



*State Treasury Service of
Ukraine*

Public Sector Accounting Reform : Identifying Risks and Ways to Address Them

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STRUCTURE OF THE TREASURY SYSTEM OF UKRAINE



Treasury of Ukraine

25

Main Department of the Treasury

566

Departments of the Treasury in regions, cities, districts, cities of regional importance

The total number of employees is over 13 000 (thirteen thousand)



The major authorities and responsibilities of the Treasury of Ukraine

- *settlement and cash services* (cash management services) *to spending agencies* (government institutions and other entities that spend budget resources) *and recipients of the budget funds*, as well as *other clients* in accordance with the legislation;
- control over the implementation of budgetary authority in:
 - recording revenues and payments;
 - the registration of budgetary commitments made by spending agencies;
 - making payments under these commitments;
- budgetary accounting and reporting;

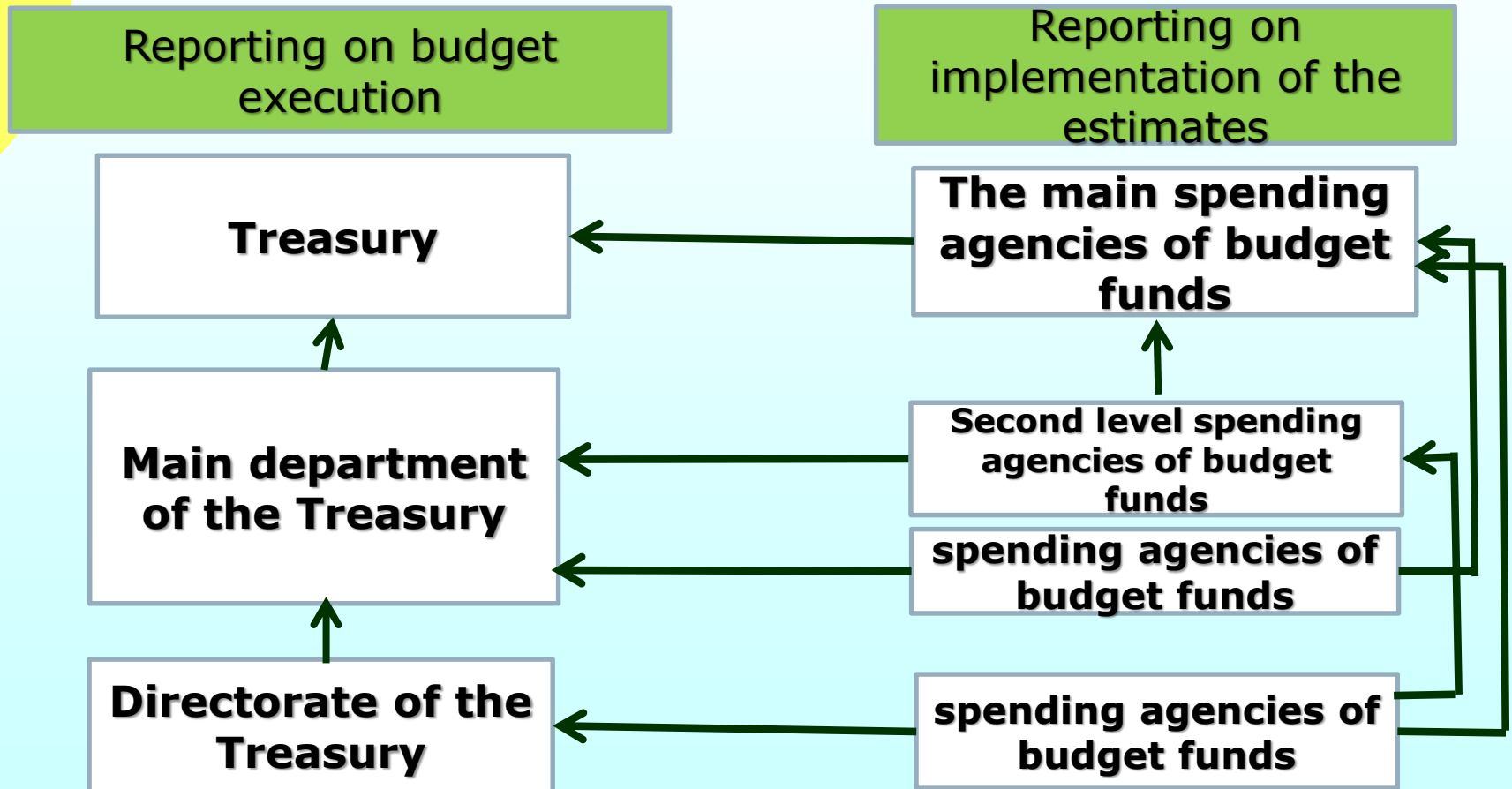
The main stages of formation of the treasury system of Ukraine

- **2001** normalisation in the Budget Code of Ukraine of the control powers of the Treasury :
 - carrying out preliminary and ongoing control while using all state resources,
 - accounting and reporting.
- **2000-2001** the Treasury became a member of the electronic payments system of the National Bank of Ukraine.
- **2001-2003** a centralised model of public resources management through a treasury single account (TSA) was created.
- **2001-2004** Treasury servicing of the budget revenue was introduced
- **2003** implementation of a preliminary and ongoing control over the movement and use of budget funds through the accounting of the obligations of the spending agencies made by the Treasury bodies
- **2001-2019** creation and development of the information system of the Treasury (AS "E-Treasury")

Problems and shortcomings in the accounting system which have become a prerequisite for reform

- *Lack of a single method of reflection of public sector transactions in accounting:*
 - Accounting of the execution of the state and local budgets is carried out by the Treasury bodies according to cash-based accounting
 - Spending agencies accounting based on the modified accrual method
 - State earmarked funds make accounting based on a modified accrual method
- *Different plans of accounting method*
- *The consolidation of the budget execution reporting was carried out in parallel flows*

Flows of reporting to the implementation of accounting reform



Prerequisites for the introduction of accounting reform

- *The necessity :*
 - harmonisation of Ukrainian legislation on accounting and financial reporting to the requirements of international law
 - regulation at the legislative level of the issue of the method of reflection in the accounting of transactions
- *Inability to compare data on the financial position of a country with similar reporting data of other countries.*

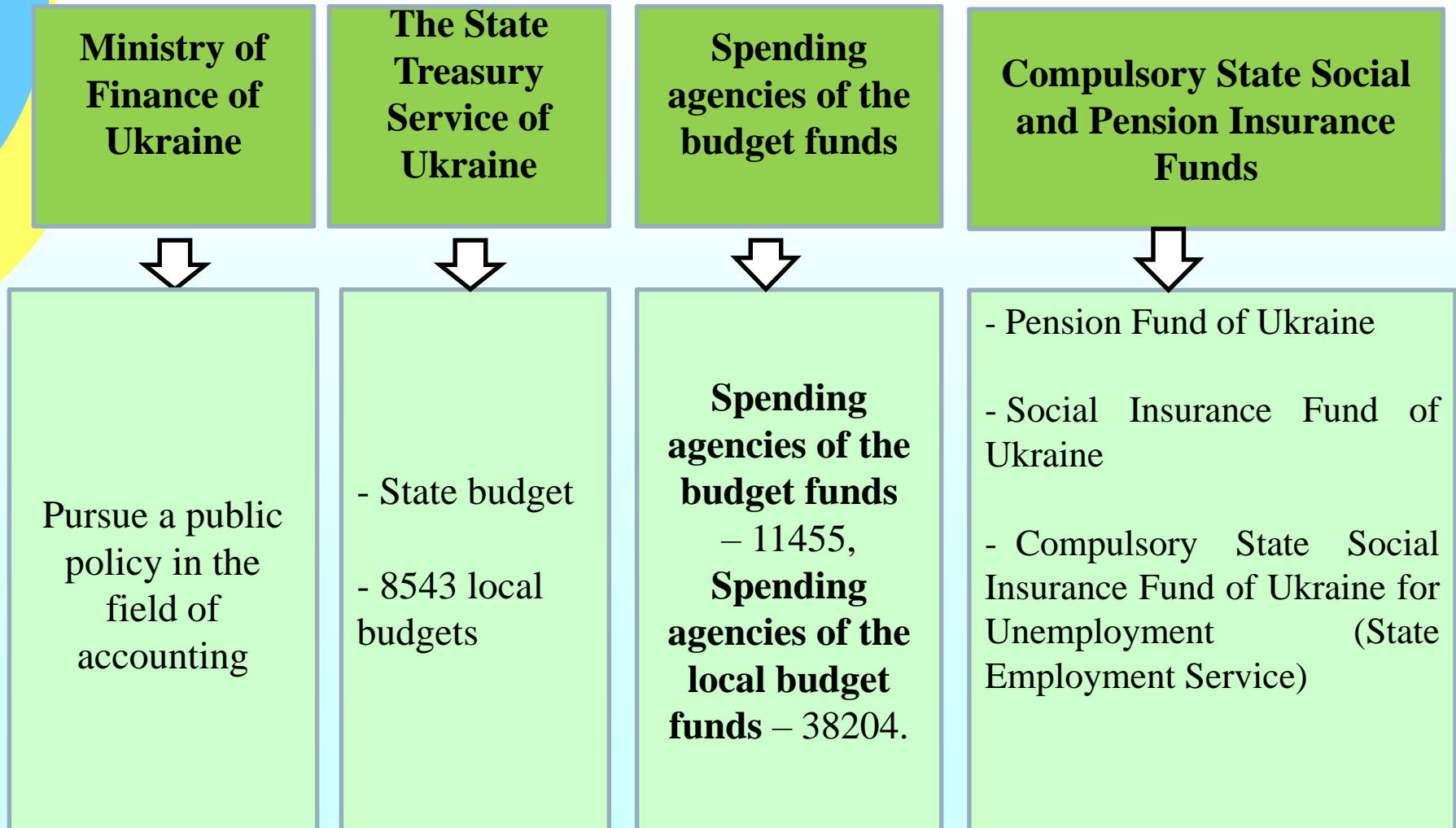
Legislation of Ukraine on implementation of accounting reform

- **Decisions taken by the Government :**
- **2007** - Strategy for the Modernisation of the Public Sector Accounting System
- **2013** - Strategy for the development of the public finance management system
- **2017** - Strategy for reforming the public finance management system for 2017-2020
- **2018** - Strategy for modernisation of the public accounting and financial reporting system for the period up to 2025

The purpose of public sector accounting reform

Improving of the public sector accounting and financial reporting system in accordance with International Standards (IPSAS).

Public sector entities involved in accounting reform



Main directions of public sector accounting reform

I Direction

harmonisation of the national accounting system with international standards for accounting and reporting in the public sector

II Direction

improvement of the financial reporting system in connection with the existing problems of accounting and reporting.

I. Harmonisation of the national accounting system with international standards for accounting and reporting in the public sector

Ways of implementation

- the development and implementation of national provisions (standards) of public sector accounting based on the IPSAS international standards
- the creation of a single, unified, public sector accounting plan harmonized with the budget classification
- implementation of budgetary accounting on accrual method of spending agencies and state earmarked funds
- the establishment of unified methodological and legal requirements for accounting

Legislative changes

Budget Code of Ukraine

**Law of Ukraine
"On
Accounting
and Financial
Reporting in
Ukraine"**

**20 national
regulations
(standards) in the
sphere of public
sector accounting
were adopted (*orders
of the Ministry of Finance
of Ukraine*)**

National public sector accounting standards (standards)

4 - Financial statements

- 101** Presentation of financial statements
- 102** Consolidated financial statements
- 103** Segment financial statements
- 105** Financial statements in the context of hyperinflation

16 - Accounting

- 121** Fixed assets
- 122** Intangible assets
- 123** Stocks
- 124** Income
- 125** Changes in accounting estimates and bug fixes
- 126** Rent
- 127** Impairment of assets
- 128** Collateral, contingent liabilities and contingent assets
- 129** Investment real estate
- 130** The impact of changes in exchange rates
- 131** Construction contracts
- 132** Employee payments
- 133** Financial investments
- 134** Financial instruments
- 135** Costs
- 136** Biological assets



Preparatory measures for the implementation of national standards

- Development and approval of the regulatory framework :

 - Guidelines for the application of national standards, approved by the relevant orders of the Ministry of Finance

 - The Public Sector Accounting Plan and the Procedure for its Application, approved by the order of the Ministry of Finance of Ukraine

 - Typical subaccounts of accounting aim to reflect main operations of budgetary institutions, state earmarked funds and operations on the implementation of state and local budgets, approved by the order of the Ministry of Finance.

- Staff training :

 - Seminars, workshops, trainings courses for accountants of spending agencies and state earmarked funds, as well as for employees of the Treasury bodies were conducted.

Stages of implementation of national accounting standards

Completion of the reform

2020

Treasury is to start making budget execution accounting

2017

Spending agencies and state earmarked funds have been applying the new Accounting Plan

2015

Spending agencies switched to accrual basis of accounting in accordance with the national standards.

Adaptation of the information and accounting system of the Treasury of “AS-Treasury”

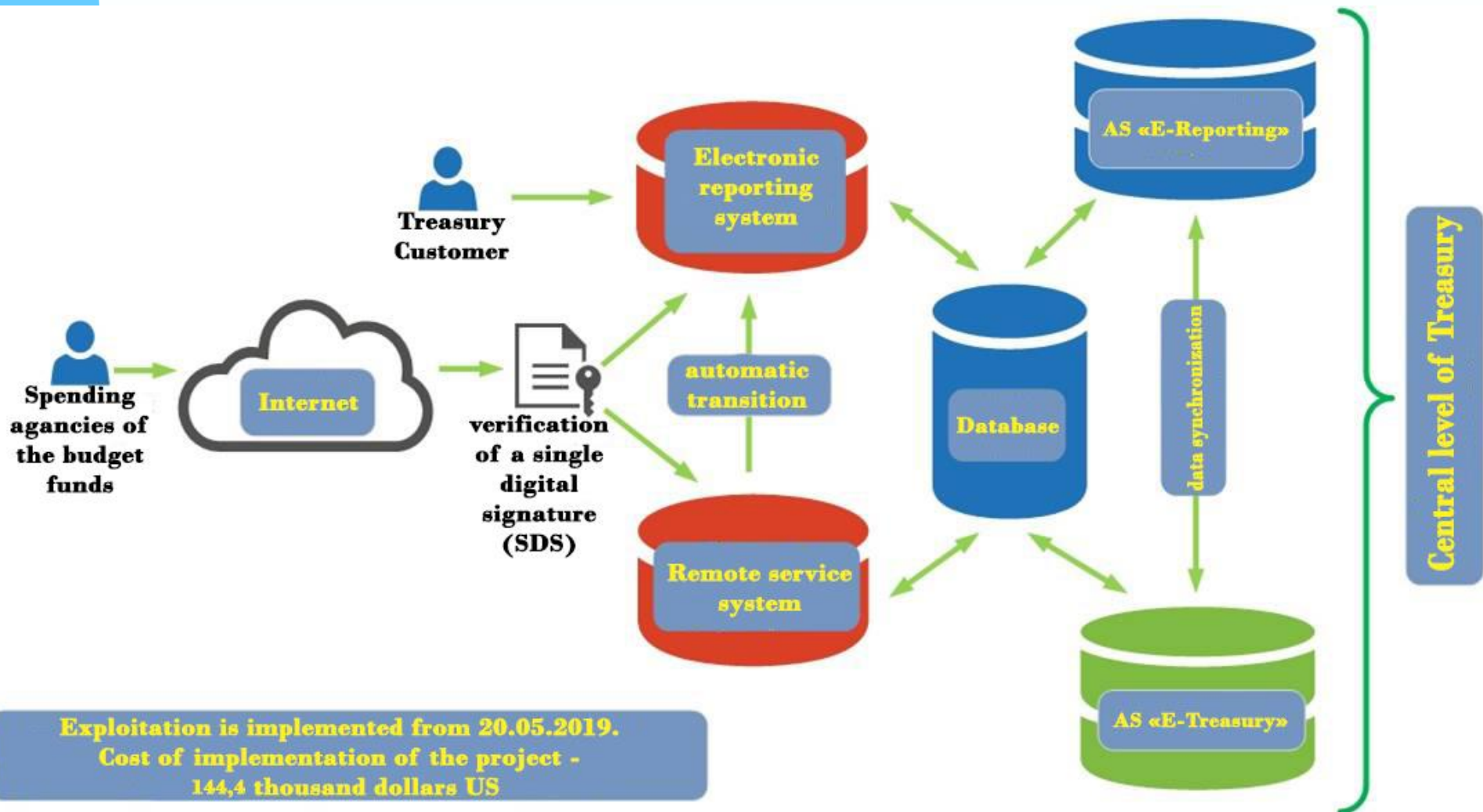
- The adaptation of the information system of the Treasury lasted **during 2017-2019**.
- **On January 1, 2020:**
 - the transition to accounting for the implementation of budgets under the new Plan of Accounts
 - introduction of IBAN international bank account number
 - centralisation of local budget funds
- The total cost of the IT project amounted to about \$ 1.1 million, which was financed from the budget.

II. Improving of the system of financial and budgetary reporting

Ways of implementation

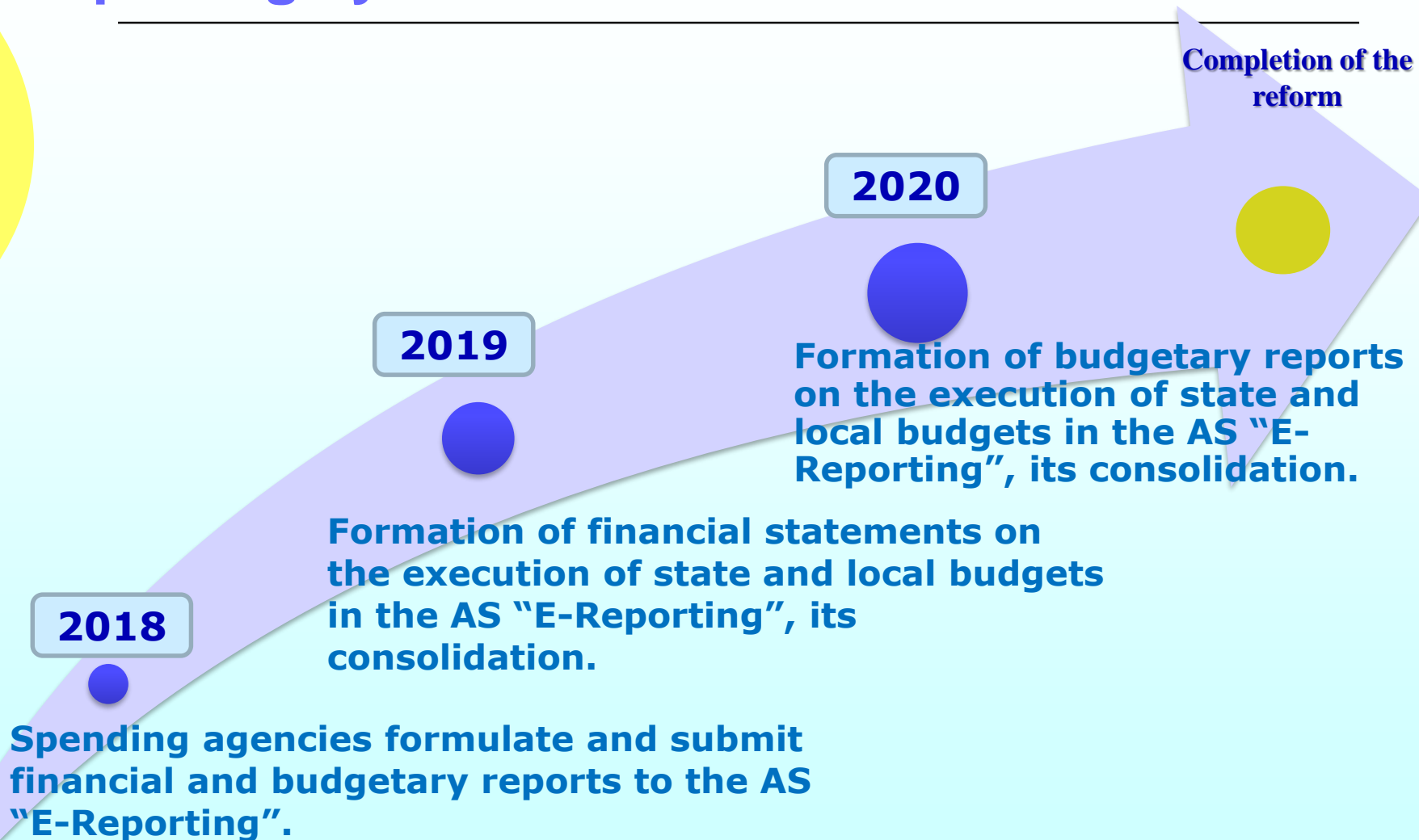
- development and implementation of national provisions (standards) of financial reporting in the public sector, taking into account the requirements of international standards (IPSAS);
- improvement of methods of preparation and consolidation of reports using modern information systems

Scheme of functioning of the electronic reporting system of AS “E-Reporting”



Exploitation is implemented from 20.05.2019.
Cost of implementation of the project -
144,4 thousand dollars US

Stages of implementation of electronic reporting system



Results of implementation of the system of electronic reporting by the clients of the Treasury of AS "E-Reporting"

✓ **100%** of the reporting required by the budget legislation, starting with the report for the 1st half of 2018, is submitted to the Treasury bodies exclusively in electronic form

51 041 electronic office
Treasury Customers *



10 330 522 statements
filed electronically



AS "Reporting"
1 600 GB of
information



47 854 223 pages
saved** were not
printed



95 708,4
paper pack were
saved ***



239 271,1
Kilogram of paper
were saved***



3.5 paper freight wagons
weresaved ****



5 742,5 trees were
saved*****



3 million dollars US
estimated cost savings



The calculation was made provided that the statement was printed 1 time in one copy. Typically, statements are printed in 2-3 copies.* Treasury clients – spending agencies and recipients of the budget funds, as well as state earmarked funds

** average number of pages in one report = 4.6 pages

*** 1 pack of paper = 500 sheets, weighs 2.5 kg and costs approximately 80 UAH

**** 1 wagon holds 70 tons of cargo

***** 24 tons of paper are required to produce 1 ton of paper

Advantages of the implementation of electronic reporting system are as follows:

- submission of reports to the Treasury by spending agencies without leaving their office via the Internet;
- elimination of paper exchange of reporting data at the Client - Treasury link;
- possibility of automatic analysis and verification of reports, elimination of human factor and errors in calculations;
- creation of electronic reports archive;
- a unified reporting system for public sector entities and budgets. The Treasury prepares the general consolidated financial statements on the general state of property and the results of activity of the state.

The results of the public sector accounting reform have been achieved

- adaptation of Ukrainian accounting and reporting legislation to international standards (IPSAS);
- improvement of the public finance management system;
- comparability of public sector financial reporting indicators and comparison with other countries;
- modernization of information and communication technologies.



Thank you for attention!
