



Ministry of Finance of Georgia State Treasury



Public Sector Accounting Reform in Georgia

Lela Pataraiia

May, 2025



BACKGROUND



Improvement of the quality of the accounting and reporting in the public sector is one of the priorities of the Georgian PFM Reform

Improve effectiveness, efficiency and transparency of Public Finance Management process through

- Achieving full compliance with the accrual-based IPSASs;
- Generating accrual-based accounting information via Treasury General Ledger for the whole of government as well as for each budgetary organization in real-time;
- Preparing financial statements for the whole of government as well as for individual public sector entities according to the accrual-based IPSASs.

IPSASs Reform Quick Facts (2009)



Leading Institution	{	Treasury Service of the Ministry of Finance of Georgia
Purpose	{	Implementation of accrual-based IPSASs in central and local budget entities
Mandate	{	Preparing draft instructions, guidelines and norms for Georgian public sector entities; Conducting capacity building programs for public sector accountants



RESULTS ACHIEVED



Introduction of accrual based IPSASs in public sector - 26 accrual-based standards:

- From 1 January 2020 – For Central budget entities;
- From 1 January 2021 – For Autonomous Republics, Municipalities and their subordinating units

Bringing the accounting and reporting methodology in line with the introduced IPSASs:

- Instruction on Accounting and Reporting of Budgetary Organizations approved by the MoF Order N108 of 5 May 2020;
- Instruction on CoA and its Implementation, approved by the MoF Order N17 of 15 January 2020;
- Instruction on Preparation and Presentation of Financial Statements by Budgetary Units, approved by the MoF Order N24 of 4 February 2021;
- Instruction on Depreciation/amortization and their reflection an accounting and financial reporting approved by the MoF Order N289 of 2 December, 2020



INTRODUCED ACCRUAL BASED IPSAS

IPSAS 1 Presentation of Financial Statements

IPSAS 2 Cash Flow Statement

IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors

IPSAS 4 The Effects of Changes in Foreign Exchange Rates

IPSAS 5 Borrowing Costs

IPSAS 9 Revenue from Exchange Transactions

IPSAS 12 Inventories

IPSAS 13 Leases

IPSAS 14 Events After the Reporting Date

IPSAS 16 Investment Property

IPSAS 17 Property, Plant and Equipment

IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets

IPSAS 20 Related Party Disclosures



INTRODUCED ACCRUAL BASED IPSAS

IPSAS 21 Impairment of Non-Cash-Generating Assets

IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)

IPSAS 24 Presentation of Budget Information in Financial Statements

IPSAS 26 Impairment of Cash-Generating Assets

IPSAS 31 Intangible Assets;

IPSAS 32 Service Concession Arrangements: Grantor

IPSAS 34 Separate Financial Statements

IPSAS 35 Consolidated Financial Statement;

IPSAS 36 Investments in Associates and Joint Ventures

IPSAS 37 Joint Arrangements
IPSAS 39 Employee Benefits

IPSAS 38 Disclosure of Interests in Other Entities

IPSAS 39 Employee Benefits

IPSAS 40 Public Sector Combinations



RESULTS ACHIEVED



Unified Chart of Accounts (CoA)

- Used by **central budget entities** and **local budget entities**;
- Covers **all transactions and other events** in the public sector;
- Generates **IPSASs based financial information** aligned with budget classification;
- Integrated in **Treasury General Ledger**

Accrual-based Accounting and Reporting Rules/Guidelines

- Instruction on Accounting and Reporting of Budgetary Organizations approved by the MoF Order N108 of 5 May 2020;
- Instruction on CoA and its Implementation, approved by the MoF Order N17 of 15 January 2020;
- Instruction on Preparation and Presentation of Financial Statements by Budgetary Units, approved by the MoF Order N24 of 4 February 2021;
- Instruction on Depreciation/amortization and their reflection an accounting and financial reporting approved by the MoF Order N289 of 2 December, 2020



RESULTS ACHIEVED (CONT.)



Financial Statements Formats

- Used by **central budget entities** and **local budget entities**;
- **Disclosure notes** based on adopted IPSAS standards;
- **bridge tables** between the CoA and the main financial statements formats
- Used for preparing **consolidated** and **individual financial statements**;
- Applied in preparing financial statements at both the **organizational and government levels**

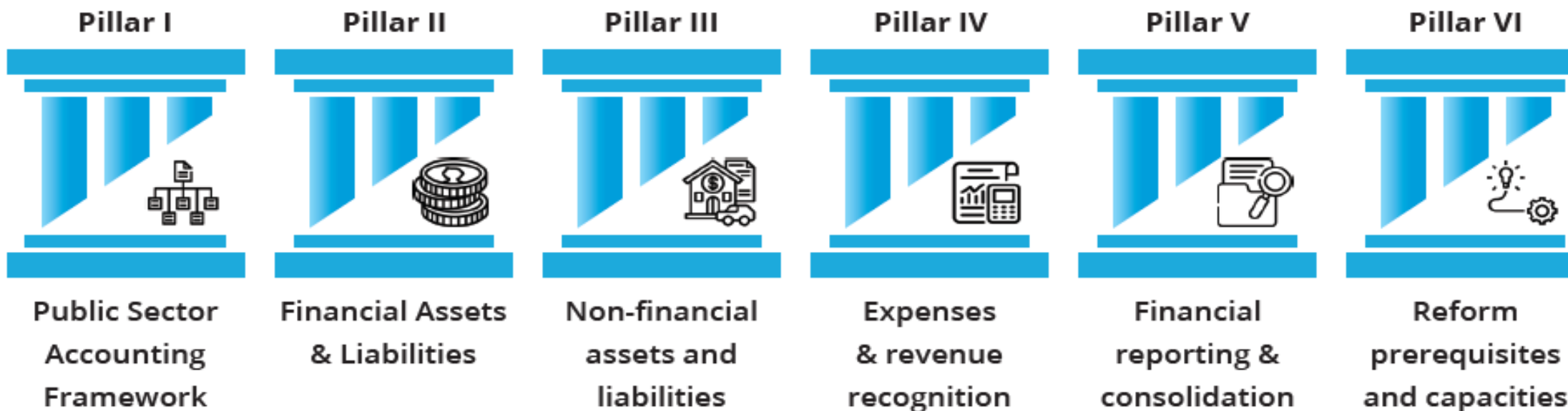


PULSE Assessment

9

PULSE - Public Sector Accounting Assessment – comprehensive evaluation framework designed to assess the quality and effectiveness of public sector accounting and reporting practices

- ✓ 6 Pillars
- ✓ 30 Indicators
- ✓ 107 Dimensions





ASSESSMENT SCORES



Conceptual Score

B

Actual Score

C



MAIN CHALLENGES



- The consolidated financial statements, mostly, do not cover administered items - assets, liabilities, revenues and expenses on behalf of government;
- There is not a single, unified and complete registry of public sector assets;
- Full consolidation is not achieved - Treasury General Ledger in the PFM system is not fully developed;
- The consolidated financial statements for government are not audited yet.
- Capacity shortage



CURRENT ACTIVITIES



- Development of IPSASs implementation strategy with detailed implementation plan to achieve full compliance with accrual-based IPSASs;
- Trainings and capacity building programs for public sector accountants in IPSASs;
- Increase TSA coverage to include public schools and state-owned enterprises owned by the Government;
- Consolidated Financial Statements for central government entities, audited and published on the Treasury web-site



FUTURE PLANS

- ✓ Increased **coordination** and **collaboration** with **multiple stakeholders**:
 - ✓ SAO;
 - ✓ Line ministries;
 - ✓ Donor Community/Development Partners
- ✓ Further **improvement of accounting & reporting methodology** in the public sector in accordance with already introduced IPSAS standards;
- ✓ **Introduction of additional IPSAS** standards based on accrual method and making corresponding changes in the current accounting & reporting regulations;
- ✓ **Training and capacity building programs** for public sector accountants to facilitate implementation of IPSAS standards in the public sector;



FUTURE PLANS (CONT.)

- ✓ Developed **public asset register system** for accounting & reporting purposes fully integrated with the Treasury General Ledger;
- ✓ Designed and implemented **an e-reporting portal** to support the preparation and submission of financial statements;
- ✓ Continued expansion of **TSA coverage**;
- ✓ Continued enhancement and development of the **Treasury General Ledger**.



LESSONS LEARNED



Political support and engagement of main stakeholders;

Adequate resources (human, financial and etc.);

Improvement of legal framework - relationship of the new standards to existing legislation and the avoidance of conflicts between them;

Establishment of a robust and sound PFM system;

Need to change not only culture and practices in the public sector, but also public financial management system as a whole;

A long and continuing journey.



Thank you!

www.mof.ge

www.treasury.ge