

Report

on study visit of TCoP PEM PAL to the Ministry of Finance of Estonia

Tallinn, Estonia



Acting in compliance with the TCoP Action Plan for 2012-2014, representatives of six TCoP member countries paid a study visit to the Ministry of Finance of Estonia on 6-8 February 2013. This was the first event of this format within the TCoP, and it was primarily dedicated to studying Estonian experience in implementation of reforms in public sector accounting and reporting.

The delegation was represented by:

Georgia – Zurab Tolordava and Zaza Rukkhaya;

Kazakhstan – Ruslan Beketaev, Zayfun Ernazarova, Rakhat Tokbaev, Bakijan Sartbaeva and Olga Babkina;

Kyrgyzstan – Saltanat Isaeva and Janarkul Kasymbekova;

Moldova – Stella Vorona;

Russian Federation – Natalia Markova and Tatiana Zachinaeva;

Ukraine – Maxim Yakubenko



The majority of TCoP member countries are on different stages of reforms in public sector accounting and reporting, including the countries represented in this study visit to Tallinn. TCoP has run several workshops of different formats over the last years on the issues related to public sector accounting and reporting, during which the members learned and exchanged experiences in the following main directions:

1. Approaches to development and implementation of accounting policies and standards according to IPSAS;
2. Aspects of transition to accrual accounting;
3. Issues related to financial reporting;
4. Automation of public sector accounting and reporting and methods of consolidation at the national level;

5. Professional training and certification of accountants in public sector.

The study visit to Estonia was to familiarize the TCoP PEM PAL representatives with the experience of this new EU member in implementation of reforms in all of the above mentioned directions, including with specific problems and difficulties arising in this process. The agenda of the event was developed together with the host country on the basis of proposals from the participants and included presentations on all main subjects of accounting and reporting in public sector.

Presentation by **Mrs. Janne Kendla**, Head of MoF Budget Department of Estonia, on [“Experience of Estonia in reforming public sector accounting and reporting in the context of broader public finance management reforms”](#), offered the participants an opportunity to learn about the budget process in this country, its experience in implementing reforms in PFM system, harmonization of reform processes in some particular fields of this system, including the reform of accounting and the whole budget process.

In her presentation [“Accounting and Financial Reporting in Estonia”](#), **Mrs. Juta Maar**, Head of Budget Accounting Department, offered the participants broad information on legislation and procedures underlying public sector accounting in Estonia, on specific reforms conducted in 2003-2005 and in 2009-



2013. As well, the participants could better learn from Juta Maar's presentation about the system of financial reporting and uniform Chart of Accounts in public sector in Estonia. They were also informed about the process of centralization of accounting and reporting functions in public sector in Estonia.

Mr. Merle Wilkinson, Head of State Treasury Department of the MoF of Estonia gave two presentations; the first one [“Overview of State Treasury's Activities”](#) told about main activities and functions of his Department, some aspects of reforms and further plans for modernization of the treasury system in Estonia. The Head of the Treasury showed the participants an overview of public assets and liabilities and also told about financial risk management in Estonia.

In his second presentation ["E-State Treasury System"](#), Mr. Wilkinson told about the information system used in Estonia, which is a web-based application, a kind of a payment system for public institutions, which have accounts in this system and use it to make payments and obtain lists of transactions and accounts. The participants were shown some specific examples of operations run in this system. Special attention was paid to possibilities offered by this information system to ensure such functions as accounting, generation of reports and their consolidation.

At present, they are working on integration of public treasury information system with SAP module, which will increase automation of accounting and reporting in public sector of Estonia in the future. Some more detailed information on the currently running project of integration of the treasury information system with SAP was offered in his presentation ["Single governmental area enterprise resource planning software, reporting system and self service portal"](#) by **Mr. Marek Ilves**, Head of Department for Development of Economic Information Products in the MoF of Estonia. The participants obtained broad information on the project that has been implemented since 2009, results achieved so far, problems of implementation, as well as about the stages remaining until its full implementation. Participants received additional data on the IT component of the PFM system in Estonia also from Mr. Ilves's second presentation – ["Electronic invoices in Estonian public sector"](#), which told them about some specific features in application of these tools in treasury activities, electronic accounts management system, advantages and difficulties in their use.

Mr. Gert Schultz, Auditor of the Department of Financial Audit of Estonia, in his presentation ["External and Internal Auditing in Estonia"](#) offered information about the audit system in his country. The participants learnt about reforms in external and internal audit in Estonia, functions and authorities of financial and internal auditors, laws and procedures in audit activities, system of training and certification of financial and internal auditors, as well as other aspects of audit in public sector in Estonia.

Besides workgroup sessions in the MoF of Estonia, the participants of the study visit were also offered an opportunity to learn about the PFM system at the local level in this country, i.e. by visiting Tallinn City Government. During the visit to the Town Hall in Tallinn,



Mrs. **Katrin Kendra**, Financial Director of Tallinn's Government, made a presentation on ["Financial System of Tallinn City"](#), in which she told the participants about some specific features of PFM at the local level in Estonia.

At the proposal of the host country, the participants studied the activities of one of the Estonian companies specializing in development of software for PFM system.

During the last session of the study visit of TCoP representatives to the Ministry of Finance of Estonia, the participants marked the usefulness of this visit and gave their high appreciation to the knowledge and experience gained during the event, which can be applied in public sector accounting reforms run in their countries. The participants expressed their readiness to put the most important lessons learnt during the visit in special reports, which they are going to write when they return to their home countries. The respective conclusions drawn by the study visit participants will be then placed on the TCoP PEM PAL web resources.

Main lessons learnt from the study visit of TCoP PEM PAL members to Estonia:

1. The study visit to Tallinn was the first event of this kind ever held by the Treasury Community. Participants have appreciated advantages of this format, which gave them the opportunity of a detailed study of Estonian experience in accounting and reporting reforms in public sector;
2. The advantages of this form of events organized within TCoP PEM PAL shall be taken into consideration while drafting the TCoP PEM PAL Action Plan for 2014-2015, which will contain more events of this kind;
3. The visit to Tallinn has reiterated it once again to the members of the TCoP PEM PAL, of how important and relevant it is to learn from and to apply the experience of new EU member countries in various PFM reforms. Main lessons learnt by the delegations from the countries participants in the event shall be placed on the web-resources of the TCoP PEM PAL;
4. Estonian experience in public sector accounting and reporting reforms highlights the complex nature of such reforms and the importance of gradual transition in the course of their implementation. Major elements that have enabled the success of such changes are correct planning of the reform and an adequate evaluation of the available resources;
5. The reforms in this direction are still going on in Estonia, including automation of accounting and reporting. One of the reforms under implementation is the process of centralization of accounting and reporting functions in public sector, which is about delegating these functions by budget institutions to a common center specially designed for these purposes;
6. Promotion of reforms in accounting and reporting in public sector is interconnected with implementation of modern software able to support these functions. Integration of the existing public treasury information system with SAP module is still being

implemented in Estonia, which will give more opportunities in the future to improve accounting and reporting in public sector here;

7. Along with reforms in accounting in Estonia, it also continues reforms in financial and internal audit. A specific role in supporting efficient function of financial and internal audit systems in public sector in Estonia is played by staff training and the respective auditors' certification system.

Besides the main agenda of visit to Tallinn, participants from Georgia and Ukraine also took part in the first meeting of a small thematic group on 9 February. The group was set up within the TCoP to discuss the issues of integration of Budget Classification and Chart of Accounts. The thematic group includes representatives from Azerbaijan, Georgia and Ukraine, who showed special interest in this subject. The event was attended by participants of this work group who were present in Tallinn, including **Mr. Mark Silins**, international expert in public finance management, and **Mrs. Elena Nikulina**, PEM PAL Program Manager, and also by **Mrs. Natalia Sushko**, Head of Accounting Methodology Department from the State Treasury of Ukraine, and **Mr. Ekhtiram Isabalaev**, Head of Accounting Department from the Treasury Agency of Azerbaijan, who joined the meeting via videoconference.

After the participants had exchanged their views on the work of this thematic group and motivation of their countries to take part in its activities, **Mr. Mark Silins** made his presentation, in which he told the participants about modern approaches to development of Chart of Accounts in public sector and its integration with Budget Classification.

The participants agreed to hold a videoconference on 28 March 2013, in order to further discuss relevant issues in their countries related to this topic, and also to prepare for the second meeting of the group fixed for 27 April 2013 in Kiev. To meet the requests of the participants in Tallinn, Mark Silins prepared a summary of comments on the structure of Chart of Accounts, which can be used in member countries to design and develop new Charts of Accounts.