



## State Treasury Service of Ukraine

# Organizing ex ante and current control in the process of treasury servicing of budgets in terms of expenditures

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## Treasury administration of budgetary funds

### *Envisions the following:*

- Cash management and payment services for budget controllers and recipients of budgetary funds, and also for other clients
- Control over execution of budget competences when engaging budget commitments by budget controllers and when carrying out payments on these commitments
- Maintenance of accounting and preparation of reporting on execution of budgets in conformity with national provisions (standards) of accounting
- Carrying out other operations with budgetary funds

## Main normative documents, which regulate the process of treasury services for budget controllers

- The Budget Code of Ukraine
- Law of Ukraine on the State Budget for the Current Year
- Law of Ukraine on Performing Public Procurements
- Decree of the Cabinet of Ministers of Ukraine of 09. 10. 2006 No. 1404 "Questions related to prepayment of goods, works, services, which are purchased for budgetary funds"
- Decree of the Cabinet of Ministers of Ukraine of 27. 12. 2001 No. 1764 "On approval of the procedure for state financing of capital construction"
- Decree of the Cabinet of Ministers of Ukraine of 22. 10. 2008 No. 943 "On Saving Public Funds"
- Decree of the Cabinet of Ministers of Ukraine of 04. 04. 2001 No. 332 "On restricting amounts of expenses related to acquisition of cars, furniture, other equipment, cellular phones, computers by public bodies and also by organizations, which are maintained at the expense of the state and local budgets"
- Order of the Ministry of Finance of Ukraine of 22. 06. 2012 No. 758 "On approval of the procedure for opening and closing accounts in the national currency in the bodies of the State Treasury Service"

## Main normative documents, which regulate the process of treasury services for budget controllers

- Order of the Ministry of Finance of Ukraine of 28. 01. 2002 No. 57 "On approval of the documents, which are used in the process of execution of the budget"
- Order of the Ministry of Finance of Ukraine of 02. 03. 2012 No. 309 "On approval of the procedure for registration and accounting for budgetary commitments of budget controllers and recipients of budgetary funds with the bodies of the State Treasury Service of Ukraine"
- Order of the Ministry of Finance of Ukraine of 24.12.2012 No. 1407 "On approval of the Procedure for provision of budget treasury services by expenditures"
- Order of the Ministry of Finance of Ukraine of 12. 03. 2012 No. 333 "On approval of the Instruction on applying the economic classification of budgetary expenses and the Instruction on applying the classification of crediting the budget"
- Order of the Ministry of Finance of Ukraine of 29. 12. 2002 No. 1098 "On passports of budgetary programs"
- Order of the State Treasury Service of Ukraine of 29. 12. 2012 No. 394 "On approval of methodological recommendations concerning the procedure of application by bodies of the State Treasury Service of Ukraine of enforcement actions in case of violations of the budgetary legislation"
- Order of the State Treasury Service of Ukraine of 09. 07. 2009 No. 274 "On approval of the technological regulation of the State Treasury Service of Ukraine"
- Decree of the Board of the National Bank of Ukraine of 21. 01. 2004 No. 22 "On approval of the Instruction on non cash settlements in Ukraine in the national currency"

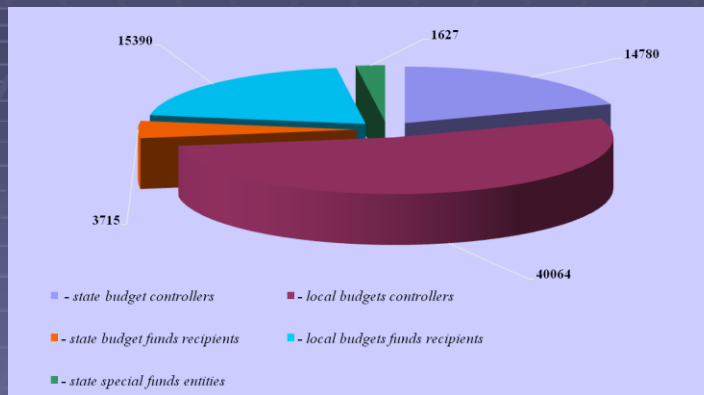
## Forming a legal case and opening accounts in the Treasury

### *The following is necessary for treasury services:*

1. **To form a legal case of the client**, which includes the following:
  - An extract from the Register of Companies
  - A copy of the document, which confirms that the client is registered by the State Tax Service
  - A signature card, an impress of a seal and a list of accounts, which persons authorized by the card have the right to administer;
  - A copy of the notification stating that the client is registered in the pension fund, as a payer of a single contribution for the general universally binding public social insurance
  - A copy of a certificate on including the budget controller in the Single register of Controllers and Recipients of Budgetary Funds (in addition to other clients)
2. **To open an account** (on the basis of an application requesting opening of an account formed by the controller / recipient / other client)

## Number of clients that are served in the treasury bodies

*As of today, bodies of the Treasury of Ukraine serve about 76 thousand clients*



- State budget controllers
- Local budget controllers
- recipients of the state budget
- recipients of local budgets
- institutions of public special purpose funds

## Technological regulation on the function “Provision of services to budgets, controllers and recipients of budgetary funds, other clients”

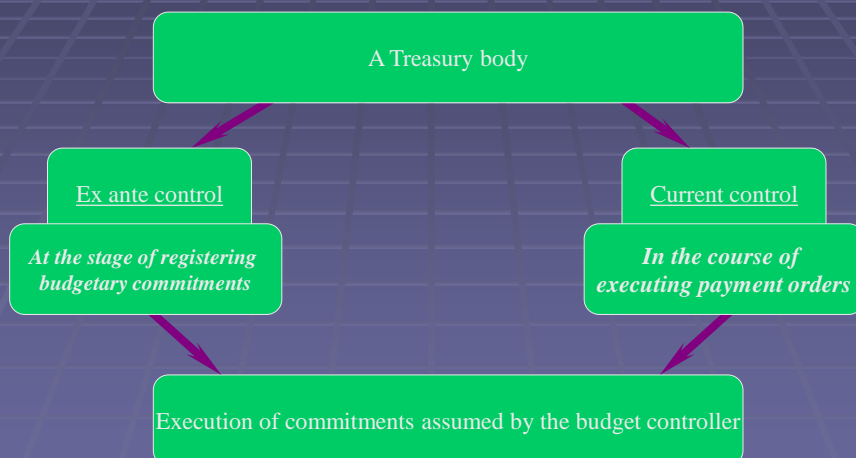
The main goal is the clear definition of the process of interaction and of document flow related to execution of Treasury competences when providing services to controllers, recipients of budgetary funds and other clients

The technological regulation includes the following:

- The list of normative acts that regulate execution of the process
- Participants of the process
- The document flow in the course of interaction with the participants of the process
- The applied software used for execution of the process
- The graphical block diagram of the process
- A process card, which includes the following:
  - A relevant operation
  - A responsible structural unit
  - Incoming and outgoing documents
  - The degree of automation of the process
- Brief description of the process

## Control competences of the treasury bodies in the process of providing services to budget controllers

The goal is to ensure control over the appropriate use of budgetary funds



### Main control functions of Treasury bodies when registering budgetary commitments of budget controllers / recipients of budgetary funds

- Availability of approved budget allocations for the budget controller
- Availability of documents, which confirm the fact of taking budget commitments
- Compliance of areas of use of funds with budget allocations and the passport of the budgetary program
- Availability of a full package of documents on the procedure of procurement of goods, works and services using public funds
- Budget controllers compliance with the competences and limitations, envisaged by legislative or other normative and legal acts of Ukraine

### Main control functions of treasury bodies in the process of executing payment orders of budget controllers / recipients of budget funds

- Correct filling in of all payment order references
- Availability in accounting of budget commitments and budget financial liabilities that correspond to the payment
- Matching of the code of economic classification of expenses and classification of crediting the budget with the economic characteristic of the payment
- Lack of restrictions for making expenses in case if it is regulated by normative and legal acts
- Availability of open allocations and actual receipts to registration and special registration accounts of budget controllers (recipients)
- Availability of planned indicators approved as an estimate
- Matching of signatures on the payment order and those on signature card submitted by the budget controller (recipient) or by some other client

## Control functions of treasury bodies envisaged by Law of Ukraine on Making Public Procurements for cases of registering budgetary commitments and payment of accounts of budget controllers / recipients of budgetary funds

***Registration of budgetary commitments is performed, if the following is available:***

- The annual procurement plan and changes to it
- Agreements on procurement concluded after carrying out the procedure for procurement
- Compliance of the concluded agreement to the report on the results of the carried out procedure of procurement, the annual procurement plan and correctness of their documenting in accordance with the provisions of the legislation
- Announcements on conducting the procedure for procurement
- Notification on acceptance of proposals of competitive procurement (price proposals, proposals based on the results of application of application of the procedure of procurement from one participant)
- Announcements of results of the procurement procedure

***Forbid payments from the account of a customer if there are missing documents envisioned by the Law of Ukraine «on Making Public Procurements» or in case they do not comply with requirements set by the legislation with respect to the following:***

- Documenting
- Cancellation of the procedure of procurement
- Coming into legal effect of the court decision on recognizing the procedure of procurement as invalid
- Suspension of the procurement procedure
- Availability of a relevant decision of an appeal body (Anti-Monopoly Committee of Ukraine)

## Main control functions of Treasury bodies when providing services to state special purpose funds

- Availability of documents that correspond to the payment (agreements, bills, invoices, acts of performed works, etc.)
- Availability of the full package of documents on implementing the procedure of procurement of goods, works and services for the money of state special purpose funds
- Correct filling in of all references of the payment order
- Matching of signatures on the payment order with those on the signature card submitted by the state special purpose fund

***Funds of state special purpose funds are not included in the composition of the state budget and are used exclusively for the purposes envisioned for carrying out direct functions of those funds***

**As a result of that:**

- Provisions of the budget legislation and also restrictions stipulated in acts of the Cabinet of Ministers of Ukraine, of the Ministry of finance for budget controllers / recipients of budgetary funds are not applicable for the named funds
- Commitments taken by the funds are not shown by Treasury bodies in accounting for budgetary liabilities

Enforcement actions for violation of the budget legislation, which are applied by Treasury bodies in the process of cash and settlement services provided to budget controllers / recipients of budgetary funds

- **A warning about improper execution of the budget legislation** *with a requirement to eliminate violations of the budget legislation (If a violation of the tax legislation was detected, it has to be eliminated within the period of up to 30 calendar days)*
- **Suspension of operations with budgetary funds** *(Operations related to payments are not carried out in the accounts of the breaker of the budget legislation)*

Violations of the budget legislation, for which enforcement measures are applied in the course of cash and settlement services provided to budget controllers / recipients of budgetary funds

**According to Article 117 of the Budget Code of Ukraine:**

***A warning about improper execution of the budget legislation*** - is applied in all cases when violations of the budget legislation are detected

***Suspension of operations with budgetary funds is applied in the following cases :***

- Violation of the procedure and terms of opening (closing) accounts with Treasury bodies
- Taking commitments without appropriate budget allocations
- Violation of the procedure for registration and accounting of budget liabilities
- Violation of requirements in the course of making prepayments for goods, works and services at the expense of budgetary funds, and also for violation of the procedure and terms of making such payments
- Making payments at the expense of budgetary funds without registration of budgetary commitments, in the absence of confirming documents or in case doubtful information is included in payment documents
- Misuse of public funds

**A decision on applying enforcement measures in case of violation of the budget legislation is made by the head (deputy head) of a treasury body**

For your reference – the State Treasury Service elaborated the Methodological recommendations on the procedure for applying enforcement measures by Treasury bodies in cases of violation of the budget legislation, which are approved by Order of 29. 12. 12 No. 394

## Typical violations of the budget legislation in the course of providing services for budget controllers / recipients of budgetary funds

### **At the stage of registering budget liabilities**

- Lack of budgetary funds, budget allocations set as an estimate with the budget controller
- Mismatch between areas of use of budgetary funds and budget allocations, passport of the budget program
- Lack of the full package of confirming documents while carrying out procurement of goods, works, services etc. at the expense of public funds

### **In the process of making payments on payment orders**

- Violations in the process of prepayment for goods, works, services at the expense of public funds
- Violation of the procedure for documenting payment orders submitted by the budget controller
- Submission of payment orders by the budget controller while there are payables on salaries, scholarships and utility payments

## Data on ensuring ex ante and current control by Treasury bodies based on the results of fiscal year 2012

### **The goal is to ensure use of budgetary funds exclusively in the framework of the valid legislation of Ukraine**

- 10 439 violations of provisions of the budget legislation by budget controllers and by recipients of budget funds were prevented, for the total amount of 1 985.2 million Hrivnas, which is about USD 248 million:
  - In terms of execution of the state budget - 2968 violations were prevented for the total amount of 961 million Hrivnas, which makes it about USD 120 million
  - In terms of execution of local budgets - 7471 violations were prevented for the total amount of 1 024.2 million Hrivnas, which makes it about USD 128 million

Thank you for attention!