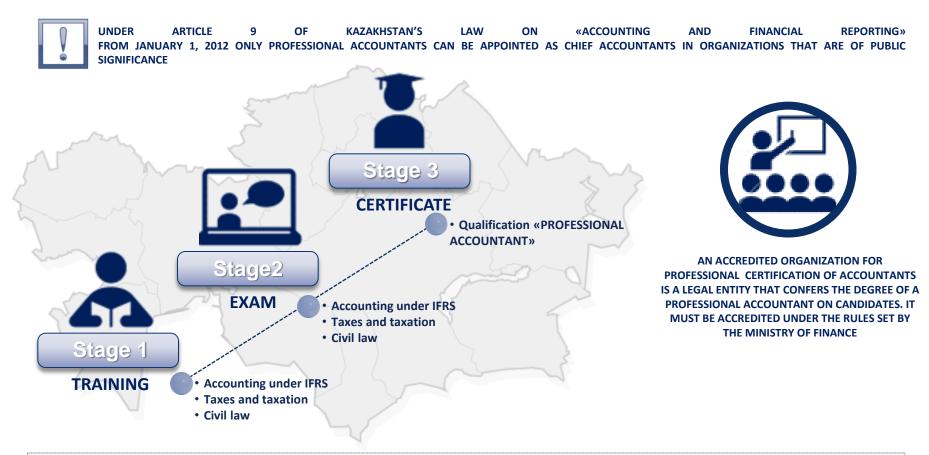
IPSAS COURSE INCLUDED IN CURRICULUM OF PUBLIC INIVERSITIES

INCLUDING:

Bachelor's courses

Master's course

CURRENT NATIONAL CERTIFICATION OF PROFESSIONAL ACCOUNTANTS IN THE PRIVATE SECTOR



Programs offered by Joint-stock venture «the Centre for training, retraining and professional development of financial specialists" have received positive appraisal from ACCA (UK) and count towards the exam under F7 – Financial Reporting (ACCA) and F4 – Low (ACCA) programs

Exam results on «Accounting under IFRS»

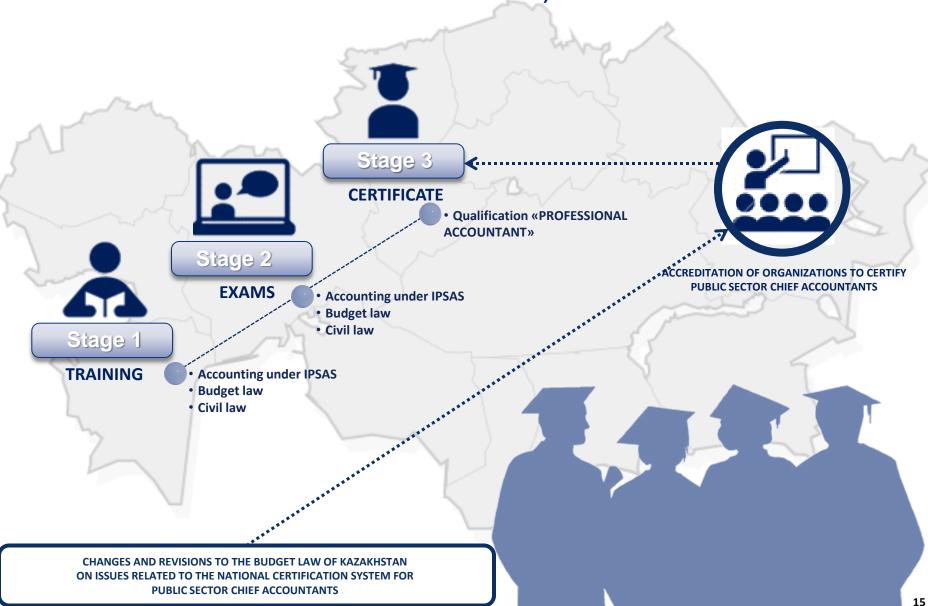
Exam results on «F7 – Financial Reporting (ACCA)»

Exam results on Civil Law

Exam results on «F4 – Low (ACCA)»

Programs "Taxes and taxation" offered by Joint-stock venture «the Centre for training, retraining and professional development of financial specialists" have been sent to ACCA (UK) in order to make them count towards the exam F6 – Taxation (ACCA)

NATIONAL CERTIFICATION SYSTEM FOR CHIEF ACCOUNTANTS IN THE PUBLIC SECTOR (UNDER DEVELOPMENT)



THANK YOU FOR YOUR ATTENTION

