

# Public Sector Accounting and Financial Reporting in PEMPAL Member Countries

*thematic survey results*

Elena Nikulina, World Bank, November 2012

# Main Facts on the Survey

- TCOP members were surveyed in October 2012, in preparation for the Baku workshop
- All **18** countries represented at the workshop responded, and their responses are captured in the survey report
- **Topics covered by the survey:**
  - Methodological basis of the public sector accounting and financial reporting
  - Progress with introduction of public sector accounting standards
  - Institutional framework of the public sector accounting system
  - Automation of accounting and financial reporting
  - Organization of training for public sector accountants

# Public Sector Accounting Policies: the Scope of Application

- **The definition and coverage of the public sector vary between countries.** **Central government and municipal budget institutions** are uniformly part of the public sector everywhere. However, the terms **local authorities, agencies managing extra-budgetary funds, statutory bodies and public financial and non-financial enterprises** in some countries are not present in the definition of the public sector.
- **Official criteria to classify institutions as belonging to the public sector exist in 10 countries.** Does the absence of such criteria create any problems for the countries that do not have them?
- **International practice is based on the principle that accounting policies and standards specific for the public sector cover all public sector institutions, except public financial and non-financial enterprises (which are assumed to be covered by accounting standards applied to the private sector).** 15 countries confirmed that this principle is observed in their country. **Albania** does not have yet the officially approved accounting policies for the public sector, and **Kazakhstan** and **Kyrgyzstan** noted some **peculiarities**.

# Accounting Methods Used in the Public Sector (1)

Country	Treasury (the Ministry of Finance) in executing the public budget	The bodies in charge of local budgets	Budget institutions	Agencies in charge of executing social security budgets	Agencies in charge of executing medical insurance budgets	Other public sector institutions
Albania	MCA	MCA	MCA	A	A	A
Azerbaijan	MCA	A	A	A	A	A
Belarus	C	C	MCA	-	-	-
Bosnia & Herzegovina	MCA	MCA	MCA	MCA	MCA	MCA
Bulgaria	MCA	MCA	MCA	MCA	MCA	-
Croatia	C	MCA	MCA	MCA	MCA	MCA
Georgia	C	C	A	C		A
Kazakhstan	C	C	C	A	A	A
Kyrgyz Republic	C	C	MCA	MCA	MCA	MCA
Macedonia	C	C	C	C	C	-
Moldova	C	MCA	MCA	A	A	-
Montenegro	MCA	C	MCA	C	A	MCA
Russian Federation	C	C	A	C	C	-
Serbia	C	C	C	C	C	A
Tajikistan	C	C	MCA	C		
Turkey	MCA	MCA	MCA			
Ukraine	MCA	MCA	MCA	MCA	-	-
Uzbekistan	C	C	MCA	-	-	C

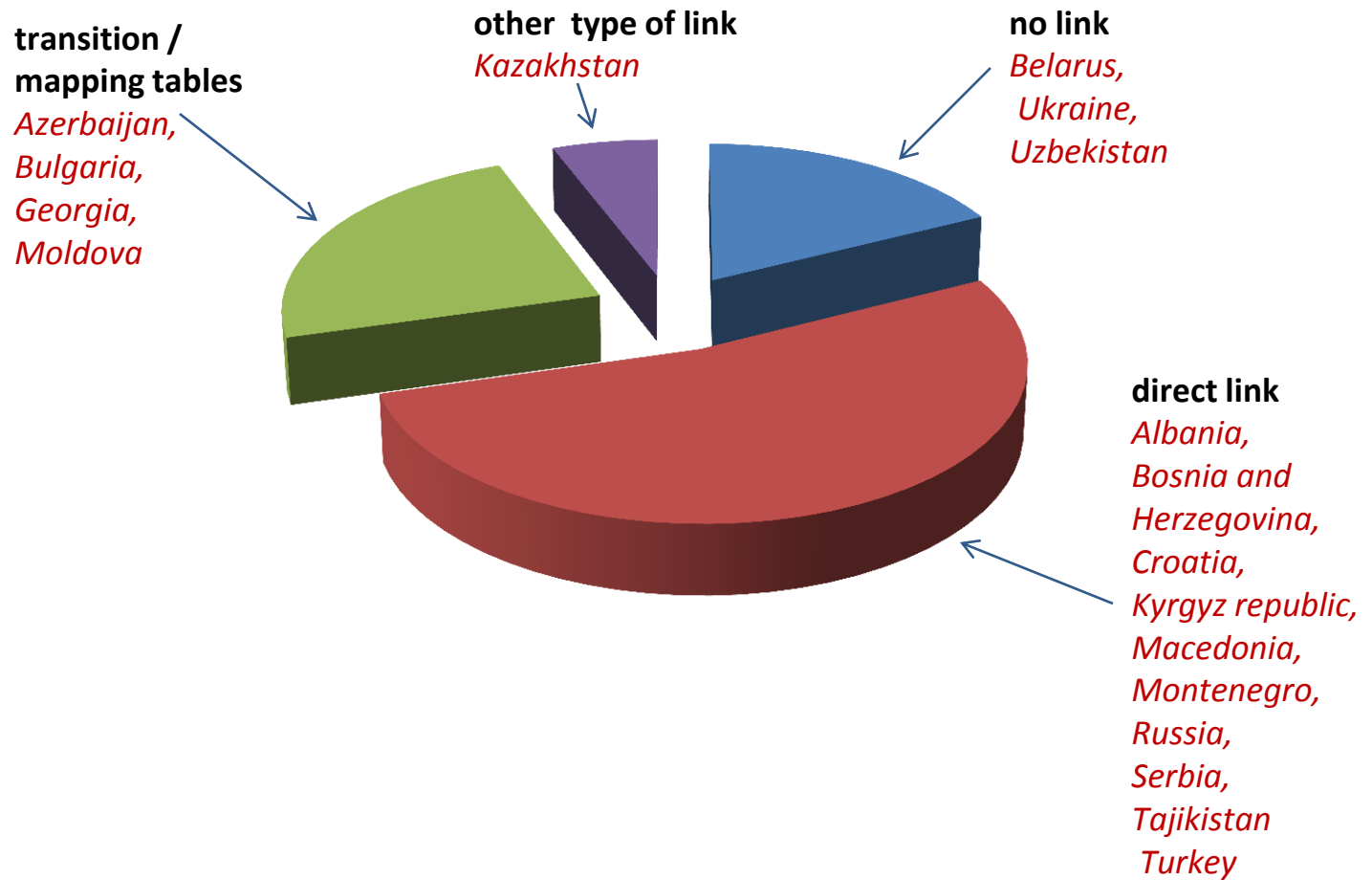
## Accounting Methods Used in the Public Sector (2)

- **Revenues are typically recorded on cash basis.** **Bulgaria** is the only country that records revenues on accrual basis.
- In the cases where modified cash or accrual method is used, **the most typical information recorded beyond the cash flows includes commitments and assets.**
- **GFS2001 manual is used for producing fiscal reports for the IMF in 15 countries.** **Macedonia** and **Ukraine** continue to use GFS1986, and **Albania** uses a combination of GFS1986 and GFS2011.
- **Georgia, Kazakhstan** and **Ukraine** are implementing **reforms to move to the use of accrual accounting in the public sector**, and **Albania** has a clear plan to initiate such reform with a comprehensive implementation schedule. Another **9** countries are planning the reform, but no comprehensive implementation schedule has been developed so far.

## Accounting Methods Used in the Public Sector: *Recording Expenditure Information*

Country	as commitments are entered into	as goods and services are received	as an accounts payable is accrued	as payments are made (cheque or bank transfer)
Albania			v	
Azerbaijan	v	v	v	v
Belarus				v
Bosnia & Herzegovina			v	
Bulgaria	v	v	v	v
Croatia		v	v	
Georgia				v
Kazakhstan				v
Kyrgyz Republic				v
Macedonia				v
Moldova				v
Montenegro				v
Russian Federation				v
Serbia				v
Tajikistan				v
Turkey				v
Ukraine				v
Uzbekistan	v		v	v

*There is progress across the countries in assuring the link between the chart of accounts and the economic segment of the budget classification*

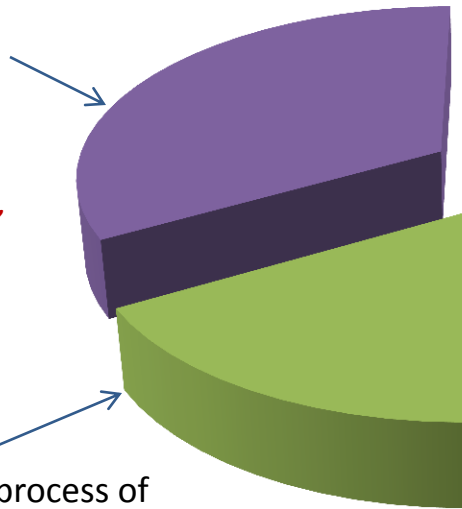




# Progress with Introducing Public Sector Accounting Standards

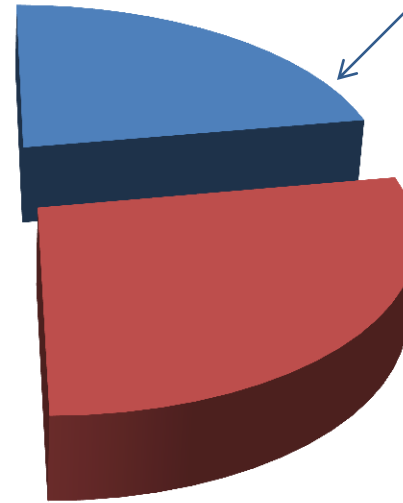
standards are planned, but the work on them has not started yet

*Bulgaria, Croatia  
Georgia, Moldova,  
Montenegro,  
Tajikistan*



standards in the process of development, but not approved yet (*Kyrgyz Republic, Russia , Uzbekistan*)

standards fully developed and approved (*Albania, Azerbaijan, Kazakhstan, Ukraine*)



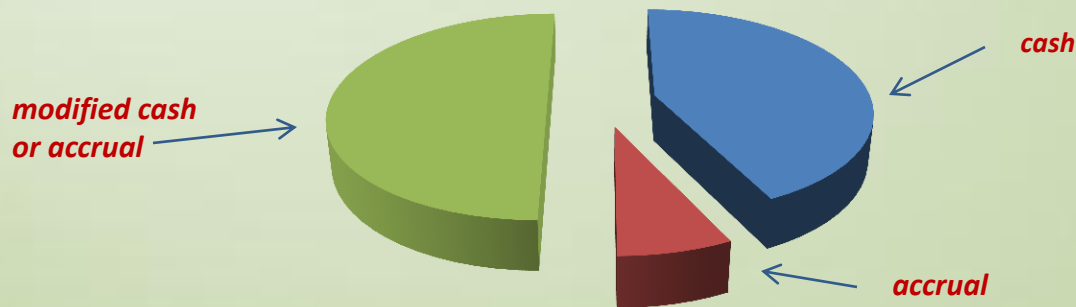
standards in the process of development, partially approved (*Belarus, Bosnia and Hercegovina, Macedonia, Serbia, Turkey*)

- **Bosnia and Herzegovina, Kazakhstan, Kyrgyz Republic and Macedonia** have opted to use international standards (IPSAS) as national standards without changes
- In **11 countries** national standards have been developed or are being developed on the basis of IPSAS with some changes



# Availability of a Single Consolidated Financial Statement for the Public Sector

- **14** countries issue a **single consolidated financial statement for the public sector** in some form ([Georgia](#), [Kazakhstan](#), [Kyrgyz Republic](#) and [Ukraine](#) gave a negative response)
- In **8** countries these **financial statements cover all entities included in the public sector**. In **6** countries this is not the case. The most common exception is [public financial and non-financial enterprises or state corporations](#).
- **Consolidated financial statements are subject to audit by the Supreme audit body** in all the countries that issue them except [Belarus](#) and [Tajikistan](#), and they are **made public** in all the countries (in most cases, through internet)
- **In the majority of countries the accounting basis for the consolidated financial statements is either modified cash/accrual or pure cash.** [Russia](#) is the only country that uses the accrual basis for this purpose.

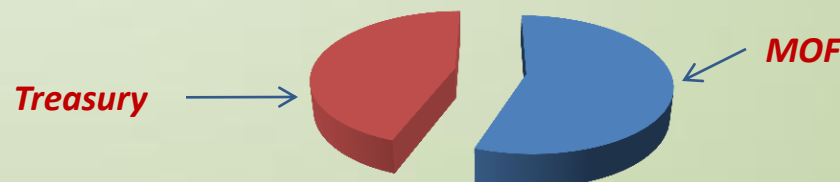


# Contents of Consolidated Financial Statements

Country	income and expenditure statement	comparison of expenditure against budget	balance sheet	cash flow statement
Albania	v		v	v
Azerbaijan	v	v		
Belarus	v			
Bosnia & Herzegovina	v	v		v
Bulgaria		v	v	v
Croatia	v		v	v
Georgia	v	v	v	v
Macedonia	v	v		v
Moldova	v	v	v	v
Montenegro	v	v		v
Russian Federation	v	v	v	v
Serbia	v	v		v
Tajikistan	v	v	v	v
Turkey	v		v	
Ukraine	v	v	v	v
Uzbekistan	v	v	v	v

# Institutional Arrangements

- **The Ministry of Finance is the institution in charge of formulating accounting and financial reporting policies for the public sector in all 18 countries**
- In the majority of countries where public sector accounting standards exist, are being developed or planned, **the Ministry of Finance is also in charge of establishing the standards** (Albania and Turkey have different arrangements)
- **Methodological or Consultative Accounting Board for the Public Sector exist in 8 countries** (Albania, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Turkey, Ukraine and Uzbekistan), and the majority of others are planning to establish such bodies (Bulgaria, Croatia, Kyrgyz Republic, Kazakhstan, Moldova, Montenegro, Serbia and Tajikistan)
- **The Ministry of Finance is in charge of compiling consolidated financial statements in 10 countries and in 8 countries this is the responsibility of the Treasury**



# Automation of Accounting and Financial Reporting

- 8 countries responded that **accounting is automated in their countries** and that **accounting software is used in all public institutions** (Azerbaijan, Bosnia and Herzegovina, Bulgaria, Georgia, Montenegro, Russia, Serbia, Turkey)
- **Mandatory standard software** is used only in three countries (Kazakhstan, Turkey, Uzbekistan)
- Only in **Azerbaijan** and in **Turkey** **public institutions provide financial reports** to higher ranking financial institutions **through a web portal** for public institutions. **Croatia, Kazakhstan and Russia** use other forms of exclusively electronic submission.
- **Consolidation process remains a challenge for many countries.** Existing IT systems enable fully automated process of consolidation in **Albania, Turkey and Uzbekistan**, while in 7 countries consolidation requires additional data entry at some stage, and in 7 other countries consolidation is carried out separately, not through the IT system

# Training Systems are Developing

- **officially formulated qualification requirements** for public sector accountants / financial management specialists exist in 11 countries
- **professional organizations (associations)** for public sector accountants that offer professional training for them function in 7 countries and in 11 countries such **training is provided by other specialized organizations**, sometimes attached to the MOF
- **National certification systems** for public sector accountants exist in **Albania, Azerbaijan and Bosnia and Herzegovina**, and in the majority of other countries the systems are either being created or the issue is under consideration
- However, **the gaining of certificates is reflected in the remuneration or promotion** only in **Kazakhstan** and **Macedonia**
- In the majority of countries **the MOF plays a very important role in training** through organizing training course, maintaining the subordinate training centers, being responsible for certification, etc.

## Conclusions & Suggestions on the Use of the Survey Results

- **Public sector accounting and financial reporting reform agenda is far from complete in TCOP members countries**
- **TCOP members have a wealth of experiences in this area that could be of value for colleagues from other countries.**
- We will be happy to help you to organize follow up activities to share your experiences with the colleagues

### *Possible activities*

- formation of thematic working group on the issues of public sector accounting and financial reporting
- follow up meetings in small groups of interested countries focused on specific issues
- study visits (multilateral study visits are particularly encouraged)
- our experts are available to respond to questions through the wiki page, VCs and take part in thematic events