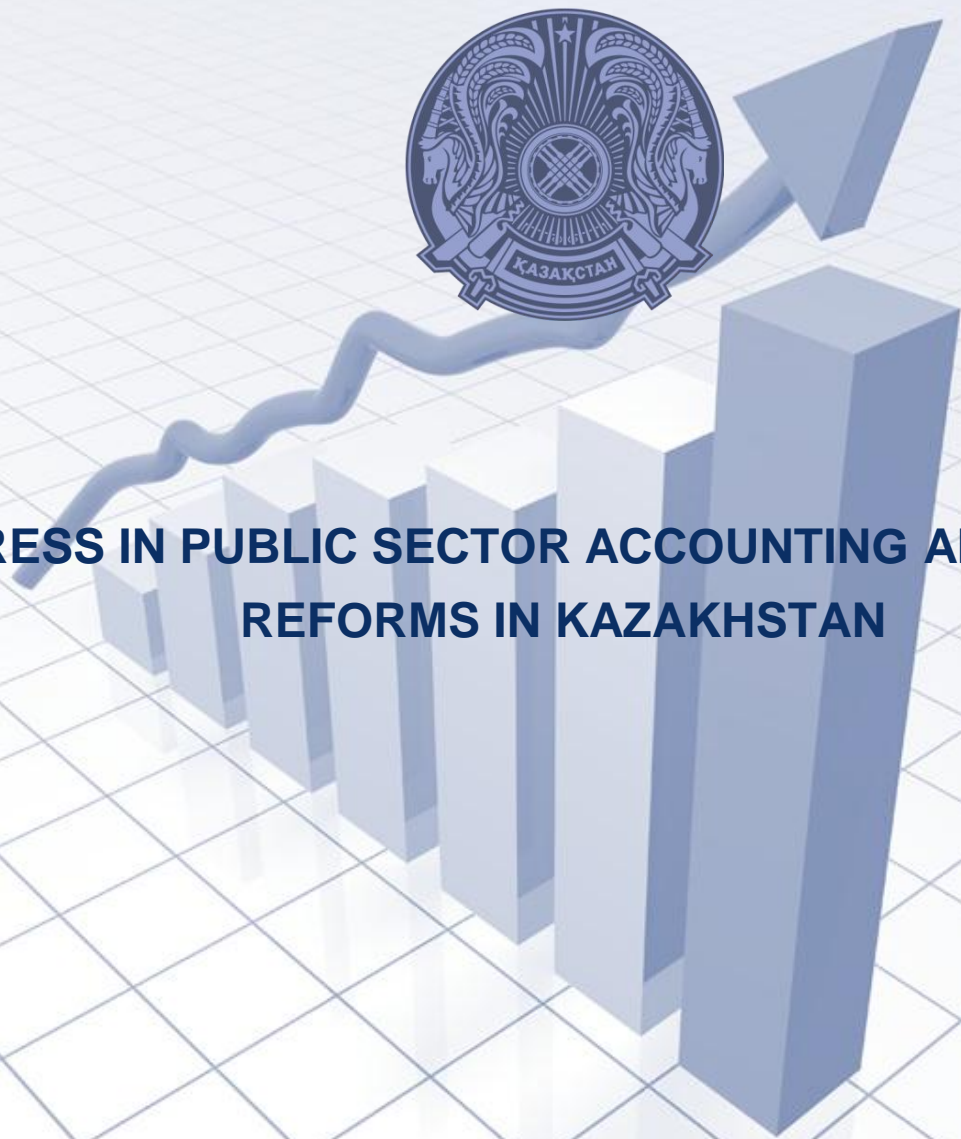




**PROGRESS IN PUBLIC SECTOR ACCOUNTING AND REPORTING
REFORMS IN KAZAKHSTAN**



CONTENTS



PROGRESS ACHIEVED AS A RESULT OF NATIONAL PUBLIC SECTOR ACCOUNTING AND REPORTING POLICIES AND STANDARDS

1

STRUCTURE OF THE CHART OF ACCOUNTS AND APPROACHES TO ITS INTEGRATION WITH BUDGET CLASSIFICATION

2

ADOPTED AND PLANNED DECISIONS ON AUTOMATING ACCOUNTING AT THE LEVEL OF BUDGETARY USERS; METHODS AND INSTRUMENTS FOR CONSOLIDATION AT THE NATIONAL LEVEL

3

INSTITUTIONAL APPROACHES TO TRAINING AND CERTIFICATION OF PUBLIC SECTOR ACCOUNTANTS

4

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



- 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-compliant standards have been used from January 1, 20013 in all public institutions.

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.

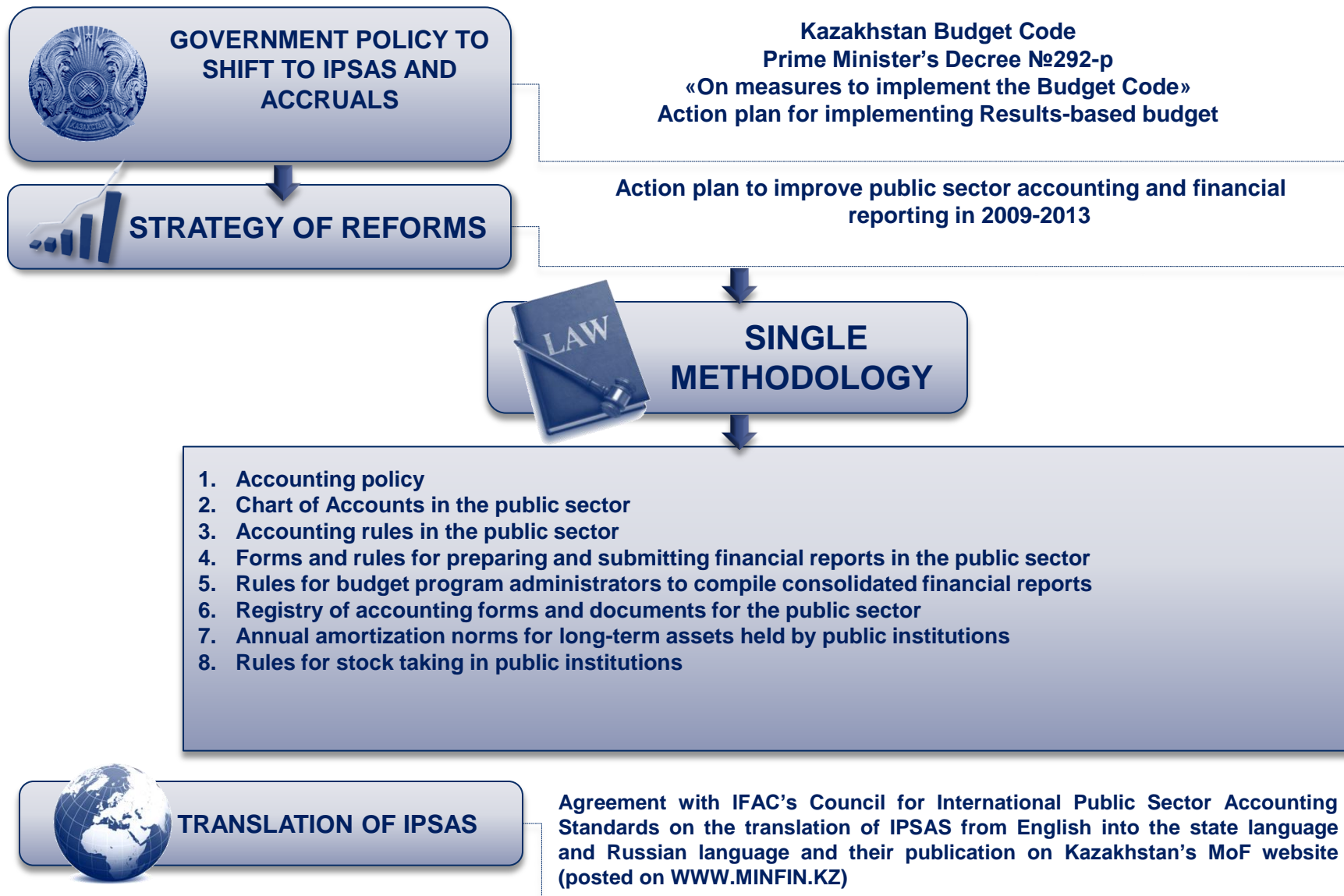


INCREASE IN THE NUMBER OF FOREIGN USERS (INVESTMENT INTEREST)

FROM **20.3%** IN **2010** TO **42.8%** IN **2011**

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

LEGISLATIVE FRAMEWORK



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

Stages of developing national standards in Kazakhstan

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.

1
STAGE

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

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

2
STAGE

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

3
STAGE

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

4
STAGE

Development of accounting rules for the public sector

COMPARISON ACROSS ACCOUNTING AND ASSESSMENT ITEMS

1	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 И 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)	
Assets	Liabilities	Assets	Liabilities (commitments, net assets (capital))
Fixed assets at prime cost	Funds in assets	Fixed assets at balance sheet value	Financing of capital investments
Balance-sheet total at original cost		In the explanatory note – information about the movement of fixed assets at original cost, accumulated amortization and balance sheet value	
<p>List of annual, quarterly consolidated financial reports submitted by budget programs administrators to the Committee of the Treasury:</p> <ol style="list-style-type: none"> 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. 		<p>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. 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.</p>	

«PILOT» PROGRAM TO IMPLEMENT IPSAS

METHODOLOGY



- 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



- Create working groups for the implementation of IPSAS in territorial units of the MoF’s Committee of the Treasury and in regional, city councils
- 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

SEMINARS AND TRAININGS



- 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

01.01.2012 – 31.12.2012

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»

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 shift 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 shown 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

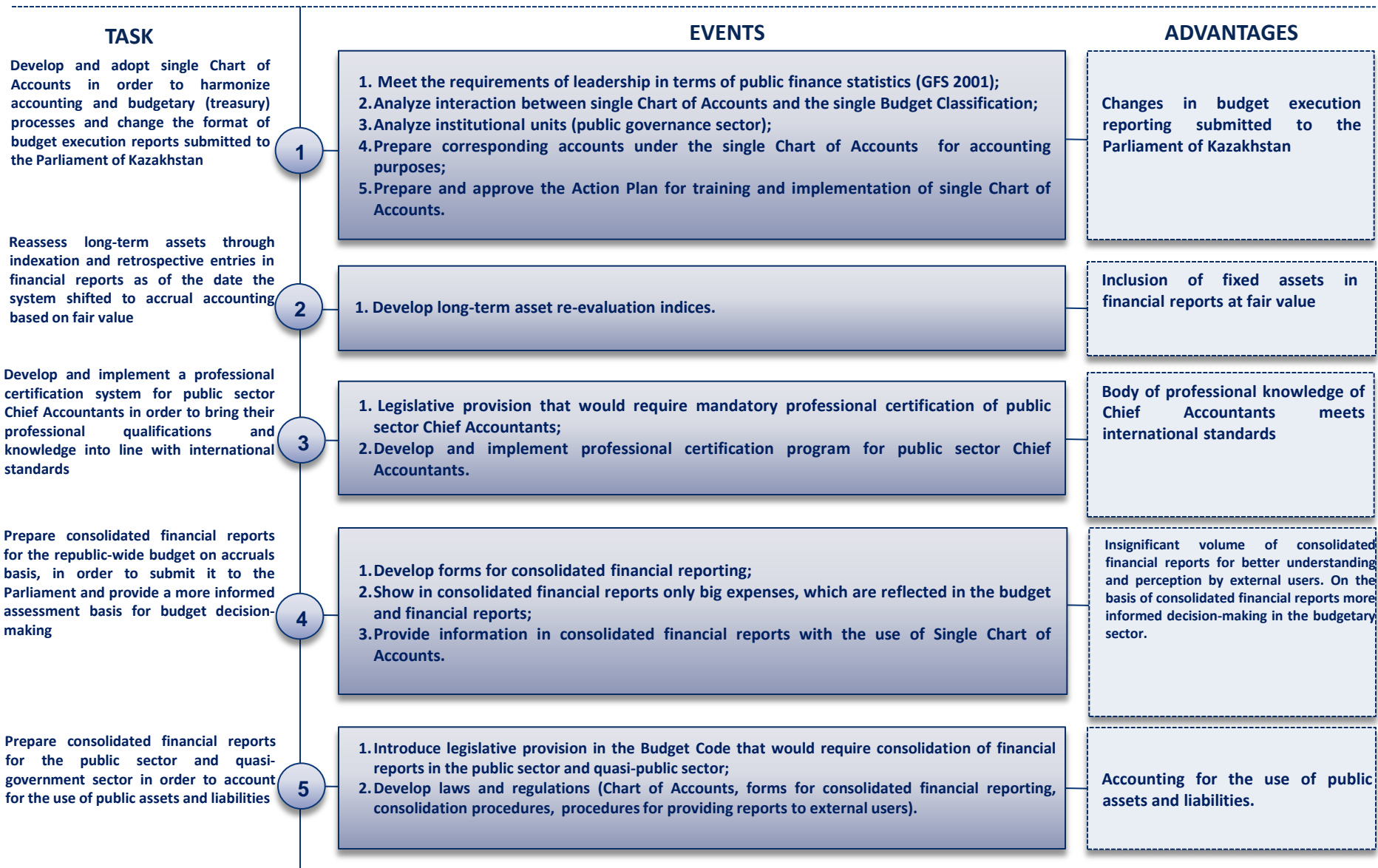


CHART OF ACCOUNTS AND APPROACHES TO ITS INTEGRATION WITH BUDGET CLASSIFICATION

For integration purposes linkages could be used:

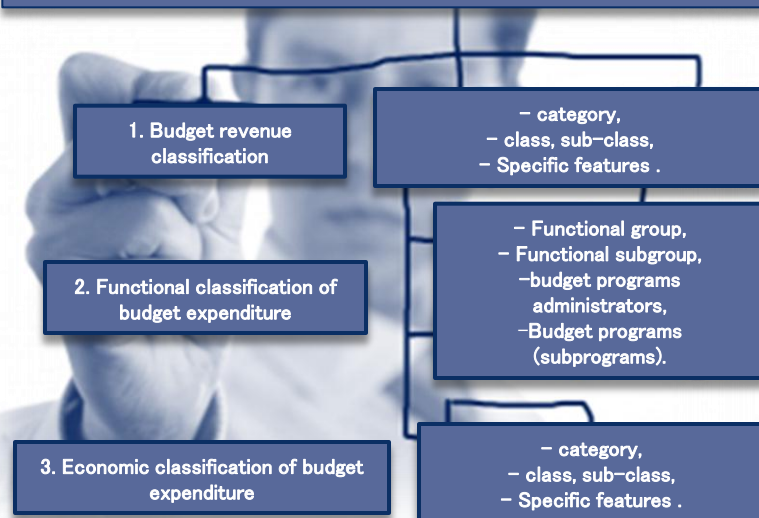
- Direct linkage (economic classification codes are part of the codification of the Chart of Accounts;
- Transition tables;
- Software with a database of budget classification codes.

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.

COMPOSITION OF SINGLE BUDGET CLASSIFICATION :



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.

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.

AUTOMATIZATION OF ACCRUALS ACCOUNTING AND FINANCIAL REPORTING

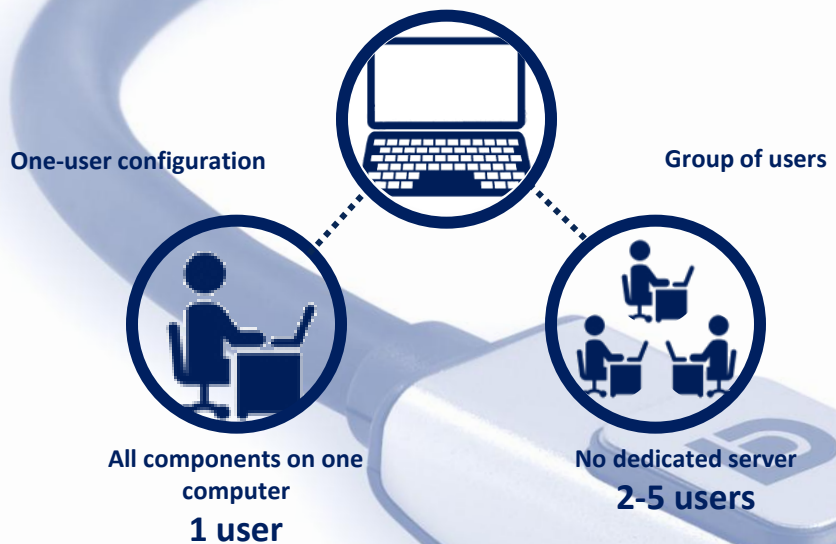
ACCRUALS ACCOUNTING – SINGLE POLICY FOR ALL BUDGET LEVELS, WHICH ALLOWS TO MAKE PUBLIC SECTOR ACCOUNTING COMPATIBLE FOR THE PURPOSE OF FINANCIAL REPORTING AND SUBSEQUENT CONSOLIDATION

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

SINGLE IT SYSTEM

Current cash-based software have been updated to incorporate accruals accounting and tested during the pilot project; to be implemented from January 1, 2013

Coverage of all accounting standards

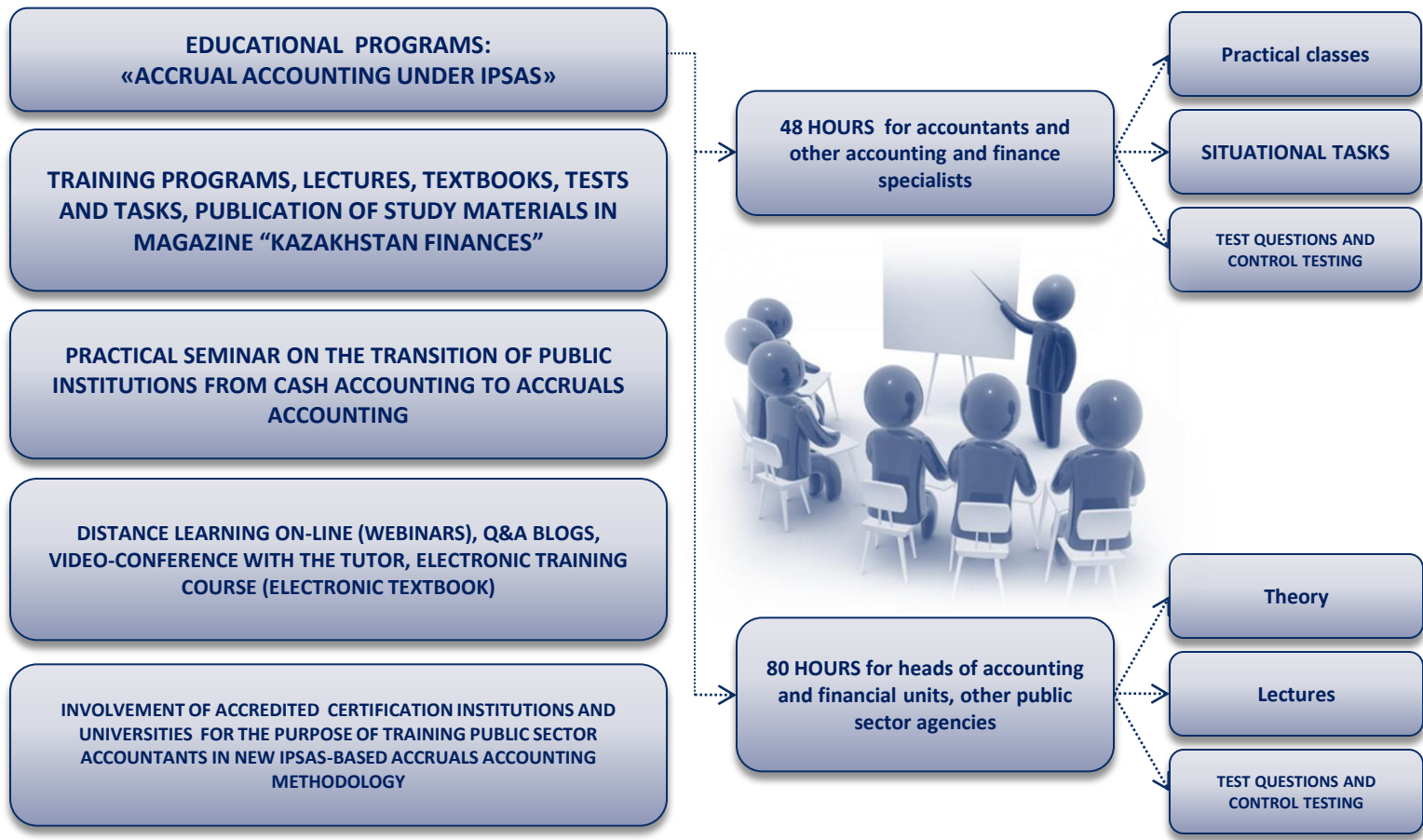


- Scalability
- Remote access (WEB)
- Single accounting policy
- Paperless collection of financial reports
- Reduction of time required to compile financial reports

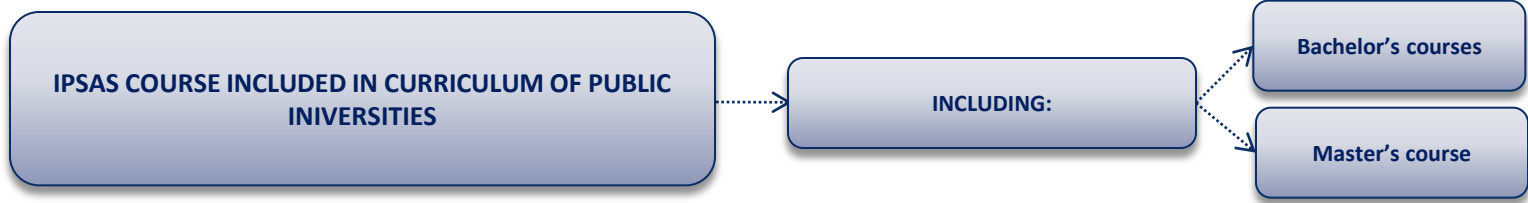
Positive conclusions and recommendation from IMF's and USAID's international consultants: "The functionality of the three updated software products will ensure registration, systematization and aggregation of accounting data on day-to-day recurrent transactions of a public institution though double-entry 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».



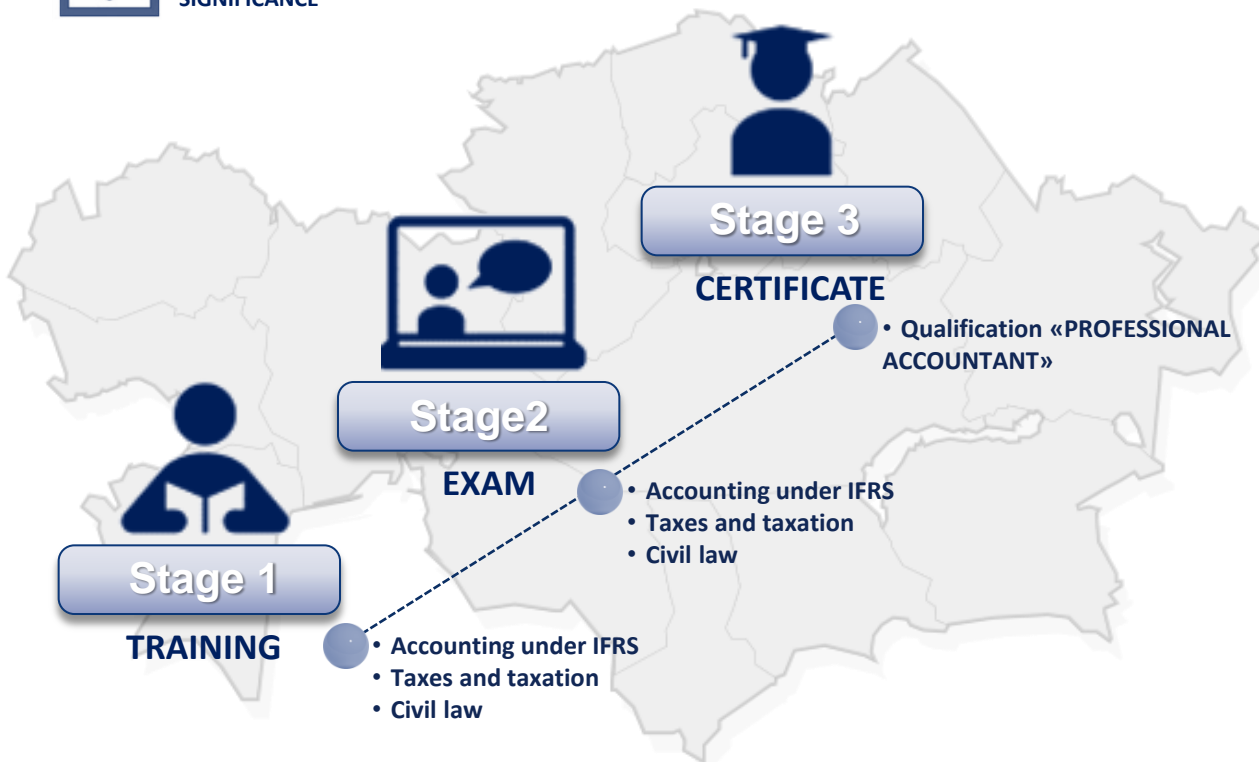
University-level



CURRENT NATIONAL CERTIFICATION OF PROFESSIONAL ACCOUNTANTS IN THE PRIVATE SECTOR



UNDER ARTICLE 9 OF KAZAKHSTAN'S LAW ON «ACCOUNTING AND FINANCIAL REPORTING» FROM JANUARY 1, 2012 ONLY PROFESSIONAL ACCOUNTANTS CAN BE APPOINTED AS CHIEF ACCOUNTANTS IN ORGANIZATIONS THAT ARE OF PUBLIC SIGNIFICANCE



AN ACCREDITED ORGANIZATION FOR PROFESSIONAL CERTIFICATION OF ACCOUNTANTS IS A LEGAL ENTITY THAT CONFERS THE DEGREE OF A PROFESSIONAL ACCOUNTANT ON CANDIDATES. IT MUST BE ACCREDITED UNDER THE RULES SET BY THE MINISTRY OF FINANCE

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»

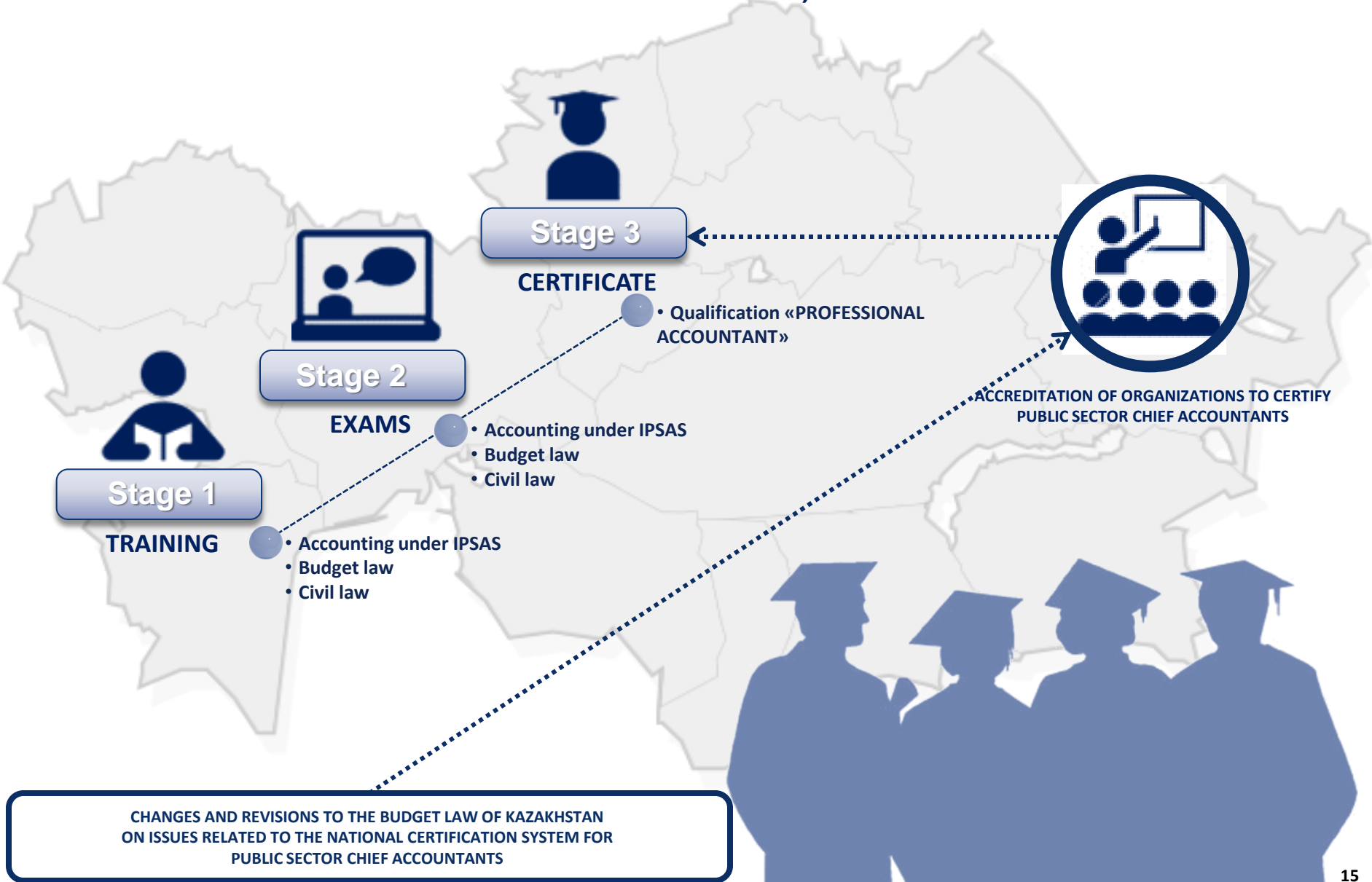
Exam results on «F7 – Financial Reporting (ACCA)»

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

