



**UKRAINE**

***Consolidation of public sector  
financial reporting***

**PULSAR** 

# What was promoting the quality and transparency of public finance management information



**Political support  
for the reform**

Ukrainian Accounting and Financial Reporting Law

The Strategy of public sector accounting modernization for 2007-2015

The Strategy of public sector accounting and financial reporting modernization until 2025



**Regulatory  
framework**

20 National public sector accounting standards (5 of which are for financial reporting) developed on the basis of International Standards were introduced

Introduction of the unified chart of accounts for the public sector accounting and the procedure of its application



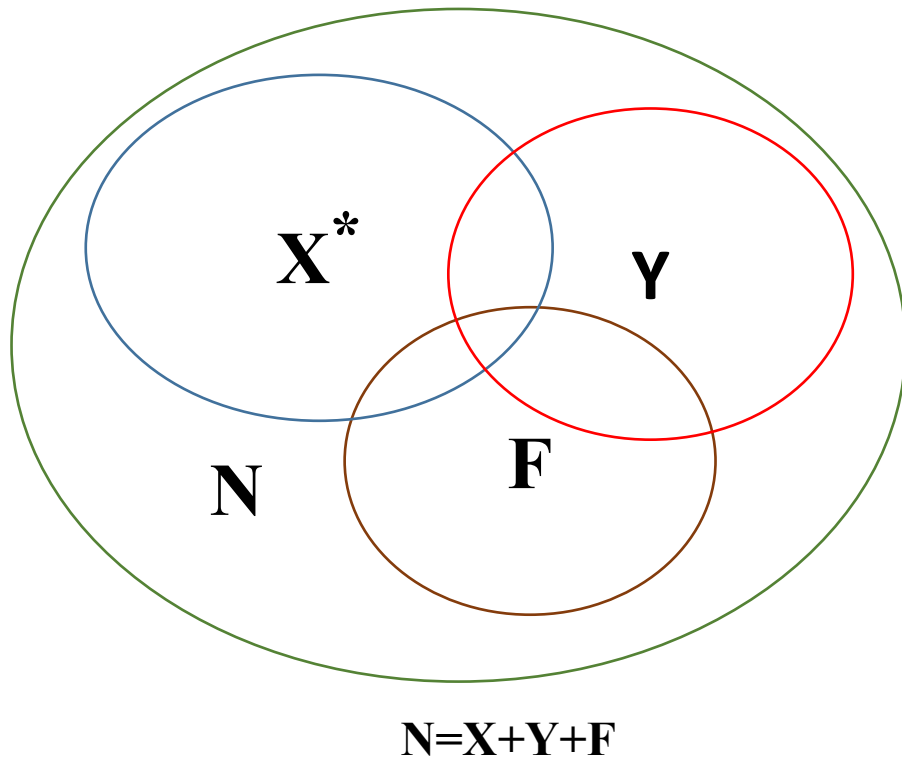
Introduction of “E-Reporting” Treasury automated electronic reporting system



Training of qualified personnel

# Consolidated financial reporting: Coverage

## Ukrainian Accounting and Financial Reporting Law



**Public sector entities:** budgetary funds administrators, Treasury and state social security and pension funds

**General consolidated financial reporting:** consolidated financial reporting on assets and operational performance of the public sector entities and the budgets

- N – general consolidated financial reporting of the public sector entities
- X – consolidated financial reporting of controlling public sector entities (budget funds administrators, special purpose public funds, the Treasury as the budget funds administrator)
- Y – consolidated financial reporting of the Treasury (state and local budgets)
- F – consolidated financial reporting of the budgets of the special purpose public funds

\* in the financial reporting of the public sector controlling entity the contributions to the charter capital of the state owned enterprises or public utilities are reflected as financial investments

# Objectives of the financial reporting and consolidated financial reporting of the public sector entities



*Information on sources of funds and their uses*

*Information on operational performance in terms of efficiency and achievement of operational goal*

*Information on financial discipline of public sector entities*

*Information on the interest in the capital of the companies, acquisition, sale or holding of securities*

*Information on designated use of the budget funds*

*Information on the level of resources necessary to continue the activity, resources which may be created as a result of activity continuation, as well as related risks and uncertainties*

*Information on management quality appraisal, evaluation of capacity to timely fulfil the liabilities*

# Consolidated financial reporting of the public sector controlling entity

Financial  
reporting forms

**Balance sheet (1-ds Form)**

**Profit and loss statement ( 2-ds  
Form)**

**Cashflow statement (3-ds Form)**

**Statement of owner's equity  
(4-ds Form)**

**Notes to annual financial reporting  
(5-ds Form)**

Consolidated financial reporting is prepared based on the forms approved in the **National standard of public sector accounting 101 “Presentation of financial reporting”**

Disclosures by items of financial reporting are specified by the Procedure for filling in the forms of public sector financial reporting approved by the Order of the Ukrainian Finance Ministry **#307 of 28.02.2017**

# Consolidation of financial reporting by the controlling public sector entity

## Consolidated financial reporting is prepared by:

- adding the financial reporting indicators of the controlled public sector entities to the corresponding indicators of the controlling public sector entity
- offsetting separate indicators which are not subject to consolidation:
  - ✓ balance and transactions between public sector entities within the economic group and resulting unrealized earnings
  - ✓ unrealized losses resulting from transactions within the economic group, except for cases when they can be reimbursed

# Composition and forms of general consolidated financial reporting

**Consolidated balance sheet (1-kds Form)**

**Consolidated profit and loss statement ( 2-kds Form)**

**Consolidated cashflow statement (3-kds Form)**

**Consolidated statement of owner's equity (4-kds Form)**

Composition, forms and procedure of preparing are specified in **the National standard of public sector accounting 102 “Consolidated financial reporting”**

First preparation and publication based on the results of 2018

Preparation procedure is specified by **the Methodological guideline on preparation of general consolidated financial reporting by the Treasury** (Ukrainian Finance Ministry Order #204 of 15.05.2019)

**General consolidated financial reporting is prepared by the Treasury**

# PREPARATION OF GENERAL CONSOLIDATED FINANCIAL REPORTING BY THE TREASURY

Aggregate indicators of consolidated financial reporting on local budgets execution

Financial reporting on state budget execution

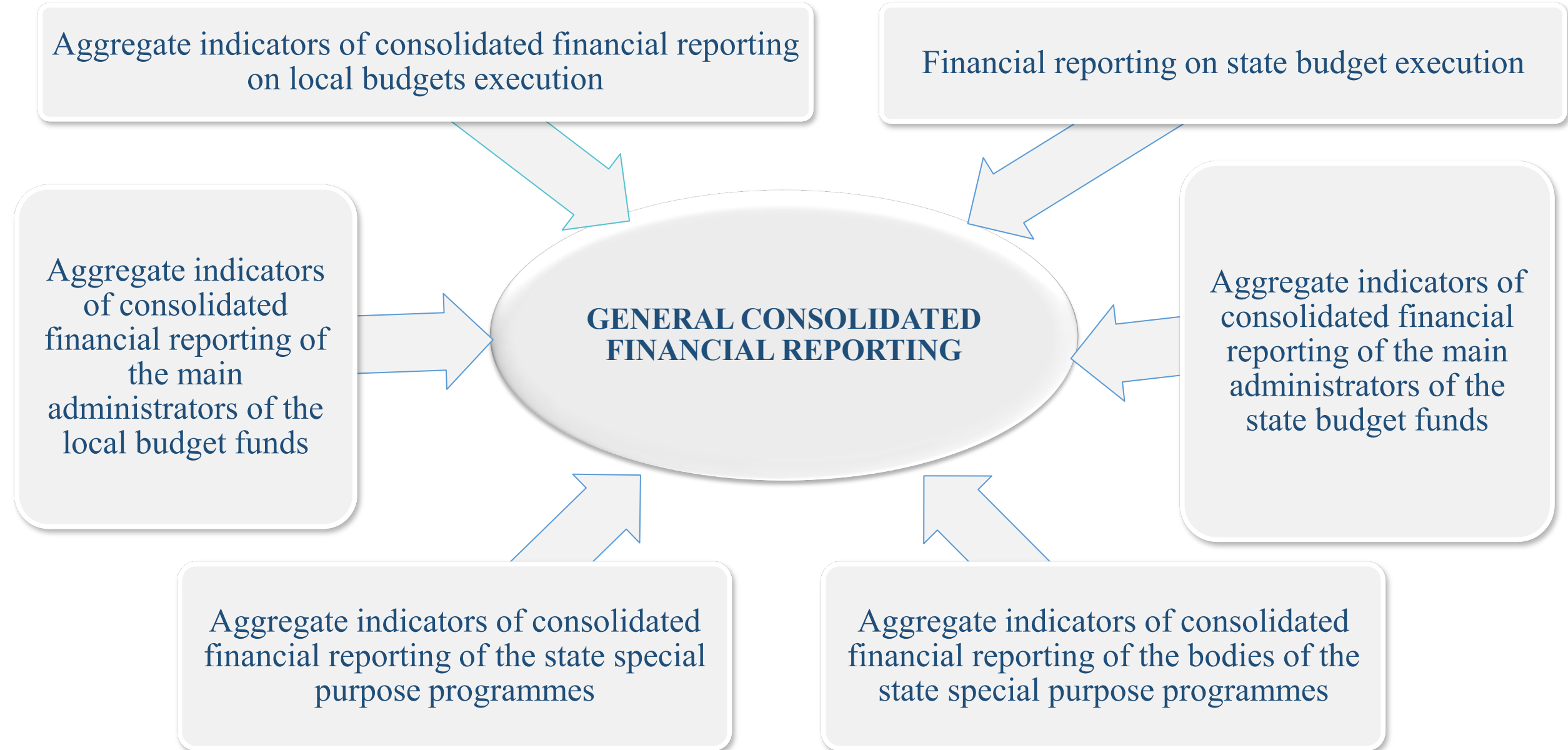
Aggregate indicators of consolidated financial reporting of the main administrators of the local budget funds

Aggregate indicators of consolidated financial reporting of the main administrators of the state budget funds

**GENERAL CONSOLIDATED FINANCIAL REPORTING**

Aggregate indicators of consolidated financial reporting of the state special purpose programmes

Aggregate indicators of consolidated financial reporting of the bodies of the state special purpose programmes





# AS “E-Reporting” – unified electronic reporting filing format

**INTRODUCTION:**

First reporting in the electronic format: starting with the report for **Q1 2018**

**December 2017 – February 2018**

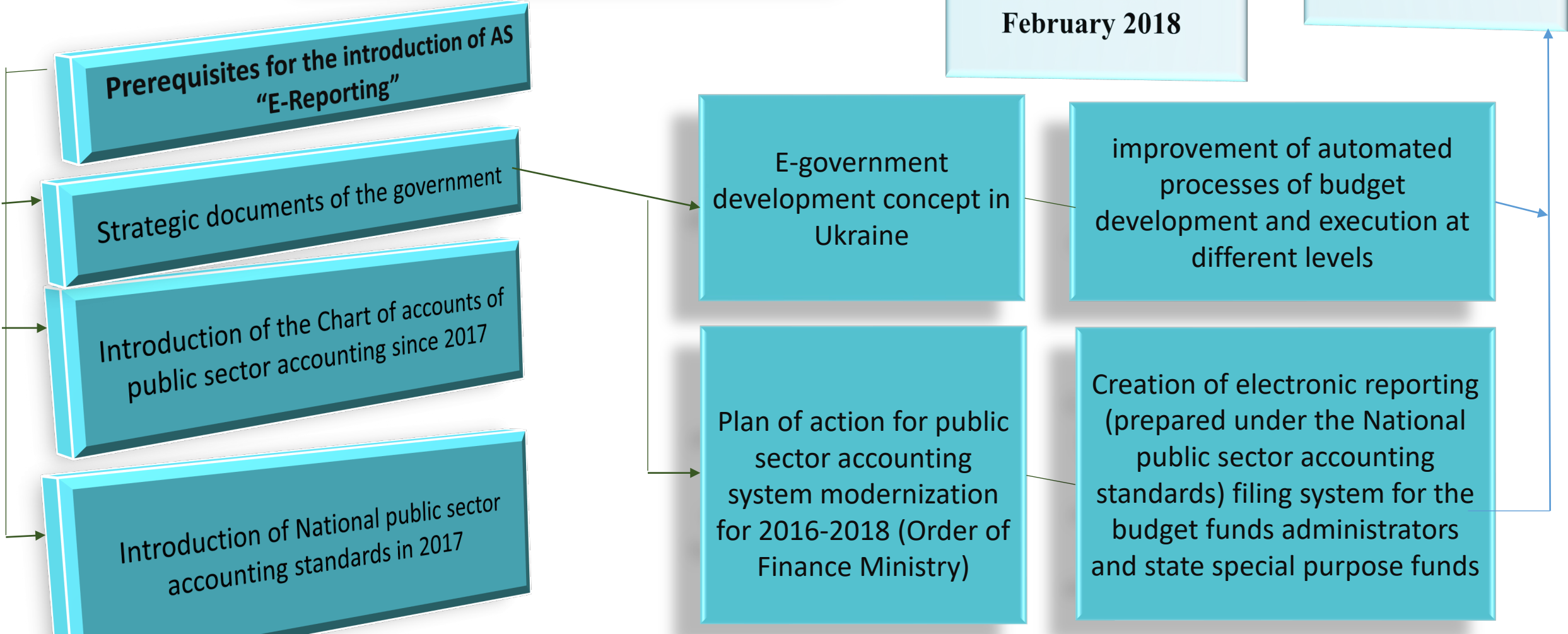
- Prerequisites for the introduction of AS “E-Reporting”
- Strategic documents of the government
- Introduction of the Chart of accounts of public sector accounting since 2017
- Introduction of National public sector accounting standards in 2017

E-government development concept in Ukraine

improvement of automated processes of budget development and execution at different levels

Plan of action for public sector accounting system modernization for 2016-2018 (Order of Finance Ministry)

Creation of electronic reporting (prepared under the National public sector accounting standards) filing system for the budget funds administrators and state special purpose funds





# Processes in AS “E-Reporting”

Preparing of financial reporting with application of AS “E-Reporting” automated system of electronic reporting filing

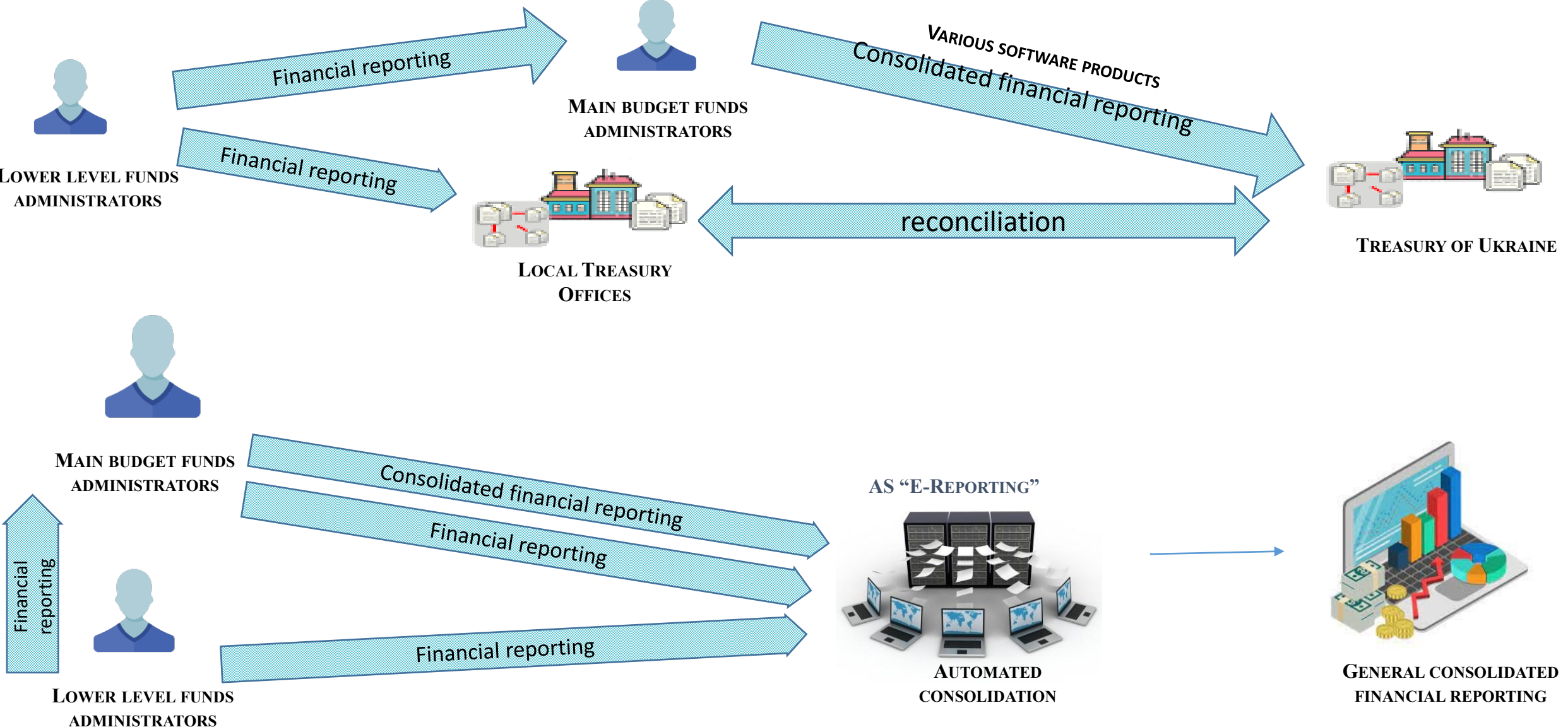
Application of the qualified electronic signature

Sending the reporting to the Treasury and higher level institution

On-line review of the reporting filing status

Automated consolidation and verification of the reporting

# Differences in financial reporting consolidation procedure before and after AS “E-Reporting” introduction



LOWER LEVEL FUNDS ADMINISTRATORS

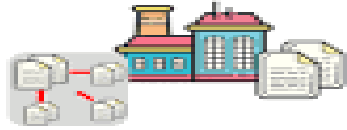
Financial reporting



MAIN BUDGET FUNDS ADMINISTRATORS

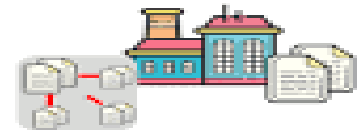
VARIOUS SOFTWARE PRODUCTS  
Consolidated financial reporting

Financial reporting



LOCAL TREASURY OFFICES

reconciliation



TREASURY OF UKRAINE



MAIN BUDGET FUNDS ADMINISTRATORS

Consolidated financial reporting

Financial reporting

Financial reporting



LOWER LEVEL FUNDS ADMINISTRATORS

Financial reporting

AS "E-REPORTING"



AUTOMATED CONSOLIDATION



GENERAL CONSOLIDATED FINANCIAL REPORTING

# Electronic reporting: advantages

## Reporting automation

Automated consolidation of all forms of financial and budget reporting at each consolidation level

## Increase of the confidence level

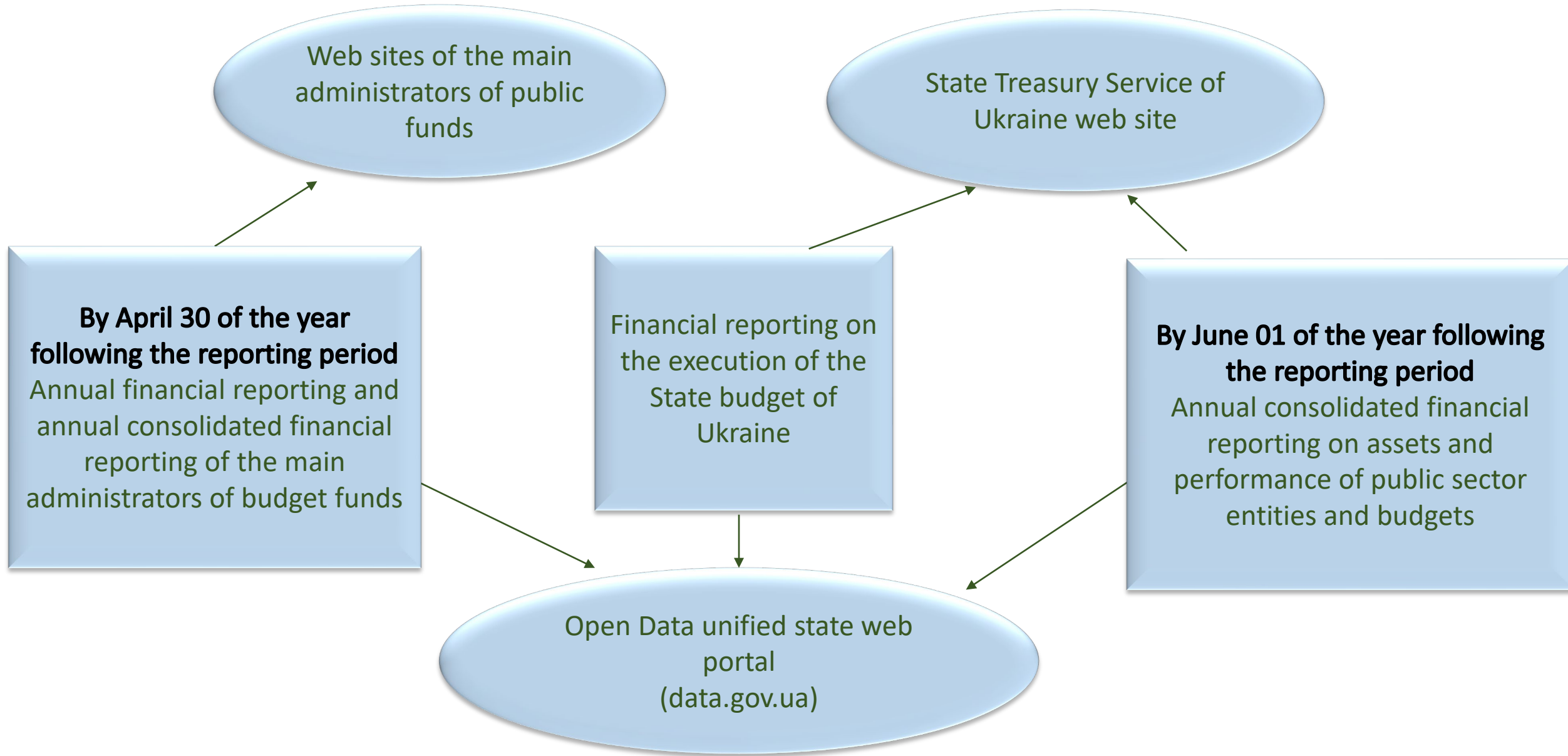
Speeding up the reporting verification by the Treasury, including checking the compliance with the Treasury accounting data created in the Treasury IT system

## Resource saving

Material resources, working time for filling and filing reporting forms



# Open data on public funds



# Financial reporting: preparing and filing under the martial law



- ✓ *The Budget Code of Ukraine*
- ✓ *The Law of Ukraine on protection of interests of entities filing reporting and other documents during the martial law or state of war*

## *Terms of filing*

The legislation sets forth the provisions on:

- Option of not complying with the terms of filing monthly and quarterly reporting on State Budget of Ukraine execution, annual report on State Budget of Ukraine execution
- Option to file financial reporting for all the period in which the reporting has not been filed or obligation to file reporting **within 6 month since termination or repealing of the martial law or the state of war**

## *Liability*

The legislation regulates the exemption from the liability for failure to follow the **terms of annual financial reporting and annual consolidated financial reporting publication**, the preparation and filing thereof is set forth in the law, **in the period of martial law or the state of war as well as within 6 months since its termination or repealing**

# Consolidation of financial reporting: prospects

Plan of action to implement the Public finance management reform strategy for 2022-2025 (Cabinet of Ministers of Ukraine Resolution 1805-r of 29.12.2021)

*Enhancing the quality of information on assets and performance of public sector entities and budgets:*

- ✓ Improving financial reporting consolidation methodology
- ✓ Development of the disclosure format for key differences between national and international public sector accounting standards
- ✓ Development of the unified software product for public sector accounting and financial reporting



# The problems to be solved

- Ability to read, analyze and use the financial reporting at all levels of users
- Wider financial data analysis/ publication of the reporting data analysis
- Interrelation between budgeting and financial reporting
- Encouraging the management of public sector entities to use financial reporting indicators for management decision-making





***Thank you for your  
attention!***