



# TREASURY INFORMATION MANAGEMENT SYSTEM (TIMS)

NOVEMBER 2012







# HISTORY



- During the period from 1994 to 2002 together with the International Monetary Fund work was carried out to reform the treasury system of the Ministry of Finance of the Azerbaijan Republic and to elaborate the conceptual design of the Treasury Information Management System.
- In 2002, the U.S. Agency for International Development (USAID) allocated financial means for implementing a project on information support for the treasury system and the integrator company (CARANA, USA) was identified for the project.
- In 2004, the company for elaboration of the treasury software - CARANA – signed an agreement with the company SAP CIS & Baltic States.
- In 2006, the automated information system was implemented in 3 pilot regional treasury offices of the Ministry of Finance.
- In 2008, the Ministry of Finance of the Azerbaijan Republic signed an agreement with the company SAP CIS on optimization of the software and its conversion to a new platform.
- From 2011, in the State Treasury Agency work is being carried out on mass replication of the information system.
- At present, the implemented software covers about 90% of execution of the state budget of the Azerbaijan Republic.






# GOALS OF THE PROJECT



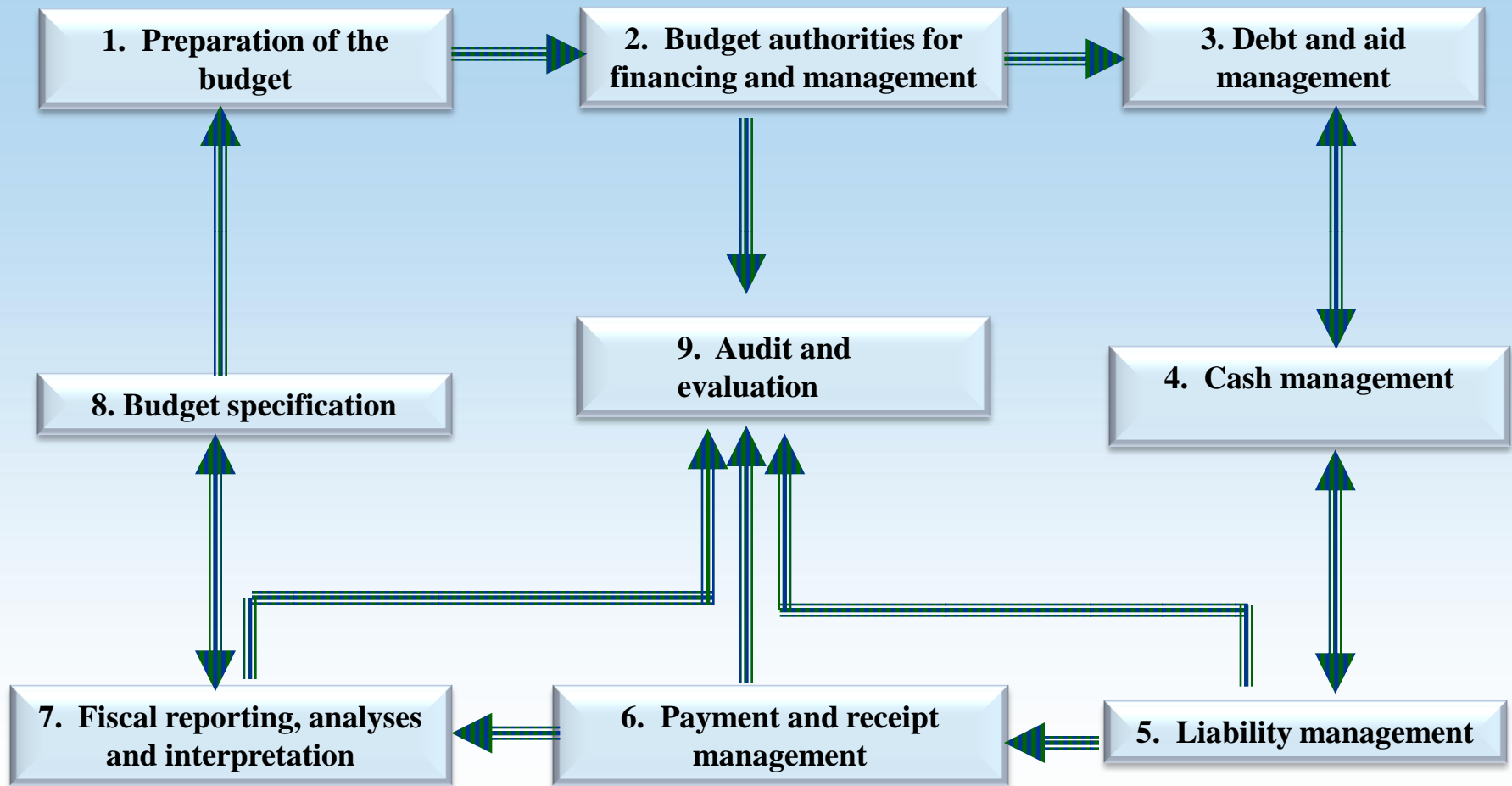
Goal	Execution		
	Beginning of works	In the process of being executed	Reached
<ul style="list-style-type: none"> <li>• Creation of a possibility for maintenance of accounting and for accounting using both cash-based and accrual methods.</li> </ul>			
<ul style="list-style-type: none"> <li>• Carrying out accounting operations in accordance with the national standards developed on the basis of IPSAS.</li> </ul>			
<ul style="list-style-type: none"> <li>• Getting statements specified in the legislation of the Azerbaijan Republic, which comply with GFS and IPSAS standards.</li> </ul>			
<ul style="list-style-type: none"> <li>• Conversion from ideology of a single treasury account that grants an opportunity of having transit treasury accounts to actual execution of all revenue and expense operations in a single treasury account.</li> </ul>			
<ul style="list-style-type: none"> <li>• Creation of flexible opportunities for operational management of liquid funds.</li> </ul>			
<ul style="list-style-type: none"> <li>• A possibility of external audit of public expenditures and revenues.</li> </ul>			

# GOALS OF THE PROJECT

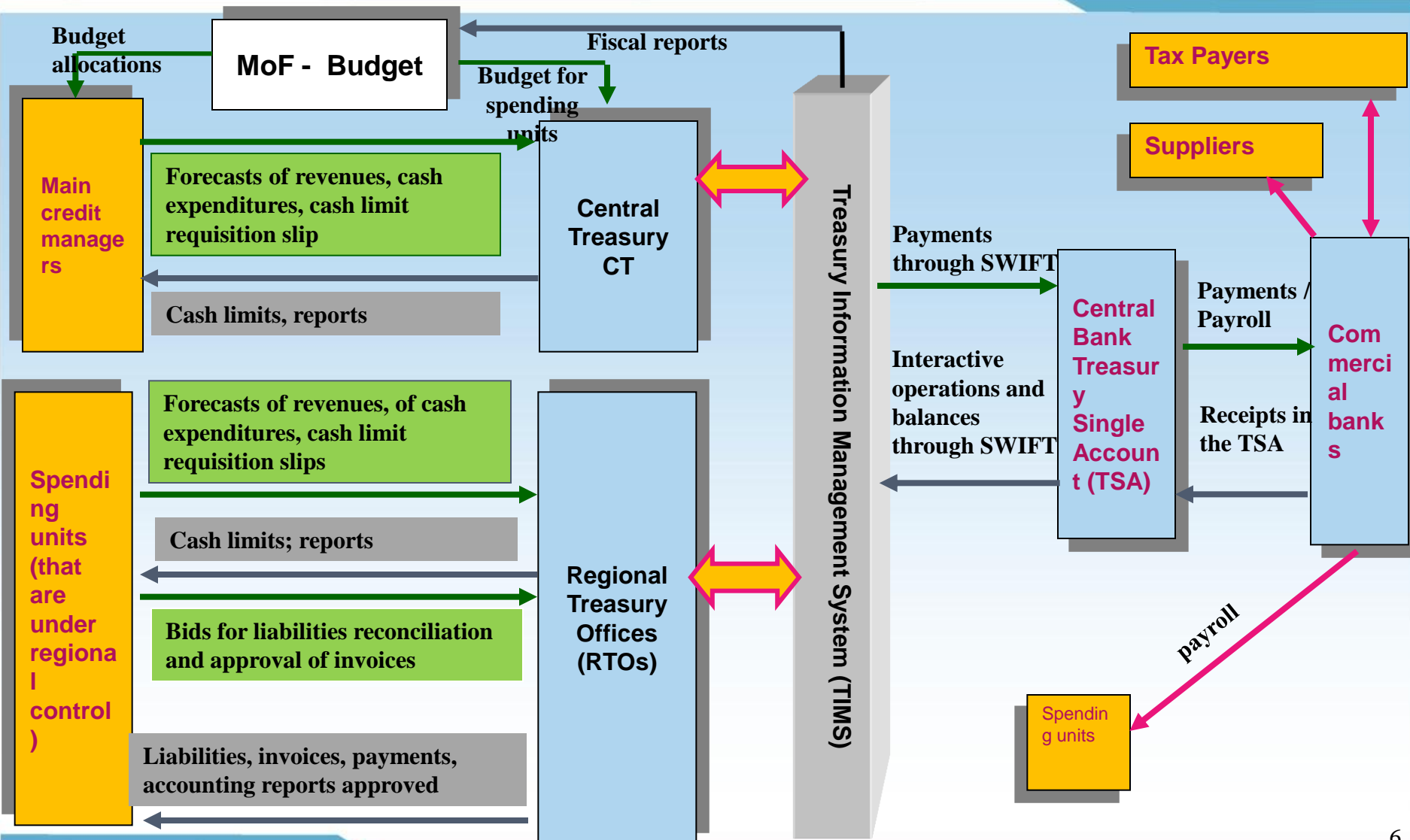


Goal	Execution		
	Beginning of works	In the process of being executed	Reached
<ul style="list-style-type: none"> <li>Audit tracking of treasury operations by documents and by users.</li> </ul>			
<ul style="list-style-type: none"> <li>Carrying out all treasury operations that are executed in the territory of Azerbaijan, starting with financing and finishing with receipt of statements in real time mode.</li> </ul>			
<ul style="list-style-type: none"> <li>Creation of a broad platform for elaboration of a reference-information system for public finance management.</li> </ul>			
<ul style="list-style-type: none"> <li>Possibility of further introduction into the software of such components as the budgeting process, accounting for fixed assets, program budgeting, payroll calculation and human resource management.</li> </ul>			
<ul style="list-style-type: none"> <li>Creation of a data base, which could be easily integrated with external systems for financial and economic planning, analysis and management.</li> </ul>			

# FINANCIAL MANAGEMENT CYCLE



# UPPER LEVEL CONCEPTUAL MODEL



# LEVELS OF THE BUDGET IN TIMS



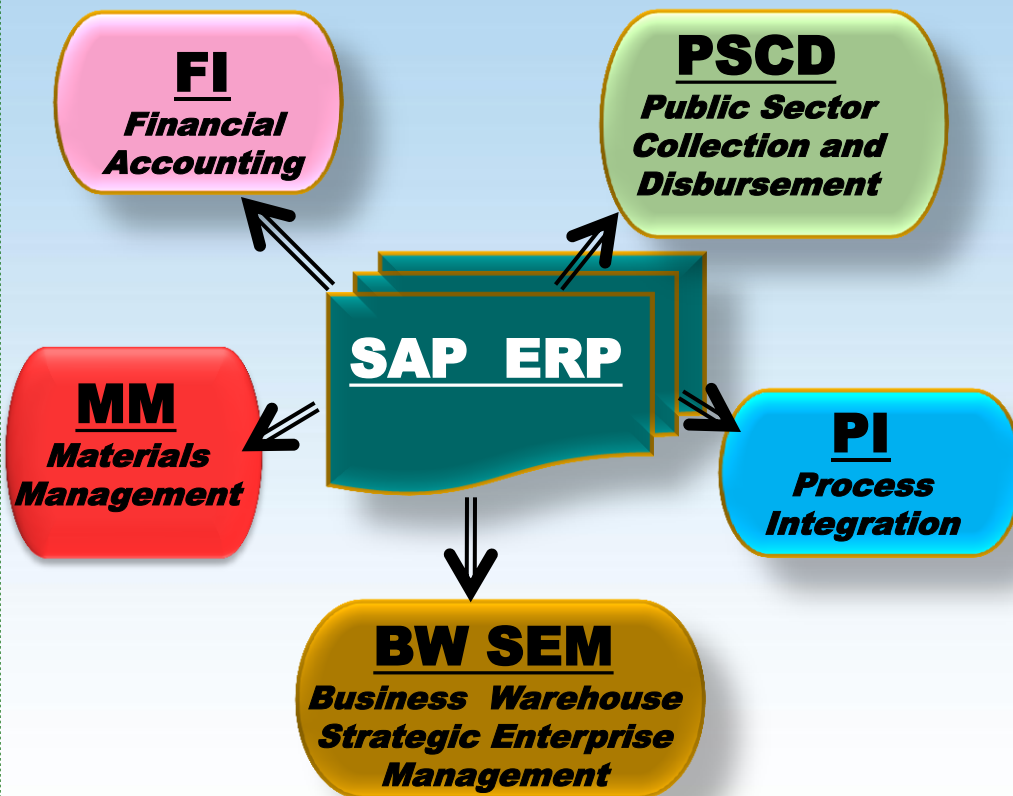
- **1- centralized budget**
- **1u – local budget**
- **2 – budget of Nakhichevan AR**
- **3 – centralized off-budgetary revenues and expenditures**
- **3u – local off-budget revenues and expenses**
- **4 – budget of the State Social Protection Fund**
- **5 – expenses and revenues of projects financed from the State Oil Fund**
- **7 - centralized deposits and agency accounts**
- **7u – local deposits and agency accounts**



# IMPLEMENTED MODULES AND THE NUMBER OF SYSTEM USERS



## Modules



## Number of users



Actual

400

Planned

500



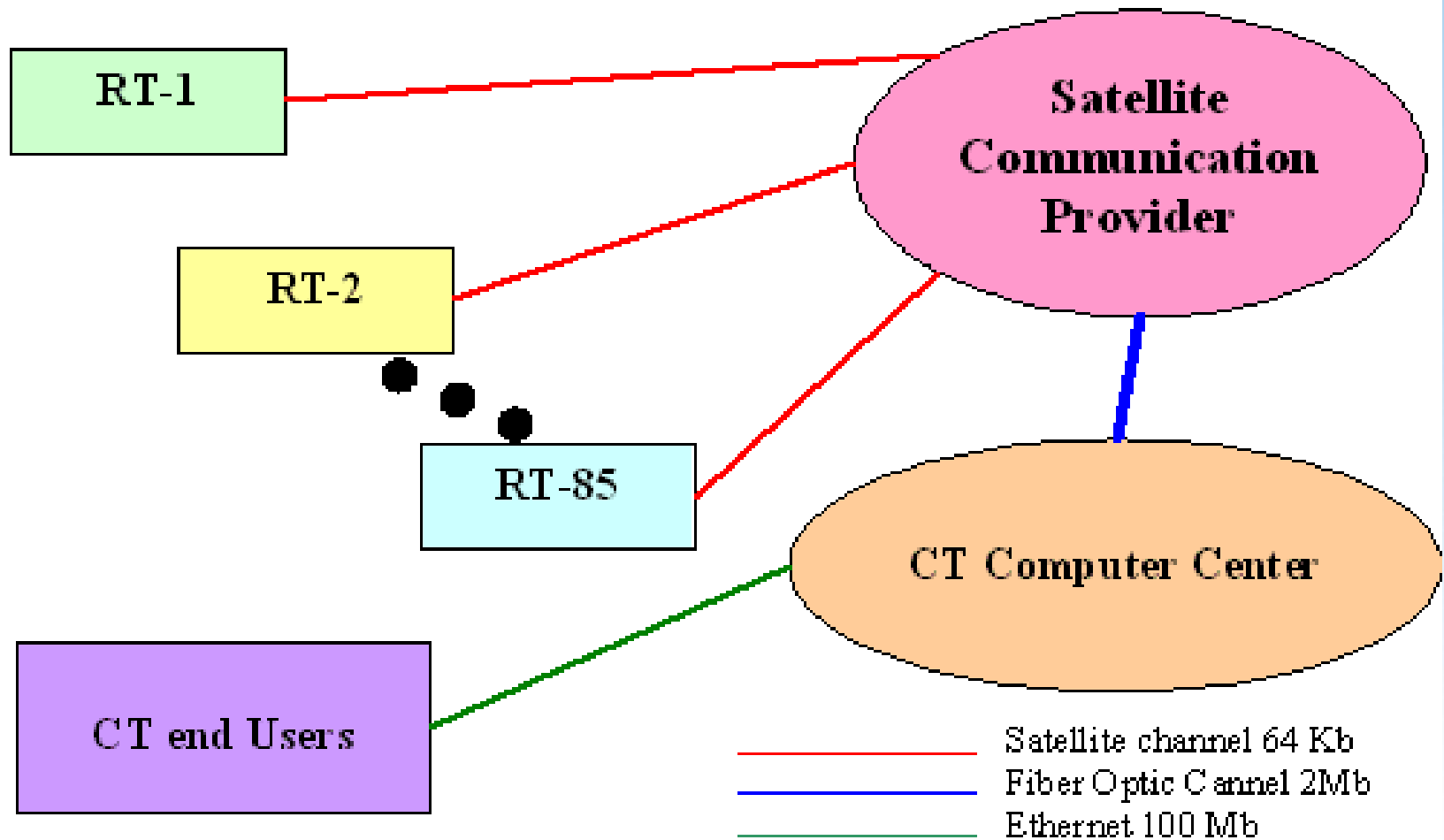
# INTEGRATION WITH PUBLIC BODIES



**A tool for integrating data of the Ministry of Finance and of the organizations listed below:**

- The Ministry for Taxes (planned and actual data on tax revenues)
- The State Customs Committee (planned and actual data on tax revenues)
- The State Committee for Ownership Issues (revenues from privatization and lease of state property)
- The Central Bank (daily execution of the state budget)
- The State Oil Fund (transfers to the state budget, projects funded by the State Oil Fund)
- The State Social Security Fund (transfers from the state budget, daily execution of operations by the State Social Security Fund)

# SYSTEM COMMUNICATIONS



# COMPONENTS OF THE INFORMATION SYSTEM



1. Budget management
2. Budget liability management
3. Payment management
4. Receipt management
5. Debt management
6. Cash management
7. Budgetary and financial reporting
8. External interfaces

- *Finishing of budgets*
- *Setting cash limits*
- *Revision of budgets*
- *Change of cash limits*



- *Adoption of budgetary liabilities*
- *Verification of goods and services*
- *Payroll related operations and other personnel related expenses*
- *Payment of salaries*
- *Payments to suppliers of goods and services*
- *Verification of bank accounts*
- *Verification of bank accounts*
- *Processing of receipts*
- *Allocation of revenues*
- *Payments to tax payers*
- *Revenue forecasts*
- *Accounting for operations on credits and debts*
- *Expense forecasts*
- *Consolidation of forecasts*
- *Reports on execution of the state budget*
- *Annual and monthly cash plans*  
*(legislation of Azerbaijan)*
- *Cash monitoring*
- *Central Bank*
- *Reports according to GFS*
- *State Committee on Property Issues*
- *Other financial statements*
- *State Customs Committee*
- *Ministry for Taxes*
- *State Social Protection Fund*
- *Ministry of Economic Development*
- *Chamber of Accounts*

# COMPONENTS OF THE INFORMATION SYSTEM




## 1. Management of the budget

- *Finishing of budgets*
- *Identification of cash limits*
- *Revision of budgets*
- *Changing cash limits*

# COMPONENTS OF THE INFORMATION SYSTEM



## 2. Managing budget liabilities

- 
- *Adoption of budget liabilities*
  - *Verification of goods and services*
  - *Operations related to payroll and other personnel related expenses*

# COMPONENTS OF THE INFORMATION SYSTEM



## 3. Payment management




- *Payment of salaries*
- *Payments to suppliers of goods and services*
- *Verification of bank accounts*



# COMPONENTS OF THE INFORMATION SYSTEM



## 4. Management of receipts

- 
- *Verification of bank accounts*
  - *Processing of receipts*
  - *Allocation of revenues*
  - *Repayments to tax payers*
  - *Verification with administrators of receipts*

# COMPONENTS OF THE INFORMATION SYSTEM



## 5. Debt management



- *Placement of securities*
- *Receipt of credits and payments on credits*
- *Accounting for operations related to credits and debts*

# COMPONENTS OF THE INFORMATION SYSTEM



## 6. Cash management



- *Forecasts of revenues*
- *Forecasts of expenses*
- *Consolidation of forecasts*
- *Annual and monthly cash plans*
- *Cash monitoring*



## 7. Budgetary and financial statements

- *Reports on execution of the State Budget (legislation of Azerbaijan)*
- *Reports according to GFS*
- *Reports according to IPSAS*
- *Other financial statements*



## 8. External interfaces

- 
- *Central Bank*
  - *State Committee on Property Issues*
  - *State Customs Committee*
  - *Ministry for Taxes*
  - *State Social Protection Fund*
  - *Ministry of Economic Development*
  - *Chamber of Accounts*



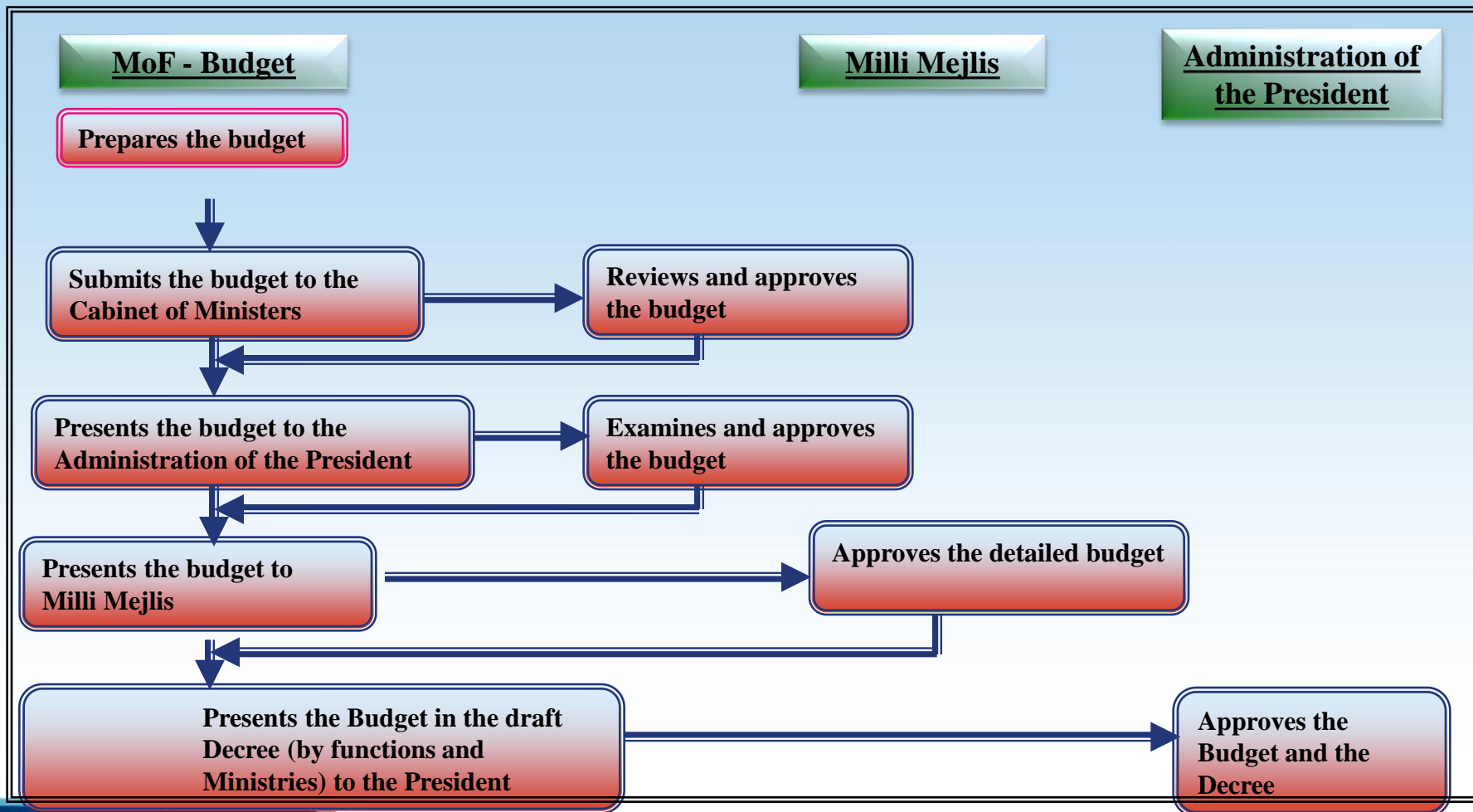
## 1. Function of the Budget Office



# Function of the Budget Office – the budget process



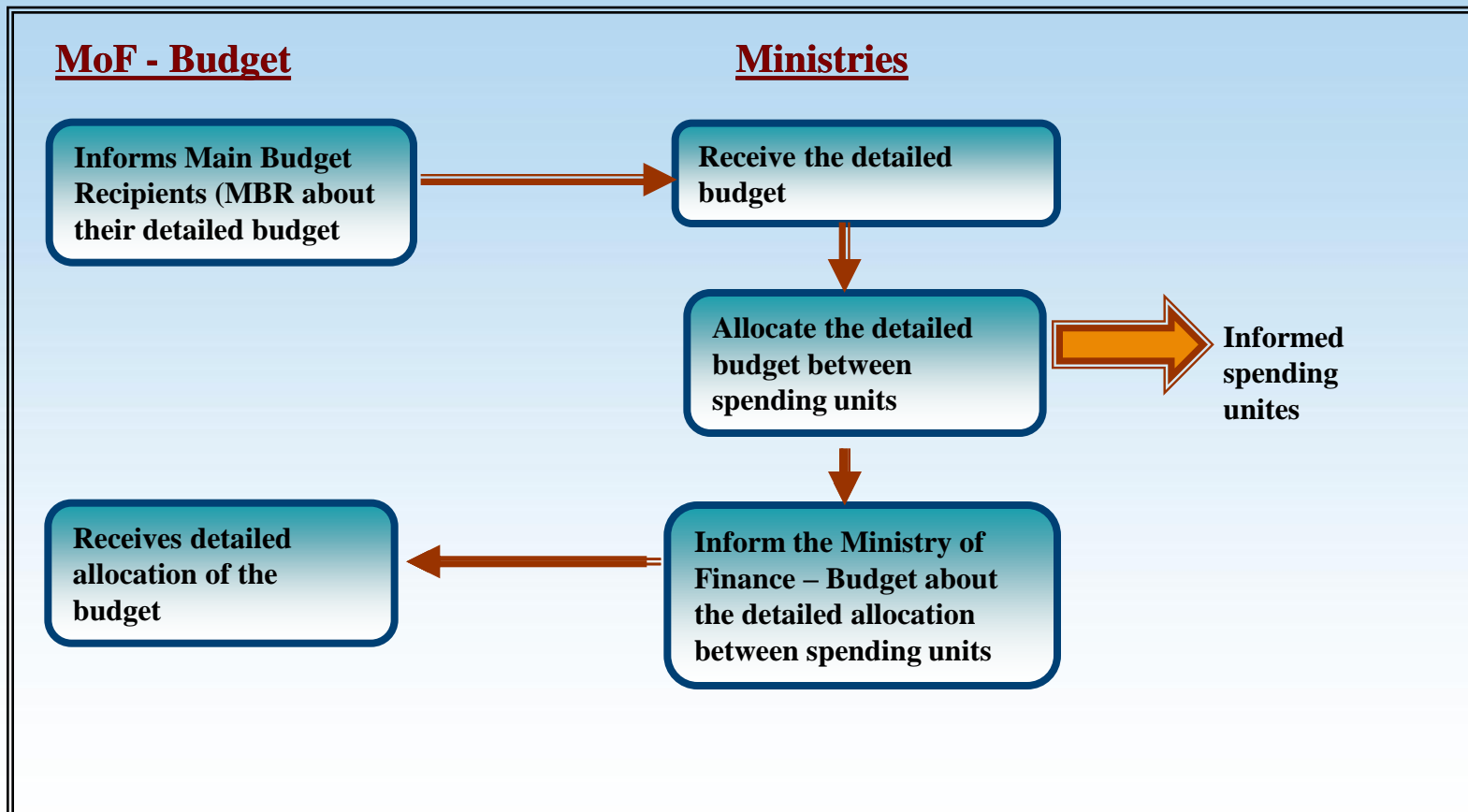
The Ministry of Finance prepares and presents to the Cabinet of Ministers, and then to Milli Mejlis of the Azerbaijan Republic the budget. After the document is approved by the Cabinet of Ministers and adopted by Milli Mejlis, the President of the Azerbaijan Republic approves a Decree on the Budget and the annual Law on Budget.



# Function of the Budget Office – budgetary process



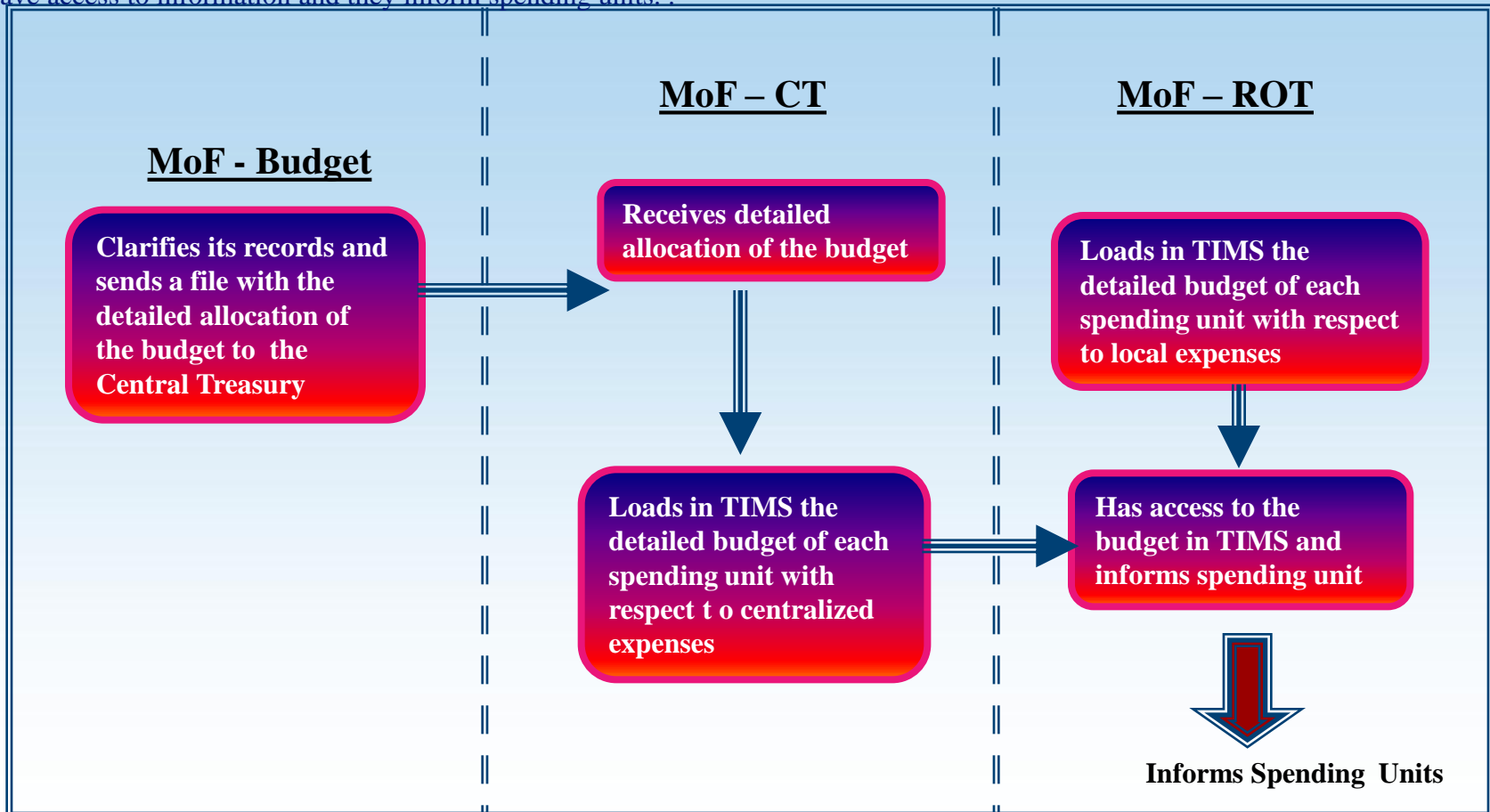
The Ministry of Finance – Budget sends the budget to relevant MBR, which make a decision on allocation of the budget between its subordinated organizations. Budgets of spending units that report to local bodies of the executive power are allocated in consultations with the relevant spending unit and local bodies of the executive power, but not with Ministries.



# Function of the Budget Office – Introduction of the budget into the TIMS



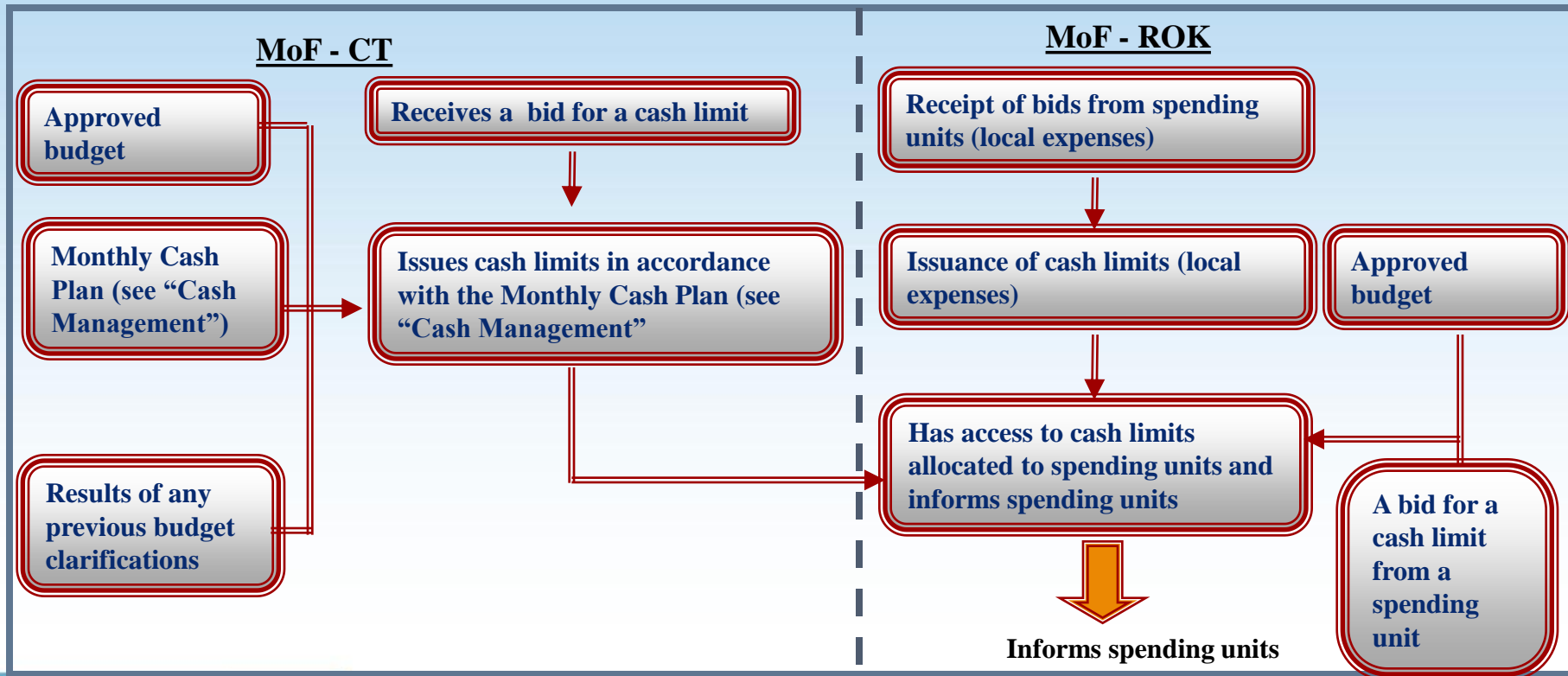
The Ministry of Finance - Budget transfers to the CT a file in a certain format, which contains a copy of the detailed budget of each spending unit. CT introduces in TIMS budgets for each spending unit. LTAs have access to information and they inform spending units...



# Function of the Budget Office - Issuance of cash limits



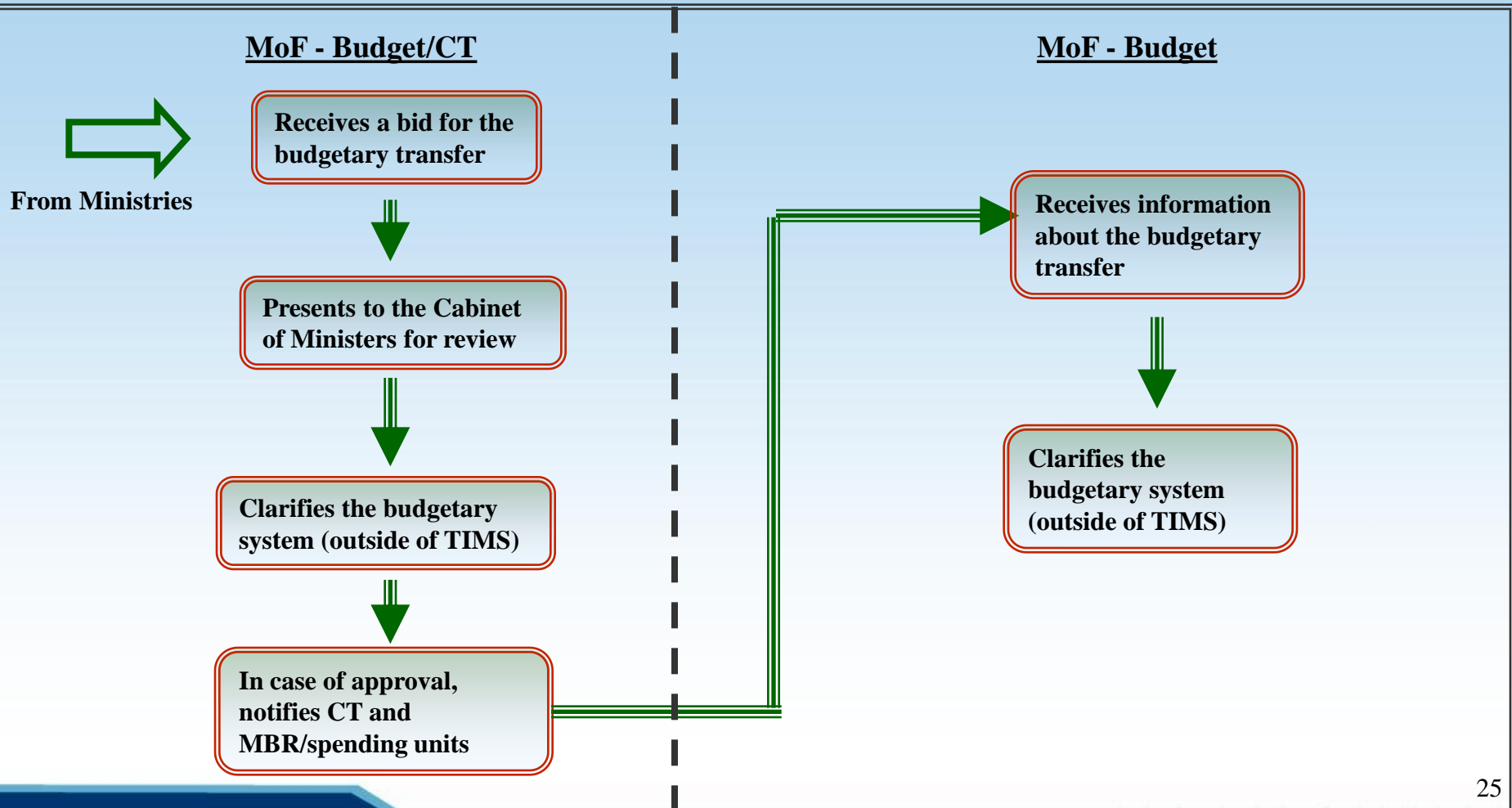
CT reviews in TIMS all bids for cash limits and issues monthly cash limits for each spending unit (related to centralized expenses) in accordance with the Monthly Cash Plan prepared in accordance with the procedures specified in the part of Cash Management. The total amount of the Cash Limit issued for any quarter, month is limited by the corresponding estimate (there can be exceptions, when the limit is annual estimate). The Cash Limit determines both the maximal amount of liabilities that could be created, and the maximal amount of cash funds that could be spent during one month. For spending units funded from local expenses, cash limits are issued by ROT. In these calculations the following is taken into account: local revenues, local expenses and the amount allocated from the centralized budget to cover the difference between expenses and revenues.



# Function of the Budget Office - Budget transfer



The budget transfer between different sections could be approved only by the Cabinet of Ministers. MoF - the Budgetary Department receives bids and, in case of agreement, transfers them for approval to the TMS and notifies the Ministry of Finance – Finance about the transfer.





### **Function of registering the budget for a year envisions the following:**

- Registration of budgetary revenues by revenue classification with annual, quarterly and monthly breakdown;
- Registration of budgetary expenses by expense classification with annual, quarterly and monthly breakdown for each spending unit;
- Registration of data by sources for external and internal financing of budgetary deficit by classification of sources for external and internal financing of state budgetary deficit with breakdown by years, quarters, months.



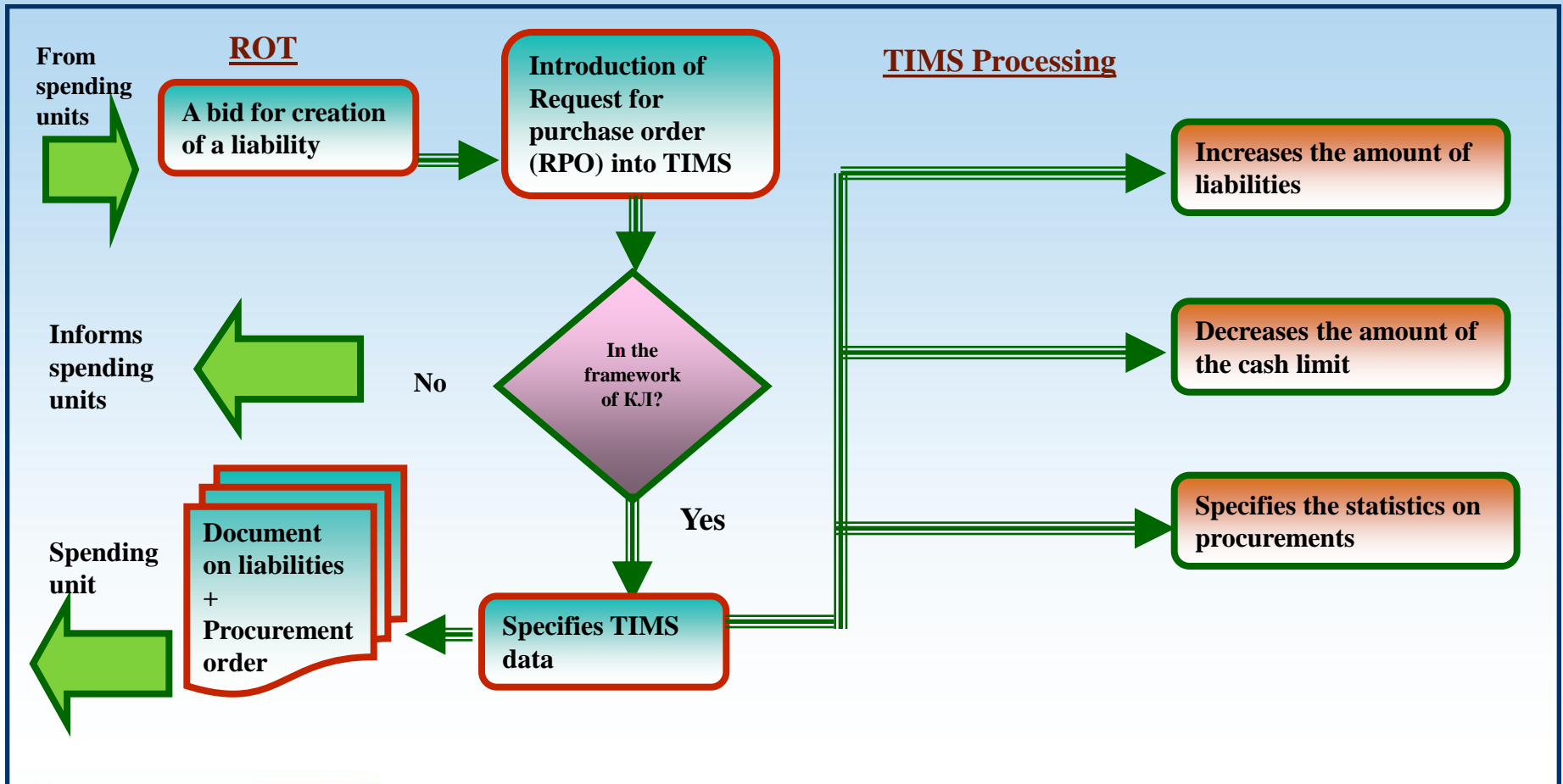


## 2. Liability Management

# Liability management - by expenses



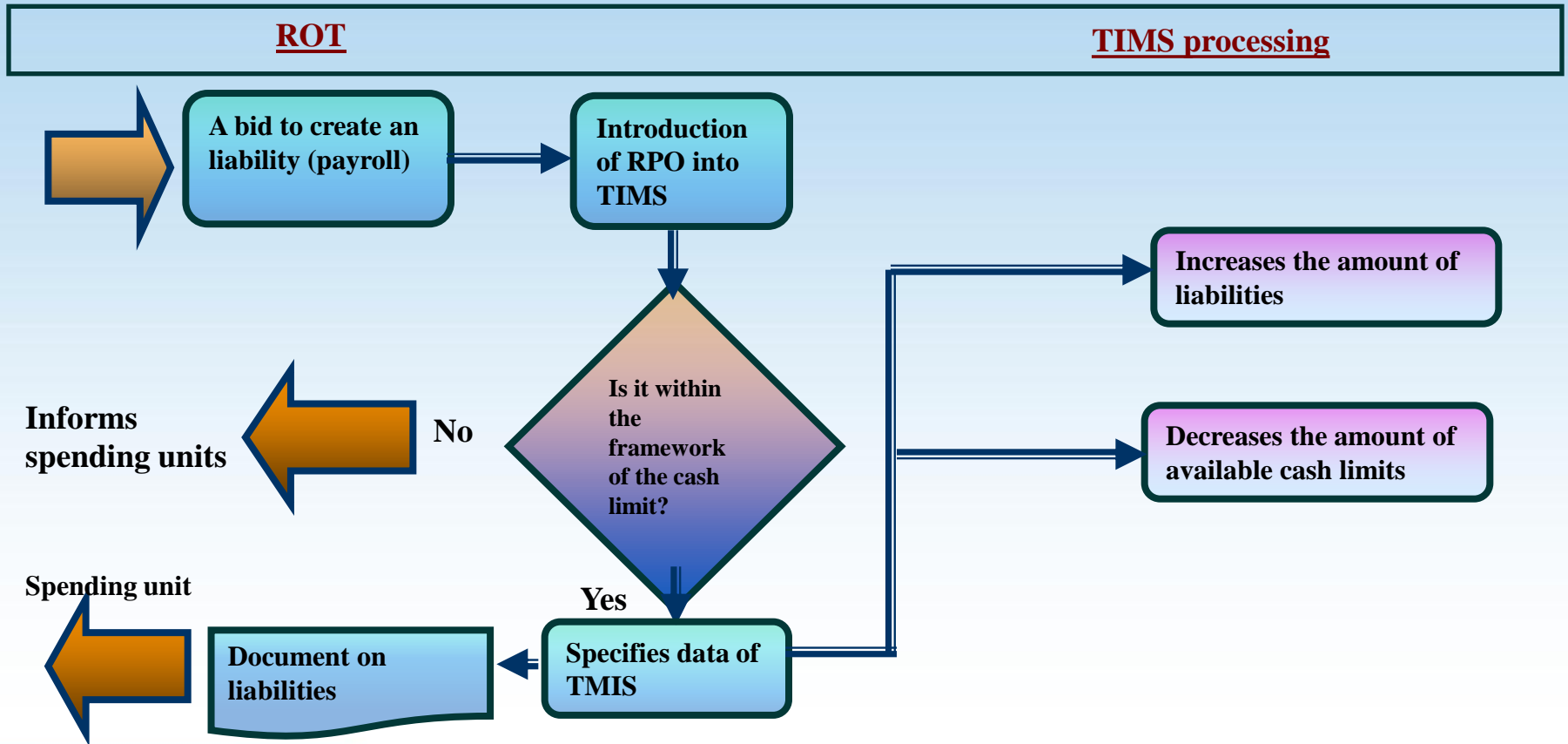
Spending units receive approval of ROT for each liability for specific procurements and operations. It is not possible to enter into TIMS and approve the whole amount of liabilities. ROT verifies through TIMS whether the proposed liability is in the framework of the cash limit (see "Cash Management"), and if yes, then it approves liabilities and clarifies nTIMS entries. (see above liabilities approved by CT).



# Liability management - Payroll



Spending units process data on salaries in their own system (outside of TIMS) taking into account any authorized changes, such as taking new staff members, transfer and carrier growth of employees. Then spending units ensure availability of sufficient amount of budgetary funds. After that spending units prepare and present a Document on Liabilities to ROT. The latter verifies through TIMS whether the proposed liability is within the limits of the cash limit (see "Cash Management"), and if yes, then liabilities are approved and entries in TIMS are specified.



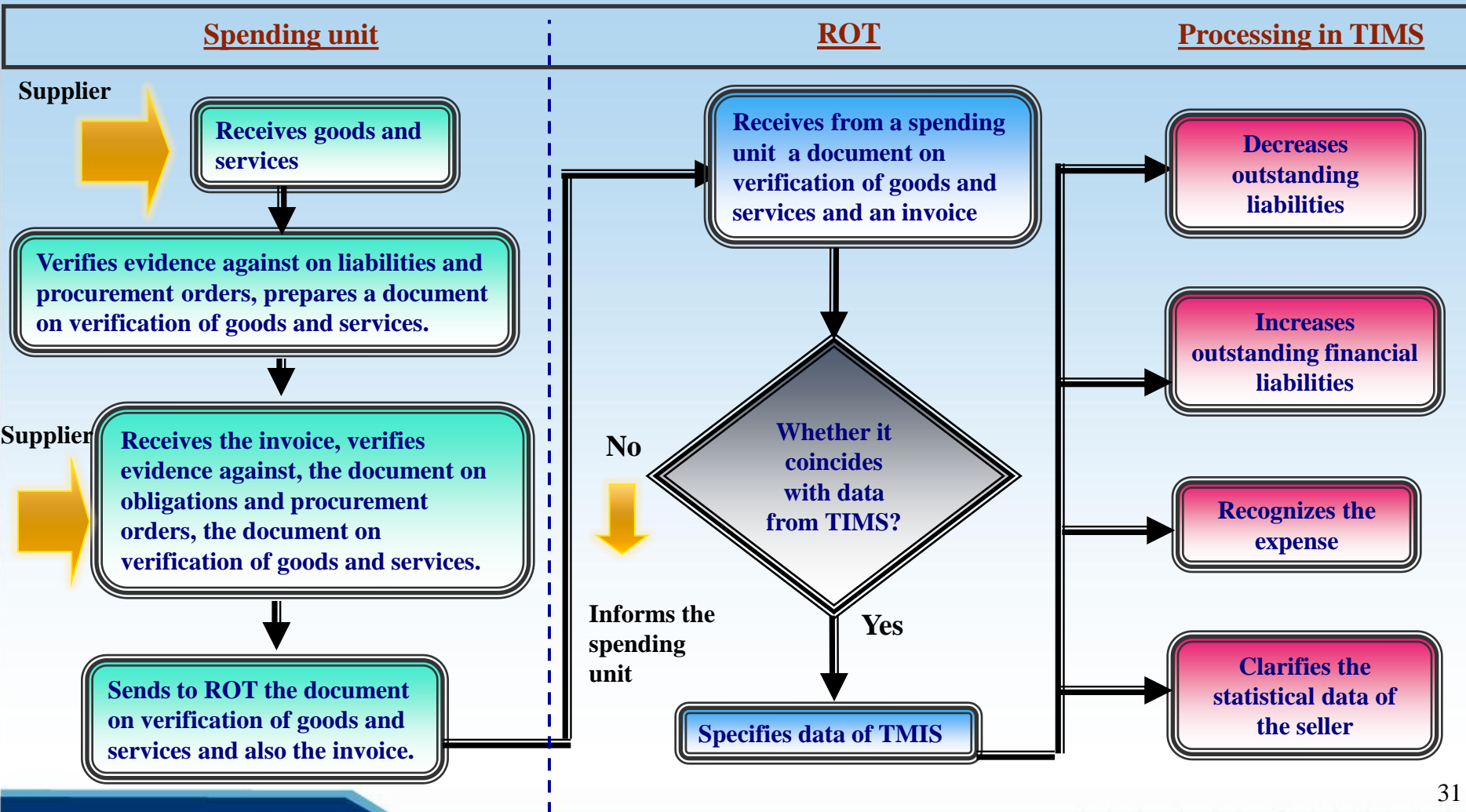


## 3. Management of payments

# Management of Payments – Receipt of goods and registration of debts



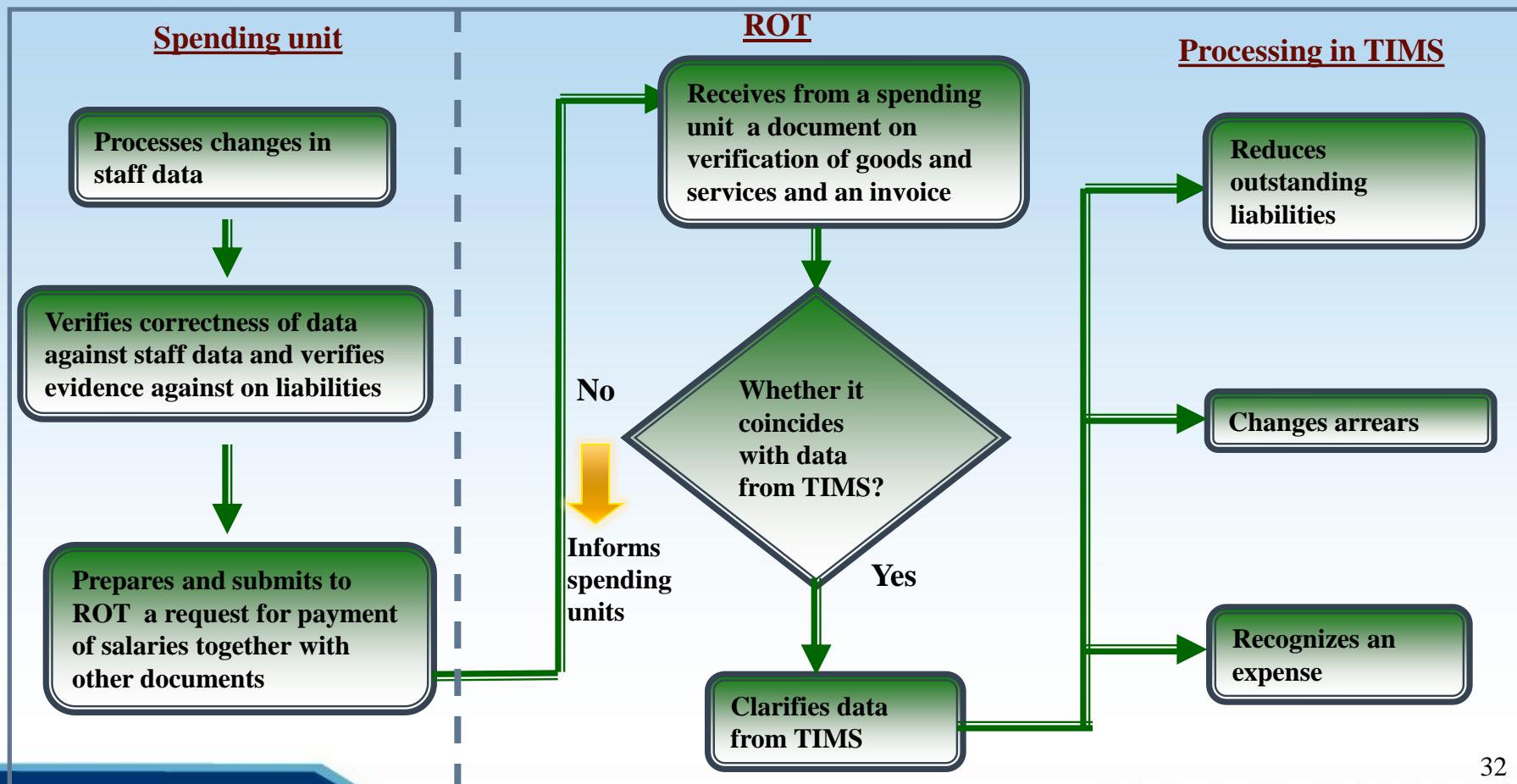
Spending units receive goods (or services) and invoices, cheques against obligations and procurement orders, approve and send invoices to ROT with a request to make the payment. At that stage expenses are recognized. Meanwhile, there should be entries on expenses on cash basis.



# Management of Payments –registration of arrears on payroll



Spending units process data on payroll in their own system (outside of TIMS) taking into account any authorized changes, such as adoption of new staff positions, transfer and career growth of employees. Then, spending units verify availability of a corresponding budget and liabilities. After that they prepare and present to ROT a request for payment. ROT verify data against liabilities entered into TIMS and process payroll. At that stage the expense is recognized. Meanwhile, there should be entries on expenses made on a cash basis.





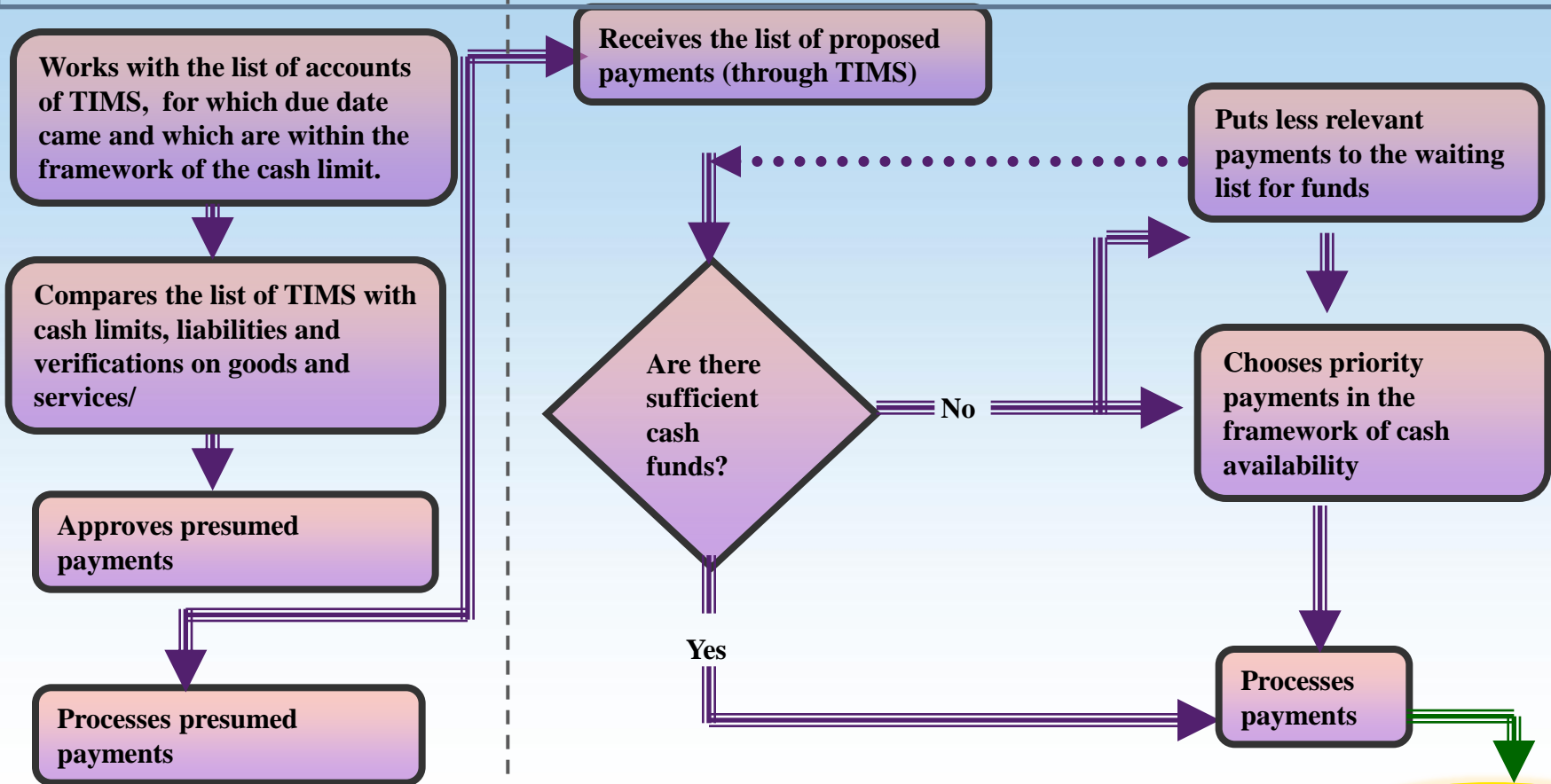
# Management of Payments – Setting priorities and processing of payments



The Treasury processes all payments with the due date, which are in the framework of the cash limit. Availability of an adequate amount of cash resources is determined. If there are sufficient funds, then priorities of payments are set.

## ROT

## Treasury – Cash Management



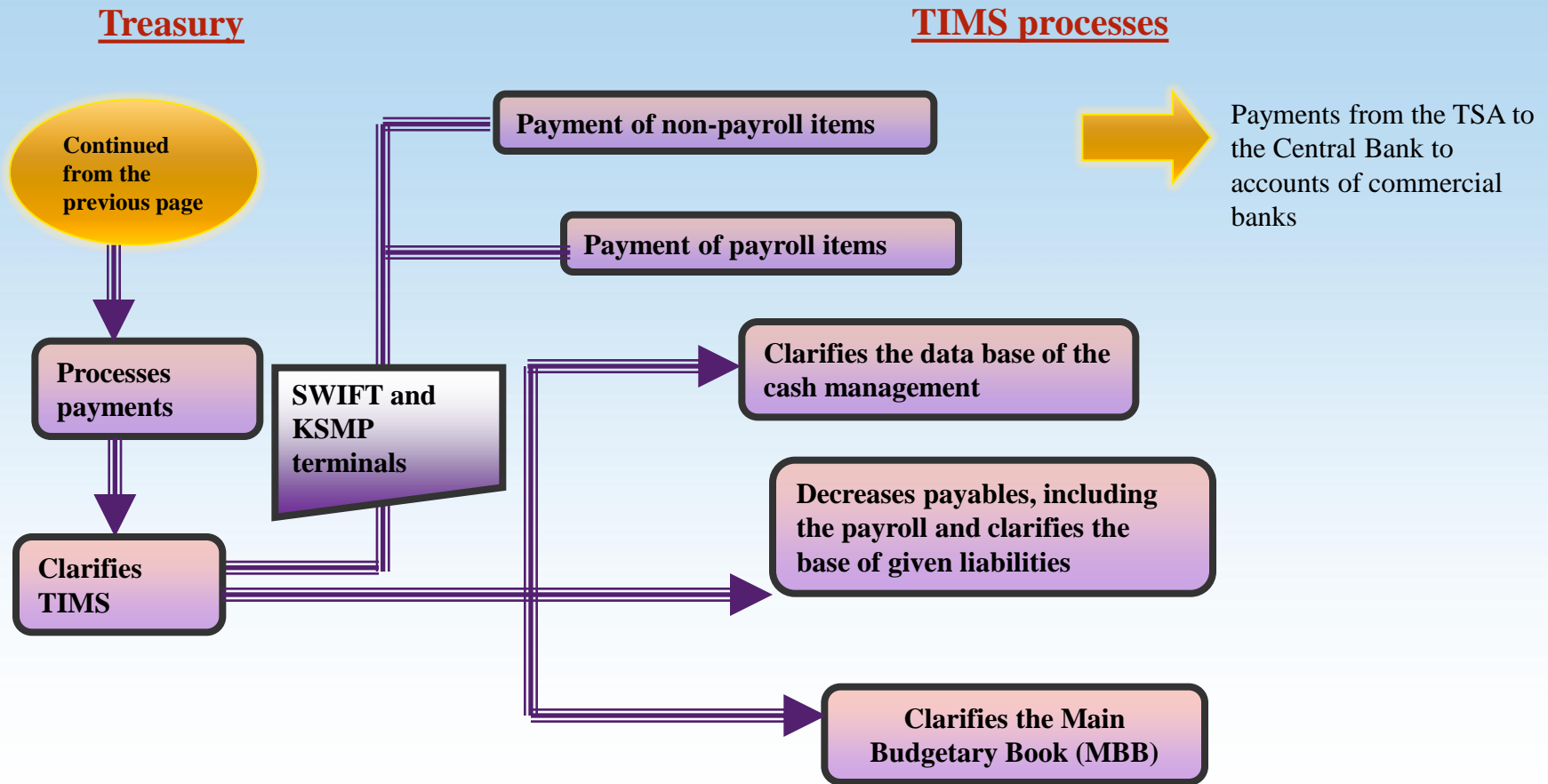
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# Management of Payments – Processing of payments



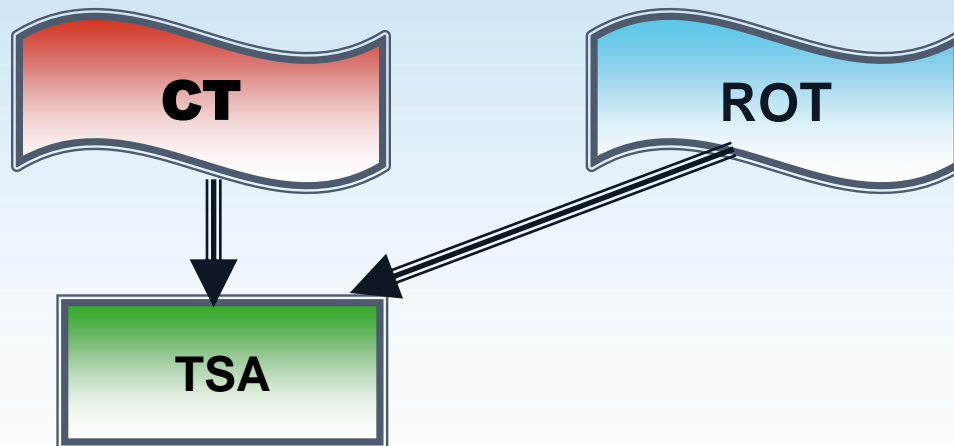
The Treasury processes payments (through SWIFT and KSMP (small payment clearing system) terminals and clarifies entries in TIMS. It includes clarification of cash management data, payables and the General Ledger.



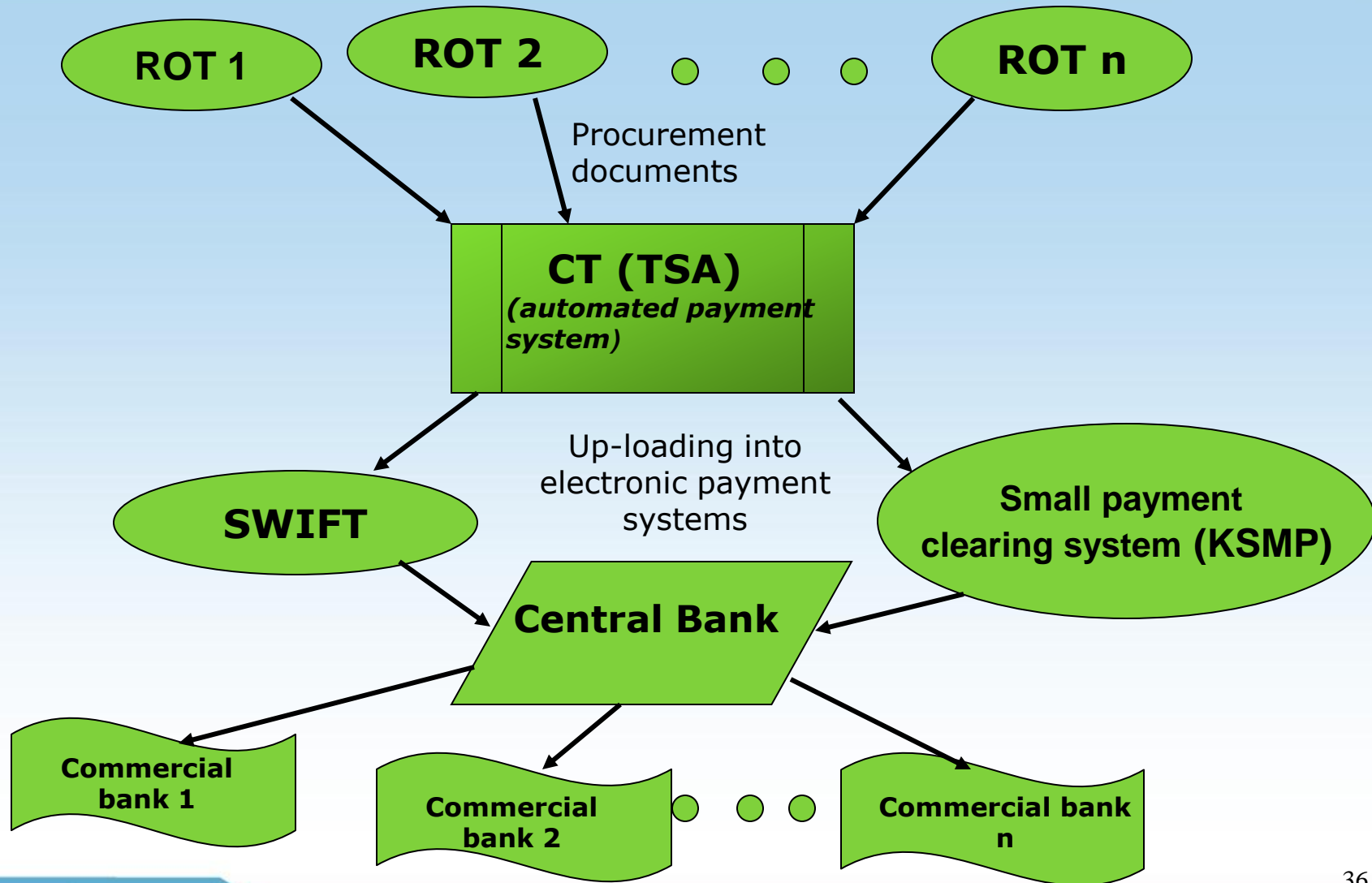
# Management of Payments



- The function of management of payments is carried out on two levels: on the level of the Central Treasury and on the level of regional treasuries. In the CT the Treasury Single Account (TSA) was opened.
- The function of management of payments is based on the requirement of centralized execution of payments. That means that all wire transfers have to be made from the account CT - TSA.
- From the TSA account wire transfers are made on registered debts directly to the CT, and also on debts registered with ROT.



# EXECUTION OF PAYMENTS



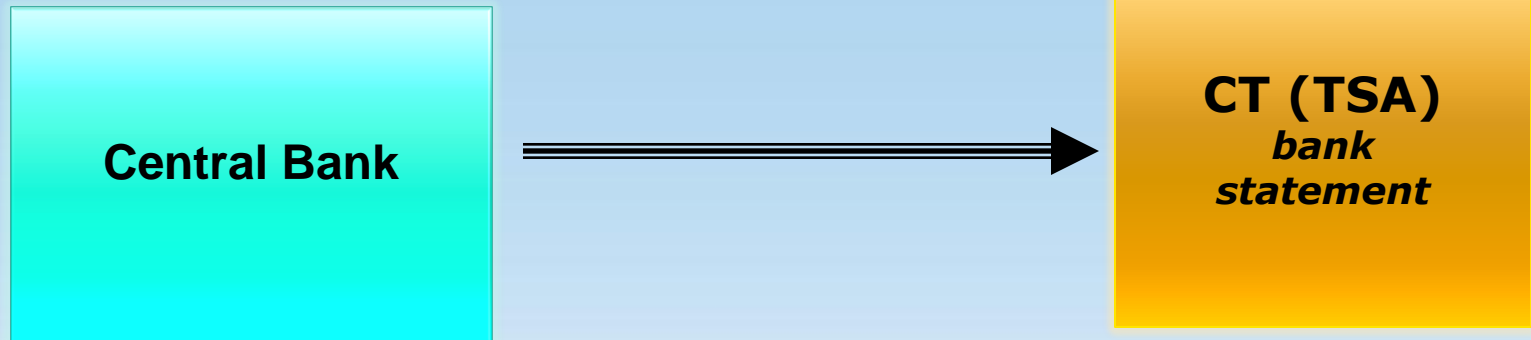


# AUTOMATED PAYMENT PROGRAM



- The automated payment program (APP) is used to create an electronic file of outgoing payments.
- For all payments from the TSA account the centralized method of payment is used, under which payables are registered with ROT (CT), and the payer is the CT. Payments are formed on the basis of SWIFT standards.
- Two payment systems are used in the CT:  
SWIFT system  
KSMP system
- Transfer of packages of payment happens in real time mode.

# PROCESSING OF THE BANK STATEMENT (CONFIRMATION OF PAYMENTS)



- ◆ At the end of the banking day, the Central Bank sends an electronic statement using the SWIFT system from the TSA account.
- ◆ In the CT the received file is uploaded in the system and verification of confirmation of payment and closure of the banking day in the CT take place.

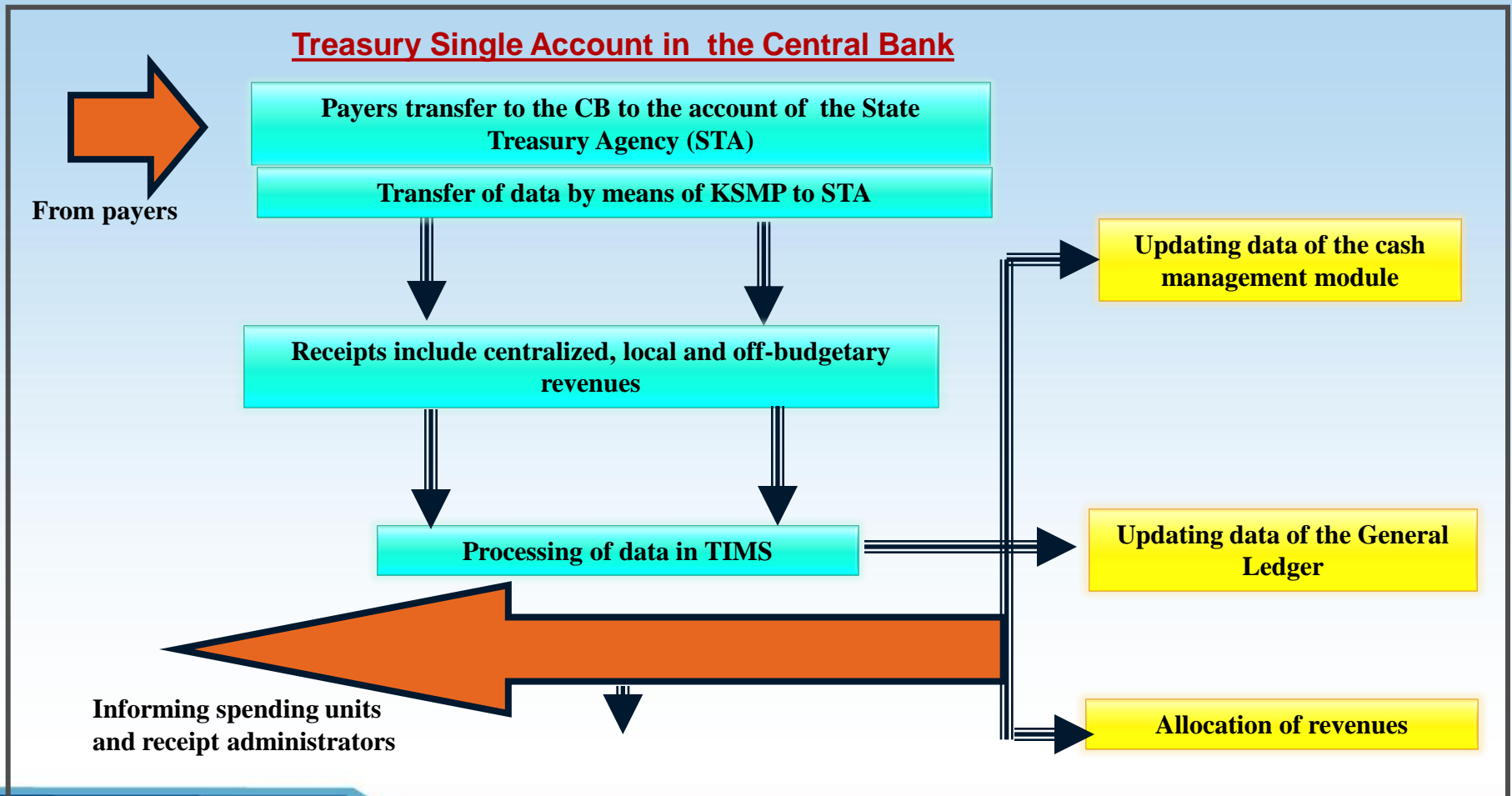


## 4. Receipt management

# RECEIPT MANAGEMENT



Revenues of the budget go to the Treasury Single Account. Data on receipts in the electronic form is transferred from the Central Bank to the Central Treasury, and then are uploaded into TIMS and are allocated to personal accounts of receipt administrators. ROT and by means of extracts from personal accounts inform spending units about their receipts.

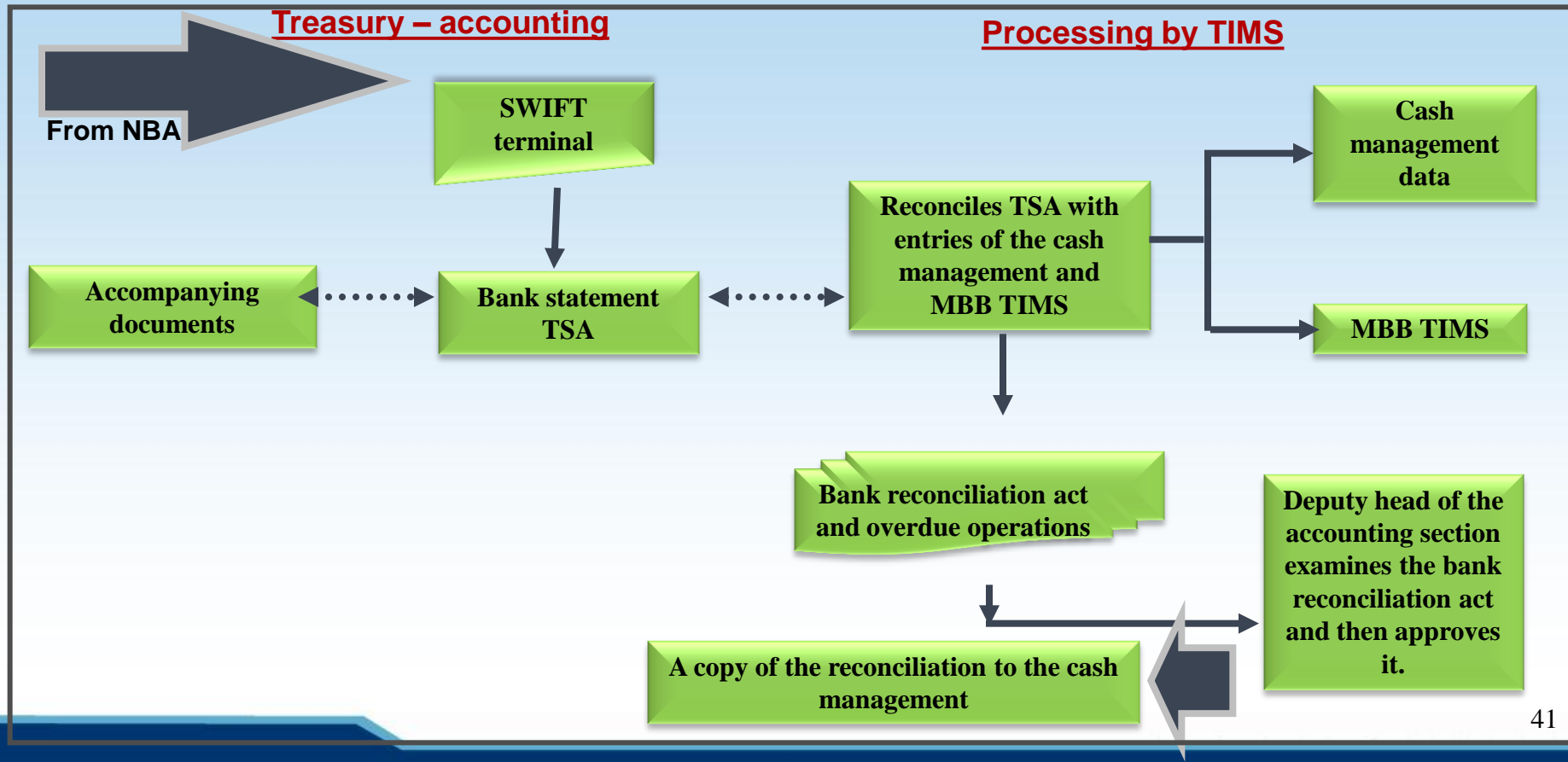


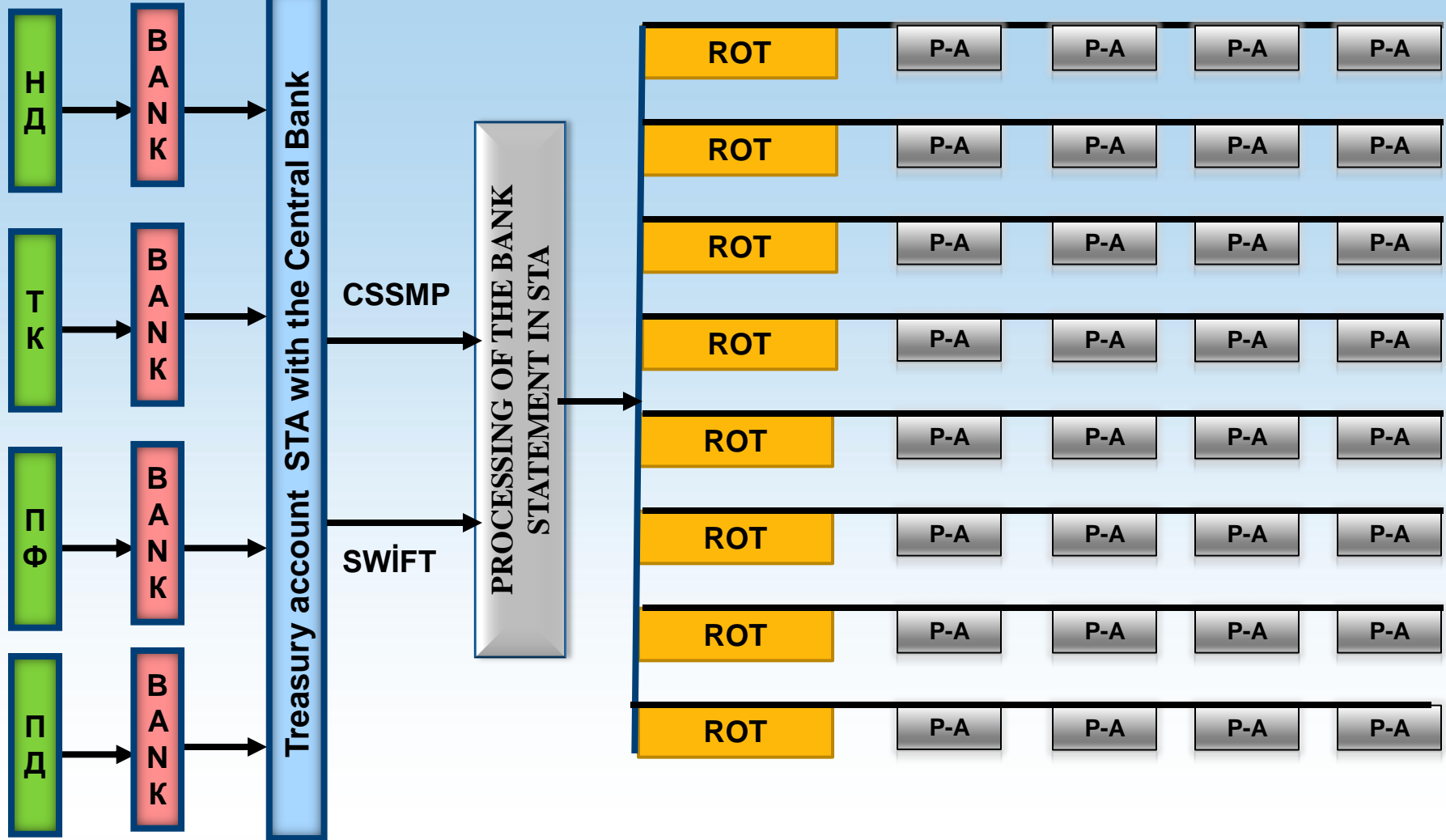


# MANAGEMENT OF PAYMENTS AND RECEIPTS – DAILY BANK VERIFICATION



The Treasury - accounting receives daily bank statements through SWIFT and accompanying documents from the National Bank of Azerbaijan (NBA). Accounting verifies bank statements with its own entries and entries in the MBB. All overdue payments and receipts are tracked up to the future bank statements. The bank reconciliation act is printed out by TIMS and is signed by the deputy head of the accounting section alongside with any list of overdue payments and receipts. All other bank accounts which are under the control of the CT are verified in a similar manner.





# STRUCTURE OF A PERSONAL ACCOUNT IN TIMS



**2117131**

**211**

**Administrative classification**

**71**

**Number of ROT**

**31**

**Order number of the personal account**



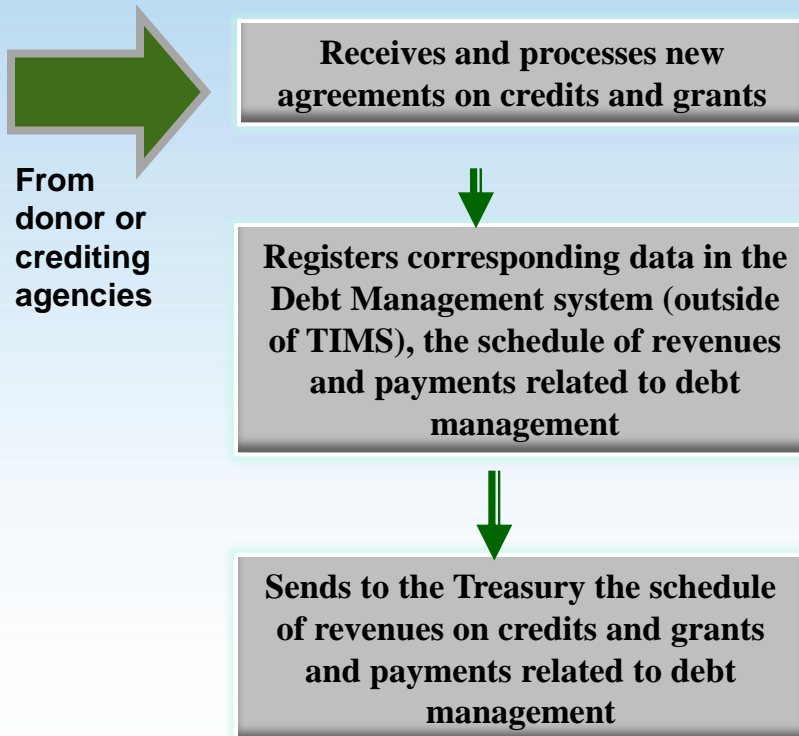
# 5. Debt management

# Agency for managing state debt – agreements on loans and grants and issuance of securities

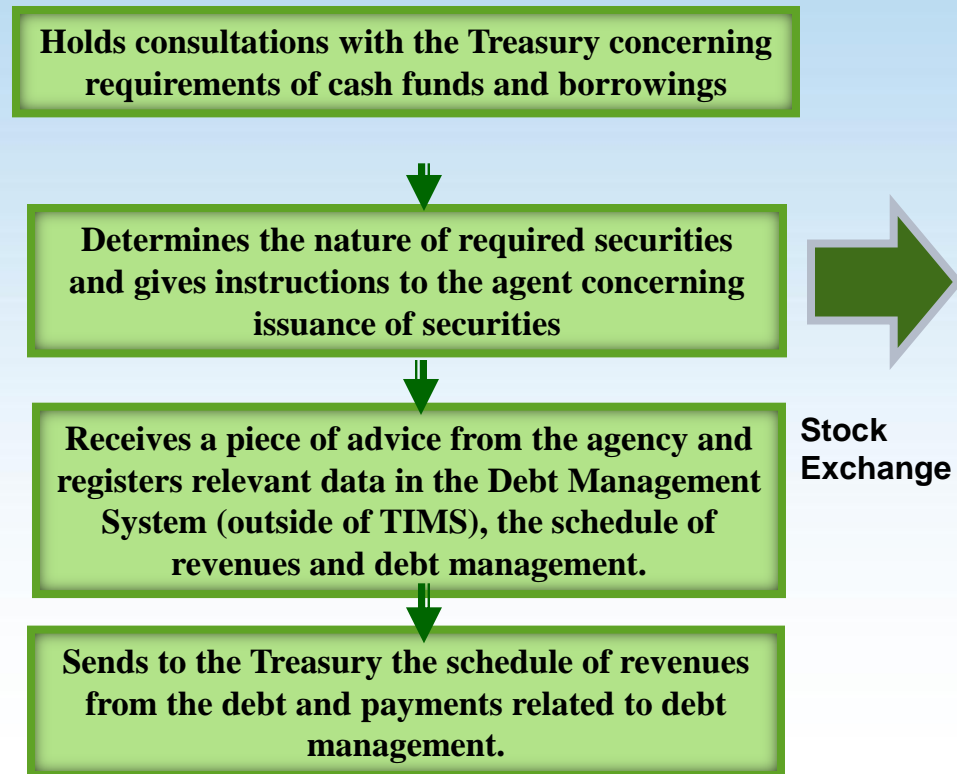


The agency for managing state debt receives information on credits or grants given to the state by donor organizations. A decision is made with respect to arising requirements in consultations with the Treasury. The nature of securities subject to be issued is determined. The agency for managing state debt clarifies its records and submits to the Treasury the schedule of receipts on credits and securities, and also requirements to debt management.

## Agency for Managing State Debt



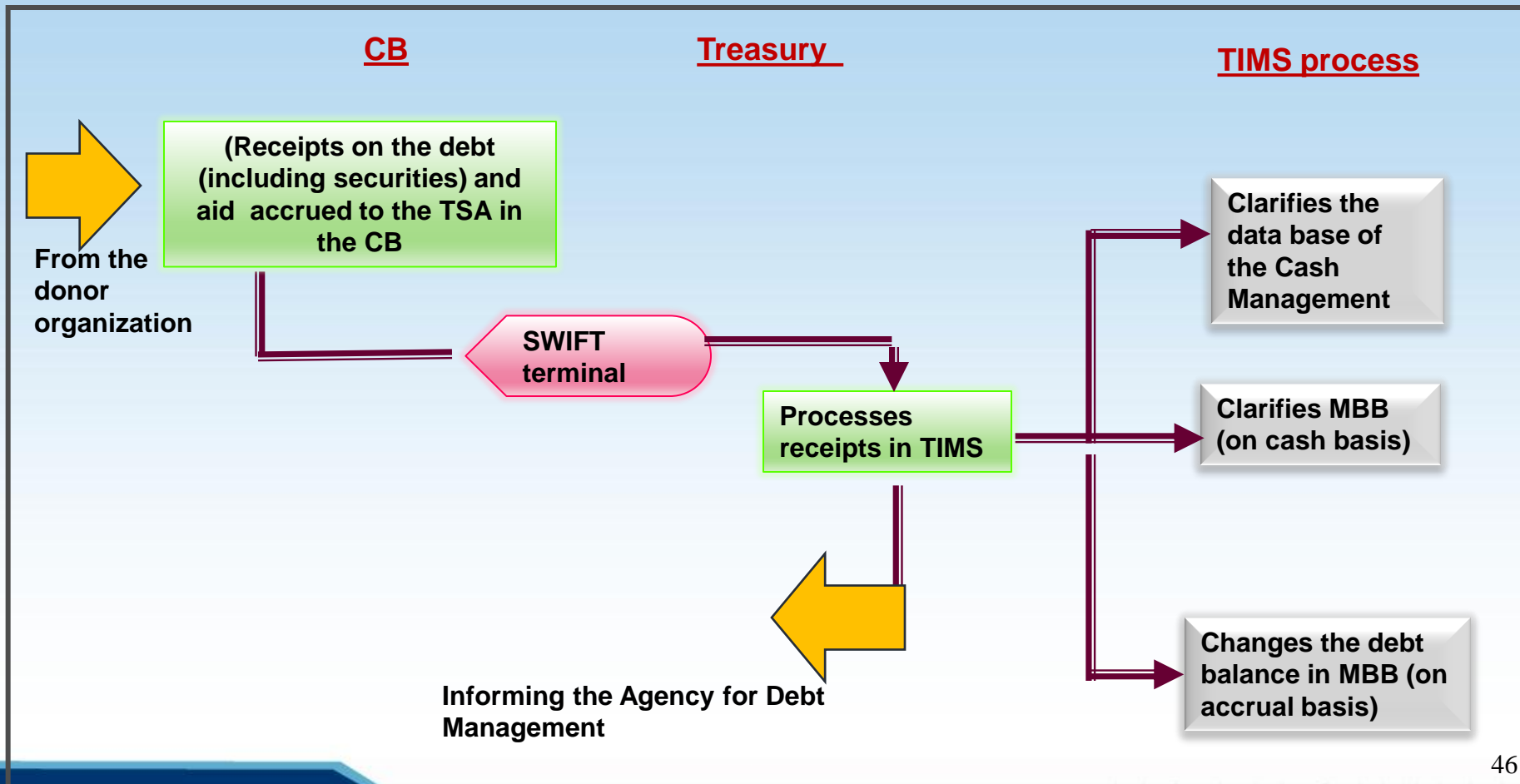
## Agency for Managing State Debt



# Debt and aid management – processing of receipts



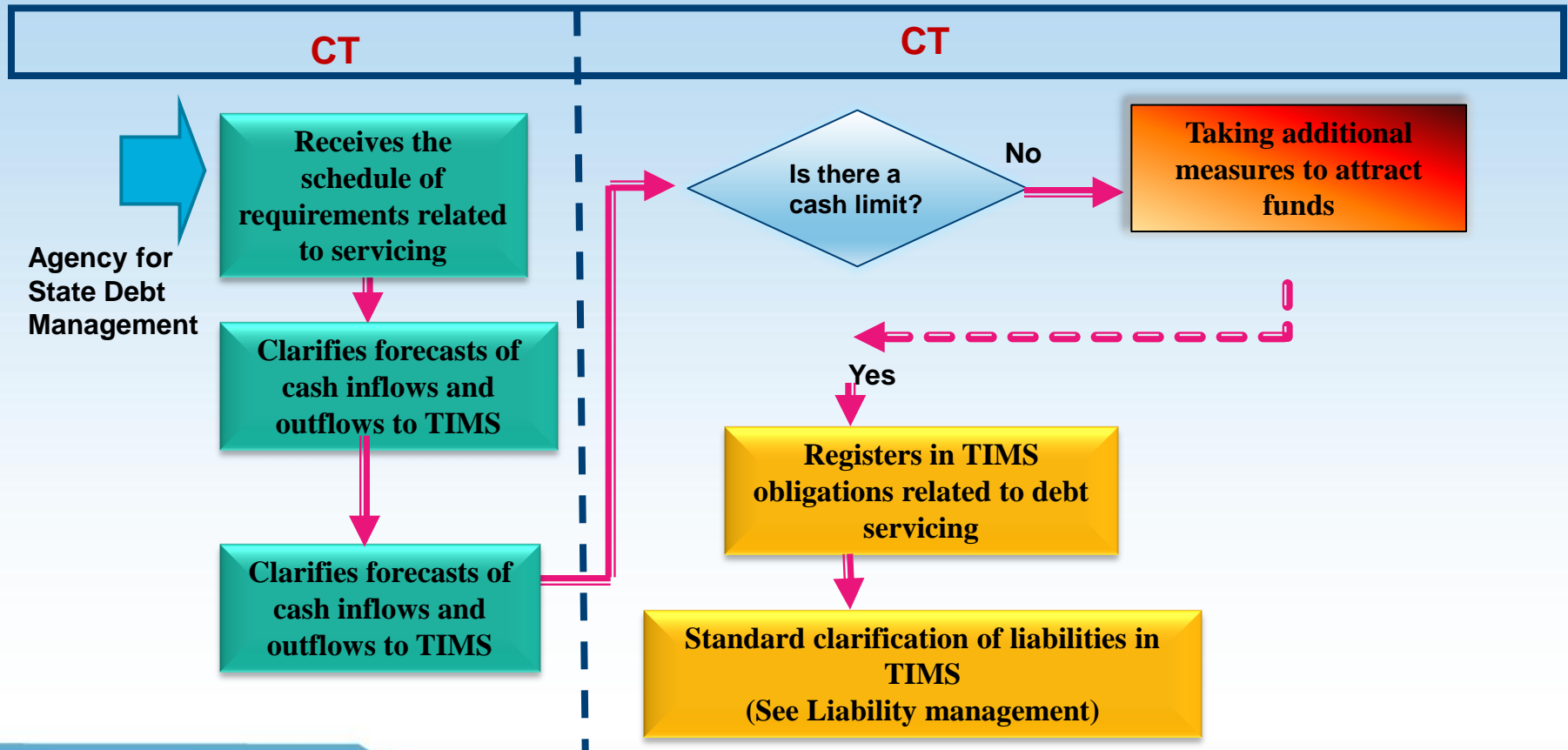
The Treasury has access to the TSA through the SWIFT terminal and processes receipts in TIMS, clarifying data of MBB and other entries. The Treasury presents information on receipts to the Agency for Managing State Debt in order to be able to clarify their entries on debt and aid.



# Registration of debt servicing



The Treasury requirements related to debt servicing from the Agency for State Debt Management. Requirements for the current year are determined and relevant obligations are entered in the system of cash management and the information is transferred to the cash expenses. The latter enters liabilities into TIMS. Payments on debt servicing have to be made as soon as there are cash limits in the corresponding month, since they are a priority. If necessary, the Treasury holds consultations with the deputy minister and takes relevant measures to provide with funds.





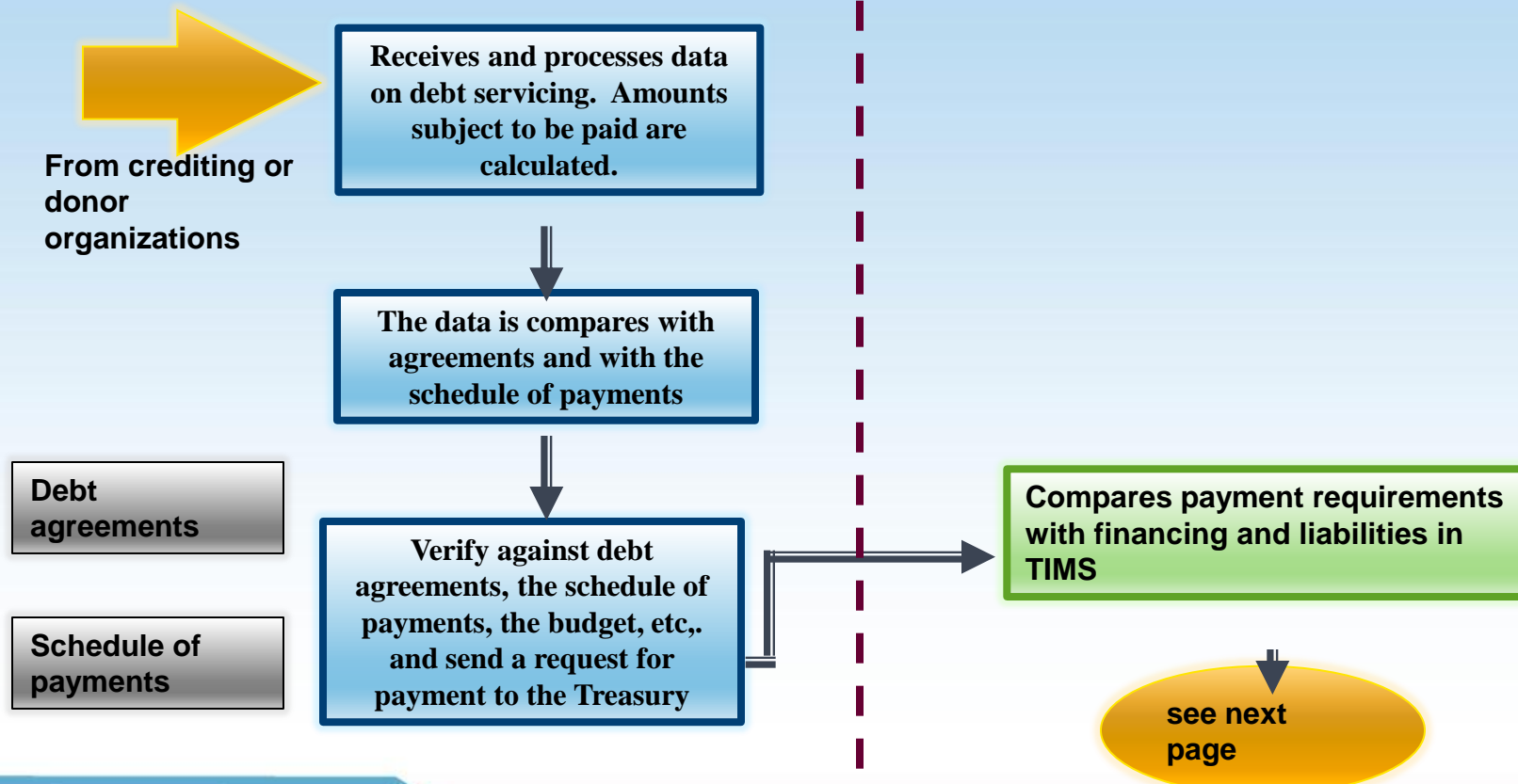
# LOAN SERVICING



The Agency for Managing State Debt receives data on debt servicing, calculates amounts subject to be paid on outstanding securities, verifies accuracy of amounts subject to be paid against relevant agreements and then transfers to the Treasury for execution of payment. The Treasury compares proposed payments with relevant data on liabilities in TIMS.

## Agency for Managing State Debt

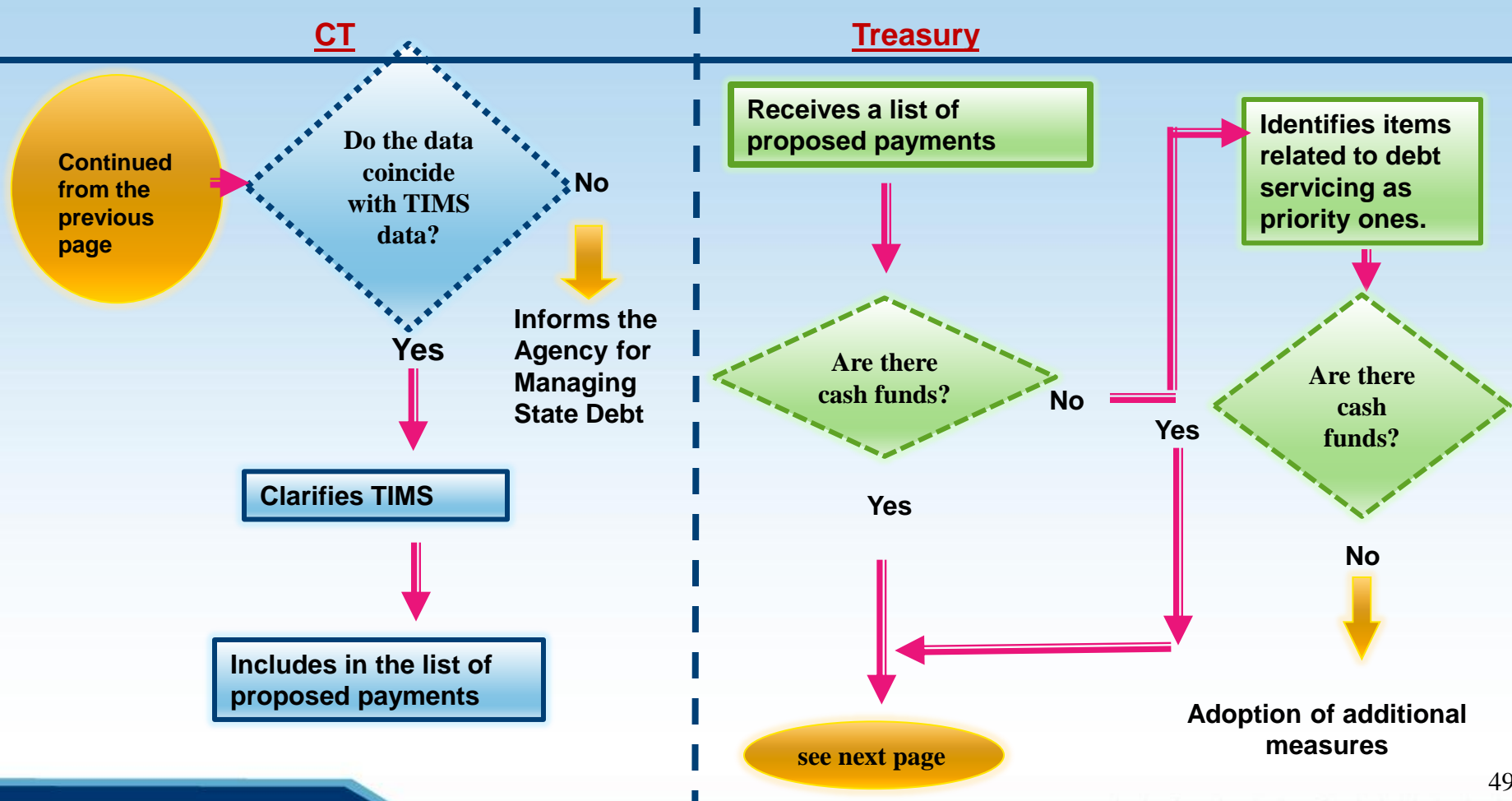
## Central Treasury



# DEBT SERVICING



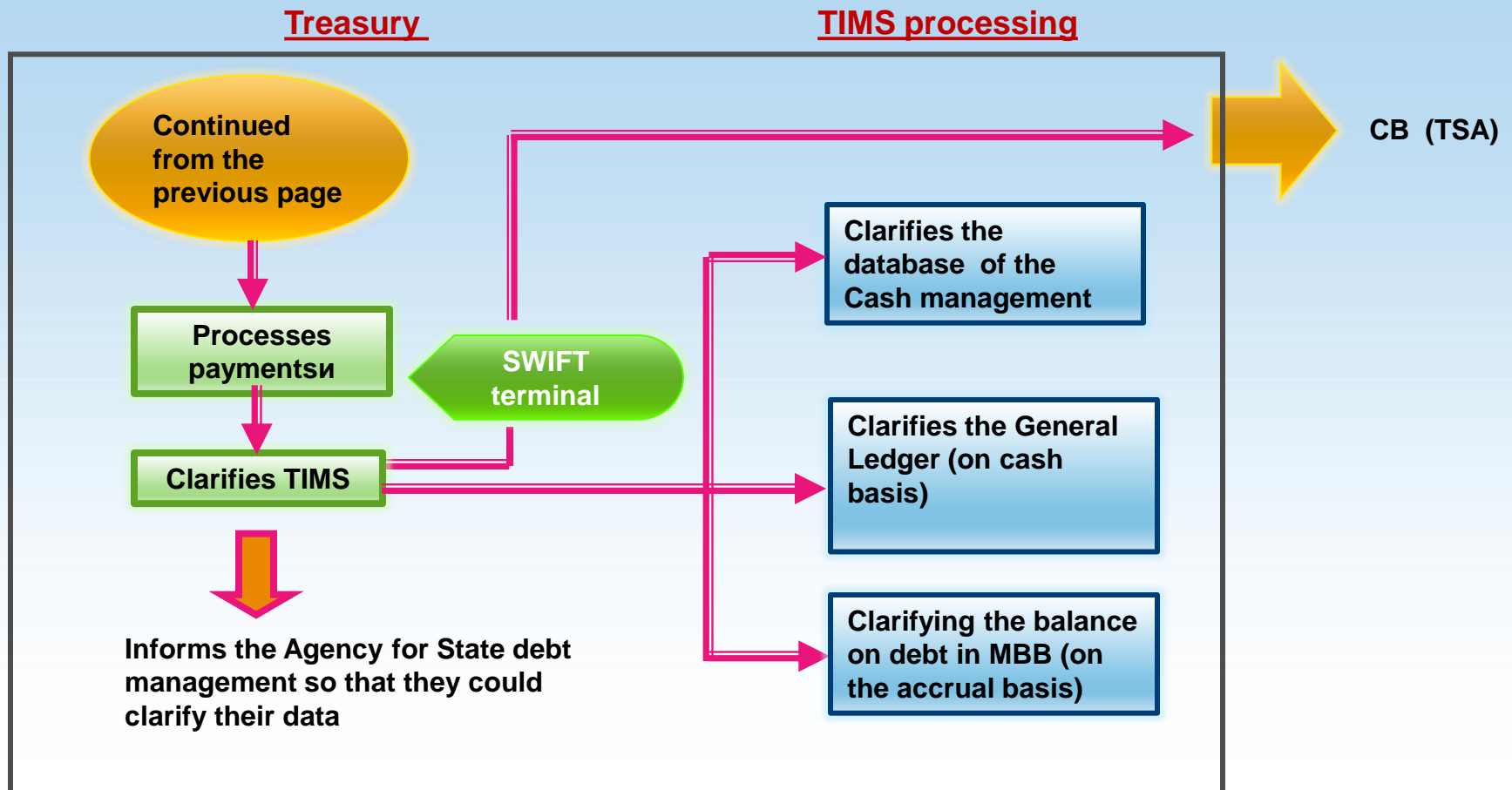
The CT compares proposed payments with entries in TIMS, checks availability of cash funds and processes the payment. If there are not enough cash funds to process all payments on the list, then payments related to the debt are marked as priority ones.



# PROCESSING OF PAYMENTS



The Treasury processes payments related to debts through the standard payment management system and clarifies entries in TIMS. The Treasury informs the Agency for Managing State Debt about actual execution of the payment so that they could clarify their entries related to the debt.





# 6. Cash management

# Cash management – Annual forecasting of cash flows



## Receipt administrators/ Ministry of Finance – Forecasting of revenues

Regional sections of administrators prepare annual forecasts on budget revenues by months

Forecasts for budgetary revenues are sent (through Revenue Forecasting) to the Treasury - cash management

See next page

## Agency for Managing State Debt

Prepares annual forecasts on debt and on aid (by months) that cover repayment of the debt, payment of interests, loan sale, liabilities arising in connection with receipt of assistance. Prepares similar forecasts on crediting and repayment of loans.

Sends forecasts to the Treasury -- Cash management

See next page

## Spending units /RTA/MBR

Spending units prepare annual forecasts on expenses and off-budgetary revenues (in case there are no forecasts, the budget is used)

Spending units send forecasts to spending units, and spending units send forecasts to ROT or MBR

ROT and MBR examine, correct forecasts. If forecasts are acceptable, then ROT enters them in TIMS, and MBR is sent to Cash management .

See next page

# Cash management – Quality guarantee and consolidation



## CT – Cash management

Continued from the previous page

Annual forecast for revenues (by months)

Forecast of annual debt and aid (by months)

Прогноз годового расхода (по месяцам)

Утвержденный бюджет

Carries out review of forecasts (including those that are introduced by ROT) taking into account previous deviations from actual indicators, cash balances, and adjusts them in a proper way

Enters forecasts into TIMS

Uses TIMS for preparing a preliminary Annual cash plan (by months) through consolidation of forecasts and accounting for the cash position as a whole

State Budget (SB) TIMS

Cash balance TIMS

Debt portfolio

See next page



# Cash management – Annual cash plan



## Treasury – Cash management

## ROT

Continued from the previous page

Preliminary annual cash plan

Are there sufficient cash funds

No

Sets priorities in cash outflows, in order to comply with available cash funds

Yes

Approves the annual Cash plan

Introduces the amount of annual cash limits for each spending unit by months

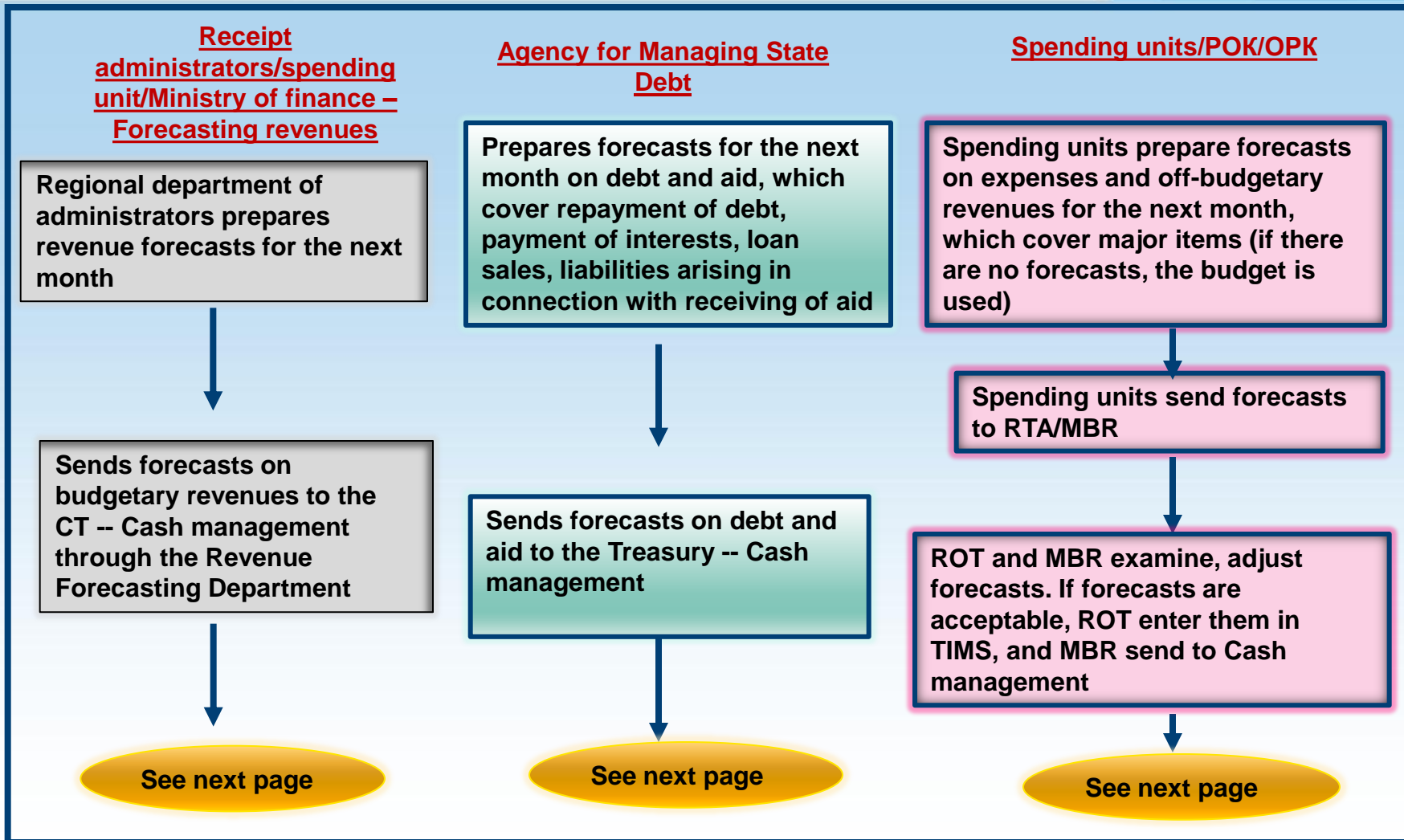
Clarifies the annual cash plan in accordance with information received each month (see below)

Has access to monthly cash limits of each spending unit

Informs spending units



# Cash management – Forecasting for the next month



# Cash management – Quality guarantee and consolidation



Continued from the previous page

Forecasts on revenues for the next month

Forecasts on debt and aid for the next month

Forecasts on expenses (or budget) for the next month

Carries out review of forecasts (including those that are introduced by ROT) taking into account previous deviations from actual indicators, cash balances, and adjusts them in a proper way

Enters forecasts in TIMS

Uses TIMS for preparing a preliminary Annual cash plan (by months) through consolidation of forecasts and accounting for the cash position as a whole

See next page

MBB TIMS

Cash balances in TIMS

Cash limits issued in the past allocation of funds

Debt portfolio

# Cash management – Monthly cash plans



## Treasury – Cash management

Continued from the previous page

Preliminary monthly cash plan

Whether there are enough cash funds

No

Cash outflows ranked according to priorities, relevance of cash funds

Yes

Using TIMS prepares the monthly cash plan that shows the cash limit for each spending unit for the next month

See Function of the Budgetary office issuance of cash limits

## ROT

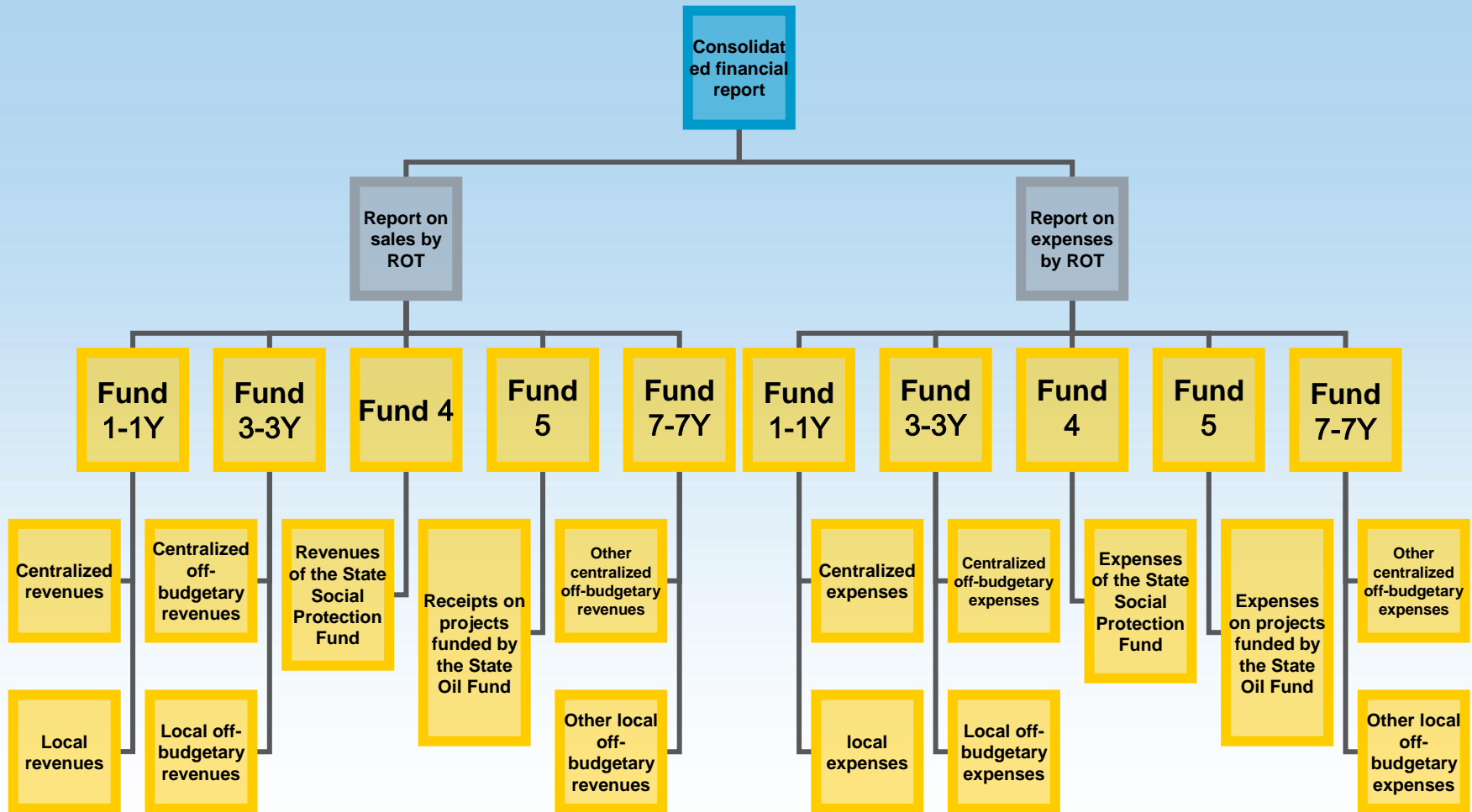
Has access to cash limits of each spending unit

Informs spending units

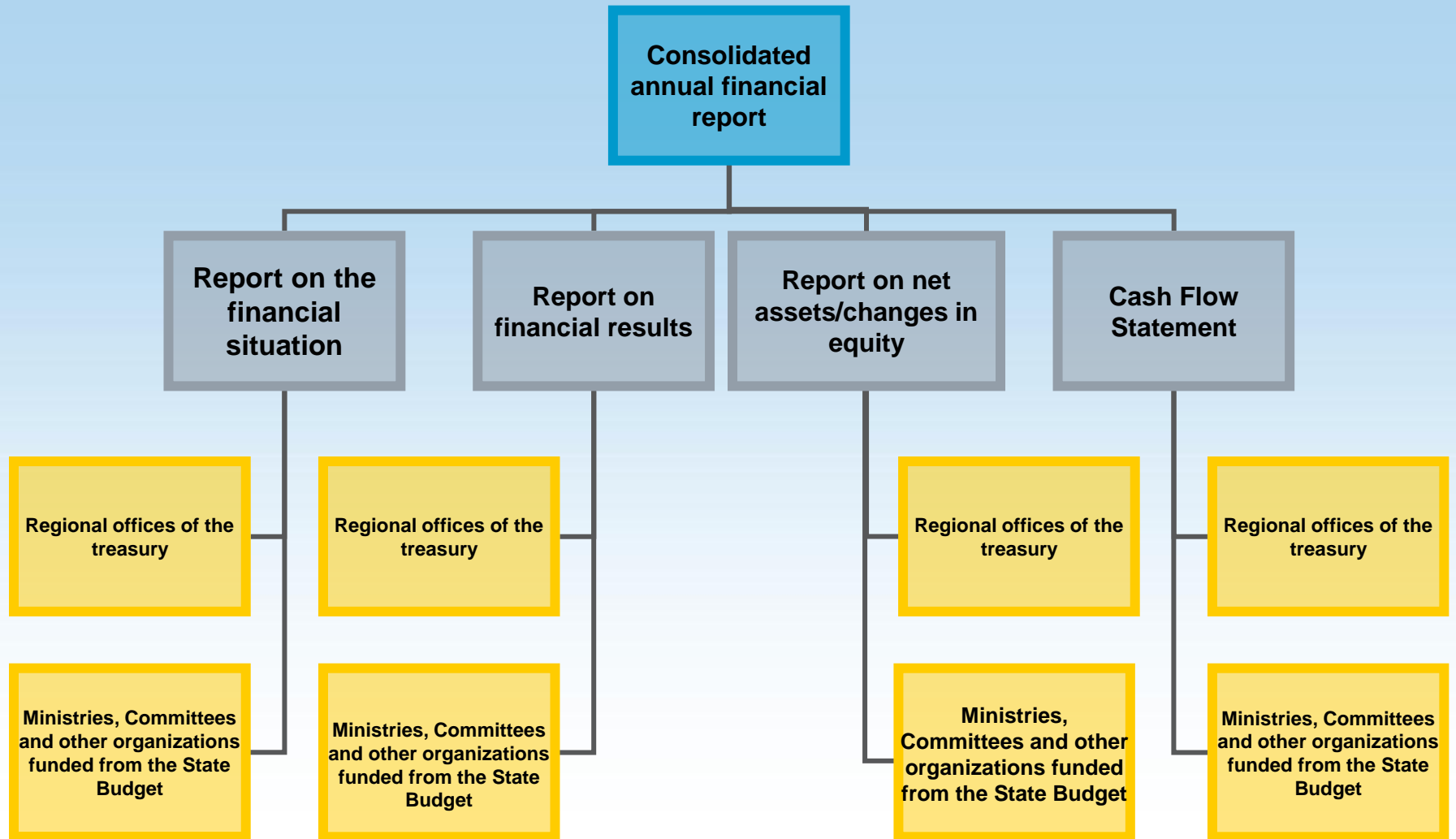


# 7. Financial statements

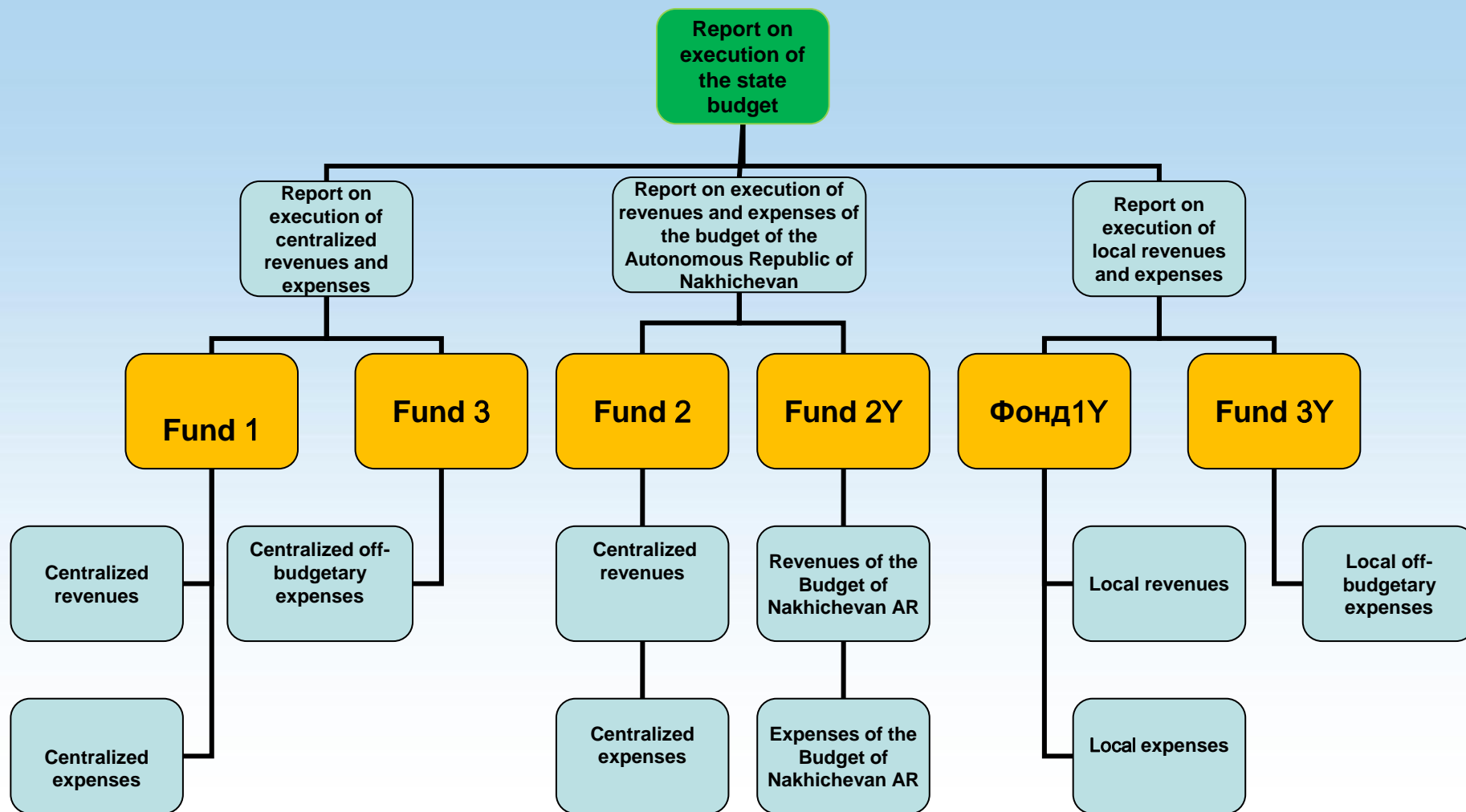
# THE STRUCTURE OF FINANCIAL STATEMENTS SUBMITTED BY THE REGIONAL OFFICES OF THE TREASURY



# PREPARATION OF FINANCIAL STATEMENTS ACCORDING TO NATIONAL ACCOUNTING STANDARDS (BASED ON IPSAS)



# STRUCTURE OF THE FINANCIAL REPORT ON EXECUTION OF THE STATE BUDGET







# Future goals and objectives

- Direct connection of spending units to TIMS.
- Maintenance of accounting in TIMS.
- Calculation of payroll in TIMS.
- Personnel management.
- On-line connection of the foreign currency SWIFT terminal.



# Questions and answers



**Thank you for attention!**