



Public sector accounting reforms in Ukraine

**State Treasury of
Ukraine**



Public sector accounting framework in Ukraine

Ukraine's legislation does not contain clear accounting guidelines for the public sector

- The Treasury is in charge of cash accounting for the central and local budget execution, with accrual accounting being used selectively for certain operations (government debts and liabilities of government institutions)
- Government institutions are in charge for accounting for affiliated entities' budget execution. This is done on the accrual basis
- Accrual accounting for government-owned funds (Pension fund, Social insurance fund for temporary loss of ability to work, mandatory state insurance unemployment fund and the work accidents and illnesses social insurance fund) is carried out by the funds.



Charts of Accounts in the Public Sector

Chart of Accounts for Central and local budgets execution (used by the Treasury)

Chart of Accounts for government institutions' accounting units (used by government institutions)

- Chart of Accounts for Government's Specialized Funds (different Charts of Accounts are used)

Government agencies subject to mandatory financial reporting

- Ukraine's State Treasury
(budget execution)
- Government units
- Government's specialized funds

Public sector audit and financial reporting requirements

- External control and audit of financial reporting of public institutions is carried out by the National Directorate of Auditors
- Government units are responsible for the design and maintenance of internal financial controls and audit both in their respective organizations and the public institutions they control.
(article 26 of the Budget Code of Ukraine)
- The information on the execution of the central and local government budget (except for the budgets of villages) must be released publicly and published in official gazettes.
- Key users of the government's budget must publicly present and publish reports on budgetary spending against the economic classification of expenditure *(article 28 of the Budget Code of Ukraine)*

Challenges and drawbacks of public sector accounting and financial reporting framework

- Lack of unified methodology for recording the operations of government units
- Reports on budget executions are consolidated vertically both along the lines of the Treasury and along the lines of the key budget users (some information flows are duplicated)
- Lack of regulations for the organization of accounting units and appointments of Chief Accountants

Prerequisites for reforms

- Need to harmonize Ukraine's accounting and financial reporting legislation with international standards
- Public sector accounting framework does not provide managers with complete and transparent financial picture
- No opportunity to compare the data on the financial situation with that of other countries
- Need to strengthen government control over accounting and reporting frameworks in public institutions



Goals of public sector accounting reforms

Improve public sector accounting and financial reporting framework and harmonize it with international standards (IPSAS)

Milestones in public sector accounting reforms

Stage I: legislative adjustments (2007-2011)

Stage II: design and implementation of national public sector accounting standards adjusted to international standards (IPSAS) (2009-2011)

Stage III: upgrading of government institutions' accounting units (*more thorough coordination of Treasury's appointments of government institutions' Chief Accountants. Assessment of whether or to what extent they fulfill their functions*) (2011-2012)

Stage IV: implementation of national public sector accounting standards (*24 standards*) (2013)

Stage V: completion of reforms (2015)

Legislative framework for accounting reforms

- The Budget Code of Ukraine
- Law “on accounting and financial reporting in Ukraine”
- Public sector accounting framework modernization strategy for 2007-2015
(Cabinet Regulation № 34 of 16.01.2007)\
- Strategy for applying international financial reporting standards in Ukraine
(Cabinet Regulation № 911-p of 24.10.2007)
- PFM framework modernization strategy
(Cabinet Regulation № 888-p of 17.10.2007)
- Implementation schedule for public sector accounting provisions (standards) and financial reporting
(Order № 504 of the Ministry for Finance of 19.04.2007)
- Standard provisions for accounting units of public institutions
(Cabinet Regulation № 59 of 26.01.2011)
- The regulation on the coordination of appointment and dismissal from office of Chief Accountants of government institutions
(Order № 214 of the Ministry of Finance of 21.02.2011)



Key directions for reforms

- strengthening accounting and reporting framework
- Establishing a unified organizational and informational accounting system

Strengthening accounting and reporting framework

Implementation solutions

- Designing and implementing national public sector accounting and reporting standards in compliance with international standards (IPSAS)
- Creating a unified Chart of Accounts for government institutions, harmonized with budget classification
- Strengthening report consolidation by using modern IT systems

National public sector accounting standards

Approved	To be developed and approved
101 Presentation of Financial Statement	Presentation of budgetary information in financial statements
102 Consolidated financial reports	Financial reports on Shares in Co-operative Entities
103 Segmented financial reports	Financial Reporting in Hyperinflationary Economies
121 Property, Plant and Equipment	Publishing information on general government sector
122 Intangible assets	Events After the Balance Sheet Date
123 Stocks	Borrowing Costs
124 Revenue	Related Party Disclosures
125 Accounting Policies, Changes in Accounting Estimates and Errors	Construction Contracts
126 Leases	Financial Instruments: Presentation
127 Impairment of Assets	The Effects of Changing in Foreign Exchange Rates
128 Provisions, Contingent Liabilities and Contingent Assets	Investments in Associates
129 Investment Property	Employee Benefits
12	12

Establishing a unified organizational and informational accounting system

Implementation solutions

- Implementation of unified approach to the structure of government institutions' accounting units
- Strengthening the Treasury's control over the application of unified accounting and reporting rules by government institutions
- Creating an integrated informational and analytical PFM framework, based on the unified Chart of Accounts and national public sector accounting standards

Expected outcomes of reforms

- Adaptation of Ukraine's accounting and reporting legislation to international standards (IPSAS)
- Strengthening PFM framework
- Transparency of financial reporting data in the public sector and ability to compare them with similar data from other countries



Challenges in reform implementation

- Lack of translation of some public sector accounting standards (IPSAS 27-31)
- Development of public sector accounting standards or adaptation of private sector accounting standards for use in the public sector?



Issues that arose during reform implementation and need to be addressed

- The need to integrate economic classification and the Chart of Accounts
- Harmonization of budgetary reporting and financial reporting



Thank you!
