



**NATIONAL FINANCIAL
REPORTING STANDARDS
BASED ON THE PRINCIPLES OF ACCRUAL AND
CONSOLIDATION
IN COMPLIANCE WITH THE INTERNATIONAL
STANDARDS AS A TOOL TO INCREASE
TRANSPARENCY.
RUSSIAN EXPERIENCE.**

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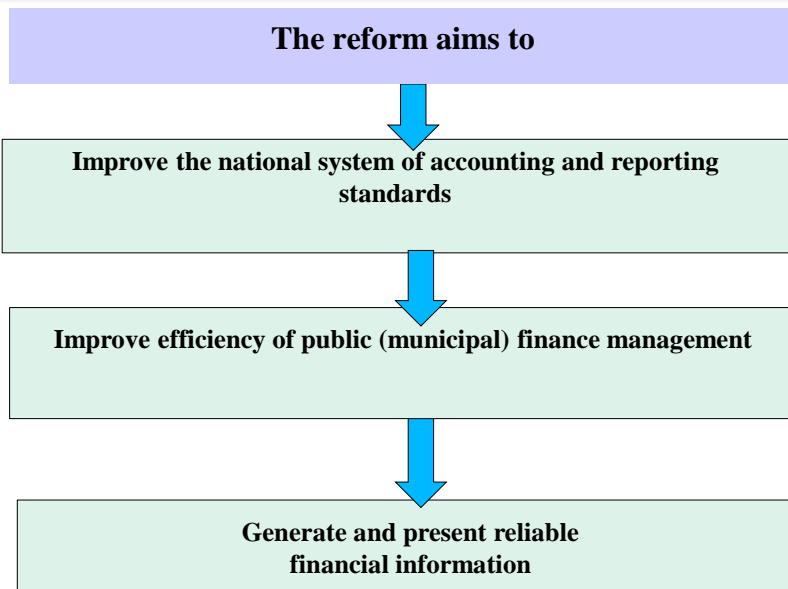
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**Conceptual approaches to standardization of financial
accounting and reporting within the framework of PFM
reform**

*Methodological framework for standardization of
accounting and reporting*

- *International Public Sector Accounting Standards (IPSAS)*
- *IMF Government Finance Statistics Manual (GFS)*

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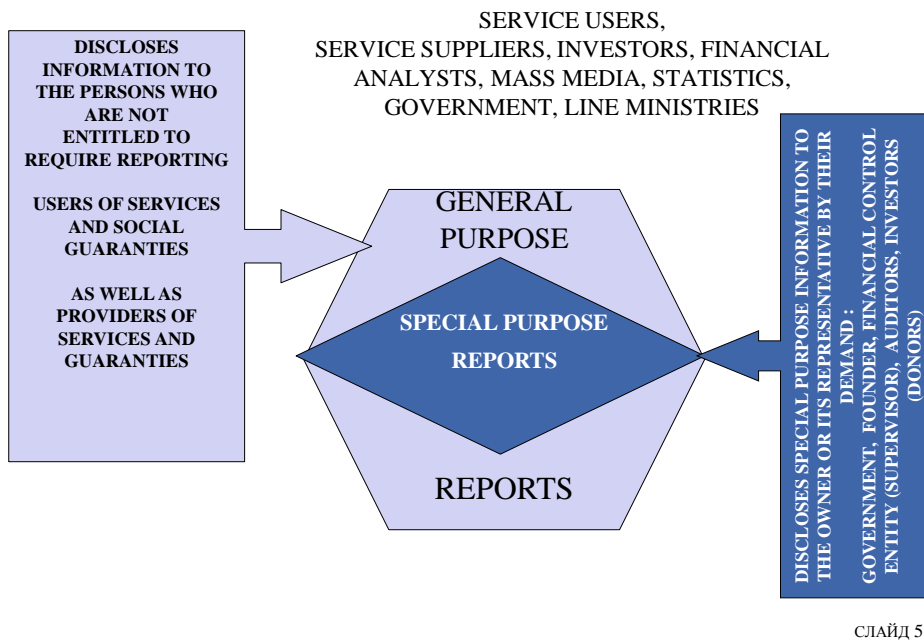


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ADAPTATION of IPSAS
In order to increase efficiency of public finance:
MAIN OBJECTIVES

OBJECTIVES OF THE REFORM	
<ul style="list-style-type: none"> - ENSURE OPENNESS - ENHANCE ACCOUNTABILITY AND TRANSPARENCY - IMPROVE PUBLIC FINANCE MANAGEMENT - ENHANCE CONFIDENCE TO THE GOVERNMENT - CONTRIBUTE TO BETTER INVESTMENT CLIMATE AND INTEGRATION INTO THE GLOBAL ECONOMY 	<p><i>REPORTS OF GOVERNMENT AND OF EACH ENTITY FROM THE CONSOLIDATED GROUP IS PLACED IN THE INTERNET ON THE GOVERNMENT PORTAL</i></p> <p><i>FINANCIAL REPORTING CONTAINS THE FOLLOWING DATA:</i></p> <ul style="list-style-type: none"> - <i>AT LEAST FOR THE REPORTING PERIOD (one year) AND THE PREVIOUS PERIOD (one year)</i> - <i>OVERVIEW OF SHORT-TERM AND LONG-TERM DATA AND KEY INDICATORS ABLE TO CHANGE THEM;</i> - <i>LINKAGES BETWEEN THE ACCOUNTING DATA (ACCRUAL) WITH BUDGET PLANNING (FORECASTING);</i> <p><i>A FRAMEWORK FOR AN EFFICIENT PUBLIC FINANCE MANAGEMENT HAS BEEN SET UP (both fiscal and non-fiscal), INCLUDING for GENERATION AND DISTRIBUTION OF SOCIAL GOODS, INVESTMENT PROJECTS.</i></p> <p><i>BENCHMARKING BETWEEN COUNTRIES IN TERMS OF PUBLIC FINANCE REPORTS (GFS) IS ENABLED.</i></p>

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**REFORM OF THE RUSSIAN NATIONAL ACCOUNTING SYSTEM
IN THE GOVERNMENT SECTOR**

	BENEFITS AND ADVANTAGES	DISADVANTAGES AND RISKS
Compliance of the Russian national standards with IPSAS and GFS (principles, forms of reporting, accounting rules, compliance with requirements to disclosure of information)	Building an accounting and reporting system based on IPSAS, GFS, but at the same time preserving best national practices	Significant costs (compared to benefits) at the initial stages of the reform
	Reported information (information in accounting) underlies budget planning and the financial analysis (decisions)	Staff training required (i.e. those in charge of reporting and users of reporting)
	Cross-country benchmarking enabled to compare reported data on public finance	Significant amount of data requires conversion (evaluation)
	Accelerated INTEGRATION into the global economies	Government support is important (as it is as the main user of reporting)
	Costs of the reform are compensated owing to higher efficiency of financial management	

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REFORM OF THE RUSSIAN NATIONAL ACCOUNTING SYSTEM IN THE GOVERNMENT SECTOR

	RISKS	MITIGATION OF RISKS
Compliance of the Russian national standards with IPSAS and GFS (principles, forms of reporting, accounting rules, compliance with requirements to disclosure of information)	Significant costs (compared to benefits) at the initial stages of the reform	Information and methodological support to the reform ensured by the Ministry of Finance of the Russian Federation
	Staff training required (i.e. those in charge of reporting and users of reporting)	Development of guidelines for implementation of standards and qualification (certification) system by the Ministry of Finance of the Russian Federation
	Significant amount of data requires conversion (evaluation)	E-Budget automated process
		Establishment of a system of financial control, analysis
	Government support is important (as it is as the main user of reporting)	Standards incorporated as legal provisions. RF Government Program approved.

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LINK BETWEEN THE NATIONAL ACCOUNTING SYSTEM AND BUDGET PLANNING

Criteria	Accounting and reporting	Budget planning
PERIOD COVERED/ OVERVIEWED	<i>The past linked to the present and the future</i>	<i>The future, based on the lessons of the past and constraints of the present and the future (budget rules)</i>
BASIS/ OBJECT	<i>Facts of economic activities (events)</i>	<i>Evaluation data and indicators (including accrued data)</i>
MODEL	<i>Assets – Liabilities = Net Assets</i>	<i>Revenues – Expenditures = DEFICIT//BALANCE//PROFICIT</i>
SYSTEM	<i>Double Entry</i>	<i>Single Entry</i>
METHOD	<i>ACCRUAL method</i>	<i>CASH method</i>
PROCESS MANAGEMENT	<i>Russian Ministry of Finance</i>	<i>Russian Treasury Russian Ministry of Finance</i>
RESULTS	<i>Financial reporting, (Profit and Loss Account, Cash Flow Statement)</i>	<i>Budget, Forecast, Budget execution report, Draft budget</i>

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LINK BETWEEN THE NATIONAL ACCOUNTING SYSTEM AND BUDGET PLANNING

Criteria	Accounting and Reporting	Budgeting
USERS	<i>External users, including Government and Legislator</i>	<i>Internal users organizing budget execution, auditors</i>
FREQUENCY OF REPORTING	<i>Quarterly (selective) ANNUALLY (full)</i>	<i>Quarterly; more frequently subject to users' demands; operative reporting</i>
SCOPE	<i>State as a whole International financial community</i>	<i>Prepared for the state as a whole, but used mainly within the government sector</i>
TIMELINE	Cash method - <i>short-term</i> Accrual - <i>short-term, mid-term, long-term (reserves timeframe)</i>	<i>Short-term, Mid-term, Long-term (forecasting timeframe)</i>

PRINCIPLES OF THE NATIONAL SYSTEM OF ACCOUNTING AND BUDGET PLANNING

	BENEFITS, ADVANTAGES	TO BE BUILT
ACCRUAL method - basis for the national standards of financial accounting and reporting while Keeping CASH method for budget planning provided there is a link between the two	ACCRUAL method is the basic principle of the system of accounting and reporting under IPSAS	❖ <i>Additional forms to explain deviations (cash - accrual (reserves))</i>
	For consistency, visibility and control of public finances	❖ <i>Translation systems Budget – Balance Cash – Accrual</i>
	Meets the objectives of the Reform	❖ <i>Links between Accounting and Budget through Classification (GFS)</i>
	<i>Allows enjoying the benefits of the international standards when used in national practice</i>	❖ <i>Analytical systems (assessments), methods of budget forecasting</i> ❖ <i>Consolidation of reports from institutions in the public sector</i>

CHECK OF COMPLIANCE OF THE NATIONAL ACCOUNTING SYSTEM WITH IPSAS	
SCORE	ANALYZED ITEMS OF THE RUSSIAN SYSTEM OF ACCOUNTING AND REPORTING IN PUBLIC SECTOR
1. DOES NOT COMPLY	❖ MAIN PREMISES OF ACCOUNTING
2. PARTLY COMPLIES	❖ BASIC SET OF REPORTING FORMS:: 1. General-purpose reporting; 2. Special-purpose reporting : - statistic; - accounting (financial); - special (to the Government, Legislator).
3. FULLY COMPLIES, (COMPLIES WITH ESSENTIAL REQUIREMENTS)	❖ PRINCIPLES OF ACCOUNTING ❖ RULES OF ACCOUNTING ❖ REQUIREMENTS TO DISCLOSURE OF REPORTED INFORMATION ON PUBLIC FINANCE, ACTION REPORTS

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ANALYSIS OF REPORTED INDICATORS in CASH and ACCRUAL method		
CRITERIA	CASH	ACCRUAL
ACCEPTED LIABILITIES IN THE CURRENT YEAR	PARTLY COMPLIES (REGISTER OF LIABILITIES IS REQUIRED)	FULLY COMPLIES
AMOUNT OF SHORT-TERM (A YEAR) LIABILITIES TO BE DISCHARGED	PARTLY COMPLIES // NO (CASH FORECAST OF LIABILITIES)	YES As of the date a LIABILITY IS ACCEPTED
MEDIUM-TERM period (the NEXT period)		SPENDING RESERVES
ESTIMATE OF POSSIBLE CASH GAPS (AMOUNT OF FUNDS (TO BE DRAWN) FOR DISCHARGE OF LIABILITIES)	PARTLY COMPLIES (BASED ON CASH FORECAST (ESTIMATED))// ASSESSMENT OF RISKS REQUIRES A REGISTER OF LIABILITIES)	YES BASED ON CASH FORECASTS TAKING INTO ACCOUNT FACTUALLY ACCEPTED (ACCRUED) LIABILITIES
SOLVENCY OF THE STATE BUDGETS	DOES NOT ACCOUNT for EXPECTED DISCHARGE OF LIABILITIES	ACCOUNTS for EXPECTED DISCHARGE OF LIABILITIES

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**ANALYSIS OF REPORTED INDICATORS
in CASH and ACCRUAL method**

CRITERIAS	CASH	ACCRUAL
AMOUNT OF OUTSTANDING LIABILITIES FROM PREVIOUS YEARS	NO (REQUIRES A REGISTER of LIABILITIES)	YES
EFFECTIVENESS OF DECISIONS (LIABILITIES)	DECISION MADE = DECISION EXECUTED (RESULT = DISBURSEMENT OF MONEY)	DECISION MADE = DECISION EXECUTED = RESULT (FINANCIAL, ECONOMIC, SOCIAL)
ASSESSMENT OF LIQUIDITY ON THE ACCOUNT (FISCAL EFFECT, AS CHANGES IN THE BUDGET BALANCE)	PARTIALLY (CASH EXECUTION) PROFIT / DEFICIT : WITHOUT ACCOUNTING FOR THE EXPECTED DISCHARGE OF LIABILITIES, OR DISCHARGE OF PAST LIABILITIES, LOSSES	YES ANALYSIS OF CHANGES IN BALANCES: PROFIT/ DEFICIT : - WITH ACCOUNTING FOR THE LIABILITIES TO BE DISCHARGED; PAST LIABILITIES (LOSSES)

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Reforming the Russian Accounting Standards in Public Sector: Objectives

❖ *Ensure legal definition of the term “General purpose financial reporting»*

as the reporting designed to satisfy information needs of those users that cannot require presentation of mandatory reports;

❖ *Define the list of entities included in the public sector (public administration sector)*

*Create and maintain a register of institutions in the public sector.
Ensure their full coverage and consolidation.*

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Reforming the Russian Accounting Standards in Public Sector: Objectives

- ❖ *Specify uniform accounting rules in order to align them with the principles and approaches of international standards;*
- ❖ *Formulate methodologies for evaluation of assets, liabilities*
- ❖ *Extend the volume of reported data in compliance with the international standards;*
- ❖ *Develop consolidated reports disclosing vertically integrated entities (real sector) that are entirely or partly in the public domain;*
- ❖ *Increase efficiency of reporting, relevance of public finance data. E-Budget;*
- ❖ *Supplement the reporting with performance indicators by types of assets and liabilities according to their maturity.*

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QUESTIONS?!



THANK YOU FOR ATTENTION!