

**Treasury Committee of the  
Ministry of Finance of the  
Republic of Kazakhstan**



**Комитет казначейства  
Министерства финансов  
Республики Казахстан**

**PULSAR Conference 6-8 June 2023**

- 1. PSA reform: Kazakhstan's experience**
- 2. Summary of the Annual plenary session of PEMPAL Treasury Community of Practice held in Almaty in 2023**

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Deputy chairman of the Treasury Committee, Ministry of Finance, Republic of Kazakhstan

**Batumi, 2023**



# Treasury Committee and its Regional Offices

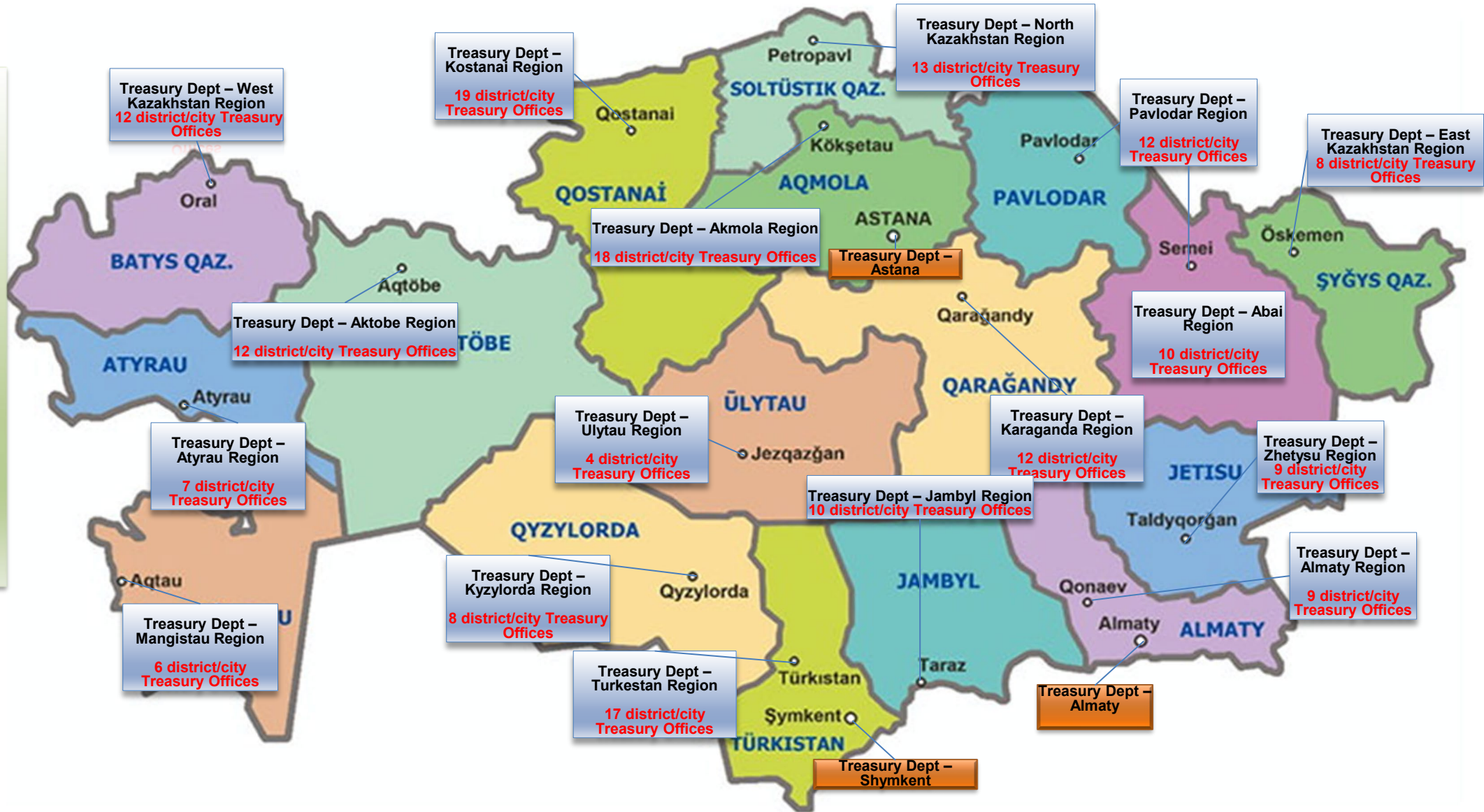
**At a glance**

**Central Committee:**

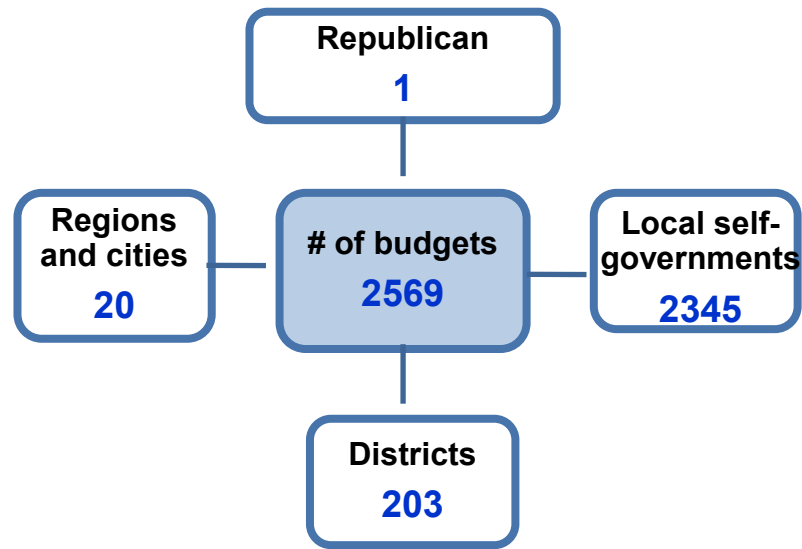
- ✓ 23 divisions;
- ✓ 186 employees

**Reginal Offices:**

- ✓ 20 departments in regions and cities;
- ✓ 189 district and city-level offices;
- ✓ over 2460 employees in regional and local offices.







## Four tiers of budgets serviced by the Treasury

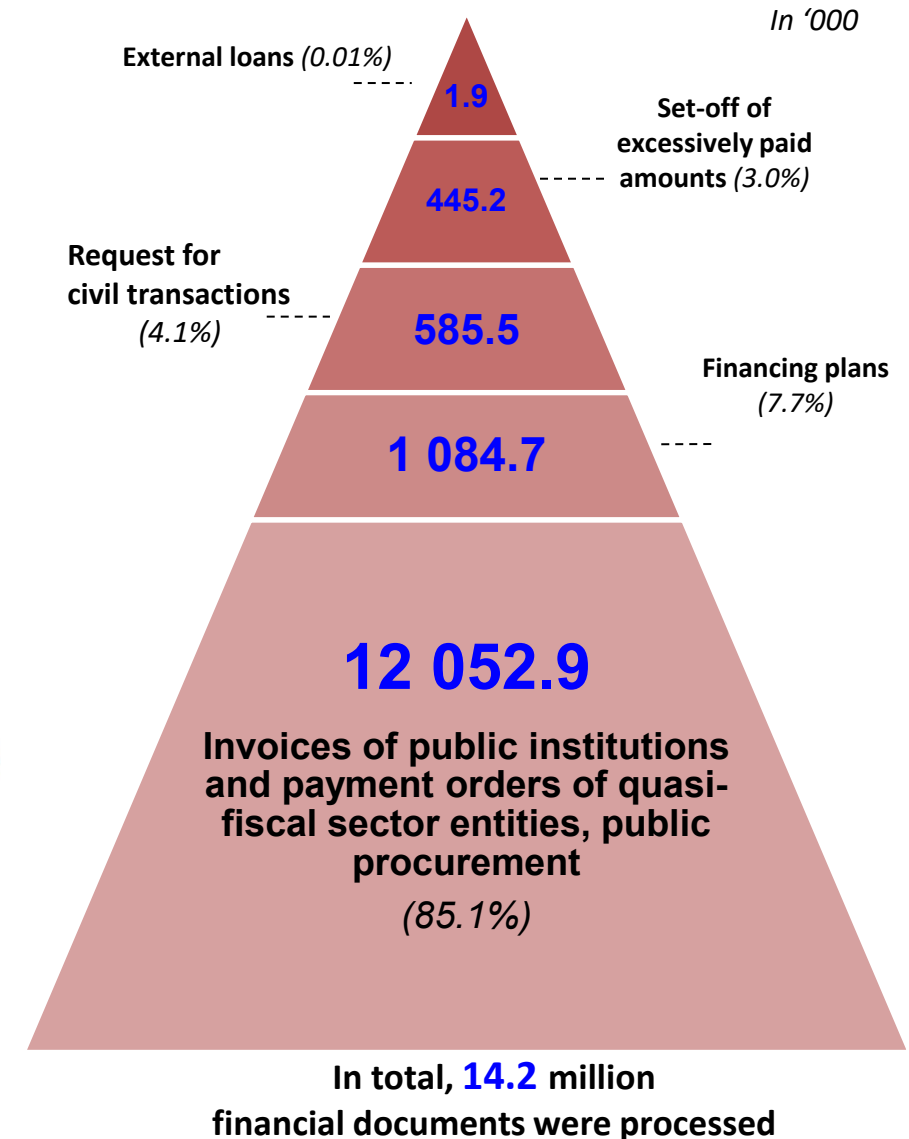


## Institutions and entities

**15 901 entities**

- Public institutions **14 464** 
- State-owned entities **451** 
- Entities involved into public procurement **964** 
- Operators of financial and non-financial support **22** 

## Quantity of processed documents in 2022



Processing of all payment documents in local and foreign currency in due time, reconversion of revenues to the National Fund in foreign currency, repayment of external government debt, transfers of pensions, benefits and social contributions to the State Center of Pension Payments, as well as liabilities under EAEU

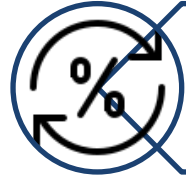
# Key functions of the Treasury



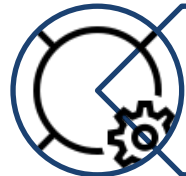
Execution of the republican budget and supporting execution of local budgets, National Fund and Indemnification Fund



Development and approval of general plan for liability financing, general plan for revenues and payments from the republican budget



Distribution of revenues among republican and local budgets, National Fund, Indemnification Fund and EAEU budgets



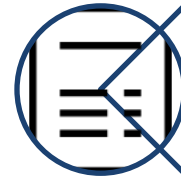
Improvement of treasury information systems, reliable functioning and information security of treasury information systems



Accounting



Consolidation of financial reporting



Review and clearing of requests made by Budget Program Administrators for withdrawal from the accounts of external government loans, tied grants and development of consolidated reporting



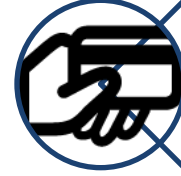
Coordination of subregional offices



Registration and accounting of government liabilities under public-private partnership and concession projects



Management of public finance, budget monitoring, liquidity management



Organize and conduct centralized public procurement of goods, works and services specified by the competent authority

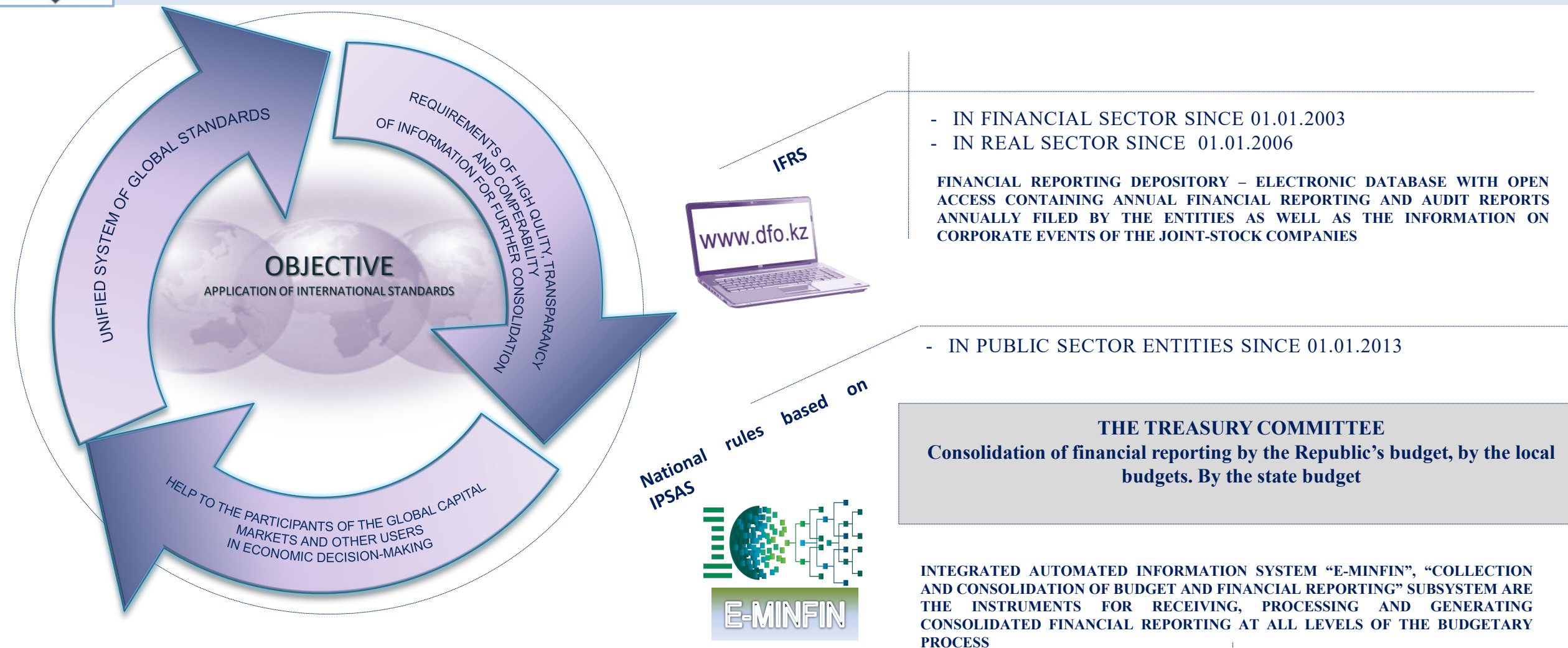


Other roles envisaged by legislation of Kazakhstan



# PSA reform: Kazakhstan's experience

# International Standards are the basis for the reform of the Kazakhstan's national accounting and reporting framework





# Stages of accrual accounting and reporting implementation in the public sector of Kazakhstan

**2007-2009**

Regulatory framework for accrual accounting and financial reporting in public sector developed (the Concept of result-oriented public planning system approved by the President of the Republic of Kazakhstan, amendments to the Chapter 23 “Financial Reporting” of the Budget Code of the Republic of Kazakhstan, Resolution of the Prime Minister on accrual accounting and financial reporting implementation)

**2010-2013**

The methodology of public sector accounting and financial reporting developed (accounting policy, Chart of Accounts, rules of accounting, templates and rules of financial reporting, rules for preparing consolidated financial reporting, rules, templates of accounting records), staff trained, accounting systems transferred to new accounts, the programme for receiving and consolidating financial reporting at the Republican budget level established, the work to restore assets and liabilities not accounted for under the cash basis started

**2014-2018**

Methodology of accounting and financial reporting for the budget revenues developed, the pilot project implemented, regulatory framework and software enhanced



# Stages of accrual accounting and reporting implementation in public sector of Kazakhstan

**2019-2023**

In 2019, the pilot consolidated financial reporting for 2018 prepared  
In 2020, consolidated financial reporting on the Republican budget included into the Government of Kazakhstan annual report, submitted to the Parliament  
Annual audit performed by the Supreme Audit Chamber, audit recommendations implemented  
Consolidated financial reporting on local budgets filed to Maslikhats  
Consolidated financial reporting on state budget prepared for analytical purposes  
The stage of forward-looking statements preparation on the Republican budget started  
Analytical report on budget risks and long-term sustainability of public finance prepared  
PFM Concept by 2030 developed, envisaging gradual transition to country's consolidated financial reporting preparation





# Procedure of preparing consolidated financial reporting on the Republican budget

## Ministry of Finance (Treasury Committee)

- Preparing financial reporting on budget revenues
- Acceptance of the reporting
- Preparing consolidated financial reporting on the Republican budget



## Government submits to the Parliament

Annual report by the Government on the Republican budget execution includes the following:

- ✓ The report on the Republican budget execution (cash basis)
- ✓ The analytical report on the Republican budget execution
- ✓ Explanatory note
- ✓ Annual consolidated financial reporting on the Republican budget execution (accrual basis)



## Supreme Audit Chamber

Audit opinion based on the audit of financial reporting

Submission of the reporting to the E-MINFIN Integrated Automated Information System

Return of statements for further revision to E-MINFIN



## Submission of 39 sets of consolidated financial reporting of the ministries

- Elimination of mutual transactions
- Format and logical control

Submission of reporting to E-MINFIN

Return of statements for further revision to E-MINFIN



## Entities controlled by the ministries

- Format and logical control inside the statement, between statements, between the sets of reporting

Similarly, consolidated financial reporting on local budgets is prepared and submitted to Maslikhat and Audit Commissions



# AUTOMATION OF ACCRUAL ACCOUNTING AND FINANCIAL REPORTING

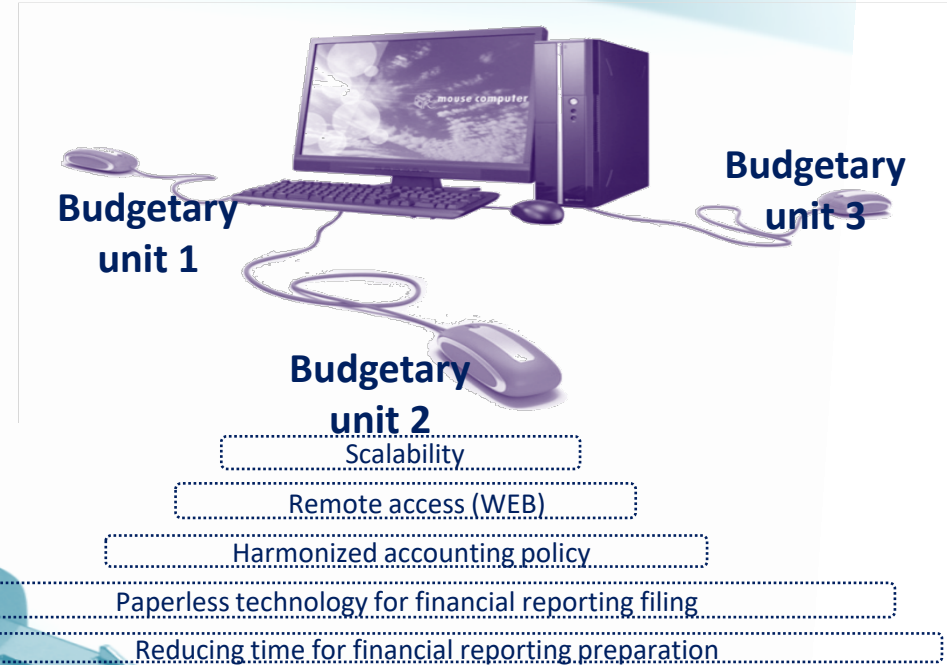
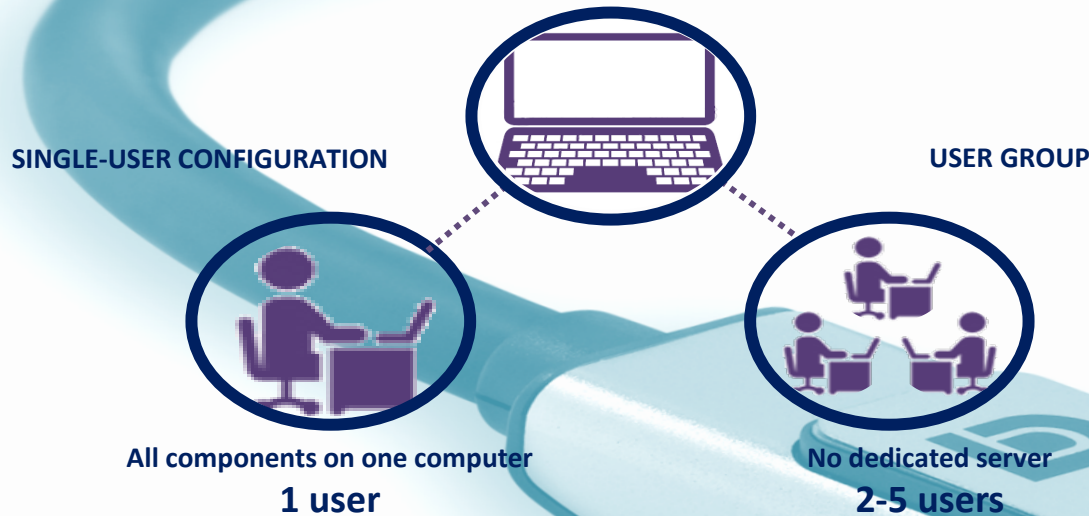
ACCRUAL ACCOUNTING POLICY - UNIFIED POLICY FOR ALL BUDGETS ALLOWING TO ENSURE COMPARABILITY OF FINANCIAL REPORTING AND FURTHER CONSOLIDATION

ESTABLISHMENT OF THE NEW INFORMATION SYSTEM ADEQUATE FOR THE NEW ACCOUNTING POLICY IN THE PUBLIC SECTOR

## INTEGRATED INFORMATION SYSTEM

Current cash basis software products are adapted to the accrual basis and piloted for implementation since 1 January 2013

Coverage of all accounting standards in the accounting process



Positive opinion and recommendations of IMF and USAID international consultants: "The features of the 3 adapted software products will allow to ensure registration, systematization and generalisation of the information on accounting of the daily typical transactions of the public entity by the double entry method using approved templates of accounting records, templates of budgetary and financial reporting".

## What will be done

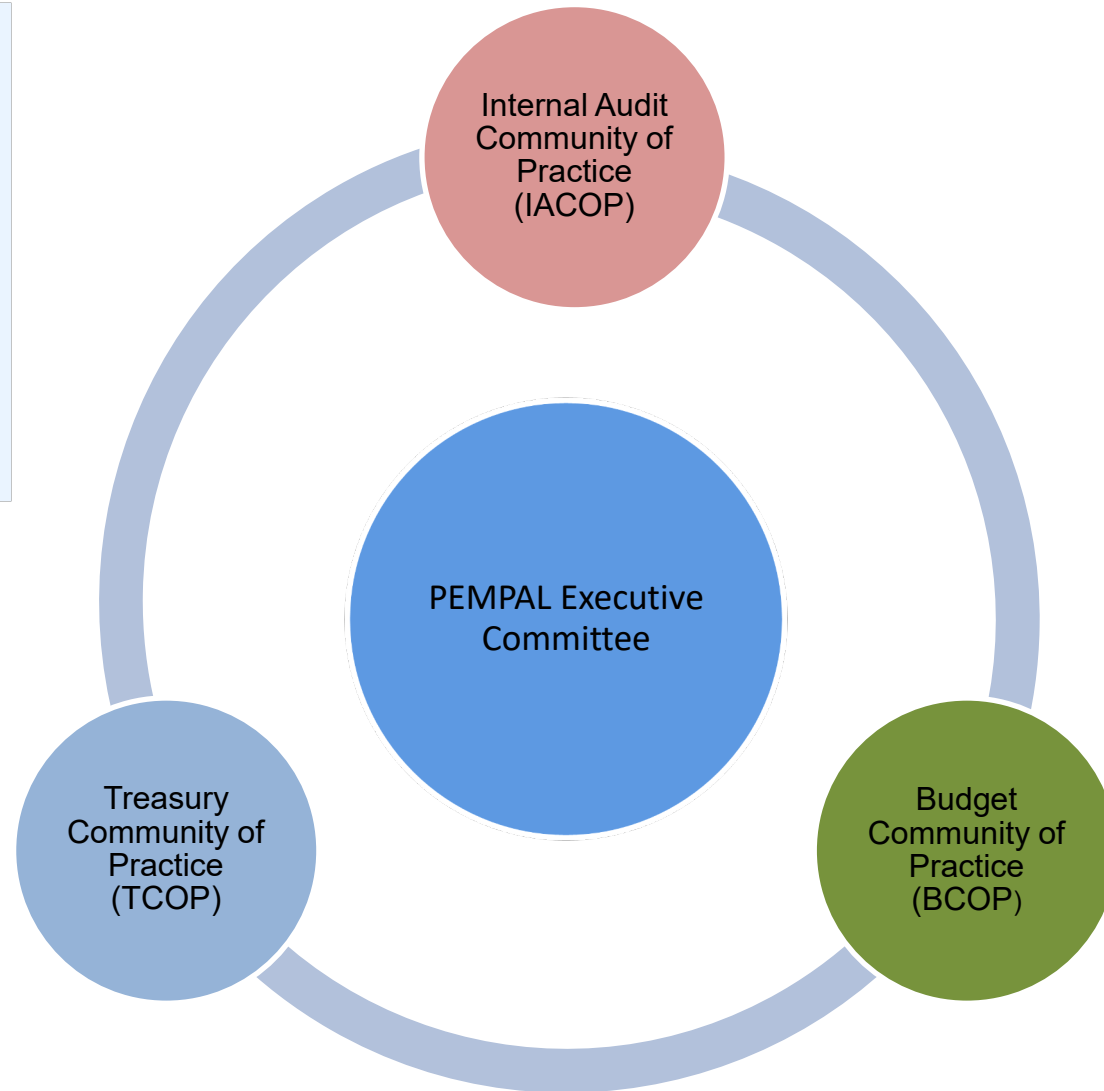
2023-2028

- Implementation of activities envisaged by the PFM Concept by 2030:
  - 2023: preparing forward-looking consolidated financial reporting on local budgets
  - 2023 – 2025: implementation of the Integrated Accounting Information System in public entities
  - 2024 – 2025: development and implementation of the Unified Chart of Accounts
  - 2027-2028: inclusion of the consolidated financial reporting of the quasi-public sector entities
  - 2023-2028: enhancement of public internal financial control



- **PEMPAL**, the Public Expenditure Management Peer-Assisted Learning network, represents a multilateral effort to develop capacity and share reform experiences among countries in **Central Asia and Central and Eastern Europe**.
- The **PEMPAL** initiative, initially conceptualized in 2005 by the World Bank and the United Kingdom's Department for International Development, responds to a concern that many governments are not spending their resources as effectively and transparently as they might and that institutional controls on public expenditures have room for improvement.
- **PEMPAL** is thus **designed** to support the enhancement of domestic capacity in public expenditure and financial management, to play a catalytic role in scaling up aid, and to strengthen institutions and policies.
- **PEMPAL aims** to provide a well functioning professional peer learning platform through which public finance practitioners from member countries are networked to strengthen their capacities and to enable them to create and share knowledge and benchmarking.
- PEMPAL has several innovative features as well as some interesting challenges.
- **PEMPAL's success** depends on demand-driven "communities of practice" in which officials from different countries but with similar responsibilities develop much of their own agenda and decide how best to share experiences among themselves using networking, electronic learning, and face-to-face meetings. This is regarded as an appealing approach in a region that is in transition, with rapidly declining donor funding and with an increasing number of countries that join the EU or are graduating to IBRD status.

**Three communities of practice, for budgeting, treasury, and internal audit, have been formed,** which bring together practitioners at the most senior levels in these specific fields of public finance (typically up to the level of deputy minister)

**Positive aspects:**

- Agreed strategy and results framework
- Member driven action plans – linked to country priorities
- Strong governance structure
- Monitoring, reporting and evaluation framework - annual and quarterly reports, post-event surveys, periodic in-depth evaluations
- Support for work program implementation - technical donor funded resource teams (PFM experts)
- Support for logistical and administrative needs - Secretariat
- Language barrier removed- three official languages – expert translation team
- Knowledge managed – website, wiki, reports, products, minutes

# Development of public sector accounting and reporting in some PEMPAL countries (Central Asia)

## Kyrgyz Republic

- Financial reporting is prepared on the cash basis. The transition to the accrual basis in line with IPSAS is envisaged since 1 January 2024 after the implementation of the Unified Chart of Accounts (Resolution of the Government 16 dated 13.01.2023).
- To ensure the transition to IPSAS, the regulatory framework is being drafted and approved. The working groups have been established and approved.
- Since 2023, 10 ministries and agencies operate in the “pilot” mode.

## Republic of Uzbekistan

- Accounting of the state budget and special state funds is performed on the cash basis. However, the accrual basis is applied for preparing the reporting on extrabudgetary funds of the budget units.
- The transition to the accrual basis is planned for 2027-2028.
- Accounting standards are being developed based on IPSAS. Currently, 14 accounting standards have been developed and registered in the Ministry of Justice.

# Summary of the Annual plenary session of the PEMPAL Treasury Community of Practice held in Almaty in 2023

- ✓ Overview of the PEMPAL TCOP activities during the pandemic
- ✓ Functions and tasks of the Treasury
- ✓ Measures of the treasury control and risk management
- ✓ Use of IT in treasury operations
- ✓ Liquidity management



# THE “FRENCH MODEL”

## SEPARATION “Ordonnateur/Comptable”: a major historic principle of the “French model”

- **Applicable in Central and Local fiscal entities, for both spending and revenue**
- **Ordonnateur** (*Commitment Officer*)
  - is appointed by and reports to the head of these entities
  - he has no access to cash, with the limited exception of imprest accounts (“régies”)
- **Comptable Public** (*Public Accountant*)
  - is appointed by and reports to the MoF
  - He has no right to interfere with the commitment
- **This separation is strictly defined and enforced**

## CENTRALIZED CASH MANAGEMENT for *central* and *local* governments

- **The CUT (Compte Unique du Trésor or TSA) is a quite old arrangement**
  - All public moneys, central and local, are deposited and managed in the CUT open in the Central Bank, with many subaccounts;
  - Only the comptables publics are authorized to access the CUT for disbursement or collection;
  - No other bank can be used, with very limited exceptions;
- **Cash pooling is the general rule**
  - zeroing every day
- **However, Social Security cash remains out of the CUT**
  - managed by a specific SS agency
  - bank accounts at the Caisse des Depots (a Special Public Bank)

# Conclusions on Anglo-Saxon and French model

- In reality, no model exists in pure form, although the characteristics of each one of them can be identified
  - The regulatory framework provides detailed description of what is necessary, while the legislation ensures general guidance based on common principles
  - Centralized system in the Ministry of Finance/Treasury or the systems transferred to MDAs, however, many hybrid models exist
  - Centralized control and cash management or decentralized cash management in the context of TSA
  - Centralized control based on assumed values or transfer of control functions
  - Centralized control based on assumed values or verification through the **actual** indicators
- Both systems are identical in digitalization, risk management and performance management
- Is one system better than the other? The approach in each country depends on the number of factors including history, risk appetite, automation level, PFM integration, etc.
- Also, it can be observed that the control and the problems in complying with the requirements and efficiency influence the evolution towards the certain model: e.g., the cases of fraud can lead to restoration of the centralized control, while the delays in centralized processing can lead to the transfer of functions

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**Thank you for your attention!**