Materials of PEM PAL "Strategies for Treasury System Upgrading"

June 25-27, 2012

Prepared by
the Treasury of Russia

Materials of PEM PAL Treasury Community Workshop "Strategies for Treasury System Upgrading"

These materials were prepared following the results of the PEM PAL Treasury Community Workshop that took place on June 25 to 27, 2012 in Russia (venues in Moscow, Suzdal, Vladimir)


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Семинар Казначейского сообщества PEMPAL:
Стратегии модернизации казначейства
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FOREWORD

The major objective of the PEM PAL program is to promote professional qualification of specialists working in the public financial systems of member countries, as well as to support them in the process of implementing various reforms in this area. Exchange of ideas and sharing experience directly among practitioners working in the public financial systems of member countries are main methods to achieve this objective within the program framework.

In line with the proposal of the Treasury of Russia representatives, which was supported by the members of the Leadership Group of PEM PAL Treasury Community of Practice, a workshop on the strategies for the treasury system upgrading was held in February 2012 and on July 25–27, 2012 in Russia with venues in Moscow, Suzdal and Vladimir.

The Treasury Community of Practice developed a successful practice of conducting similar workshops in the Treasury Community of Practice member countries with the agenda that includes visiting the treasury of the hosting country and a presentation describing the country's experience in reforming the public finance management systems.

For Russia, this event meant a successful completion of the final phase of the 10-year Treasury System Upgrading Project supported by the World Bank.

Participants of the workshop represented the following member countries and organization: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kazakhstan, Kyrgyzstan, Macedonia, Moldova, Montenegro, Rumania, Russia, Serbia, Tajikistan, Turkey, Ukraine, Uzbekistan, France, the World Bank, OECD, PEM PAL program.

Workshop participants presented reports on the following topics relevant to the discussion and the sharing of the experience: public sector accounting and reporting reforms, IT application in the treasury activities, and methods for ensuring treasury activities control. The workshop participants had an opportunity to attend discussion sessions in the round table format and to discuss the presentations. On the last day of the workshop in the Vladimir Territorial Treasury Office, live demonstration of the Treasury Information System of the Russian Federation (Federal Treasury Automated System) was organized.

In addition to the main agenda, the Treasury Community of Practice Leading Team members discussed issues pertaining to the further activities of the community, including approaches to the development of the mid-term strategy of the PEM PAL Treasure Community of Practice development.

The input of the workshop participants and the results of work in the working groups served as a basis for preparation of this analytical paper.

I. Development Strategy and Upgrading Experience of the Treasury System of the Russian Federation

Development Strategy of the Treasury of Russia

Development of the Treasury System of the Russian Federation is based on the four key principles of public finance management elaborated in 2006 at G8 meeting chaired by Russia:

1) financial transparency;

2) budget consolidation and consolidation of the budgeting process;

3) result-oriented budgeting;

4) efficient financial control and monitoring.

To implement theses principles, the Treasury of Russia (the Federal Treasury) created a strategy map till 2015. It visualizes 12 key tasks to be solved, including most important events (see Table 1). These key tasks are as follows:

- development and enhancement of mechanisms to manage a Treasury Single Account liquidity;
- development of government information systems;
- creation and development of an e-Budget System;
- reform of a Budget Payments System.

In the Russian Federation, a classic model of a Treasury Single Account was implemented. It was created in Russia in 2004 and allowed consolidating the remaining funds of the federal budget on a single account of the Federal Treasury in the Bank of Russia.

The creation of this Single Treasury Account required intense and laborious work as earlier the local budget resources were allocated to the accounts of local institutions and local governments.

Today, owing, inter alia, to the Treasury of Russia each of the 24 thou local budgets has its own single account.

Consolidation of funds on the Single Treasury Account allowed proceeding with the creation of an up-to-date Treasury Single Account Liquidity Management System in 2008.

Every day, the available temporarily free funds of members and non-members of the budgetary process are accumulated in order to increase the remaining funds on the Single Federal Treasury Account by the amount of 320 bln rubles as of June 2012.

This allows ensuring non-stop financing of the federal budget expenditures and placing the free funds in bank deposits.

Within the period from 2009 to 2011, the federal budget earned approximately 60 bln rubles due to this.

It is expected that in 2012 the budget will be increased by additional 8.88 bln rubles — interest accrued to the amounts on the deposits made in 2011.

These results were achieved due to the weekly placement of free funds in bank deposits.

However, in the nearest future we plan to perform daily placement of free funds in bank deposits and to practice repo deals.

In addition, with intention to create tools for supporting the liquidity of regional and local budget accounts, the Federal Treasury was vested with the authority to provide budgetary credits for topping up the available funds on the accounts of the budgets.

Creation of government information systems became the second line of the development of the Treasury System of Russia.

The Federal Treasury owns two systems — the Federal Treasury Automated System, the so-called "FTAS", and the Key Performance Indicator System. The Federal Treasury also is an operator of five information systems, viz.:

- the all-Russia official site;
- the e-Budget system;
- the web portal of public services;
- the government information system of government and municipal payments;
- the Upravlenie government automated system.

The utilization of these information systems by the Treasury of Russia resulted in:

- optimized and streamlined functional processes;
- optimized organizational and manpower structure (during the period from 2000 to 2012 the number of specialists in the Revenue Department shrunk from 10,530 to 2,106 people, in the Accounting Department — from 6,266 to 2,530 people);
- increased labour efficiency (with new software it doubled during a year — from 145 operations a day per person to 342 operations);
- reduced transport and administrative expenses of the Treasury clients due to the launching of e-Document Management Service (paper — by 30%, transport expenses of clients — by 100 %);
- increased rate of information exchange with outside users (within the regions — by 30 times, when interacting with the Central Office staff — by 10 times);
- creation and launching of the all-Russia official site, the so-called "AROS" (Russian: "ООС") in line with the procurement laws.

The benefit of the all-Russia official site can be demonstrated by the following facts: currently it is a unique legal, economic and information environment where more than 200 thou. customers and hundreds of suppliers carry out procurement operations for the amount of approximately 6 trln roubles. During 2011 only, cost savings in public procurement made up approximately 317 bln rubles.

This information system, as a web portal for public services, has been working since January 1, 2012. This portal contains information about each government or municipal entity that provide services, and about government (municipal) services (including cost) they provide.

As of June 1, 2012, 170 thousand entities were registered at the portal; it is 88 % of the total number of institutions in the country.

This allowed for implementation of the principle of transparency fixed in the Budget Code of the Russian Federation.

The software product "Federal Treasury Automated System (FTAS) is the result of the implementation of the RF Treasury System Upgrading Project that was completed in 2012. It took more than 10 years to implement the project with the support of the World Bank.

The major advantage of the FTAS is the centralization of the software and data bases in the territorial offices of the Federal Treasury only, instead of software installation in every branch as it was envisaged by the previous information infrastructure.

There are no similar projects in the World Bank practice, and it will serve as a foundation for the development of the Federal Treasury as a recognized leader in the field of information technologies in the public finance area.

Based on the obtained experience and the FTAS, the Treasury of Russia proceeded with the creation of the e-Budget system.

E-Budget is an integrated information system for public finance management. The distinguishing feature of this system is that it differs from the World Bank model by comprising centralized and decentralized approaches. The functional structure of the e-Budget is shown in Fig. 1.

Implementation of the e-budget will allow for ensuring a maximum transparency and reliability of information at all the stages of the budgetary process. It will also result in time advantage in the exchange of information between the clients and in improvement of its quality, and in automation of the processes.

In addition, within the framework of the e-budget the Federal Treasury may act as a single service centre for all the organizations of the public management sector. For instance, it may perform functions of financial and payroll accounting. The salaries of about 600 thousand employees may be calculated by less than 1 thousand Treasury employees. Currently, this function is fulfilled by 10 thousand specialists.

Summing up the above said, the e-budget will considerably simplify the routine labour of specialists, reduce the time they spend on performing technical functions and provide more opportunities for financial workers to fulfill analytical work, and will make their labour more intellectually intensive.

Utilization of the government information system of government and municipal payments, the so-called GIS GMP, will allow for enhancement of the awareness of the payers about the budgetary indebtedness and will significantly simplify the procedure of paying off the debts.

Citizen will be provided the opportunity to obtain information about their indebtedness before the state budget in any part of the country and the world from the payer’s personal cabinet.

To make payments for public services will be as easy as, for instance, to make payments for mobile services using plastic card of any type through ATMs or Internet, cash desk, mobile phone, remote banking system, etc.

It will be possible to repay the debt instantly both in the credit institution office and at the portal of public services.

Citizen will be able to obtain up-to-date information about the debts for the services they received. The information will be delivered by the Treasure of Russia to credit institutions based on the information about the charges calculated by budget revenue administrators and information on payments associated with these charges.

The system will allow the suppliers of commodities, works and services to issue invoices, completed works certificates for counteragents using the GIS GMP tools. These tools shall be integrated with the e-budget system software.

This will allow for enhancement of the transparency of all the stages of assuming liabilities and making the budgetary expenditures, and thus will ensure the accountability of the state to its citizens.

Another key area of development is reforming the system of budgetary payments. The idea of this project was outlined in the Program of the Russian Federation Government on the Improvement of the Efficiency of Budgetary Expenditures. The essence of the program lies in the integration of the existing banking and other payment technologies with the Federal Treasury Payment System.

Reforming the system of budgetary payments will result in the operation of the Federal Treasury Single Account in the Bank of Russia with the sub-accounts for the funds of the budgets, funds of the budgeting process participants, and the funds of other organizations. Its functional structure is shown in Fig. 2.

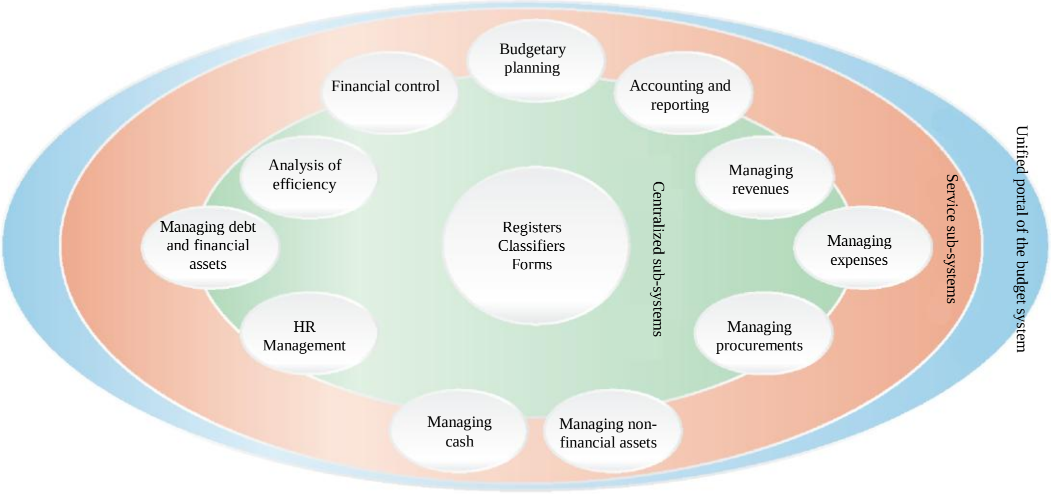

Fig. 1. Functional structure of the e-budget information system

The purpose of the reforms is to achieve the level when all public payment operations are performed through the Single Federal Treasury Account in the Bank of Russia, with the multiple bank accounts of the budgetary system budgets being transferred to a single Federal Treasury Accounting System.

In this case, by 2017 the Treasury of Russia may became a kind of "Budget Bank" — a payments centre for the public management sector.

It is expected that reforming the system of budgetary payments will result in (data are shown as compared with performance indicators of 2012):

- reduction of the number of the Federal Treasury accounts in the banks from 62 thousands to 1 thousand;
- reduction of free and clear funds on the accounts from 1.7 trln rubles to the amounts calculated with account of needs in liquidity for the correspondent account;
- increase of the non-cash circulation share — federal budget payments – from 75% to 90%; regional and local payments — from 50 to 75 %;
- reduction of the time needed to carry out operations on payments of clients carried out in electronic form – from 3 business days down to 1 business day;
- reduction of time needed to charge budgetary payments from 1–3 days to 1 day;

Large-scale projects demonstrate the importance of the task carried out by the Treasury of Russia. However, the major mission of the Treasury of Russia is to serve the state, to promote the sustainability, reliability and transparency of the financial system of the Russian Federation. In this connection, the task of the Treasury as a link of the financial system is to ensure the safety of funds of all the public legal entities of Russia.

Experience obtained during implementation of the RF Treasury System Upgrading Project

Results of the implementation of the 10-year RF Treasury System Upgrading Project were achieved due to the successful cooperative work of the Russian Federation Ministry of Finance, the Treasury of Russia (the Federal Treasury) and the World Bank.

The scope of the work performed, major functions, architecture of the Federal Treasury Automated System, phases of the system

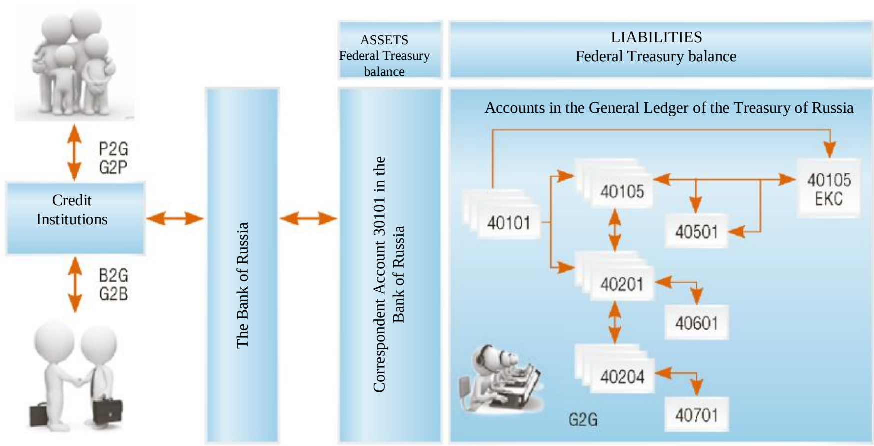

Fig. 2. Functional architecture of the Federal Treasury Single Account

creation, prospects of the development of information systems are the areas of the Russia's experience that can be used by other countries.

To ensure better understanding of the specific character of the FR Treasury System Upgrading Project implementation, we provide general information about the Federal Treasury (The Treasury of Russia). Currently the Federal Treasury is represented by:

- the Central Office (Moscow);
- 83 territorial treasury offices in Russian Federation entities;
- 2,116 branches and departments in the cities and districts of the Russian federation entities;
- more than 53 thousand employees;
- 9 time zones;
- 23,607 budgets being serviced;
- more than 78 thousand bank accounts;
- more than 220 thousand client organizations;
- more than 2 mln 300 thousand certificates for electronic signatures issued free of charged;
- more than 40 mln payment transactions on average per month;
- 27.1 trln rubles accounted budget revenue;
- 19.6 bln rubles revenues from interest on deposited budget funds.

During the past decade many problems were solved and many errors typical for the similar projects were corrected, and significant results were achieved. Currently, the Treasury of Russia is ready to furnish a wide range of services to its clients.

The key purpose and the key content of the work at the project was creation of the Federal Treasury Automated System.

Development of technical specifications, tender procedures and selection of the supplier were followed by the system development, pilot implementation and roll-out. Due to the rapid changes in the regulatory environment there were major delays in the project implementation at development phase. In addition, during the project implementation period the technologies were developing and the ideas fixed in the requirements to the project at the initial phase became outdated. Rapid and large-scale development of Internet technologies, enhancement of traffic-carrying capacity of the channels, development of banking products allowed for minimizing the cash circulation with utilization of bank system payment services. At the same time, the thorough development of the entire system at this phase resulted in fairly successful roll-out of the system, its commercialization. The most important aspect of the system commercialization was its testing in the pilot regions.

Table 1. Strategy Map of the Treasury of Russia till 2015

Major components of the treasury of Russia strategy	Strategic goals	Strategic objectives	Direct result by 2015	Social effect
Public authorities, clients and general public	1. Create unified information environment for financial activities of public legal entities of the Russian Federation (open budget)	1. Ensuring transparency and accessibility of information about the public finance status	Efficient system of public control over financial resources of the public management sector	Enhancement of efficiency of budget expenses and trust of citizens to authorities
		2. Ensuring transparency and accessibility of information about the public sector	Granting access to financial information on activities of the public sector	Enhancement of transparency and accessibility of information on financial activities in the public sector and of the level of trust of citizens to authorities
		3. Creation and development of the e-budget	Functioning of the public integrated information system for public finance management "Electronic Budget" (e-budget)	Ensuring transparency, openness and accountability of activities of Public authorities and local governments
	2. Ensure cash servicing of public management sector entities	4. Cash servicing of budgets of the budgetary system of the Russian Federation, public non-budgetary funds and non-participants of the budgetary process	Provision by the Treasury of Russia of cash services for execution of budgets of the budgetary system of the Russian Federation and accounting for operations with funds of non-participants of the budgetary process	Ensuring safety of public financial resources
	3. Improve system of budgetary payments	5. Enhancement of efficiency of processes for management of financial resources of the Russian Federation	An efficient model of active management of funds in the treasury single account	Enhancement of budgetary expenses efficiency
		6. Application of up-to-date payment technologies in the public management sector	Ensuring predominantly non-cash currency circulation in the public management sector	Ensuring transparency of operations with financial resources of the state
	4. Ensure support to efficient use of budgetary funds in the sphere of state and municipal procurements	7. Creation of the efficient system for monitoring budgetary liabilities of recipients of budgetary funds and interaction with controlling and supervisory authorities	Formation of the monitoring system for budgetary liabilities	Enhancement of budgetary expenses efficiency
		8. Creation of conditions for integration of government procurement management processes and execution of budgets of the budgetary system of the Russian Federation	The unified system of planning government (municipal) procurements, accounting and execution of government (municipal) contracts	Enhancement of efficiency of budgetary expenses and trust of citizens to public authorities

Major findings and issues of this stage were related to the difficulty of determining the right moment for transition from development to testing.

Three regions were chosen where old and new systems were operating at the same time. First, test cases were used, and then there was a transition to real data. This process was accompanied by multiple errors. To correct these errors and to systematize the experience obtained during the pilot operation, special procedures and mechanisms were developed. During the period of transition from decentralized system to centralized system, the quality of data is of special importance. There was a need to change the larger portion of business processes as the software used to built and develop them differed much. These processes were unified, typed and automated.

continuation

Major components of the treasury of Russia strategy	Strategic goals	Strategic tasks	Direct result by 2015	Social effect
Financial support	5. Improve the system of financial management in the Treasury of Russia	9. Enhancement of efficiency of management of financial resources of the Treasury of Russia	Ensuring transparency and openness of costs related to carrying out of functions by the Treasury of Russia	Enhancement of efficiency of use of financial resources of the state allocated for maintenance of the Treasury of Russia activities
Internal functional and managerial processes	6. Ensure safety of activities of the Treasury of Russia	10. Creation of environment for ensuring safety of activities of the Treasury of Russia	Functioning of the comprehensive security system of the Treasury of Russia	Ensuring safety of financial resources of the state
	7. Improve arrangement of activities of the Treasury of Russia	11. Formation of conditions for ensuring efficiency of activities of the Treasury of Russia	Implementation and development of the system for determining and evaluating efficiency of the Treasury of Russia	Enhancement of efficiency of use of public financial resources allocated for maintenance of the Treasury of Russia
		12. Streamlining of the structure and functions of the Treasury of Russia	Availability of the optimal (in terms of territorial distribution, quantitative and qualitative composition of personnel) network of the Treasury of Russia	
		13. Creation and development of the "Electronic Treasury" (e-Treasury	Functioning of the information telecommunication system of the Treasury of Russia, which supports, inter alia, electronic document exchange with application of an electronic digital signature inside the Treasury of Russia and with its clients	Building the trust of citizens that financial resources are safe
		14. Regulation of functional activities of the Treasury of Russia	Ensuring uniformity of carrying out of all the Treasury of Russia functions in the territory of the Russian Federation	Ensuring transparency of actions of the Treasury of Russia, minimization of risks associated with corruption
Human resources	8. Ensure implementation of efficient HR policy	15. Improvement of the HR management system	Motivating employees interest in results of activities of the Treasury of Russia	Building of trust of citizens to public authorities

Only after real-time pilot and commercial operation of both systems, after synchronization of the results obtained from the new and the old systems, it was decided to shutdown the old system and to operate the new FTAS.

All the functions of the system were ensured by the Oracle software. Standard modules and separate aspects of Oracle E-Business Suite packages form the foundation of the system. They were customized in line with the regulatory environment of the Russian Federation. Fig. 3 shows FTAS modules.

Part of the specific modules (electronic documents flow, security server) was developed specially for this system. The work scope required that FTAS was developed as a comprehensive system from the very beginning. Along with the new software development, new procedures of Federal Treasury activities were implemented, legislation was streamlined, infrastructural engineering-support systems, communication system and information protection system were built, and country-wide supply of equipment was performed. Each phase and each component required the respective staff training which was conducted in due time.

The infrastructure consisted of engineering-support systems, including uninterruptible power supply system, air conditioning system, security system, fire prevention system.

All in all, within the project framework 7 to 12 different system were installed at each of the 2,200 facilities of the Federal Treasury. These works were financed from the federal budget funds during the period from 2003 to 2010. In 2010, works for construction of the up-to-date departmental distribution transportation network were completed.

The Federal Treasury received the state-of-the-art communication system. All territorial offices and branch offices were united in a single network that ensures data transfer and IP--telephony. This communication system functions as a single system with a control center in Moscow; its throughput is high enough to ensure stable and quality operation of the entire system. Currently, the data-computing network upgrading is in progress as the data volume grows from year to year and it is necessary to maintain high traffic-carrying capacity of the channels to ensure quality work of the FTAS.

The main expenditure item financed under the grant of International Bank for Reconstruction and Development was purchasing of the equipment required to ensure the system operation, including high-end server equipment, data storage system, and redundant arrays of inexpensive discs. This equipment was purchased in phases following the system roll-out plans in line with the results of open biddings per specifications based on the qualitative parameters of the equipment suppliers. The suppliers of the equipment were chosen based on the results of several international tenders. At all phases, the task was to ensure maximum compatibility of the procurement environment. The equipment came from different manufacturers and was installed to make a comprehensive system that constitutes a technical basis of the FTAS.

This technical upgrading of the Federal Treasury facilities and installation of the state-of-the-art key systems resulted in the necessity to have such system of operation that is able to monitor the status of equipment and to ensure its uninterrupted operation. In this connection, a single system for monitoring the status of all the equipment was created.

The operations monitoring system created and implemented in all the 83 territorial offices of the Federal Treasury ensures monitoring of scopes, quality control of units and services performance, and formalization of information services support procedures. 72 thousand users are registered in the Operations Control System. Data on 116,735 units of equipment were entered into the system. During the period of operation, this system registered more than 533 thousand requests from users.

During the project implementation period, safety issues were given special attention. FTAS security server ensures protection at the level of applications. Protected are functions and documents of end users, as well as a single centre for user authentication, authentication of requests and audit of operations. Workstation security administrators are the functions for digital signature operations: digital signature creation, enhancement of digital signatures to the level of advanced digital signatures, advanced digital signature verification, advanced digital signature extraction or removal. Workstation control includes verification of documents and data sent from the protected segment to the open segment, document and data export to the removable media, maintenance of operations register.

Thorough development of the system requirements at the bidding documents preparation phase is of utmost importance. Accuracy and completeness of the requirements in many ways determines the quality of the upgraded final SW version. Regardless of how thoroughly they are described at the development phase, there inevitably will be some misunderstanding between the supplier, the customer and the designer. Therefore, dispute settlement mechanisms will be needed. These mechanisms will allow for flexible response and solution of disputes and problems in the approaches and methods. In this connection, the role of the project integrator is extremely important. This is the very person that will perform technical expertise of bidding documents and exercise control over the supplier.

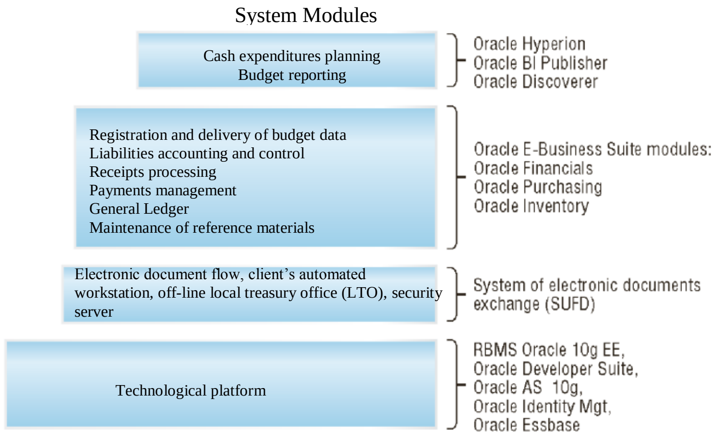

Fig. 3. Modules of the Federal Treasury Automated System

Comprehensive approach to the system design with account of all its components is not less important. The role of the World Bank in this project implementation can hardly be overestimated. The World Bank experts helped consolidate and take into account the existing experience in the creation of similar systems. Nevertheless, due to the lack of experience in creation of such large-scale systems, the Treasury of Russia encountered the problem of unrealistic deadlines which were determined at the project preparation phase and then were extended.

The choice of vital importance had to be made: develop the system within the existing regulatory framework or to change the regulatory environment for existing system. At the system design phase, it is important to clearly document all the details of business processes for common understanding of the system functionality by the customer (client) and the supplier. This also finds its reflection in planning and control of the interrelated tasks deadlines.

The implementation phase was fairly successful, but there were some challenges. It was necessary to ensure the consistency with the existing system used earlier and the new Federal Treasury Automated System without stopping work for a single day. The system was created under the constantly changing conditions: changes in the regulatory environment and in the technological basis. To account changes in the FTAS, there was a time period before January 1 of the new year only, when the next portion of regulatory documents became effective.

Successful work at the implementation phase was impossible without accurate scheduling. The Federal Treasury generated and tracked schedules for each contract, entity and the project as a whole. As the uninterrupted work of the Federal Treasury is of crucial importance, much attention was paid to the infrastructure which had to be operable, checked out and tested well in advance.

The work was performed in line with the clearly determined regulations, procedures, rules, and with the strict adherence to the sequence of project phases and stages. The major attention was given to data entry and migration from the previously used system to the FTAS. Special data conversion software and methods of control were developed. The demands to the discipline of users became more severe.

System of electronic document exchange with clients was implemented. Currently, within the framework of electronic document exchange system, we implement the transition from the users' special software that was installed at each client's workstation to the online SFDM portal system (system of financial document management (in Russian: СУФД). The portal solution was successfully and promptly implemented in all the regions. More and more users shift to such technologies as they do not require any special software at the workstations of the state-funded organizations, save the access to the Internet and

Internet security software. Consequently, the only limit is the level of quality of Internet connection, which differs from region to region and depends on the coverage of the region with the sufficient quantity and quality of Internet services furnished by Internet providers.

The implementation of the online SFDM is carried out per the separate schedule generated with account of the FTAS implementation.

The advantages of the online SFDM are as follows::

- **promptness**: the tasks are fulfilled faster and with the smaller team, with more budgetary process participants involved;
- **no need to visit the client:** all the necessary software can be installed at the workstation by budgetary process participant;
- **lower risks**: no database at the client's computer which means less local errors;
- **lower maintenance costs**: unified setup results in easier and cheaper new client enrolment and current users administration.

The functionality of online SFDM is ensured by:

- **availability**: users can work with documents from any place (e.g. notebook with the installed software);
- **instant document transfer to the accounting OeBS system**: all reference information is updated automatically;
- **reliable document storage:** documents are stored on reliable servers of territorial Treasury offices, no need for local data back-up;
- **easy to use:** no need to install and update additional SW (SFDM/electronic document flow), to update reference resources, to create several workstations;
- **scalability**: no limits on the workstations arrangement, all users can work simultaneously;
- **standard setup for all clients**;
- **low technical requirements to workstations**.

Much attention is paid to the protection of information. All the documents are legally important due to the electronic digital signature applied. Much was done to implement the technology of legally important electronic document flow in all the regions within the framework of budgetary process automation, cash servicing of regional and local budgets. In the regions, experts trained other users, first of all chief accountants, to work in the electronic document flow systems.

Currently, it allows for further development of various services and automation at the regional and municipal levels.

The key aspect of the project was to ensure effective operation of the Federal Treasury Automated System which comprises a number of comprehensive information systems based on the up-to-date engineering and telecommunication infrastructure. The Federal Treasury works exclusively with the electronic document flow which is of legal importance. During the entire period of the Federal Treasury Automated System creation and development, the Federal Treasury Verification Center was able to provide electronic signatures to all the budgetary process participants. 2 mln electronic signatures were issued. Currently, 500 thousand signatures are active. In the course of the FTAS creation and implementation project, it became obvious that the chosen strategy for centralization of computing resources was correct. This approach allowed for efficient use of costly computing equipment, optimized involvement of well-paid technical specialists, and elimination of a number of drawbacks inherent to some systems.

Currently, 83 data processing centers are working in each of the Federal Treasury Territorial Office. In the nearest future, the process of centralization will continue. We plan to operate FTAS on the basis of three data processing centers (the main one will work on-line, the second centre will be used as a “hot reserve” and the third one — as a “cold reserve”. As a consequence, due to this FTAS operation costs will reduce and the efficiency of server equipment usage will increase, allowing flexible response (due to virtualization) to peak loads that change during a year and depend on the seasonality of computation processes in various information systems.

We also face the task to use the results of the FTAS implementation in all other areas of public finance management. This covers the development of an interdepartmental electronic interaction system, formation of a single digital trust environment, creation and development of infrastructure for data processing with the help of centralized applications and with all key budgetary funds managers involved. In the course of this project implementation, we built a stable foundation and technical base for implementation of the state-of-the-art-technologies for Treasury clients servicing on the basis of operation management system. We also made a considerable input the enhancement of the professional level of our employees due to the training they underwent. The obtained level of knowledge makes it possible for the Federal Treasury to create other information systems related to the FTAS.

The key performance indicators information system may serve as one of the examples of such services. Architecturally the key performance indicators information system (KPI) is the data storage updated on a daily bases which generates information from various information sources and provides it to users in a user-friendly format: datamarts, reports generated in advance for various focus-groups of clients, mobile applications which operate on mobile communicators or iPads and represent working tools giving access to certain information cut-offs.

The key performance indicators information system as such envisages the expert-level skills, where the users can independently form various requests and prepare and customize their own reports using the indicators accumulated in the system; these reports can also be used by other system users in their work. Proceeding from the above, the information analysis system of key performance indicators is a prototype of the information analysis system of e-budget. Currently we perform work for integration of data not only from the FTAS, but also from other systems operated by the Federal Treasury.

All this makes it possible to consolidate information and to conduct a comparative analysis of indicators coming from other departmental bases, statistical resources and to obtain processed data that are used for making managerial decisions. This solution allows for visualization of connection between the results of execution of the federal budget, budgets of the Russian Federation entities, local budgets and the indicators reflecting the result of the efficient use of the budgetary funds.

Another important system that makes it possible to ensure monitoring of the user work in the application software is the technological support system (TSS). The system allows for ensuring the unified controlled technology of operation of all the Federal Treasury bodies in all the Federal Treasury Territorial offices, for reduction of expenses on the fulfillment of functional processes, for optimization of organizational and HR structure of the Federal Treasury bodies.

The general sequence of system usage process is as follows:

- regulation — description of the order of the fulfillment of functions and procedures with the establishment of time standards, sharing of responsibilities, requirements to the final result of the fulfillment of functions and procedures;
- description of "as is" procedure models in the application software;
- automated collection of statistical data on operation performance, downloading of data about the organizational and HR structure;
- modeling of changes in procedures on the basis of the "as is" procedure and real statistics of the performed operations, implementation of changes;
- analysis of collect statistics. Indication of value deviations from the preset parameters (cost values of the performed operations, technological discipline, etc). Regulation of all the functional activities followed by the registration of actions of employees in the information systems made it possible not only to evaluate the quality of the current actions, but also to model the functionality for the purposes of enhancement of the operational efficiency of the Federal Treasury through distribution of load between the employees making decisions on the optimization of the quantity of personnel. The result of work is an objective calculation recognized by all the participants of the managerial dialogue as an average reference load> within the period from 2011 to 2013, we will have to reduce the number of employees by 20 %. Based on the results obtained from the technological support system, statistical data from other systems, the decision is made with regard to the region where the reduction of the staff will not result in the loss of quality and functionality of the entire system, and with maintaining the possibility to perform new functions which every year are entrusted to the treasury system of the Russian Federation.

The Federal Treasury started to use new principles of work with natural persons with the help of the single portal of government and municipal services and payment terminals of credit institutions. The system allows accounting of each individual payment, which makes it possible to have full information about each payer.

Advantages of processing of electronic payments for government and municipal services through the single portal are as follows:

1) social significance — better awareness and easier payment procedures for clients:

- obtaining of full and timely information about the payments charged, payments made, and delayed payments in the client cabinet accessible from any point in the country or in the world;
- possibility of prompt (on-line) payments;
- prompt (on-line) provision of information to the payer and administrator about the payments made and debts fixed;

2) higher tax collection — ensuring of full and timely payments to all budgets of the Russian Federation budgetary system:

- lower costs of payments administration;
- higher awareness of payment administrators about the indebtedness status of every payer;

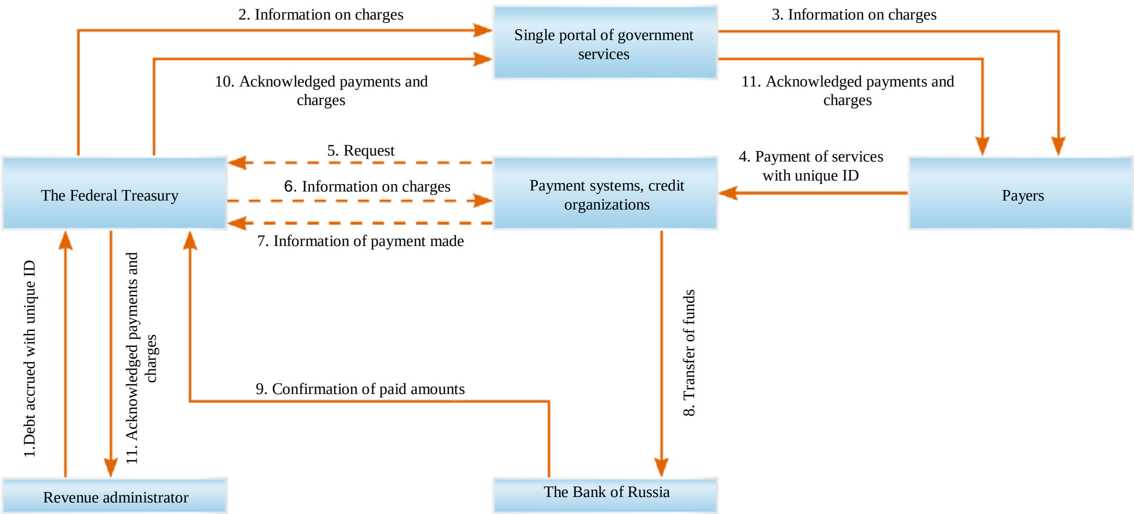

Fig. 4. System for accounting of charges and payments of natural persons

- less number of unidentified payments to the budgets of all levels;
- shorter time gaps between the payments charged and payments made to the relevant budgets. This practice is already used in the world.

Without waiting for the fact of account crediting, only having the information from the credit institution about the fact that the payer transferred the funds, the credit organization submits the information to the information system of the Federal Treasury called GIS GMP (Government Information System of State and Municipal Payments). In its turn, the payer without waiting for the fact of the Federal Treasury account crediting, has the right, on the basis of the information submitted by the bank to the system, to receive access to the government or municipal service which becomes open on the basis of this information. Utilization of this mechanism makes it possible to expect that the debts to the budget will be fixed in a timely manner and no late payment interest will be charged for the period of time when the funds were on the way to the Treasury's accounts.

The system for accounting of charges and payments of natural persons is shown in fig. 4.

The Federal Treasury also operates the official web-site for placement of information about the government and municipal institutions.

From the Federal Treasury information systems information about the registered institutions and the founders is transferred to the official site. Then institutions get registered at the site and provide information about institutions and their activities that will be freely accessible. To provide information to be placed at the official site, institutions have to complete the registration procedure in the Federal Treasury bodies and obtain a unified certificate for electronic signature. To make the data analysis and search at the official site easier, reference resources and all-Russia classifiers are used. Reference data are maintained and updated at the official site and are transferred from other information systems of the Federal Treasury. The main purpose of the creation of the official site is to ensure openness and accessibility of information about the governmental (municipal) institutions and their activities.

The first result of work in this activity line is integration of the Federal Treasury system with the information system of the Federal Tax Service, which is called the Unified State Register of Legal Entities. The Federal Treasury information system automatically receives information which was entered by the institution on a once-only basis when it was registered in the taxation body. Then, according to the provided instruction the institution fills out the required fields and in this way provides a comprehensive registration form with the purpose to inform citizens about the institution’s name, type, subordination, public legal entity, which registered this institution that will furnish certain government or municipal cervices. At this web-site, users (citizens) can see not only the geography, location of institutions nearest to their homes that provide certain packages of services, but also compare the services, their scope and cost.

The next step is to create a feedback function, which will allow citizens to rate the conditions and the quality of the furnished government (municipal) services per the proposed criteria. The system can systematize the rating results which may serve as a basis for rating the institution performance. In addition, we plan integration of resources. The end user (citizen) will be able to find the service he or she is interested in and choose the place where the service will be furnished. With regard to the service that may be paid for electronically through the public information system for government and municipal payments, he (she) will be able to pay for it on-line. All this will allow for the state-wide enhancement of quality and accessibility of services for all the citizens of the Russian Federation.

To develop this approach by the end of 2012, we plan to create a single web-portal of the Russian Federation budgetary system. Alongside with other portal solutions, a full spectrum of services will be offered through the single server. This portal will be operated by the Federal Treasury. This single web-portal of the Russian Federation budgetary system, as an official site for placement of information about government and municipal institutions, will consist of two parts: an open segment and a protected segment.

The purpose of the open segment of the single budgetary system web-portal is to provide the community with information about the financial and administrative activities of public management sector organizations, as well as with regulatory, statistical; and analytical information from the area of public finance management. Part of these functions will be performed by the open segment of the official site for placement of information about government and municipal institutions. The protected segment of the portal will ensure accessibility for users from the organizations of public management sector to the functional subsystems of e-budget and other portal-based systems through the system of personal cabinets with regard to the powers vested. Using servers for authentication and authorization of users will ensure accessibility to the protected parts of the official site for placement of information about government and municipal institutions, the all-Russia official site, the key performance indicators information system, the financial data management system, web-services of e-budget components.

The system of personal cabinets will ensure fulfillment of operations in the Unified Access Point mode in the accounting systems of the Federal Treasury. If the user of the single portal is vested, for instance, with the authorities of a government customer, then when entering his (her) personal cabinet at the portal he (she) will also be able to place a procurement notice or publish a procurement protocol at the all-Russia official site operated by the Federal Treasury.

Experience of the Russian Federation in reforming the accounting and reporting system

Adoption of the Federal Law "*On Accounting*" was one of the first basic elements of reforming the accounting and reporting system in the Russian Federation. The need to reform the accounting and reporting system was stated as a general solution for Russia that was uniformly implemented and performed at all the levels (federal, regional, and local). Such a uniform approach to the improved principles of accounting and reporting and their determination at the highest levels of statutory regulation ensured a positive dynamics of the reforms.

Fig. 5 shows the main tasks that the reform of the accounting and reporting system of the Russian Federation is aimed at. First of all, as part of the reform, there was a task to achieve the best results using minimum resources and implementing the clear program by the lines designated in the figure.

In this case, "the best results" was evaluated and assessed not so much by money and economical benefits as by the value of the reforms carried out.

At present, one of the most important useful effect of the reform is in substantial increasing the flexibility in response and reliability of the information that are collected and provided by the Treasury System of Russia, because the key decisions including the decisions related to forming of interbudgetary relations between different levels of the public authority, are made based on this information.

In this case, some related tasks were solved simultaneously. First, it is an increase in the level of the state presence in public (state and municipal) finance management. It solved a sufficiently clear task: on the one hand, the procedure for accounting and reporting in respect of business operations carried out by an enormous number of institutional units in economy, was required to be improved subject to modern techniques and methods, on the other hand, planned budget performance was required to be ensured.

When solving that task, there was a considerable particularity being that the State Budget in Russia is planned and formed by cash basis, so it was necessary to combine cash basis for the budget performance and cash basis for servicing with the techniques for forecast, analysis of cash deficiency and attraction of funds to cover the cash deficiency, and with forming of the national policy on internal debt decreasing not only for the federal budget but also for the regional and local budgets, the first of all, for the subsidized budgets

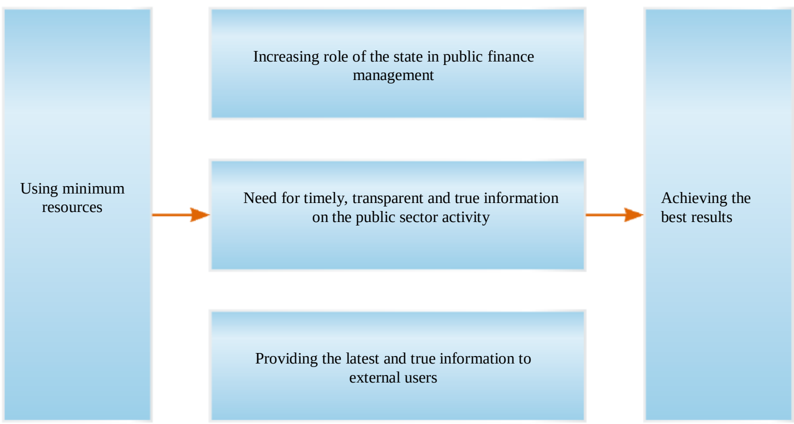

Fig. 5 The tasks to be fulfilled as part of reforming budgetary accounting in the Russian Federation

which revenues make them unable to carry out their functions by their revenues. On the other hand, the country faced the task to ensure transparency of information and its disclosure in reporting on accrual basis based on the requirements of the International Monetary Fund standards, as part of the SFS (the State Finance Statistics).

Besides, the reform was difficult to carry out due to the fact the arduous task to combine cash basis with accrual basis, was superimposed on the vast territory of the Russian Federation with enormous quantity of its institutional units as well as on the very high requirements to flexibility in response, reliability and accurateness of information to be provided to the Government of the Russian Federation, especially in the acute phase of global financial crisis.

All the phases of the reform of the accounting and reporting system, taken together, allowed the Ministry of Finance of the Russian Federation and the Federal Treasury to provide the information on performance of the budgets of all the levels to the Government of the Russian Federation with high frequency, up to on a weekly basis, in the face of the complex economic situation not only in the country but also in the world.

The considerable resources were used and the very serious techniques were employed, and the reform would hardly be carried out without the centralization philosophy that is currently implemented by the Federal Treasury.

When carrying out the reform, the Ministry of Finance of the Russian Federation and the Federal Treasury faced, first of all, the following tasks:

1. Determination of the unified accounting entities and their role in the process of accounting and preparation of financial statements, as well as joining of these entities into the consolidated groups of accounting entities and setting the requirements and rules for such consolidation.

2. Determination of the unified accounting entities. Naturally, transition to the general accounting and reporting system would be impossible if the institutional units were not clearly detailed. Before the reform in the Russian Federation different institutional units and groups of accounting entities maintain records in accordance with completely different instructions and chart of accounts: cash service accounting was carried out using one chart of accounts, state-financed organization and institutional unit accounting was carried out using other chart of accounts, and state non-budgetary fund accounting was carried out using still other chart of accounts. This was a really serious problem because if the structure of accounting and reporting information is decomposed in various ways for different accounting entities, the information related to them, is very hard to be brought into compliance as well as quickly compared, generalized and consolidated. Such inconsistent and uncoordinated information greatly impaired the process of accounting consolidation and correctness. And it was very important to have a clear understanding that accounting organization is required not for the sake of preparing reporting but for the sake of meeting the budgetary process needs and requirements.

3. Budget classification, unified principles and assumptions in respect of accounting system**.** Considering the above, the budget classification determining the types and the structure of budgetary allocations intended for the relevant purposes and programs established by the budget acts (decisions), is to be updated in the Russian accounting and reporting system. In this case, due to the task complexity, it is impossible to fulfill them without the set assumptions, unified rules and principles established by the new Law "*On accounting"* being a unified document that is mandatory and compulsory for any and all public authorities in the country.

4. Standardization of approaches when implementing accounting procedures, completing forms during the preparation of financial statements.

5. Unification of the source documents as well as documents and forms supporting any transactions between institutional units.

All the phases of reforming the accounting and reporting system of the Russian Federation may be summarized as follows:

- 1995 —beginning of the reform:
    - the transition to accrual basis — adoption of Federal Law No. 129-FZ "*On accounting"*.

- 2004:
  - preparation of the statutory acts of the Ministry of Finance of the Russian Federation, related to the transition to the new accounting principles;
  - development of the Unified Chart of Accounts and the Instructions thereto.
- 2005:
  - determination of the new budgetary accounting principles in the Budget Code of the Russian Federation;
  - approval of the new Unified Chart of Accounts (Order by the Ministry of Finance of the Russian Federation No. 70н), setting a transition period of one year.
- 2005–2006:
  - methodological support of the reform by the Ministry of Finance of the Russian Federation and the Federal Treasury (transition tables, checklists, explanations guidelines).
- 2006:
  - development of the consolidation concept;
  - preparation of financial statements by the new rules`.
- 2007:
  - methodology adjustments and improvement;
  - automatic preparation and consolidation of financial statements.
- 2008–2012:
  - transition to the International Standards of Accounting and Reporting (currently, it is being carried out).

Federal Law No. 129-FZ "*On accounting*" adopted in 1995, requires mandatory and compulsory application of accrual basis in the Russian Federation. And the public sector has always differed from the business one: while the business sector carried out the transition to accrual basis more quickly, the public sector carried out the transition slow enough but purposefully, having with the elaborated program of reforms, due to the specific character of budgeting on cash basis.

By 2004, all the relevant documents required to carry out the transition to the new accounting rules, and prepared together with the Ministry of Finance of the Russian Federation and the Federal Treasury, were adopted.

A transition period of one year, to adapt to the new rules, was set. During the transition period, based on the legal and regulatory framework formed to that moment, each institutional unit carried out transition to the new accounting principle, using guidelines and explanations, transition tables, reclassification tables. And one of the most important solutions was that absolutely all the institutional units belonging to the public sector and municipal sector, were transferred to the Unified Chart of Accounts in accordance with the Unified Principles and Approaches to Preparation of Accounting and Reporting Documents.

It is a very important reform, since it is a uniformity of the accounting principles and the Unified Chart of Accounts, that currently allow to carry out fast consolidation of all the financial statements and to present analytical calculations with historic time series, in Russia.

During all the reform period, since 2005 and up to date, the Ministry of Finance of the Russian Federation and the Federal Treasury have been rendering a continuous methodological support of the reform process. They prepare letters with explanations, guidelines, recommendations, examples on how to fill a form, and arrange and organize training and refresher courses for the professionals employed by the system of state accounting and state budgetary accounting, and prepare joint meetings of professionals from the treasury system and finance authorities of all levels to summarize, report about innovations and set the new tasks to be solved.

A crucial point in respect of the reform is that in 2005 the task to ensure the full consolidation of accounting and reporting data, was not solved at once. It was solved in the two phases. In the first stage, the transition to accrual basis and to the new Unified Chart of Accounts. And only after all the accounting entities began to use the Unified Chart of Accounts and the uniform data structure and uniform principles and rules for preparation of financial statements were ensured, the Ministry of Finance of the Russian Federation and the Federal Treasury set the rules for full consolidation of all the flows of funds.

At present, this full consolidation is ensured at all the levels of public authorities and budgetary system of the Russian Federation, first of all, by the Federal Treasury budgets of the budget system of the Russian Federation and prepares financial statements pursuant to the rules and methods of the SFS.

When developing the Unified Chart of Accounts for state (municipal) sector (government sector) entities, the following rules were implemented:

- the budgeting rule dividing all the flows into the three items: revenues, expenditures and the sources for funding the budget gap by means of the state (municipal) internal or external debts;
- currently, the budget classification that meets the tasks and requirements of the budgetary process, is contained in the Budget Code of the Russian Federation (the (top-level) classification items being common for all the budgets) as a mandatory requirement to accounting and financial statements preparation and application;
- an accrual concept for the state (municipal) sector entities is attached by the Budget Code of the Russian Federation. It was implemented in 2005 when, according to the amendments to Budget Code of the Russian Federation, it was established that the State Finance Balance Sheet is to show not only the property of the institutions involved in the economic turnover, but also the property of the State and the state demarcated lands (i.e. the lands demarcated by the levels of public authorities being federal, regional and municipal).

  Thus, at present, the State Finance Balance Sheet includes not only the property controlled by the institutions and involved in rendering the state (municipal) services, but also the property that is virtually owned by the State as an owner;
- the reporting standards for state (municipal) administration sector pursuant to the international standards.

  The structure of the Unified Chart of Accounts for the state (municipal) sector entities is shown in Fig. 6.

In the state sector, an account number included in the Unified Chart of Accounts, consolidates the code analytic items showing the economic information, and the budget, functional classification that determines the main objectives and tasks the budget faces. In this case, account numbers meet all the rules and principles set by the normal standards for accounting on accrual basis, i.e. the account numbers divide all the accounting entities into assets, financial assets, non-financial assets, liabilities and profit or loss.

However, in the Russian Federation, an account coding that differs from the SFS, is used. But it was correctly included in the Unified Chart of Accounts and the Balance Sheet.

Fig. 7 shows a diagram of the Balance Sheet specifying Assets and Liabilities, and all the accounting entities clearly detailed. According to the Russian Unified Chart of Accounts, all the property in the form of tangible assets, non-financial assets, fixed assets, intangible assets, land, and treasury, is ascribed to the Assets and has an account code of 100, financial assets include codings related to account 200, liabilities — 300, profit or loss — 400.

So, all the Balance Sheet is divided into the components, and all the flows, as part of cash positions and accrual basis consolidation, are formed based on the indicators of increase, decrease, acquisition, retirement, attraction and repayment. Such a structure of the Unified Chart of Accounts allows for consolidating all the flows subject to internal turnovers (see Fig. 8).

Table 2 shows the phases of reforming the accounting and reporting system of the public sector of the Russian Federation. The budget is still performed on cash basis. The budget is also planned n cash basis but there are a number of serious instruments, as part of the management of revenues, expenditures and the sources for funding the budget gap, that, inter alia, are ensured not only by the modern treasury technologies but also by accounting rules. For example, on the one hand, there is no actuarial obligation in the accounting of the Russian Federation, on the other hand, the accounting recognizes the obligations

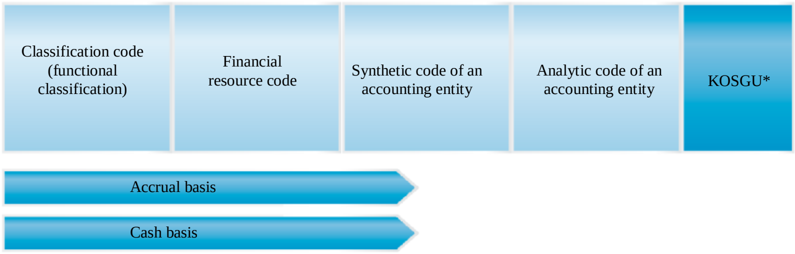

Fig. 6. Structure of the Unified Chart of Accounts
*Classification of transactions of the state management sector

ASSETS	LIABILITIES
PROPERTY Non-financial assets (account code 100) • Fixed assets (101) • Intangible assets (102) • Non-produced assets (103) • Other non-financial assets (10X)	**OBLIGATIONS** Obligations (account code 300) • on debentures (301) • on incurred liabilities (302) • on payments to the budgets (303) • other obligations (3XX)

FINANCIAL ASSETS
• Financial assets (account code 200)
• Cash (201)
• Funds on budgetary accounts (202)
• Financial investments (204)
• Settlements
  • on revenues (205, 209)
  • on expenditures (206, 208)
  • on loans (207)
  • other settlements (2XX)
	PROFIT OR LOSS
	Profit or loss (account code 400)
	• Profit or loss from activity (401)
	  • for the current business year (40110)
	  • for the previous years (40130)
	• Profit or loss on cash transactions (402)
	  • for the current business year (40210)
	  • for the previous years (40230)

Fig. 7. Distribution of synthetic item accounting groups (by account code

ASSETS		LIABILITIES	
NON-FINANCIAL ASSETS	**CTPAS** ↑ 300 ↓ 400	**OBLIGATIONS**	KOSGU ↑ 700 ↓ 800
FINANCIAL ASSETS	↑ 500 ↓ 600	**PROFIT OR LOSS** *From activity (on accrual basis)* • revenues • expenditures *Profit or loss on cash basis* • acquisitions • disposals	100 200 (100, 400, 600, 700) (200, 300, 500, 800)

Fig. 8. Distribution of synthetic item accounting groups (by the Classification of Transactions of Public Administration Sector (KOSGU)

Based on the planned indicator forecasts, i.e. both expected obligations to be performed, and revenues to be gained, are consolidated in the Unified Chart of Accounts and recognized by general principles.

And until 2005, the business accounting in respect of organizations was carried out on the modified cash basis (now it is carried out on an accrual basis). Today, all the obligations of organizations are shown in the accounting system on accrual basis, irrespective of the date of their cash execution. Revenue accounting is carried out similarly. At present, the topic task in this area is to transition to net accrual basis in respect of all the tax liabilities. This is due to the fact that the tax liabilities of the state budget itself are the only flows that currently are not consolidated in the Russian accounting system.

Table 2. Phases of the Russian accounting and reporting system in the government sector

Name	Until 2005	2005	2006	2009–2012
Budget execution	Cash basis	Cash basis	Cash basis	Cash basis
Accounting				
regarding the Organization business	Modified Cash basis	Transition – accrual basis	Accrual basis	Accrual basis
regarding cash service	Cash basis	Cash basis	Cash basis	Cash basis
Financial Statements				
regarding the Organization	Modified Cash basis	Transition — accrual basis	Accrual basis	Accrual basis
regarding cash execution	Cash basis	Cash basis; *budget classification*	Cash basis; *budget classification*	Cash basis; *budget classification*
Consolidated Financial Statements				
regarding Organizations (of the Russian Federation)	Modified Cash basis	Transition – accrual basis	Accrual basis Consolidation of separate flows	Accrual basis Automatic consolidation in most flows
regarding cash execution of the budget	Cash basis	Cash basis; budget classification	Cash basis; budget classification	Cash basis; budget classification

This is the next phase of reforming the accounting and reporting system to be implemented in Russia.

Budget cash service is carried out on cash basis but using the budget classification combining the functional classification with economic classification.

By 2006, the consolidated financial statements in the Russian Federation were combined with the fully consolidated cash flows between all the budgets of the budget system. In 2007– 2008, cash flows were consolidated on accrual basis. Today, the Statement on Execution of the Consolidated State Budget of the Russian Federation is prepared not only with the cash flows, acquisitions and retirements consolidated but also on accrual basis. However, there are serious tasks to be solved, that the accounting and reporting system of the Russian Federation faces.

The tasks in the next phase of reforming the accounting and reporting system of the Russian Federation, may be summarized as follows:

1) accounting and financial statements harmonization with the International Accounting Standards (IAS):

- issue of the Russian translation of the International Standards;
- development of the Federal Standards in accordance with the International Standards;
- determination of accounting entities included in the state (municipal) sector subject to reforming the network of state (municipal) organizations;
- improvement of accounting, and centralization of financial statements to be prepared on the basis of the Federal Treasury of Russia.

2) budget functional classification arrangement subject to reforming the budget process.

On December 6, 2011, new Federal Law No. 402-FZ *“On Accounting”* was adopted in the Russian Federation. The said law publicly required that since January 1, 2013, all and any institutional units must apply the International Accounting Standards in all the sectors of economy, both in business sector and state (municipal) one, and at all the levels of authorities.

At present, the Ministry of Finance of the Russian Federation together with the Federal Treasury prepared the mentioned Federal Accounting and Reporting Standards harmonized with the International Standards , and in 2013, it is planned to launch their implementation in full.

The Ministry of Finance of the Russian Federation prepared and published the Russian translation of the IAS in the public sector. It is the first edition in the world, approved by the International Accounting Standards Committee. The said IAS edition in Russian is to be distributed to all the public authorities of the RF budget system, and individual users of the IAS.

And it is planned to discuss the Russian edition of the IAS and all the materials related to the further work on implementing the federal standards, in public with the professional community, with the final presentation of all the materials to institutions of higher education to enable future generations to gain their knowledge based on the Russian translation of the IAS only.

At present, the drafts in respect of conceptual framework for accounting and financial statements preparation, are drawn up in the Russian Federation. It should be noted that such a conceptual framework is not available even in the international standards in the public sector. Supposedly, by the end of 2012, the conceptual framework developed, is to be approved by the regulatory act by the Ministry of Finance of the Russian Federation, and the editions of all the future federal accounting and reporting standards pursuant to the international standards, will be based on this act.

The other very serious task the Ministry of Finance of the Russian Federation and the Federal Treasury face, in addition to reforming the accounting and reporting system, is related to the fact that in Russia, the budget process itself and network of state and municipal organizations are also reformed. The said reform is focused on increasing their financial and economic self-sufficiency. In the area of accounting and reporting, these reforming processes require some reclassification of the instructional units and revision of the consolidation rules and principles considering that, today, most state (municipal) organizations and institutions of the Russian Federation, are no more the participants of the budget process, having become the recipients of independent transfer payments and virtually the performers of the state (municipal) tasks to render services.

On July 1, 2012, the first phase of reforming the state and municipal institutions of the Russian Federation, was completed, and between July 1, 2012 and July 1, 2013, the Ministry of Finance of the Russian Federation together with the Federal State Statistics Service, are to implement the project of reclassification of the institutional units subject to reforming the budget process.

Besides, the President and the Government of the Russian Federation set the task Ministry of Finance of the Russian Federation to carry out the transition to the program budget, i.e. to implement the principle of fund allocation as part of the budget, for the purposes and performance indicators determined by the relevant program tasks and measures. Thus, there is a task to not only prepare financial statements but also analyze the agency and institution performance by specific results state programs implemented. This task requires one more change in the classification and in the consolidation and accounting rules, that is also the next phase of reforming the accounting and reporting system of the Russian Federation.

II. Working Practice of Local Federal Treasury Departments by the Example of the Federal Treasury Department for the Vladimir Region

Practice of Upgrading of the Treasury System by the Example of the Federal Treasury Department for the Vladimir Region

The Federal Treasury Department for the Vladimir Region was founded on August 9, 1993. Over nearly 20 year history the Department along with the Federal Treasury have passed a few stages during their development and formation. Parallel with enhancement of the budget legislation there was clarification of functions and authorities, given to the Federal Treasury.

Initial the structure of the Department consisted of the Department itself and 18 divisions, located in cities and areas of the Vladimir Region. There were 7 divisions formed as a part of the Department. Divisions again had offices of revenues, expenses, account and reporting; herewith both the Department and divisions were legal entities.

During the first years the Department was aimed at arrangement of revenues' control as well as intended consumption of funds, allocated by the federal budget.

The Treasury bodies:

- carried out monthly checkups of banks' observing execution of transfer orders and promptness of remittance of funds as revenue of the federal budget;
- controlled target purpose of spending the federal budget funds;
- realized control of companies' designated using working capital budget credits as well as their prompt repayment, interest accrual and payment;
- kept records of the federal budget funds expenditures on the accounts, established at the offices of Bank of Russia.

Starting from 1997 client accounts of federal budget funding recipients were transferred from offices of the Bank of Russia into bodies of the Federal Treasury for service.

Henceforth step by step the treasury bodies were forwarded functions concerning accounting and distribution of revenues: in the beginning to the department and divisions, and from 2000 revenues income was realized within the framework of one treasury account, which is open only for the Federal Treasury Department.

Significant period of the Treasury development starts from 2000, when the whole regulatory and legal framework was setup. The Russian Budget Code was adopted, where treasury system of budget execution in the Russian Federation is fixed by law. Opening and management of client accounts in the treasury system created basis for establishing treasury single accounts of budgets and budget system.

By January 01, 2003 the work on centralization of operations for execution of revenues and expenditure side of the federal budget at the level of the Federal Treasury Department over Vladimir Region has been completed.

Enjoying possibilities of the created federal treasury system at the regional and local level in the Vladimir Region began in 2000. Initiated by the governor of the region the Department, one of the first in the Russian Federation, signed an agreement with the administration of the Vladimir Region about cash servicing of regional budget execution.

During 2002 based on similar agreements for cash servicing with the heads of municipal entities owners and beneficiaries of district, city, regional and country budgets were transferred into bodies of the Federal Treasury. Servicing includes establishing client accounts and exercising of function of expenditures authorization. That is for making the payment the client provides the treasury with the order for cash expenditure along with the contract (agreement), as well as documents confirming goods delivery (bill of lading), fact of rendering services (act or invoice), performance of work (completion act) per email or per other communication facilities for checking. All above listed documents are certified by electronic signature of the officials of the company – director and chief accountant. It must be noted that cash servicing of regional and local budgets by the Federal Treasury is realized without charge. As a result both regional administration and municipal entities saved and keep on saving significant amounts of budget funds annually.

In May 2006 implementation of federal, regional and local budgets was transferred into the framework of treasury single accounts, established for the Federal Treasury Department for the Vladimir Region.

A new stage of development of the Federal Treasury was integration of modern software with principally new architecture of data base.

Before integration of the Federal Treasury Automated System (FTAS) Department used software with various data bases for accounting revenues and execution of expenditure side. At the initial stage all the Federal Treasury Departments all over the Russian Federation worked in various software. During the number of the following years – in single software Centre-KS («Центр-КС»), but with numerous data bases. That is why the process of consolidation of information, provided by divisions, was labor-intensive. For making consolidated reporting the information, received from divisions, was summarized manually in the Department.

In order to enhance the quality of state finances controls and to create modern systems of control of budget resources there was developed a project of upgrading of the Treasury System of the Russian Federation.

Major activities of the program were realized in the period from 2006 to 2011.

Upgrading of the treasury system includes the Federal Treasury Automated System (FTAS), applied software, utility system (US), departmental traffic network (DTN), hardware and network of departmental certifying centers (NDCC).

In the same period the department, in the framework of the Treasury Upgrading Project transferred nearly 100% of the clients onto electronic document management using traffic system (Electronic Document management System (EDMS)).

Established the Federal Treasury Automated System (FTAS) covers all three levels: federal, regional and local.

In figure 9 there is depicted a structure of FTAS components' interaction at various levels.

The subsystem of the Central Office of the Federal Treasury (COFT) interacts by means of the System of Financial Documentation Management (SFDM) with the regional subsystem, established within the Federal Treasury Department.

The regional subsystem of the Federal Treasury Department interacts by means of SFDM with the clients and divisions (other participants of the budgetary process), which are operating in on-line mode.

FTAS, integrated based on ORACLE (E-Business Suit) and constructed on client/server architecture, possesses mechanism of data consolidation, where

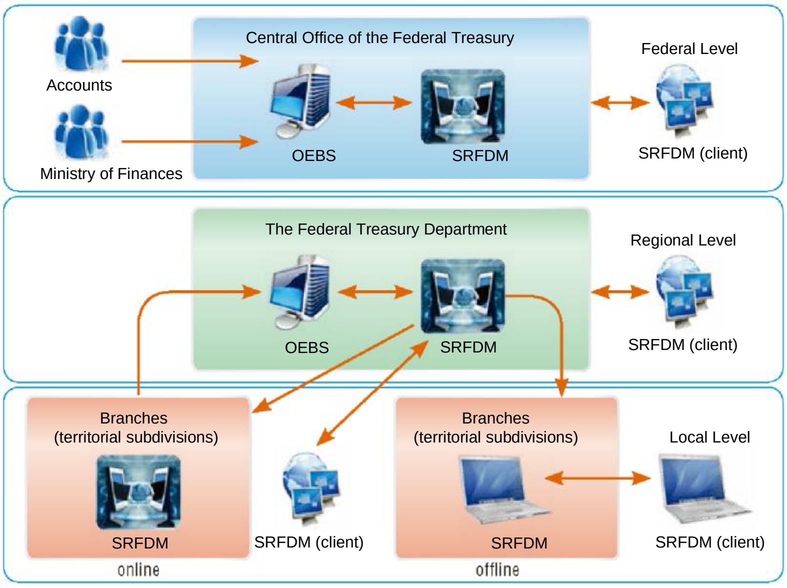

Figure 9. Scheme of interaction of FTAS components at various levels

divisions of the Federal Treasury Department are front-office component and the Department acts as a back-office.

FTAS allows the employees of the Federal Treasury Department to realize centrally all the functions of execution of budget revenues, including interaction with revenues administrators, to keep budget accounting and to make up budget reporting all over the budget levels.

Within FTAS formation project implementation there were some works stipulated on establishing the System of Financial Documentation Management (SFDM). This solution is evolutionary development of the system of electronic documentation management (SEDM), which ensures information interaction of the Federal Treasury Bodies and its clients.

SFDM exercises the function of FTAS portal and provides the clients with the possibility to work with electronic documents in the personified workplace (personal accounts).

As of June 01, 2012 half of all the clients are using the system of remote financial documentation management.

The software solution FTAS resolves the following tasks:

- registration and finishing the budget (limits, budgetary allocations);
- cash planning;
- controls and accounting of budget commitments;
- payments management;
- processing and accounting the incomes;
- keeping General Ledger;
- making up budget reporting;
- keeping manuals.

Implementation of the Federal Treasury Automated System comparing to the previous software solutions provided:

1) enhancing manageability and standardization of performing transactions thanks to use of single, unified rules and technologies of performing transactions. The Department operates within the frames, established based on legislative acts of the Ministry of Finances and the Federal Treasury and process procedures, approved by the Federal Treasury;
2) integration with other information systems within interdepartmental interaction based on agreed formats (credit organizations, clients) and legal security of electronic documents and reports at each stage of processing thanks to application of certified protection means;
3) reduction of man-hours and enhancing efficiency at each stage of user’s work by due to:

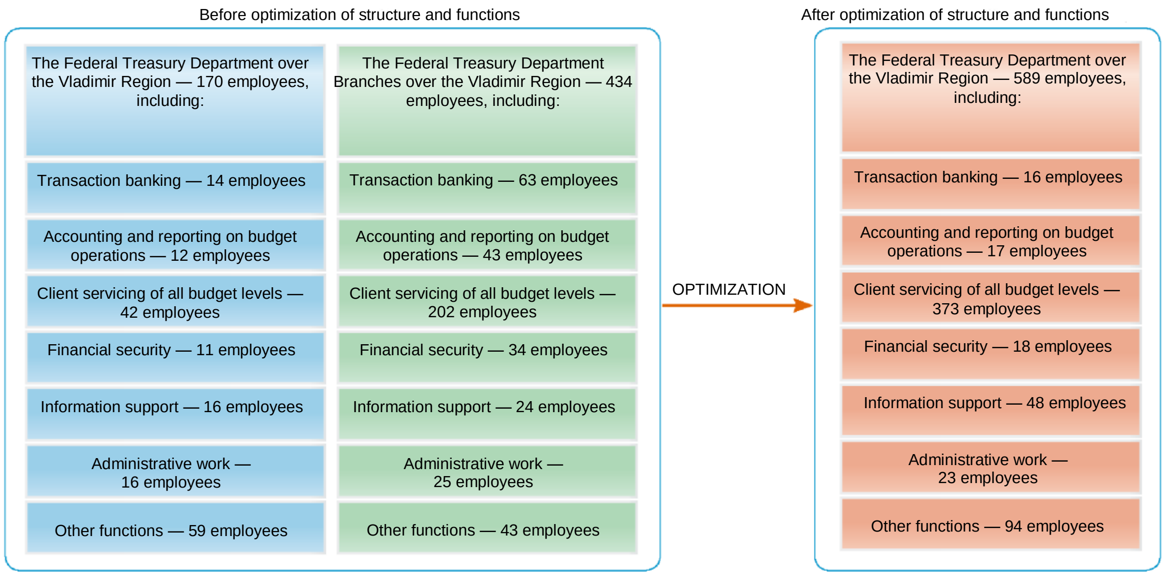

Fig. 10. Change of employees' number, exercising functions, imposed on Department

- excluding transactions, connected with system decentralization at Department level;
- higher speed of transactions processing;
- automatic downloading of bank statement;
- accessibility of bank statement directly for the whole system;
- automated downloading of expenditure schedules and other accounting documents.

FTAS fits ideally into the model of internal control within the Federal Treasury Bodies because it has integrated principle of multilevel approval of processed documents.

Thus integration of FTAS predetermined conditions for optimization of structure and functions of the Federal Treasury Department for the Vladimir Region.

The following functions are centralized from divisions level to the department level: budget accounting and making up reporting on cash servicing of budget execution, operation, personnel work, financial and administrative support of divisions.

Since December 1st, 2010 a new department structure has been approved; according to which divisions lost their status of legal entities and were transformed into departmental divisions. Basic functional obligation of divisions became interaction and servicing the clients of all budget levels at the assigned territory.

As a result of redistribution of functions of geographically remote divisions the number of employees, dealing with operational servicing, accounting and reporting, financial and material supply, personnel work, has reduced by 126 persons.

Totally there were 87 employees released, which were offered a work, connected with servicing clients accounts, a part of employees was dismissed (see Figure 10).

FTAS software solution provides possibility for further development of new information systems. The Federal Treasury Automated System is integrated with other state information systems.

Complex information system All-Russian Official Website on state acquisitions is under operation for the second year; this system is used for placing information about acquisitions by both state and municipal customers. The website is created for placing information on state and municipal offices. A new project Electronic Budget is about to be launched.

Specialists of the Federal Treasury Departments take and took active part in integration of these information systems (provision of electronic signature, training workshops with budget beneficiaries, consulting, and practical help).

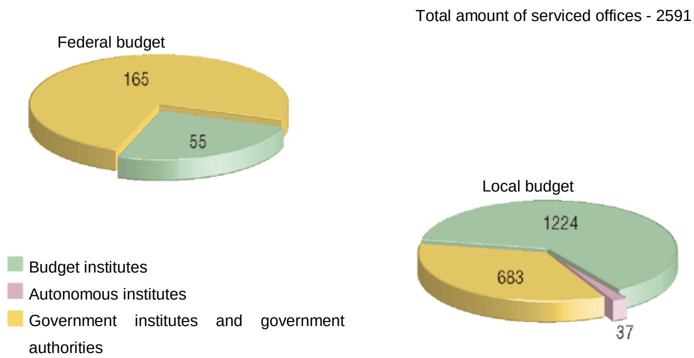

Fig. 11. Number of offices, structured by types and budget levels, and serviced by the Federal Treasury Department for the Vladimir Region

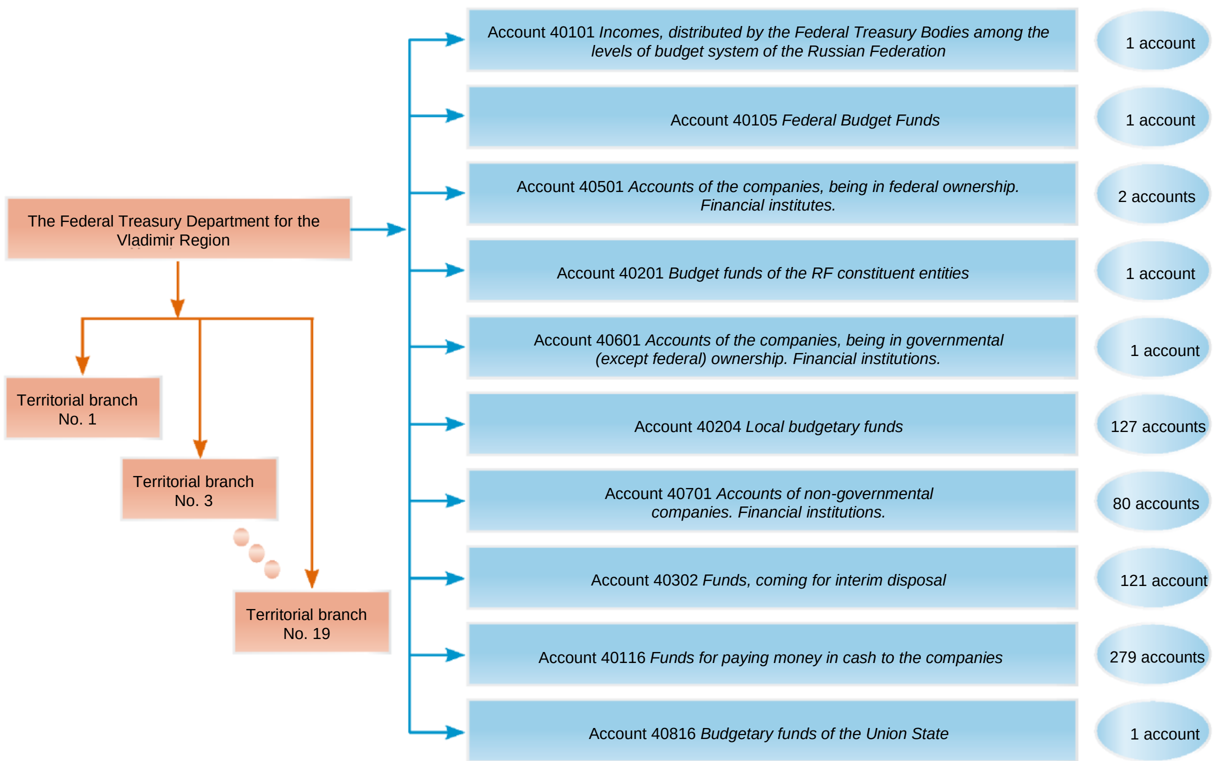

Figure 12. Structure of the accounts, opened for the Federal Treasury Department for the Vladimir Region.

Thus, the Federal Treasury Department, integrating the most innovative information systems, ensuring formation and execution of all budget levels according to the standards of budget legislation, is a leader and promoter of advanced technologies of interaction of all the members of budget process.

There are 7,233 client accounts of all budget levels presently opened in the Federal Treasury Department for the Vladimir Region, which includes 326 accounts for the federal level clients, 891 account - for regional level, 2,203 - for local budget level, 743 – for budget incomes administrators, 3070 accounts – for non-participants in the budget process.

In accordance with the adopted in the Russian Federation Law No. 83-FZ, coming into effect from July 1, 2012, all the institutions are divided into three types: government, budget and autonomous. This is done in order to create incentives for efficient use of assigned budget funds and enhancement of quality of state and municipal services, provided to the population.

Figure 11 shows the total amount of the institutions (by types and budget levels) which are serviced by the Department.

They all are clients and are serviced by the Federal Treasury Department.

For exercising imposed functions there were opened 614 accounts in the Bank of Russia and other credit institutes. They include:

- 335 accounts for accounting transactions on execution of the federal budget, cash servicing of budgets of budgetary system of the Russian Federation and cash servicing of non-participants in the budget process in the Head cash settlement center of the Bank of Russia Regional Branch for the Vladimir Region;
- 279 accounts for availability of disposable funds, including: 99 accounts in divisions of the Bank of Russia, 169 accounts – in Sberbank of Russia, 11 – in Russian Agricultural Bank.

Arrangement of Document Management and Banking Day in the Federal Treasury Automated System on the Example of the Federal Treasury Department for the Vladimir Region

Structure of the accounts, opened for the Federal Treasury Department for the Vladimir Region

Figure 12 shows structure of the accounts, opened for the Federal Treasury Department for the Vladimir Region for exercising imposed functions on cash servicing of the budgetary system of the Russian Federation, which reflect the operations on servicing the engaged into the budget process, as well as the non-engaged into the budget process – budget and autonomous institutes.

For exercising functions in the Federal Treasury Automated System two banking days of the system are opened in the beginning of each day:

1) the previous banking day, which is necessary for processing the statements of the Central Bank of Russia over the accounts of the Department;

2) the current banking day for acceptance, processing of the primary client documents and reporting generation.

The specialists of the divisions of the Department execute the transactions, which are specified by particular authorization, which are opened and closed in FTAS in terms, specified by the regulations of banking day and approved by the order of the Department. Each specialist disposes only the functions, which are appropriately authorized and result from official and technological regulations.

Main principles of the technology, integrated into FTAS software, are status model and electronic signature.

It means that each stage of document processing has its definite status, certified by the signature of the authorized official.

During arrangement of internal controls the system uses principle of multilevel approval of documents, when the same document is being checked by two or three specialists.

Accounting of income and its distribution within the budgetary system of the Russian Federation for the Vladimir Region

Incomes accounting and distribution is done by the Federal Treasury Department for the Vladimir Region at the single account 40101 *Revenues, distributed by the Federal Treasury Offices within the budgetary system of the Russian Federation* (further on – account 40101), opened in the branch of the Central bank of Russia for the Vladimir Region.

The scheme of this accounting is shown in Figure 13.

The payers transfer taxes, dues, other compulsory payments into the budget on the account 40101. Besides, inter-budget transfers are coming onto this account, - funds, which are provided by one budget of the Russian Federation budgetary system to another one.

In Figure 13 green arrows show documentation flow, reflecting income accounting transactions and its distribution within the budgetary system of the Russian Federation. Besides payers' settlement documents, basis for income accounting and distribution among the budgets is also documentation, provided by the budget incomes administrators (return claim, notification about clarification of the kind and assignment of the payment etc.).

In accordance with the legislation of the Russian Federation the budget incomes administrator is state governmental entity, local government body, regulatory body for state non-budgetary fund, the Central Bank of the Russian Federation, government agency, which perform **charging, accounting, recovery and control** of calculation correctness, completeness and promptness of payments. The regulatory body interacts with 582 budget incomes administrators, which totally have 760 client accounts available.

On receiving the bank statement on the balance account 40101 the Department performs automatically processing of incomes based on specified parameters of the settlement document. Payments, coming onto account 40101, inclusive the documents, provided by the budget income administrators, are **daily** distributed by the Department among the budgets based on charge standards, established by the Budget Code of the RF, laws (resolutions) on budget and legislative acts of the RF constituent entities and municipal establishments.

Based on the results of distribution in the Federal Treasury Automated System there are settlement documents generated for income transfer to the appropriate budgets, as well as the documents for returning funds to the payers (if necessary). Income distribution and transfer to all the budget levels of budgetary system and non-budgetary funds of the Russian Federation are marked out by orange arrows in Figure 13.

The result of the banking day is generation and sending budget reporting and information about income received into the budgets during the day and cumulative sum from the beginning of the current year. The income administrators are forwarded the client account statement, where the following is stated:

- income (**payments, received according to the bank statement**);
- operations on clarification of the kind and assignment of payment;
- returns onto the payers' accounts.

In Figure 13 yellow arrows mark out generation and forwarding reports to the budget income administrators, financial bodies of the Vladimir Region, non-budgetary funds and Interregional Operation Federal Treasury Department.

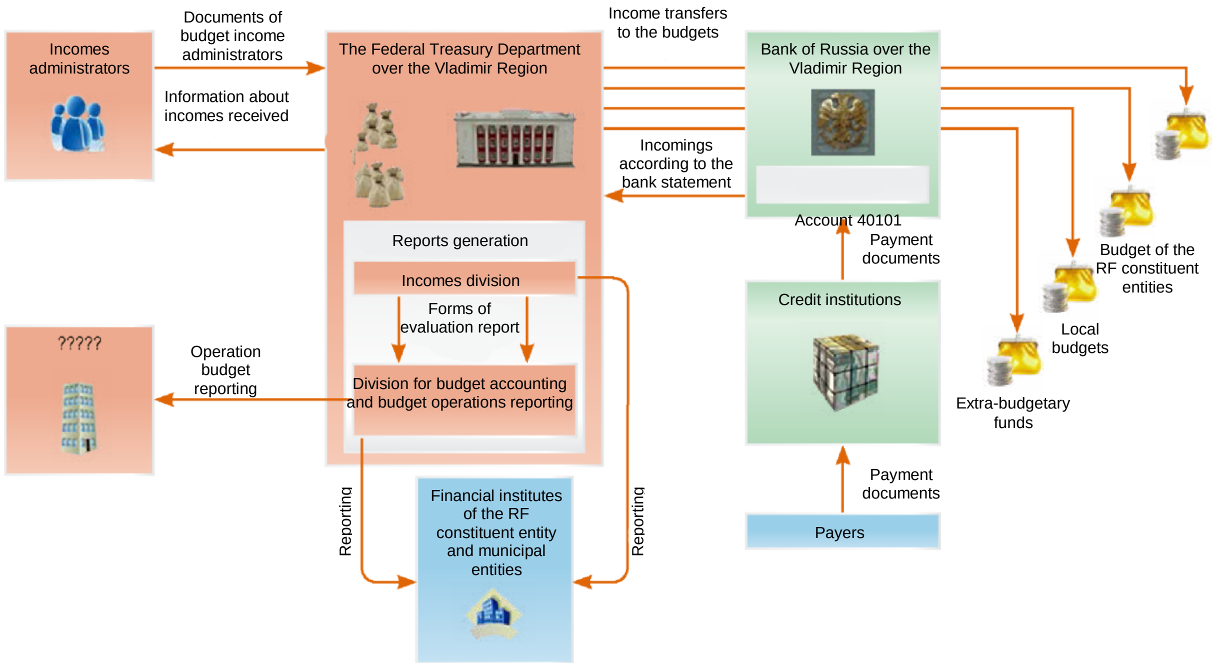

Figure 13. Income accounting and distribution within the RF budgetary system for the Vladimir Region

Document flow scheme during cash payments from client accounts of the federal level

Document flow scheme during cash payments from client accounts of the federal level is shown in Figure 14.

The following operations are performed in FTAS during cash payments from federal client accounts within the previous banking day opened:

1. Automated downloading of bank statements for Department accounts. Downloaded bank statements pass through automatic processing concerning funds writing-off and incoming and additional processing concerning not clear credit income.

2. On completion of automated processing of bank statements there is automated generation of operation and accounting transactions. The specialist of accounting department control correctness of accounts.

3. Generation of statements from client accounts for the previous banking day and their forwarding to the clients by means of electronic documentation management. Providing access to the statement (after its generation and registration in FTAS) to the clients, who interact with the department through the System of Remote Financial Documentation Management (SRFDM).

4. Operations specialist performs closing of the previous banking day for processing of bank statement.

5. Accounting specialists generate registers of budget accounting, and authorized employee performs closing of the previous banking day of the system for all divisions. Operations reporting is generated and sent in electronic form through SRFDM to Interregional Operation Federal Treasury Department.

Simultaneously within open current banking day having appropriate authorization the Department divisions perform the following operations:

1. Receipt, processing and registration of expenditures schedules for finishing budget data for governmental bodies (limits of budget allocations, budget allocations). The process is completely automated, i.e. budget data for agency’s commitments are at once reflected at his account.

The Department generally receives payment schedules from the Interregional Operation Administration; there are client accounts opened for main budget funds administrators or from funds administrators which servicing is performed by the Department.

2. Receipt, processing, control and registration of payment documents, provided by the clients till 12:30 p.m. of the current day (orders for cash receipt, orders for cash payment, orders for repayment, etc.) for performing cash payments next day.

3. Generation of consolidated orders based on the documents, checked and registered in the automated system, which are subject to payment next banking day, and their forwarding to the Federal Treasury for backing the accounts, opened at balance accounts 40105, 40501, 40302.

4. On receiving the backing amounts, declared just before, the registers of ordered payments and account documents are generated for subsequent forwarding to the Central Bank and writing off from the Department accounts.

5. For the amount of balance of the funds and incomings, not used during the day, there are payment documents generated (transfer orders) in order to transfer money from Department accounts 40302 and 40501 onto the treasury single account (TSA), which is opened to the Federal Treasury. Transfer of balance of the funds and incomings from the account 40105 is daily performed by the Central Bank of Russia onto the TSA based on agreement between the Federal Treasury and the Bank. Thus there is daily zeroing of the accounts, which are opened to the Department for servicing the clients of federal level.

Scheme of documentation flow while cash payments from client accounts of regional and municipal level

Cash servicing of governmental, budget and autonomous institutes of regional and municipal level, considering that all budget single accounts are open to the Department, is performed according to the procedure, which is similar to the procedure of federal clients servicing. There is some difference in the fact that writing off the funds from the Department accounts, which are designated for cash servicing, is done on the current banking day (i.e. on the day of providing documents) based on payment documents, provided by the offices till 4 p.m. of the current day or on next banking day based on the documents, provided after 4 o’clock p.m.

Controls procedure for receipt and processing of the documents are similar to the appropriate procedures for the clients of federal level.

Scheme of documentation flow while providing the clients with the funds using the cheques

Providing clients with the cash as well as cash contribution is performed from the accounts, opened to the Department in the Central Bank of Russia and credit institutes at the balance account 40116 *Funds to be paid cash to the companies* **separately** for the operations on providing money in cash on each budget and types of institutions.

Scheme of documentation flow while providing the clients with money in cash using cheques is shown in Figure 15.

Cheque books are provided to the client free of charge and in requested scope by the Department based on the client’s claim to provide the cheque book.

In order to receive money in cash the client provides Department divisions at the place of servicing with the claim to receive money in cash and a cheque.

Based on the claims to receive money in cash, provided by the clients, transfer orders are generated automatically for funds transfer from the appropriate budgets of the Department for backing accounts 40116.

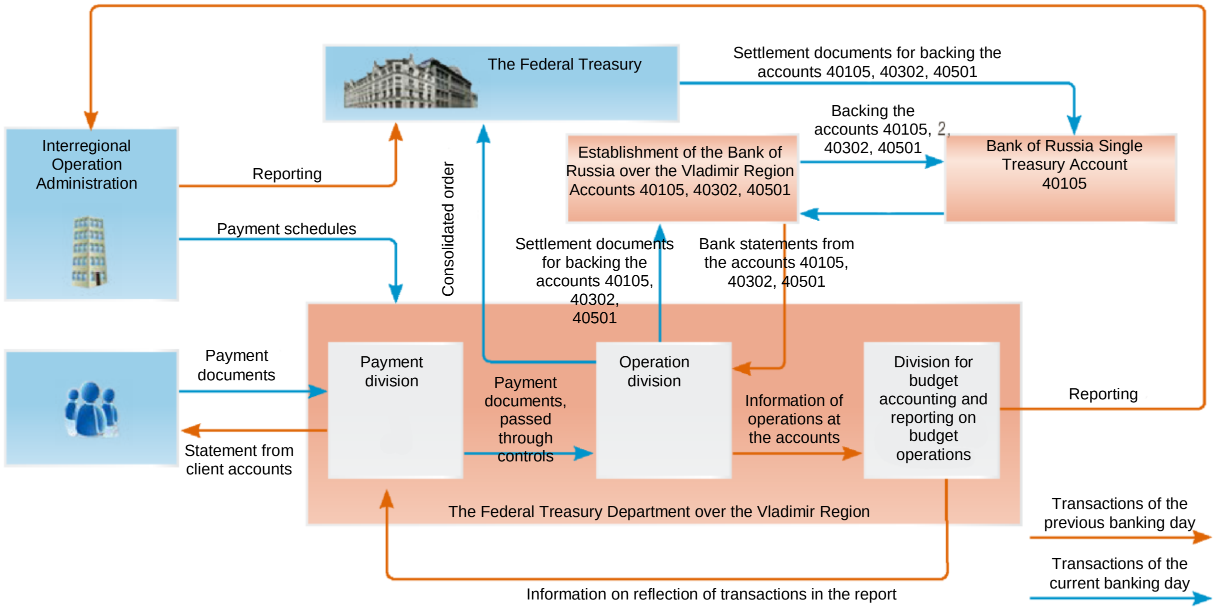

Figure 14. Scheme of documentation flow during cash payments from client accounts of federal level

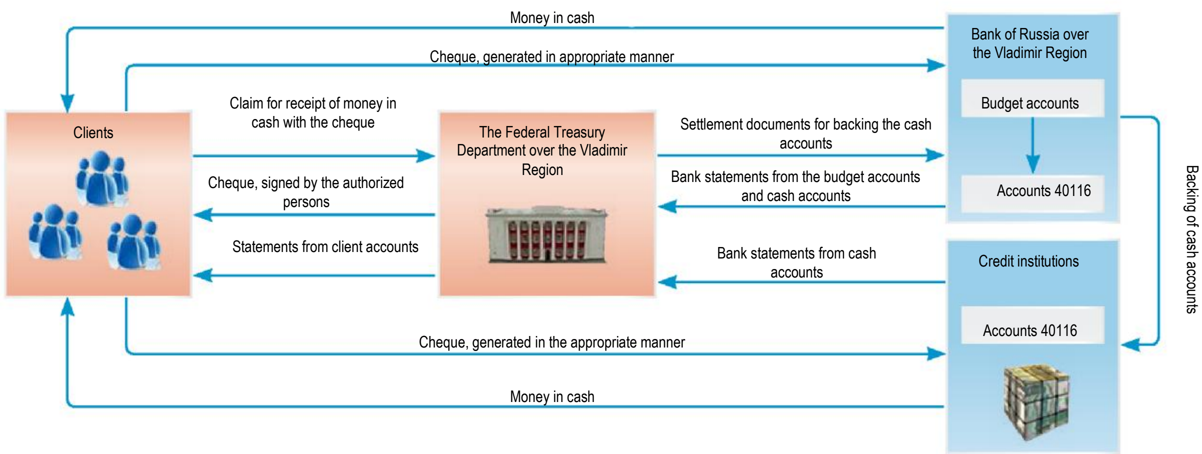

Figure 15. Scheme of documentation flow while providing the clients with the funds using the cheques

Cheques are validated by signatures of the Department officials, the Department stamp and are given back to the clients to be provided at the Central Bank institute in order to receive money in cash. Operations on providing money in cash and contributions in cash are depicted on the client accounts and their statements.

There are also other payment tools used for cash delivery. Cash can be delivered by means of transfer of salary, benefits and other expenditures onto banking card of the employees. Besides presently the Federal Treasury Department for the Vladimir Region is preparing to hold an auction for selection of credit institutions for set of works regarding practical application of Department clients' utilization of pay (debit) banking cards instead of cheques.

Scheme of processing documentation, provided by the client to the Federal Treasury Department for the Vladimir Region

Scheme of processing documentation, provided by the client to the Federal Treasury Department for the Vladimir Region, is shown in Figure 16. The process of Department's processing the documentation, provided by the clients, includes the following stages:

- interaction of the clients with the Department divisions through the System of Remote Financial Documentation Management;
- generation and submitting the claims for cash payment to the Department; claims being signed by electronic signature;
- processing the client's documents by Department specialists;
- payment transactions;
- generation of statements and budget reporting.

Demo: "Procedures for acceptance, control and processing the clients' payment documents in the Federal Treasury Department for the Vladimir Region"

The Federal Treasury Automated System for the Administration employees' is logged in by entry of the name and password in the screen form.

After identification the user sees the navigator window showing the employee's available powers for operation with the program in accordance with the technological specifications set for the Federal Treasury bodies' specialists.

First and foremost, the division of powers ensures informational security for account of separation of the employees' access functions. For example, the spending department specialist has no powers of the operating department or the budget accounting and management reporting department.

The spending department specialists have the following powers:

1) transaction day specialist in charge of expense accounts (when selecting this power the current transaction day for processing the source documents received from the client is set);

2) bank statements specialist (when selecting this power the previous transaction day designated for processing the credit portion of the bank statement is set).

For client's requests control and processing the 'transaction day specialist in charge of expense accounts' is used.

The request review and processing screen form is stipulated for the client's requests review and processing.

This form enables to select requests using various filters, for example:

- by number;
- by status;
- by the client's separate account;
- by budget levels.

For example, to select requests of the Administration of the Corrections Federal Service (UFSIN) 'Sts' 002 and the client's separate account number are entered (UF-SIN – KP PBS') (see. fig. 17).

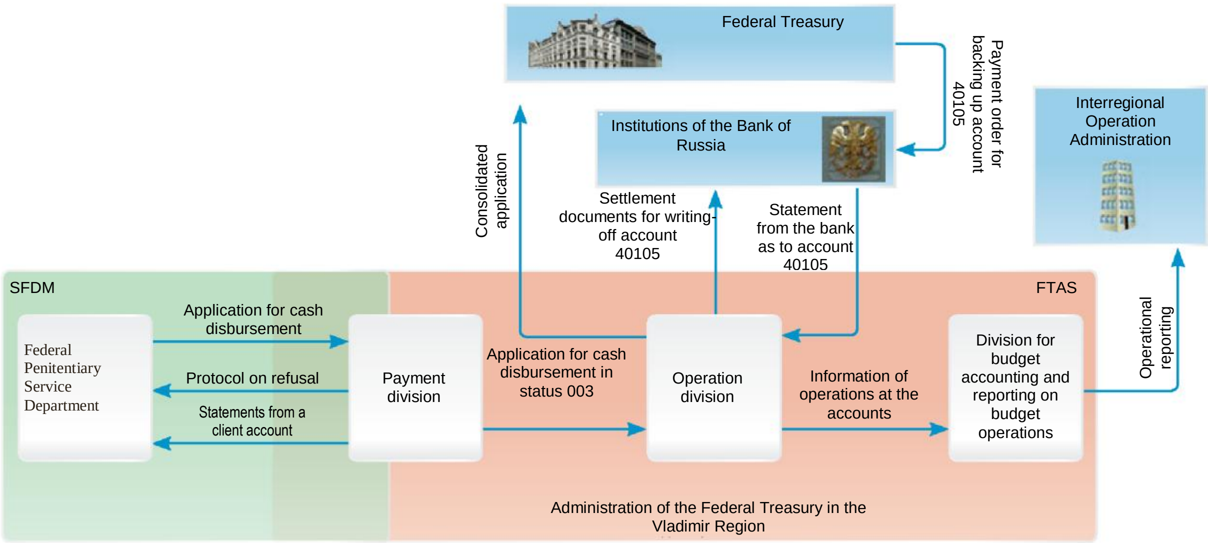

Fig. 16. Processing chart for the documents submitted by the client to the Federal Treasury Department in the Vladimir Region

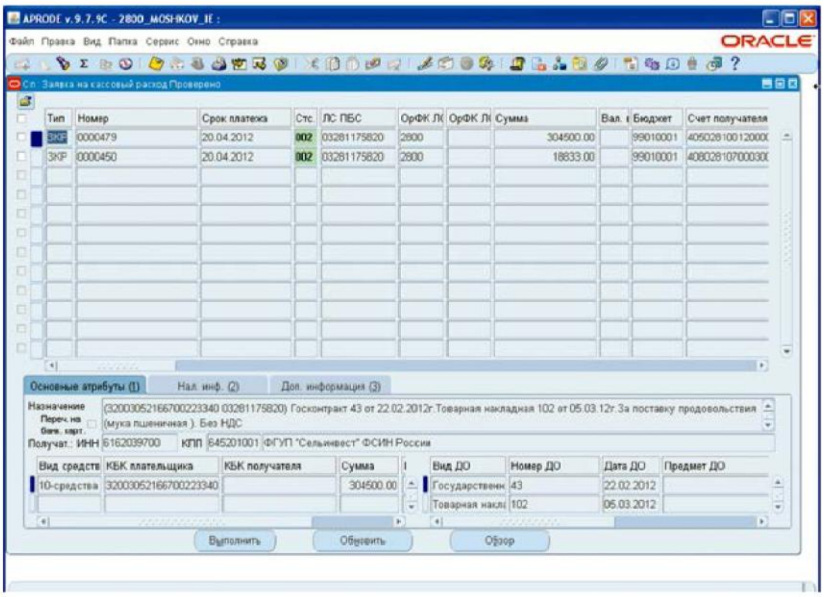

Fig. 17

It is necessary to notice that payment documents loaded into the program are subject to automated control for the availability of free balance of budget obligation and appropriation limits required to effect the payment.

The selection results in two cash disbursement requests. We select the first request in the amount of RUR 384,500.00.

The content of the request is similar to the bank document (payment order) (annex 1).

The heading of the request contains the following:

- client's details (its name specifying the client's code in the code zone based on the Consolidated register of spending units, individual account number to make the payment from);

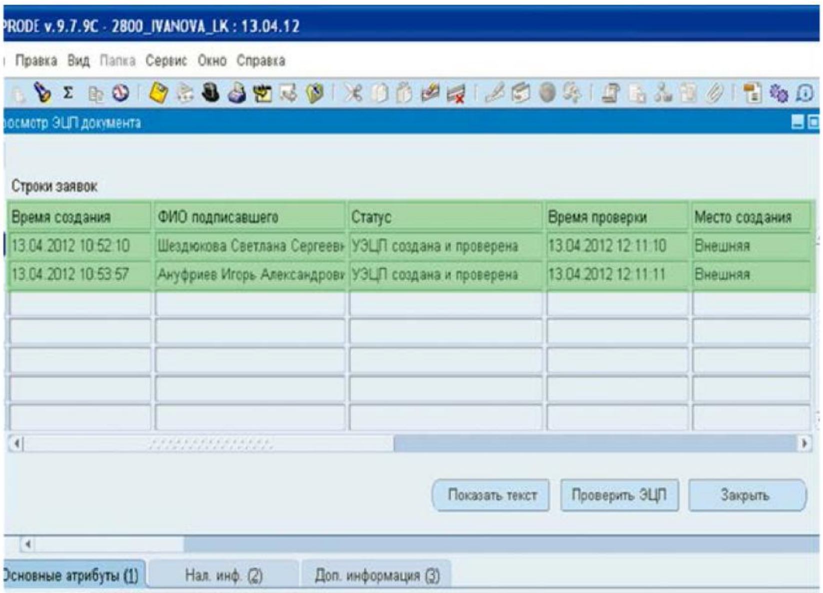

Fig. 18

- budget name;
- treasury body name.

In this case the informative part of the request contains the following sections:

- document details;
- counterparty details.

’Document Details’ show details and figures required to authorize the payment:

1) supporting documents (the state contract is for the demonstration purposes), their number, date, consignment note and their details (number, date);

2) reference field with the short title of the transaction conducted specifying details of the supporting documents and other information necessary to the client;

3) budget expense classification code for recording the cash withdrawals from the client’s individual account, amount paid and other figures are shown in the separate line.

‘Counterparty Details’ contains information about the beneficiary and has the following fields: name, account number, identification number (TIN.), tax registration reason code (KPP), banking details.

The request is finalized by the signature of the director of the organization and the chief accountant or authorized persons approved by the director.

In addition, the cash expense request shall bear the registration mark of the Federal Treasury.

The client cooperation specialist verifies the request, first of all, through control of the authenticity of the electronic digital signature (EDS) of the client’s authorized representatives.

This procedure is carried out automatically using “EDS review per document” button.

The EDS verification results are displayed specifying the time when the signature was put, surname, name, and patronymic of the signatory (signing powers are vested in the director and the chief accountant), check time (see fig. 18).

The client shall submit the documents confirming the pecuniary liabilities together with the request. The supporting documents may be reviewed in the Federal Treasury Automated System (FTAS) using “Slip” button. Pressing this button opens the window with the files attached.

The first document (state contract) is for demonstration purposes. It serves as a ground for acceptance of the pecuniary liability. It should be noted that the program enables to look through not only the subject matter of the state contract but also

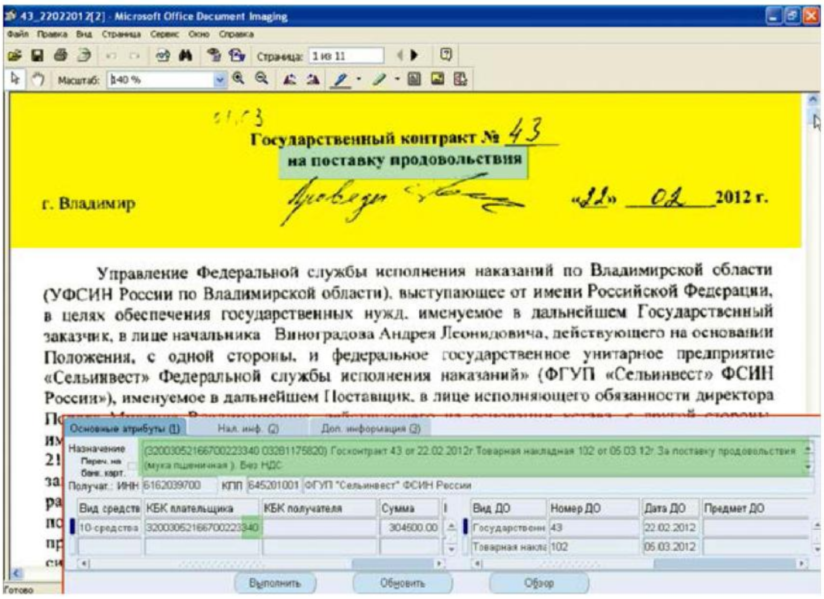

Fig. 19

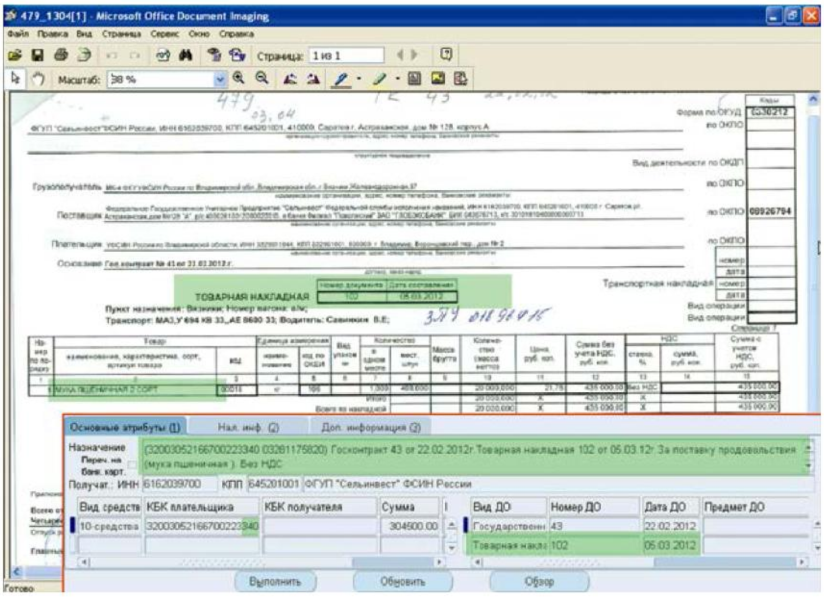

Fig. 20

all pages of the document.

The client cooperation specialist shall verify the following:

- correctness of the state contract name, number and date in the relevant fields of the request form;
- compliance of the purpose of the transaction arising out of the subject matter of the state contract with the reference and code of transactions classification of the state administration sector or KOSGU code (18th – 20th mark of the budget classification) specified in the request form.

In the demo state contract the subject matter of the contract and 'food supply' in the reference field are similar. KOSGU code of the budget spending classification ("340 - Acquisition of material values") complies with the purpose of the transaction (food supply) (see fig. 19).

The second document confirming pecuniary liability is the consignment note to be verified using the same procedure (see fig. 20).

Thus, this request form has passed the visual control successfully and is subject to registration in the program with the help of the ‘Run’ button and selection of ‘Recording’ function. During registration the document is certified by the electronic digital signature. In this case the document status changes from 002 to 002- УНЧ and is transferred for further approval by the national treasurer and head (deputy head) of the department. After multilevel approval the request status changes from 002-УНЧ to 003. This status is indicated of the fact that the request shall be included into the consolidated request.

In that way the program realizes the internal control mechanism or ‘6 eyes principle’, which represents multilevel and coordinated process designated to ensure compliance with the requirements of the statutes and regulations of the Russian Federation.

The second request No. 450 was similarly discussed within the framework of the demo example. In this case the subject matter of the contract (“fulfillment of diagnostics, maintenance and repair of the vehicles”) complies with the payment reference but doesn’t meet the transactions classification code of the state management sector of the budget expense classification. In accordance with the KOSGU the client classified the payment as “226 - Other expenses’ but in accordance with the Instructions on application of the budget classification this payment should be “225 - Property maintenance works and services” in accordance with KOSGU. The request may not be accepted for execution in a result of the error committed by the client.

In this case the client cooperation specialist rejects the request using “Run” button and “To cancel” function. In this case the protocol is created automatically specifying the reason, why the request has been rejects, and the reference to the regulatory document.

In the demo example the reason for rejection is “KOSGU code in the request doesn’t meet the payment reference”, reference to the regulatory document is “violation of the order of the Ministry of Finance of the Russian Federation dd. 01.09.2008 № 87 clause 10 sub-clause 2” (annex 2).

Within the authorized fulfillment of the expense pecuniary obligations the FTAS software realizes the function of forming protocols of two types:

- protocols, which are made automatically in the program specifying the reason for rejection of the document (for example, federal budget expense classification codes mentioned in the request are not compliant with the budget classification codes of the Russian Federation in effect in the current financial year at the request submission date or the amounts in the request exceed balances of the relevant budget liability limits accounted for on the individual account of the budget funds beneficiary, or non-compliance with the requirements of the document preparation);
- protocols, which are manually made by the specialists in the program in case of negative visual control.

  Justification of the rejection within the internal control shall be verified by the authorized specialist (head (deputy head) of the department).

The protocol shall be registered using the electronic digital signature. In this case the status of the document shall change to “003 - Protocol registered.”

The protocol shall be automatically sent to the client using financial data management system and shall be available for review to the client in order to correct the committed error.

To make the cash payment next day the client shall be obliged to represent the cash expense request one day in advance till 12:30 p.m. of the transaction day.

The client’s account statement (annex 3) shall be provided by the Federal Treasury in a result of transactions on the client’s individual accounts.

Demo: "Transactions on the federal budget consolidated account in the Federal Treasury Department for the Vladimir Region"

The cash expense requests accepted from the clients and processed by the spending department specialists of the administration shall be included into the consolidated request form for transfer of funds from the consolidated treasury account of the Federal Treasury opened with the Central Bank of Russia to account 40105 of the Administration.

The transactions department specialists of the Administration manipulate in the program and have the powers established depending on the transactions conducted:

- transactions officer (other budgets);
- transactions department specialist;
- consolidated request specialist.

The specialist of the department having "Transactions officer (other budget) powers" select "Request review and processing", selects requests with 003 status to control the total amount in the cash expense requests processed.

To form the consolidated request the specialist of the department selects "Request for Consolidated Request", enters the requisites (banking account 40105, consolidated request payment date) and sends the request for fulfillment.

"Consolidated request" created in the program shall be obtained in a result of fulfillment of the request.

The document may be reviewed through "Consolidated request editing", which has 000 status ("Draft") and is ready for further processing in the program.

When performing "Verify" the transactions department specialist shall verify the compliance of the consolidated request details with the requirements established by the Order of the Federal Treasury (see fig. 21) in an automatic mode.

If automated audit is passed successfully 002 status shall change into "Audited".

The responsible officer shall register and certify the document by the electronic signature. In this case the consolidated request changes its status to 'For approval'. Then he shall send it to the head of the Administration for approval and signing by the electronic signature. In consequence thereof the document status shall be "360 - Backing requested". The consolidated request form is in annex 4.

The consolidated request form contains the following details:

- document number— consolidated request number;
- preparation date — current business day date;
- territorial body — Federal Treasury Department in the Vladimir Region;
- date, when the funds should be transferred — next business day;
- backing amount — total amount necessary to make cash payments;
- banking accounts — account details (40105 "Federal Budget Funds" opened for the administration);
- bank the relevant account of the Administration is opened with;
- payment type — "electronically";
- signatures of the head of the Administration and the authorized person specifying the position and full name.

The consolidated request shall be transferred to the Federal Treasury in the electronic form not later than 04:00 p.m. and shall be accepted for fulfillment.

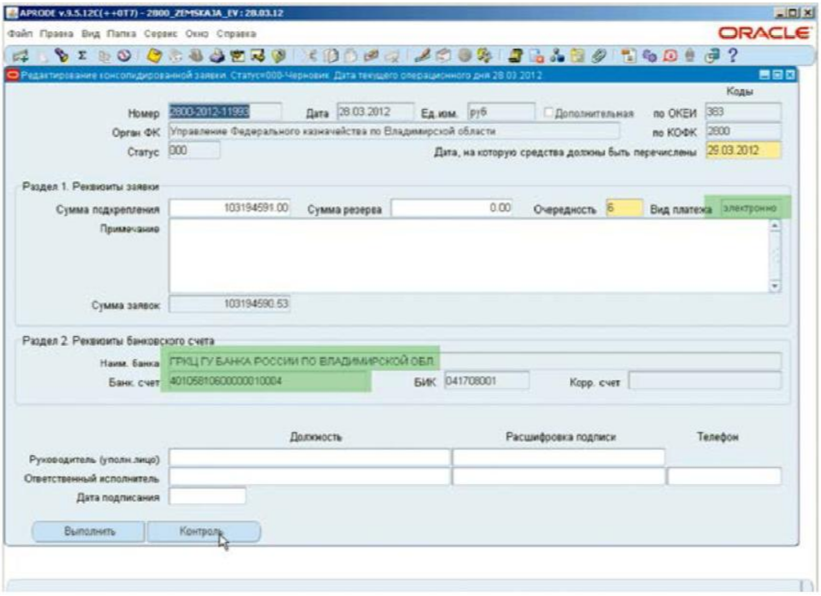

Fig. 21

Based on the accepted consolidated request of the Administration the Federal Treasury shall prepare the payment order for transfer of funds from the consolidated treasury account opened with the Central Bank of Russia in order to back account 40105 of the Administration for further cash payments to federal budget funds beneficiaries (see fig. 22).

The payment order form is given in annex 5. Account 40105 of the Administration shall be backed using online real-time payment system that reduces the payment transfer period up to 1.5 min.

The specialist of the department shall daily monitor the backing amount to account 40105 of the Administration. Funds crediting to the account shall be performed by ‘Authorize’ to pay the consolidated request and cash expense requests shall be ready for payment for further creation of the Directed Payment Register. The Directed Payment Register is the package of e-documents to carry out funds debiting from the accounts of the Administration.

The specialist of the department shall select “Directed Payment Register” (see fig. 23).

When creating the register it shall be assigned:

- register number;
- register opening date;
- banking account 40105;
- document status: 000 — “Draft”.

In ‘Selection of Requests into the Register’ mode, the requests, which were accepted from the clients and passed all levels of cash expense request controls in the Directed Payment Register, are presented in an automatic mode (see fig. 24).

Based on the requests included into the register the specialist of the department shall create electronic payment orders to make bank entries. Upon termination of this transaction the register status changes to “03. Registered”.

After multilevel approval of the register by the responsible party, specialist who carries out internal control in the department, and the chief accountant the payment orders shall be certified by the electronic signature of the officials. In this case the status of the document changes to “For approval”.

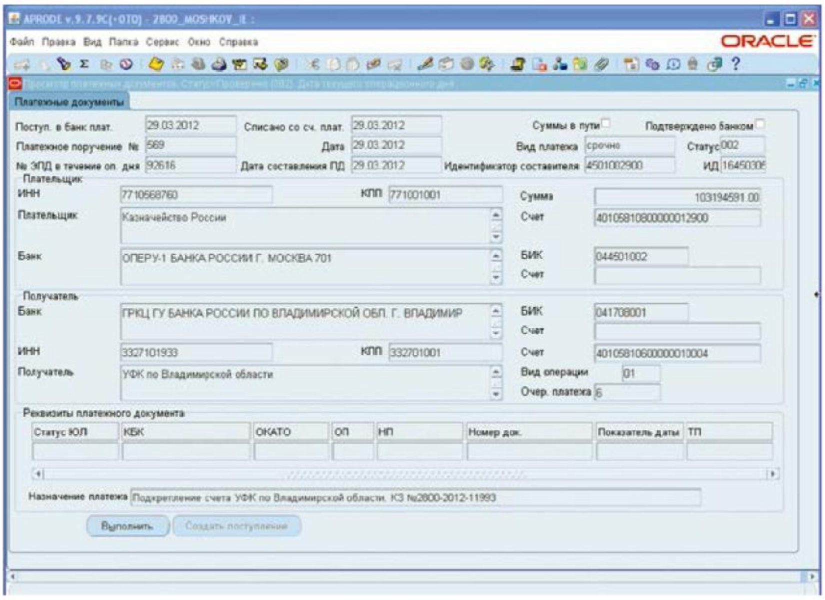

Fig. 22

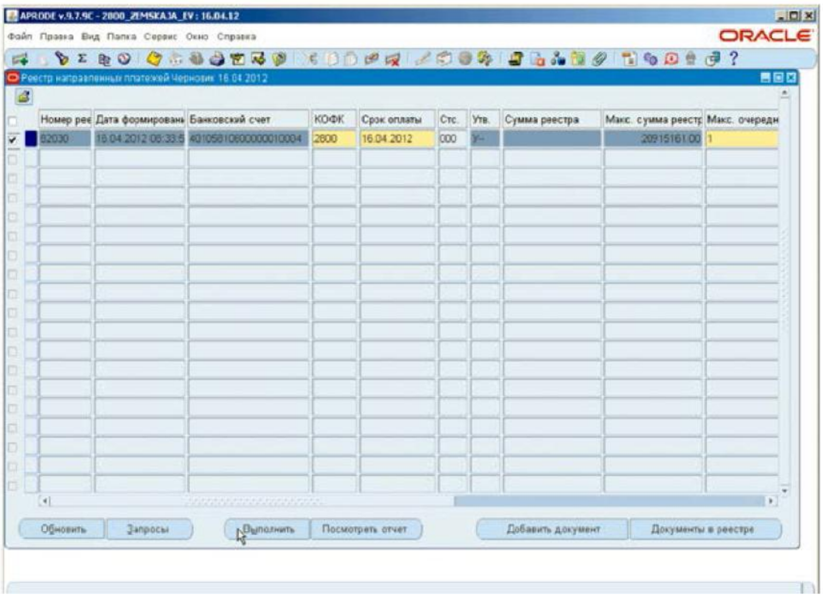

Fig. 23

Before being sent to the bank institution the register shall be approved by the head of the Administration and certified by the electronic signature. The status of the register shall change to “344. Sent to bank”.

Upon termination of all document composition procedures the register in a form of structured file shall be automatically unloaded to the catalogue of exchange with the bank and shall be sent to the bank in an electronic form to debit funds from account 40105 of the Administration.

Name of the unloaded file may be seen through “Operations History”.

After receipt of the information (in a form of electronic massage) from the bank that funds are debited from the account of the Administration pursuant to the sent payment orders the status of the register changes to “999 – Done”.

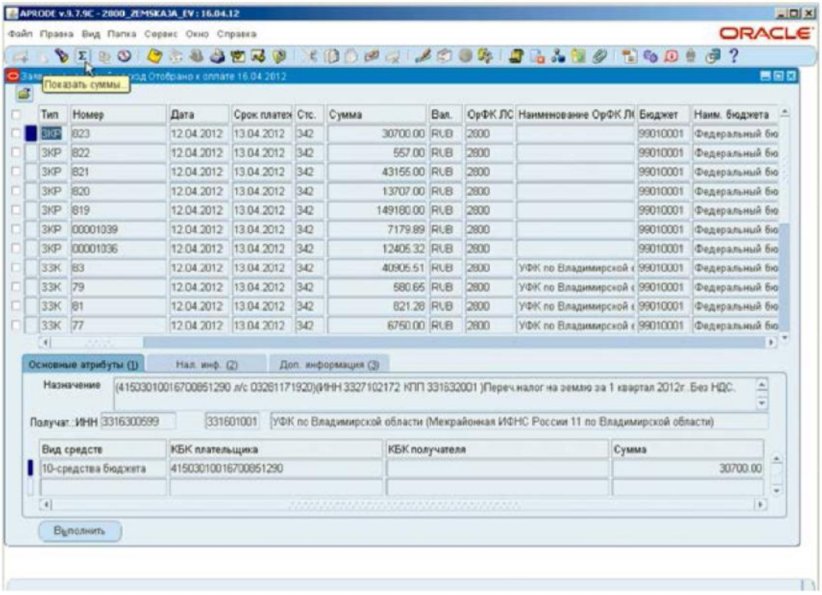

Fig. 24

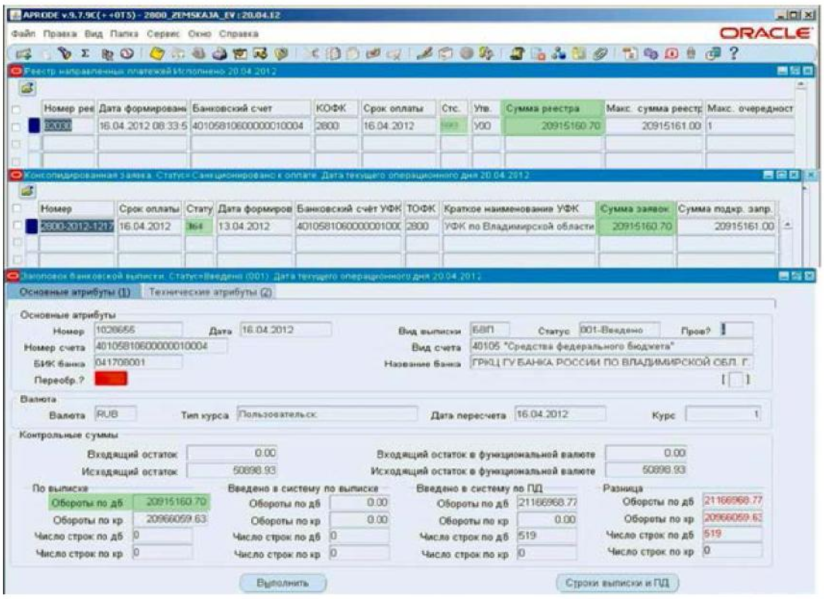

Fig. 25

After receipt of the bank statement concerning account 40105 of the Administration the transactions department specialist shall daily control and reconcile amounts under transactions performed, which should be equal pursuant to the current day results.

The data may be checked by opening each function window one by one and placing them simultaneously on the display (amount in the sent payment orders included into the register shall comply with the amounts in the requests included into the consolidated request and the amount of debited funds shown in the bank statement (see fig. 25). The Federal Treasury Automated System enabled to centralize the transactions activities at the level of the Administration as it pertains to transactions related to cash budget fulfillment of the budget system of the Russian Federation and to increase efficiency of information exchange with the banks.

Demo: "Preparation of the reports of the budgets of the budget system of the Russian Federation in the Federal Treasury Department for the Vladimir Region"

The consolidated database located on the servers of the Federal Treasury Department for the Vladimir Region and activity of the structural divisions of the Administration in the consolidated database in on-line mode enabled to centralize budget accounting and budget reporting in the budget accounting and reporting department of the Administration.

In order to implement the Federal Treasury Automated System the employees of the Administration departments carried out budget accounting, prepared and represented budget statements to the financial local self-management bodies of the Administration.

The specialists of the budget accounting and reporting of the Administration accepted the statements from submitted by the departments, audited them and prepared consolidated statements.

This is a great job if to consider that there are operating (daily), weekly, monthly reports.

All reporting functions and preparation of the reports in the budget accounting and reporting department of the Administration are centralized due to implementation of the Federal Treasury Automated System. It enabled to re-distribute free specialists of the departments to perform other functions.

The program provides the following powers to the specialists of the department to perform functions such as 'Chief Accountant' and 'Accounting and reporting department specialist'. During recording the primary documents by the specialists of the structural divisions and processing the Administration accounts bank statements the accounting entry is created automatically. The compliance of the data with the accounting reference books is controlled during storage of the accounting entries in the Federal Treasury Automated System.

The accounting entries are recorded in the system transaction logs and General Ledger created automatically when entries are made on the basis of the primary documents (see fig. 26).

The specialists of the accounting and reporting department of the Administration control compliance of turnovers on the accounts opened with the Bank of Russia and credit organizations with the accounting records reflecting banking transactions and prepare inspection reports for the transaction day.

Three inspection reports are prepared daily.

First one is called "System Closed Transaction Day Errors" (see fig. 27).

This report controls:

- lines in the logs of the General Ledger with the incorrect transaction date;
- documents with final status and having no entries;
- transaction records not entered into the accounting logs and other figures.

The second report control correctness of accounted extra-bank transactions. The third report controls entries. In case of positive results of the control the specialists of the department create and process budget accounting registers in accordance with the regulatory acts of the Ministry of Finance of the Russian Federation. The daily General Ledger is the most indicative from among the accounting registers.

The department creates 210 general ledgers daily separately as it pertains to fulfillment of the federal budget,

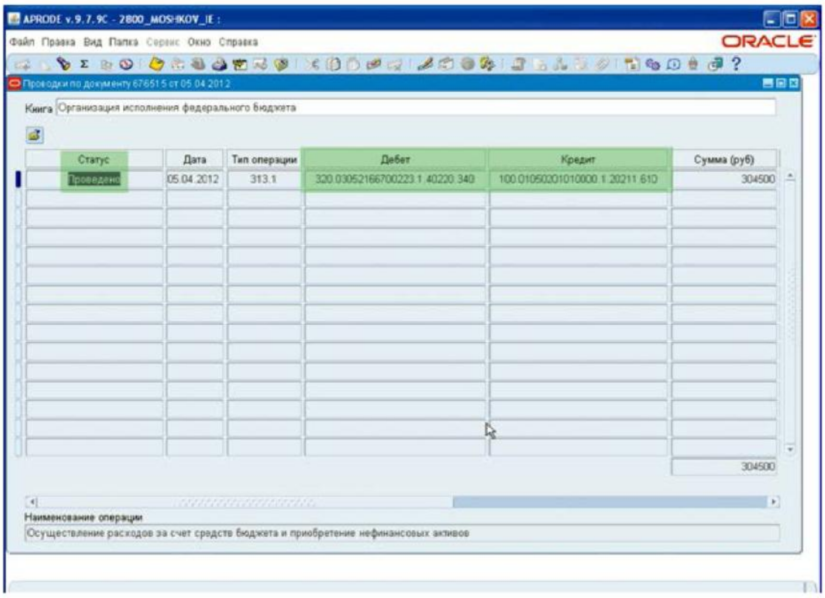

Fig. 26

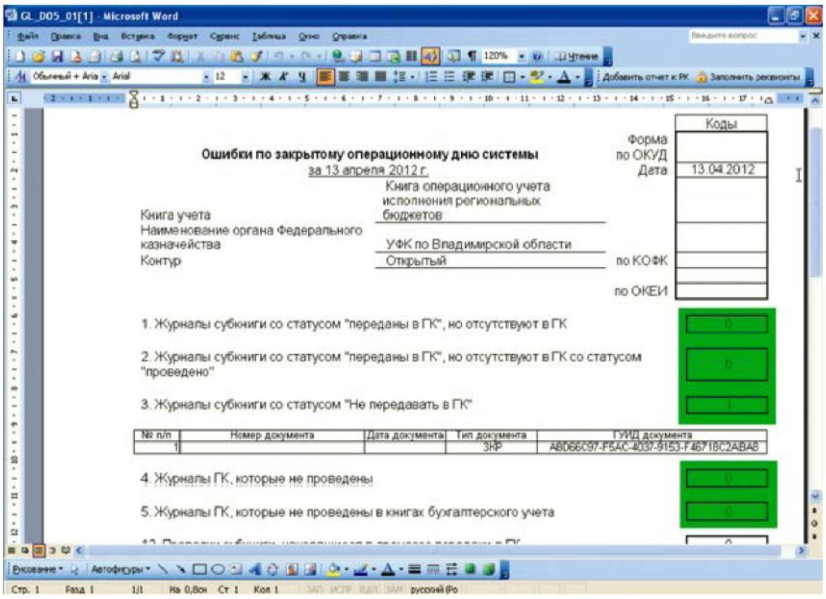

Fig. 27

cash servicing of fulfillment of the budget of the entity of the Russian Federation, municipal organizations, state and municipal institutions.

The Administration creates and sends the consolidated General Ledger on fulfillment of the federal budget to the Inter-Regional Transaction Federal Treasury Department on a daily basis. The document is sent via the remote financial document flows system in a structured form.

The General Ledger shows balances on the budget accounts at the beginning of the year, opening balances, transactions for the day, transactions from the beginning of the year and closing balances

Annex 6 contains the General Ledger on fulfillment of the federal budget, which demonstrates the transaction previously addressed (acceptance of the cash expense request).

All figures in the register have budget classification as it is integrated into the bookkeeping account number.

Failing any differences in the budget accounting registers the previous transaction day of the system is closed for all divisions of the Administration. For this purpose the date of the closing day is stated and

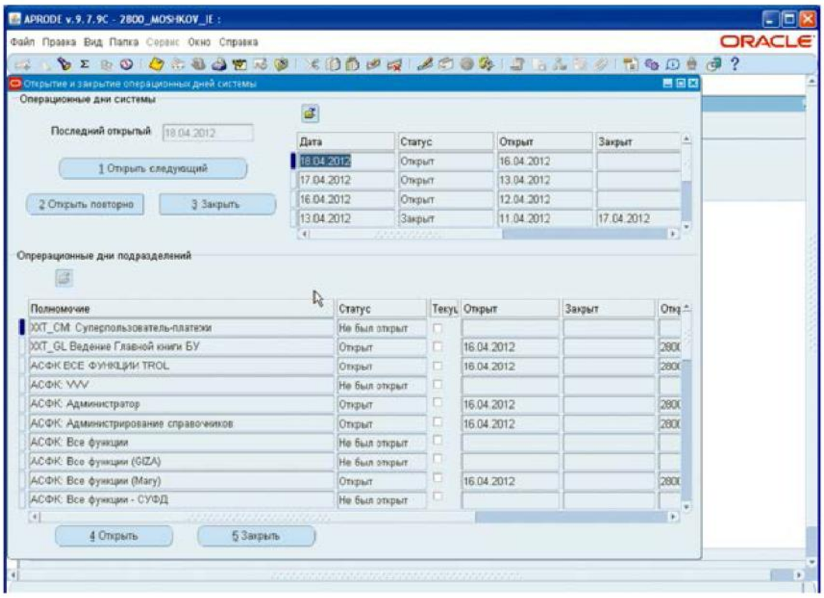

Fig. 28

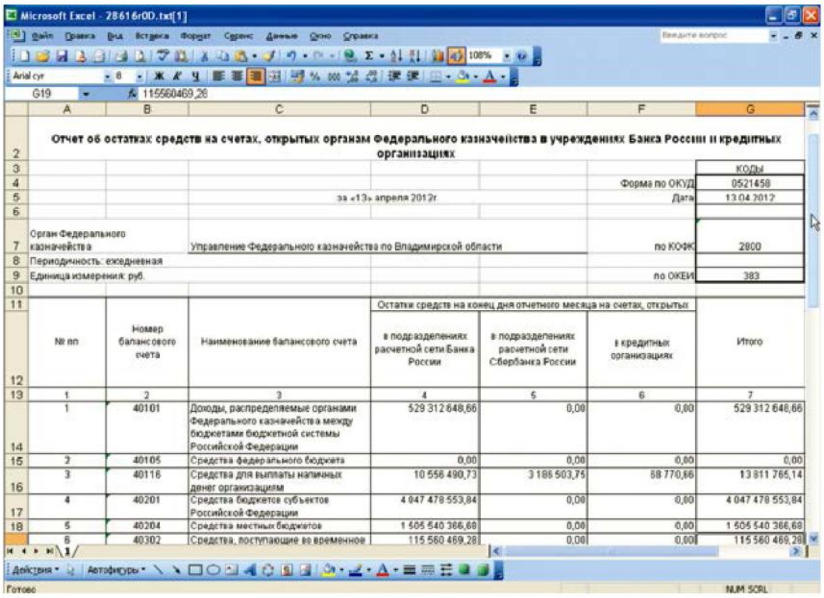

Fig. 29

and the request for execution is sent (see fig. 28).

The system transaction day is closed with the term established by the transaction day rules approved by the order of the Administration.

After the transaction day is closed, the specialists of the accounting department create daily operative reports. The official, inter-document and enter-document control procedures are initiated. The protocol of control is prepared on the basis of the results of control.

Five transaction reports are created on a daily basis: federal budget inflows report, federal budget withdrawals report, 11 section withdrawals report, and unified social tax inflows report, report on balances on the accounts of the Federal Treasury body.

The report on the balances on the banking accounts is represented as a demo example (see fig. 29).

This report represents balances on the accounts of the Administration with the breakdown by banking balance accounts and bank institutions where they are opened.

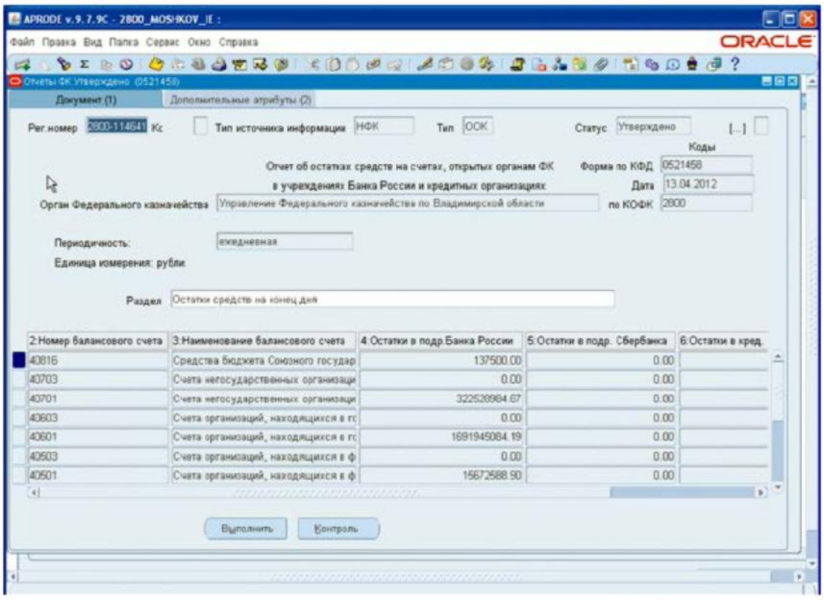

Fig. 30.

This information about the fund balances is essential for operative management by the financial resources of the Administration.

The daily report on federal budget cash withdrawals was also reviewed during demonstration (annex 7). Withdrawals in this report are accounted for in terms of functional classification of expenses, classification of transactions of the state management sector and departmental classification of expenses of the budgets of the Russian Federation. The report also contains the document the processing of which was previously addressed.

The budget reporting specialist reconciles the operative records data with the data in the General Lodger and other registers of the analytical accounting for the reporting date, analyzes the protocol of control obtained during preparation of the operative records ('Control' function) see fig. 30).

In case of absence of the errors in the report forms the specialist submits reports to the chief accountant and the head of the Administration for approval. During approval the report forms are certified by the electronic digital signature and then the specialist of the department send transaction reports to the Inter-Regional Transactions Federal Treasury Department. The reports are delivered in a structured form through the remote financial documents flows system.

The budget accounting and reporting department for budget transactions prepares standard reports on a monthly basis:

- budget reports on fulfillment of the federal budget representing various parts of budget fulfillment, cash servicing of fulfillment of the budget of the budget system, budget and autonomous institutions, which is submitted to the Inter-Regional Transactions Federal Treasury Department;
- budget reports on cash servicing of budget fulfillment, budget and autonomous institutions, which is submitted to the Department of Finance, budget and tax polity of the administration in the Vladimir Region and financial bodies of the municipal institutions.

The financial bodies of the municipal institutions receive reports in the electronic form through electronic document flows system and remote financial document flow system.

One of the main benefits of the Federal Treasury Automated System is the high degree of informative fullness and transparency of effected transactions.

III. International experience in upgrading of treasury systems

Treasury Reference Model. Core priorities of the treasury reforming. Guidelines and consistency of implementation

The Treasury Reference Model (TRM) was developed by the World Bank to help member countries of the World Bank and the International Monetary Fund to carry out treasury reforming and to notify COTS manufacturers of main treasury functional requirements so that they shall be able to include them into the products initially developed for the commercial sector.

TRM describes material aspects of the treasury reform, main treasury functional processes and activities related to formation and support of treasury system operations. The model demonstrates how treasury processes match the public (state and municipal) finances.

Basic concepts of treasury systems

If we look upon the situation in the transition countries before public finance and treasury reforms we may generally conclude that transition economies lacked legal framework, institutional structures and associated systems necessary to manage public finances:

- budget organizations were allowed to open bank accounts beyond the control of the Ministry of Finance and the Ministry of Finance regularly transferred funds to that accounts;
- it resulted in accumulation of sufficient idle balances on the accounts of the budget organization while the country budget was deficient as a whole;
- the Ministry of Finance had no funds to control and guarantee complete adequacy of expenditures with budget allocations;
- other problems existed such as lack of information about expenditures and revenues, financial statements stipulated by laws, which are necessary for economic management, underlying data for budget preparation.

Legal and institutional structures for public finances management existed in other countries not graded as transition economies, but they needed and still are in need of changes. The situation with budget funds management in these countries in whole features as follows:

- derogation of control (for example, control over allocations);
- fuzzy borderline between rights and obligations of the members (budget organization - treasury);
- growth of bank accounts beyond the treasury control, for example, the personal ledger in the bank.

In the essence, it led to the situation similar to that in the transition countries – lack of control over public finances and expenditures on the part of the Ministry of Finance and non-availability of up-to-date information for economic management.

The listed issues should be resolved using the action plan that includes two main blocks:

1) development (adjustment) of policies and institutional structures necessary for public finance management:

- transition countries needed to build up legal framework and institutional structures *ab-initio* to allow the Ministry of Finance to gain control over financial resources and to ensure adequacy of incurred expenditures and allocations;
- other countries need to build up and adjust current policies, structures and systems to *resolve all existing problems*;

2) development of systems, which guarantee implementation of the policies to the fullest extent without exception. The mentioned policies should provide:

- improved fiscal control:
- attentiveness to adequacy of expenditures and budget allocations, liabilities and money allocations;
- thorough monitoring of unpaid invoices, funds on the governmental bank accounts and fiscal deficit;
- improved money management:
- transfer of all governmental accounts under control of the treasury and their consolidation on the treasury single account;
- reduction of idle balances on the governmental accounts and improvement of money planning;
- promptness and accuracy of financial statements for the purposes of efficient management;
- improvement of quality of the basic data for budget preparation.

Implementation of this solution (fulfillment of this action plan) requires legal and institutional reforms consisting of five major components:

1) adoption of the special legislative act concerning control over preparation and execution of the budget;

2) improvement of banking transactions with the budget funds and processing of payment transactions;

3) development of the budget classification;

4) development and implementation of the treasury system;

5) development of the treasury single account infrastructure.

The below components of the reforms designated to develop the basic treasury model are described in detail.

First, it is required to adopt the special legislative act concerning control over budget preparation and execution to manage state funds and property, which shall provide necessary legal base for budget execution systems. The mentioned law shall define:

- roles and obligations of the Ministry of Finance, treasury and specialized agencies;
- powers and obligations for:
  - receipt and safe custody of the public financial resources;
  - processes of control over state expenditure management;
  - national debt management;
  - accounting;
  - financial reporting and audit.

Second, improvement of bank transactions with the budget funds and processing of payment transactions may be required:

- consolidation of the bank accounts on a treasury single account with the Central Bank;
- establishment of the treasury organization with the network of offices located all over the country (option – posting the treasury employees into the budget organization);

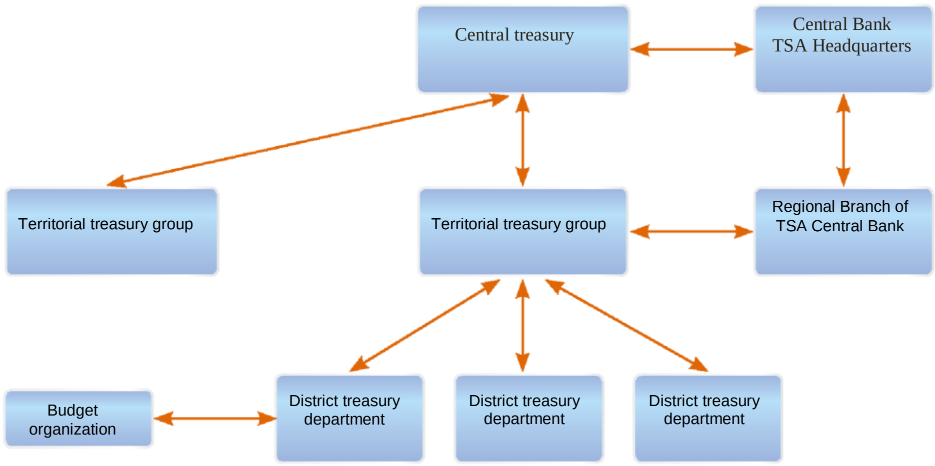

Fig. 31. Treasury organizational structure

- rearrangement of payment processes and routing all payment transactions through the treasury (located at the places where the treasury employees are);
- rearrangement of all processes with proceeds to guarantee their direct depositing to a treasury single account.

The traditional design of the treasury organizational structure is given in fig. 31.

Third, budget classification requires development in compliance with the relevant IMF Guidelines of the Government Finance Statistics including the following elements:

- development of the chart of accounts embodying this classification;
- budget classification structure should include at least functional, organizational (departmental) and economic sections;
- functional and economic classification structures should meet requirements of the government finance statistics;
- additional sections may apply for classification and monitoring of budgets and expenditures by governmental levels, sources of funds, programs, projects and activities.

Forth, it is required to develop and implement the treasury system, which includes the following structural blocks:

- budget execution:
  - budget management:
    - distribution of budget allocations;
    - spending budget funds, budget transfers;
  - liabilities management— presentation of all liabilities related to expected budget expenditures;
  - payments management — processing all budget expenditures in respect of the following:
    - procurement of goods and services;
    - salary and pension payments;
    - debt servicing payments;
    - transfers to sub-national (regional and local) budgets and (or) government enterprises;
  - proceeds management — presentation of tax and non-tax revenues and receipts at the cost of other sources;
- accounting (presentation of all transactions on a current basis);
- funds management;
- fiscal reporting.

The core functionality of the treasury systems consist of the following:

- treasury systems keep particulars of:
  - authorized budgets, amended budgets, budget execution;
  - incurred obligations;

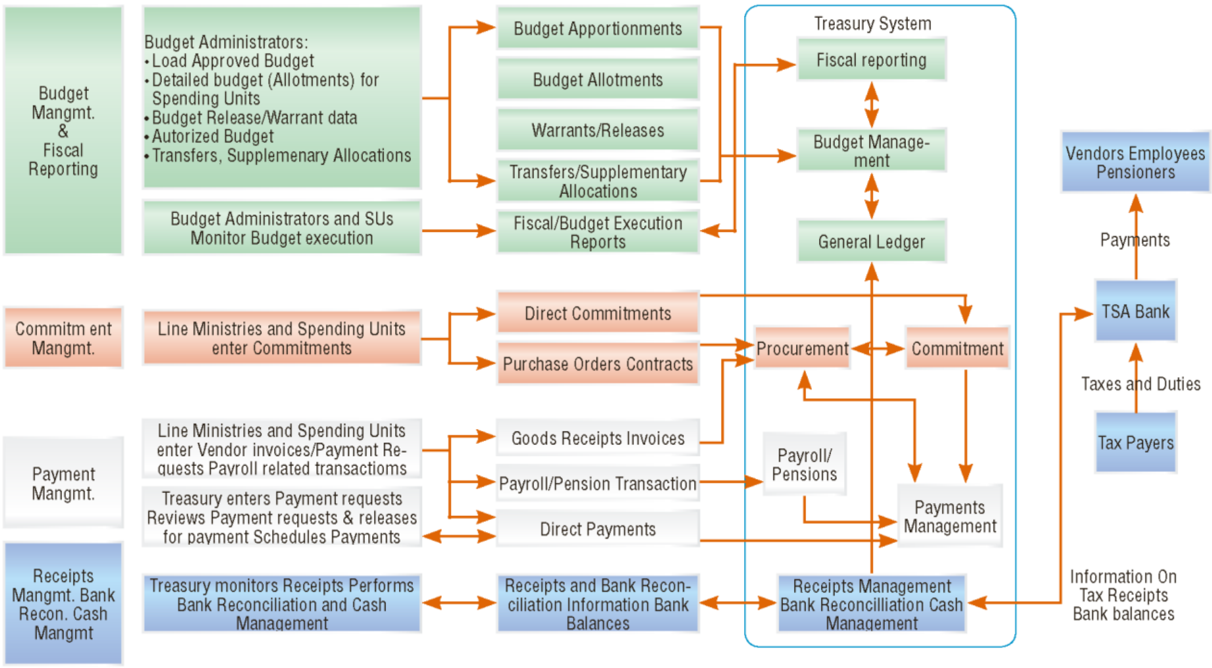

Fig. 32. Treasury systems: core functional processes, information flows and system modules

  - purchase orders, required details under the contracts;
  - goods and services receipts;
  - invoices issued by the suppliers;
- authorization of payments after their confirmation;
- giving payment orders to the bank;
- presentation of revenue and other receipts payable to the budget accounts;
- reconciliation with bank records;
- creation of conditions for monitoring of balances on the budget accounts;
- creation of conditions for placement of all transactions, application of all means of control, accounting and full financial reporting.

Besides it is highly important to guarantee that the above functions in the treasury system may by fulfilled by the authorized staff members only. Schematic representation of core functional processes, information flows and system modules (blocks) of the treasury systems is given in fig. 32. Pictures 33 and 34 demonstrate alternative treasury system arrangement schemes:

- centralized arrangement of the treasury when the cost centers (ministries, departments, institutions receiving budget allocations and spending budget funds) forward requests for expenditures and other payment documents to the treasury in paper or electronic format or using specialized software;
- decentralized arrangement of the treasury when the cost centers spend budget funds at their own discretion directly in the treasury system.

Fifth, a treasury single account is the necessary element of the basic treasury model providing the following conditions for budget resources management:

- all budget funds should be under the treasury's control;
- treasury should be able to value budget resources at a given time, i.e. to define balances on the budget accounts;
- all expenditures from the TSA should be subject to budget control;

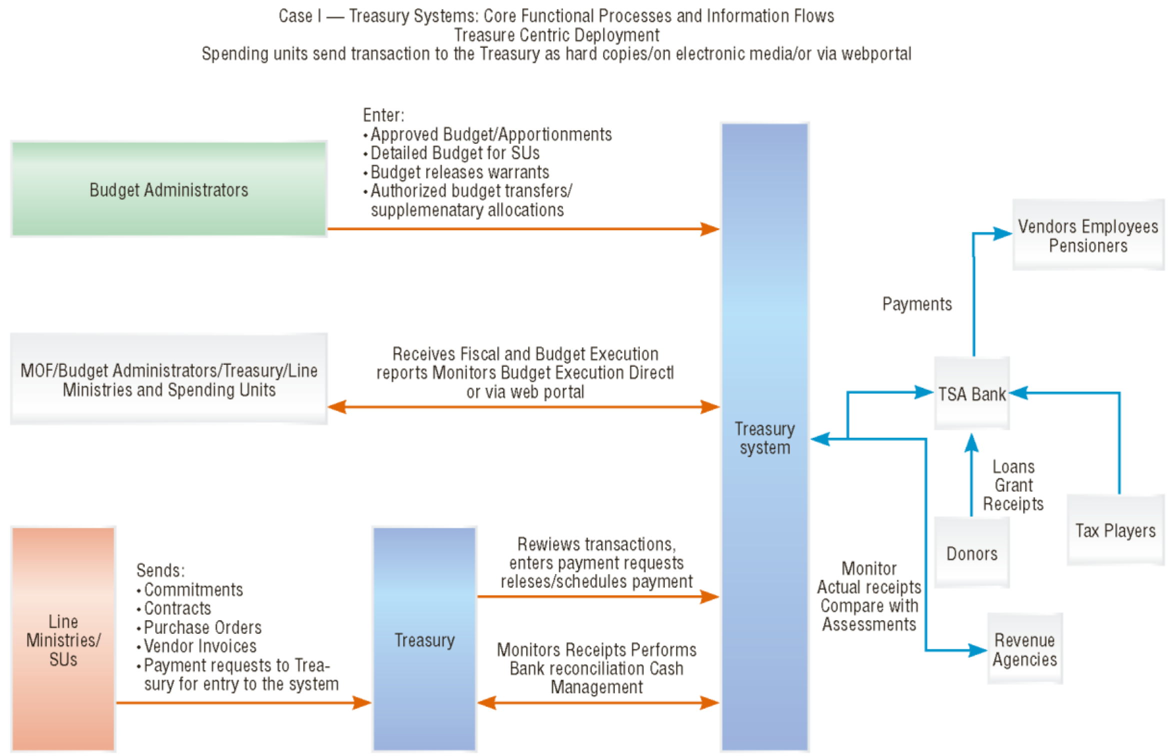

Fig. 33. Centralized arrangement of the treasury

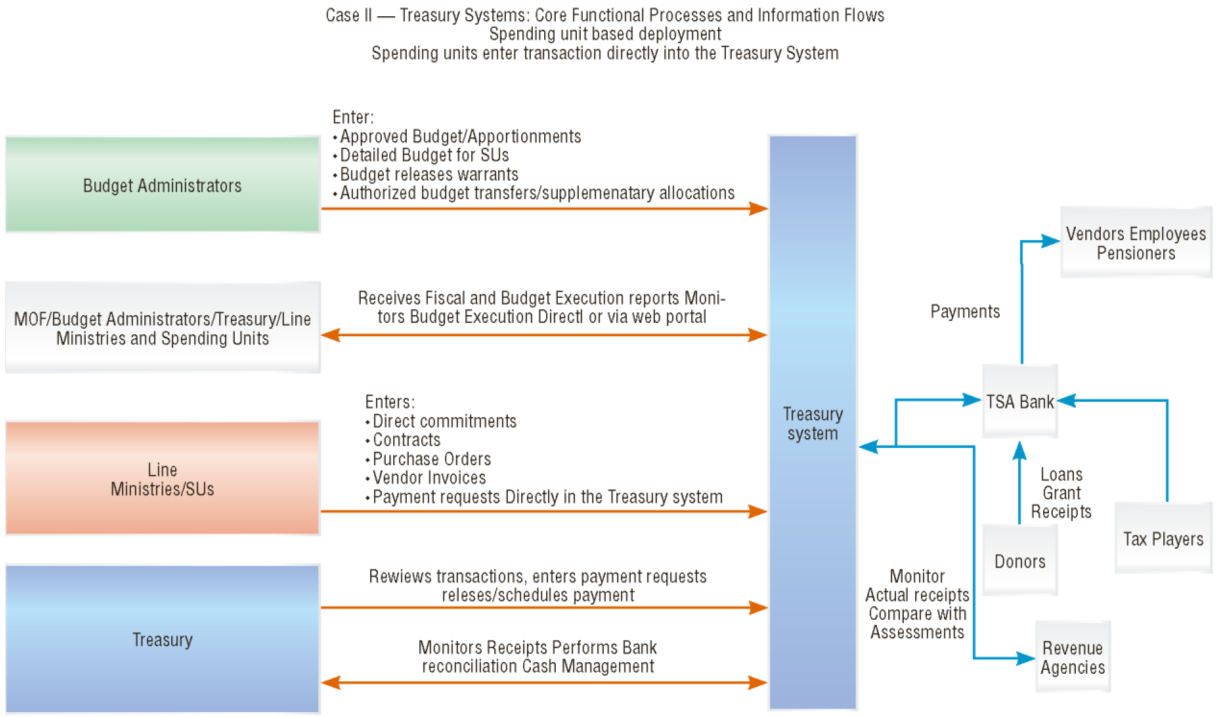

Fig. 34. Decentralized arrangement of the treasury (standalone “cost centers”)

- all budget receipts should be deposited on the TSA. The TSA, as a rule, is opened with the central bank of the relevant country. But it often happens that the central bank uses commercial banks as its fiscal agents.

Technological support of the treasury system is also important. For its efficient functioning in contemporary conditions it requires:

- specialized software for support of functional processes in the treasury system;
- hardware — servers located in various data processing centers;
- workstations, remote hardware;
- middleware — operating systems, DBMSs, tools for development of applications and system management;
- telecommunication infrastructure:
- communication channels through global networks (WAN-Links) between different treasury offices, through telecommunication network: public switched network, dedicated lines, non-dedicated lines;
- local area networks (LAN): link between workstations locally;
- network management systems;
- reserve tools and mechanisms, which secure operability of the treasury system in case of emergency:
- operation continuity strategy for the treasury system;
- power standby systems;
- information security systems.

Certain experience of implementation of the treasury reference model

Table 3 represents critical parameters of the recently financed World Bank projects on implementation of the treasury reference model in the European and Middle Asian countries.

What stands out is that with the course of time and development of information technologies and telecommunication infrastructure the project parameters have significantly changed.

In 1994–2004 the projects were focused on implementation of the main treasury reforms and functionality of the created systems. Since new institutional structures and reforms stabilized later projects had wider playground.

A decade ago basic COTS packages didn't include public sector. A lot of countries commenced implementation of middleware customized systems. They are replaced or being replaced now by COTS applications.

New projects start from COTS software. The software with open codes offers additional challenges. Various middleware is available nowadays but the majority of systems have not jumped over the test phase.

Telecommunication infrastructure was not well developed in the early and middle ninetieth century. Originally middle systems were implemented based on the stratified structure. In proportion to implementation of the telecommunication system, steps were made towards the centralized architecture.

All new systems are implemented on the basis of the centralized infrastructure and use Internet versions of the customized software.

Some initial parameters of the projects are given in table 3:

- cost of implementation of systems based on COTS software packages approximated to 13-15 thousand US dollars per one licensed user;
- implementation of the projects from its launch till completion took 7–10 year. It is expected that many ongoing projects shall require not lesser period;
- obtaining the political agreement and implementation of institutional reforms was the core factor determining

Table 3. Some recently financed projects of the World Bank on implementation of the basic treasury model

Title and country	Q-ty of main places	Approx. value, mln. US dollars	Status	Notes
Europe and Middle Asia				
Ukrainian treasury systems project (TS) (I) Ukrainian PFMP (II)	700	26,9 (16,5+10,4) 55,0	Completed 7.0 years n progress. Commenced in 2005	Custom software Next project is in progress; plans with regard to COTS software
Treasury upgrading project in Tadzhikistan (TS)	250	17,7 (15,7+2,0)	Completed 8.9 years	Oracle Financials
Hungary — Public finances management project (TS)	20	10,4 (7,3+3,1)	Completed 7.1 years	Custom software
Turkey PFMP (TS)	1500	15,9 (15,9+0,0)	Completed 8.5 years	Custom software
Albania (TS)	35	9,0 (8,5+0,5)	Completed 6.8 years	Oracle Financials
Russian treasury development project (TS)	2200	613 (231,0+382,0)	Completed. Commenced in 2002.	Oracle Financials
Moldova PFMP (IFMS)	35	15,3 (8,5+6,8)	In progress. Commenced in 2005.	SAP
Azerbaijan (TS)	90	13,4 (9,5+3,9)	In progress. Commenced in 2004	SAP
Kyrgyzstan (TS)	65	10,2 (6,7+3,5)	In progress. Commenced in 2005	Some available funds
Tadzhikistan (IFMS)	75	10,0 (5,0+5,0)	At the preparation stage	COTS software issue in the planning stage

Team: Ali Hashim (1994–2004), Dominique du Roux (2000–2004), Cem Dener (2004 — present)

long lasting implementation period (especially for the start-from-zero projects);

- procurement of systems using tendering procedure (in accordance with the World Bank policy) also contributed to long lasting completion periods;
- effective time of implementation of the COTS solution from execution of the contract till completion of the project takes 3-6 years depending on the scope of the project.

Criteria of implementation

The hierarchy of requirements to conditions for implementation of the treasury reference model may be represented as follows:

1) political will for implementation of stable public financial management policies and procedures (Public Finance Management - PFM) and support of implemented reforms within the government (Ministry of Finance and other interested departments);

2) setting the feasible budget;

3) institutional mechanisms for implementation of the fiscal control:

- control of the treasury over all budget resources – consolidation of banking accounts on a treasury single account;
- routing of transactions through the treasury office (treasury employees);

4) staff potential in the executive departments for reforming and implementation of systems related thereto;

5) relevant data processing and support techniques:

- specialized software, which presents functional processes;
- technological platform for implementation of the software (hardware, network software, middleware).

The important drivers of the treasury reform projects success are the government commitments (in a form of adopted strategic and program documents) and support of the Ministry of Finance.

The determinant of success of implementation of the treasury reference model is the internal design of treasury systems, which should meet the following requirements:

- systems should be built up in accordance with functional and organizational policies:
  - it is required to clearly define the scope of functions and core functional blocks of the system to avoid duplicate investments;

- budget department, treasury and specialized ministries should use one and the same system for processing of their transactions and use each other's databases;
- one and the same chart of accounts should be used during budget preparation and execution;
- on-line input of transactions:
- obligations should be accounted for on a real time basis as soon as they are undertaken;
- financial control should apply proactively to all transactions processed by the treasury system (for example, proof of funds before their allocation or payments);
- further placement of transactions should be avoided;
- comprehensive processing of transactions:
- all spending transactions should be processed in the system;
- data shall be input only once when the accounting transaction passes through the system;
- IFMIS database (integrated financial management information system) should be treated as the principle source for financial reporting in the government.

Feasible terms for reforming in this sphere should be set. The whole process of creation of legal and institutional framework, treasury system design, procurement and implementation within development of the treasury reference model may take 8–10 years.

It often happens that implementation of the World Bank projects faced with the problem of gaining continuous support of the nation's leadership and (or) the Ministry of Finance. Association with the International Monetary Fund program and (or) sector adjustment loans often used to reinforce commitments of the government and provide support to the Ministry of Finance.

In many cases it was settled through implementation of interim technical solutions aimed to support reforms followed by implementation and processing of fully operable treasury systems.

From treasury reference systems to wider public financial management information systems (IFMIS)

Summarizing the above, it can be inferred that basic elements of the treasury reform (or basic components of the treasury reference model) are operating treasury organization, treasury single account and at least interim treasury system, which allows the Ministry of Finance to control budget funds.

In contemporary conditions and in view of advance international practices of the governmental (municipal) management, scope and coverage of treasury systems should be extended to the upper and lower areas of public finance management cycle, such as:

- budgeting;
- accrual and payment of salary to the governmental (municipal) officers and employees of the organizations and control over these positions;
- debt management and audit. It is necessary to implement performance criteria into the budgeting and improved more advanced accounting standards. It shall cause substantial positive changes in the treasury system.

Main lines of the governmental activities in public finance management not covered by the treasury reference model include

- macroeconomic forecasting;
- budgeting;
- budget execution, available funds management, accounting and fiscal reporting;

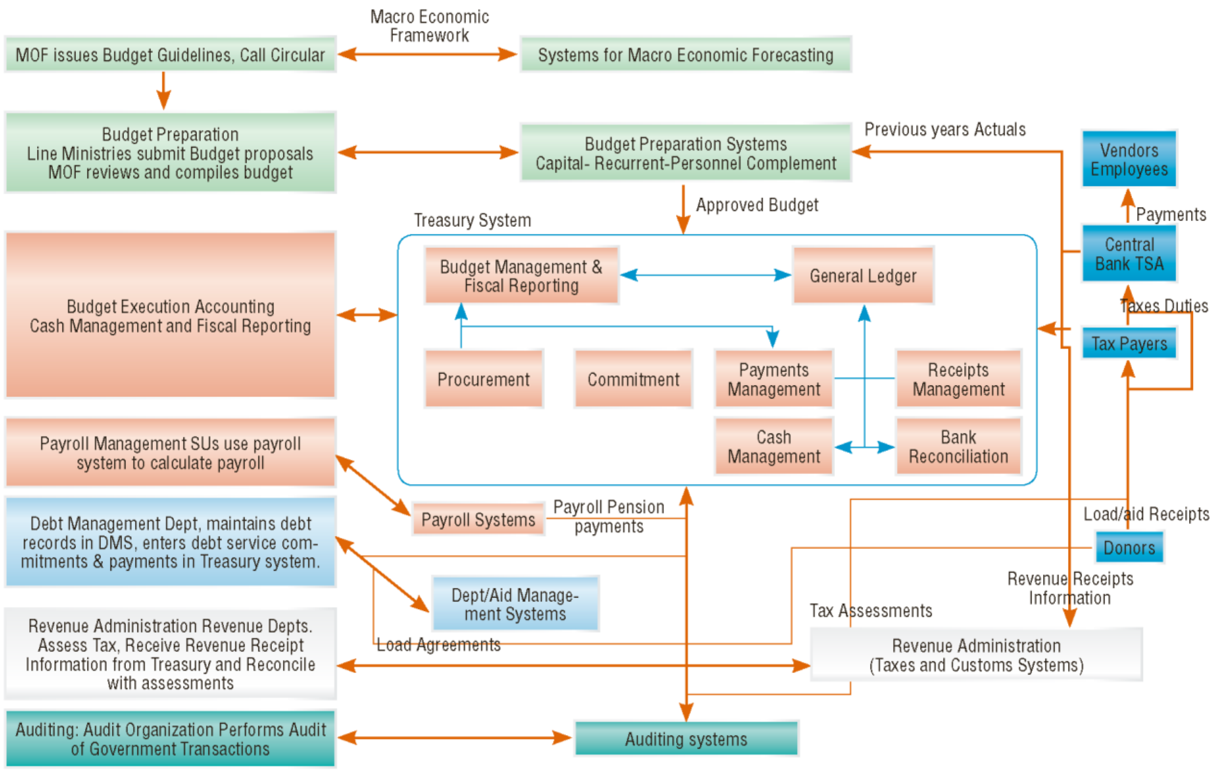

Fig.35. Functional processes of public finance management and information system design

- position, salary and earnings management;
- debt management;
- revenue management (customs and tax);
- audit.

Connection of the above activities with the treasury system means that in order to operate effectively each of these activities needs special information systems. The required modules of the systems, which may be integrated into the treasury system, are illustrated in fig. 35.

The schematic representation of the layer-by-layer integration process of the budget execution and treasury system is given in fig. 36. In order to include budget execution procedures the following sequence of operations should be taken:

- it is necessary to determine the level of the system transactions processing. It is the most difficult and time-consuming task. For example, the Government of the Russian Federation has recently developed the reporting and monitoring system, which presents information on customized key performance indicators (KPI) to allow the Ministry of Finance and all participants of the budgeting to monitor and control budget execution and performance of the responsible major executives (officials). Nevertheless it is exclusively important to have this layer available to obtain satisfactory and trustworthy information in order to use it in the financial transactions and preparation of management statements. Other layers shall be built over this layer.
- before forwarding to the other elements, such as fixed assets management, personnel management, etc., it is necessary to implement modules for servicing main budget execution processes, payment transactions and proceeds
- it is necessary to implement the centralized treasury system with its further decentralization to the budget organizations. It is necessary to make an attempt to vest the treasury offices with the powers to carry out payment transactions and proceeds monitoring with further decentralization to the budget organizations if required (if possible).

- To start with, the budget may be prepared outside the treasury system and the final authorized budget may be loaded into the treasury system and used to control expenditures. But all subsequent budget transactions (for example, budget expenditures, transfers) within the financial year shall be performed in the treasury system in accordance with the authorized budget. The sequence of operations (steps) implementing Public Finance Management Information System (PFMIS) integrated with the treasury system is represented in fig. 37.

Finally, it is appropriate to present the sequence (hierarchy) of the relevant reformations formulated by Jack Diamond.

1. first priority — creation of the public finance management system providing fiscal discipline.

- For example, comprehensive budget based on basic social and economic data and forecasts to be provided into the treasury system after approval, treasury single account, control over obligations, mid-term financial planning, timely budget execution reports to the financial year end, etc.

2. Following achievement of the first priority, the public finance management system is to be improved in order to adjust fiscal aggregate data and to secure macroeconomic stability (soundness).

- For example, provision of trustworthy mid- and long-term macroeconomic forecasting and adjustment of fiscal aggregate date, fiscal policy within the framework of the mid-tem budget, etc.

3. it is necessary to consider those measures, which should not be taken at the early stages (pursuant to Allen Schick): not to transfer to the software budget, not to perform accounting using accrual method, not to carry out decentralization.

4. When the above measures are taken, obtaining more weighty results on investments may be proceeded to.

- For example, implementation of the strategic planning, transfer to the software budget, use of customized key performance indicators (KPI) for monitoring and assessment of activities of the responsible employees, chiefs, more decentralized management.

Upgrading of the treasury system in France

Upgrading of budgeting and accounting regulations in France

For the purpose of thorough review and upgrading of the budget regulations and accounting principles prepared in 1959, on August 1, 2001, France adopted the Constitutional Bylaw on Budget Acts (CBBA, Bylaw), which defines budgeting and accounting regulations in France with regard to principles of transparency and accountability and results-driven budgeting concepts.

The parliament debates about governmental expenditure efficiency and role of meetings in the budget issues at the end of 1999’s formed the basis for development and adoption of the CBBC. Achieving political consensus on necessity to modernize budget management regulations and accounting the bylaw was adopted in August 2001.

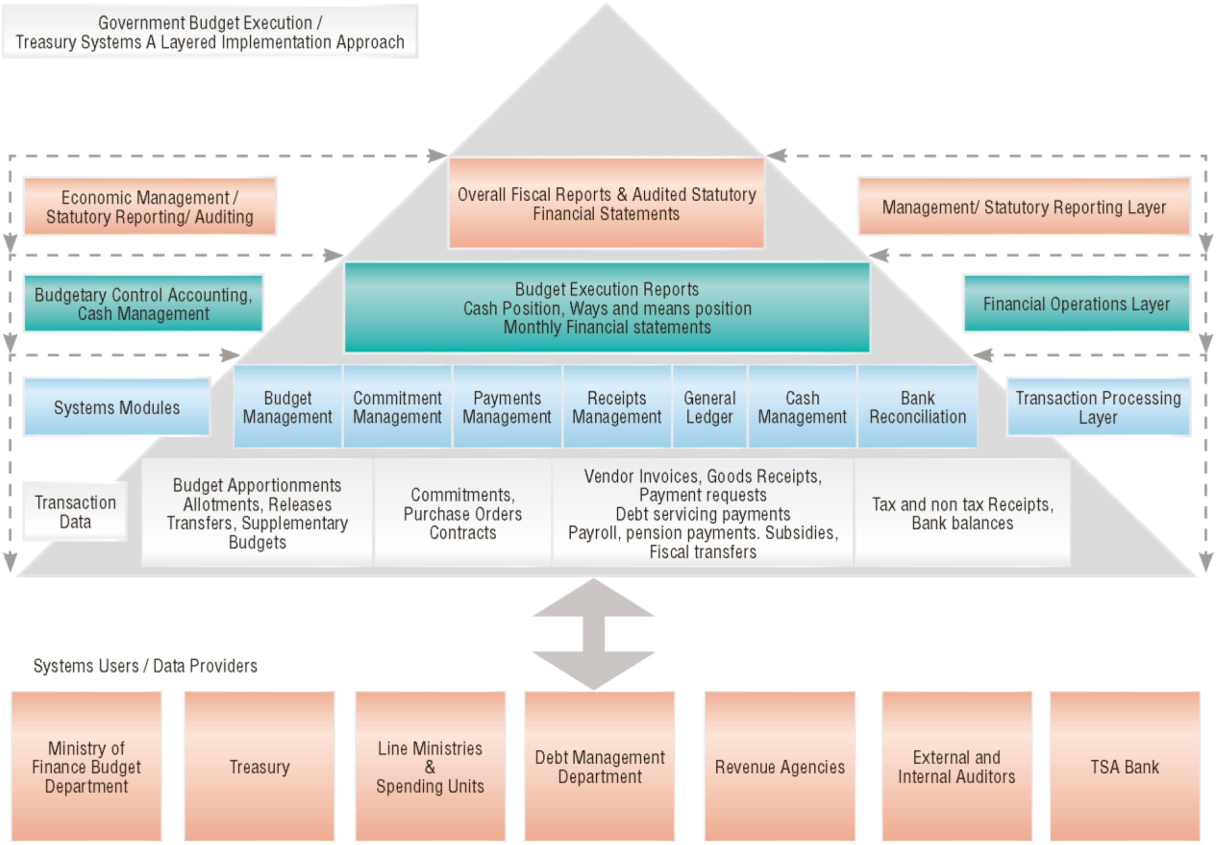

Fig. 36. Integration of the budget execution process and treasury system: layer-by-layer implementation scheme

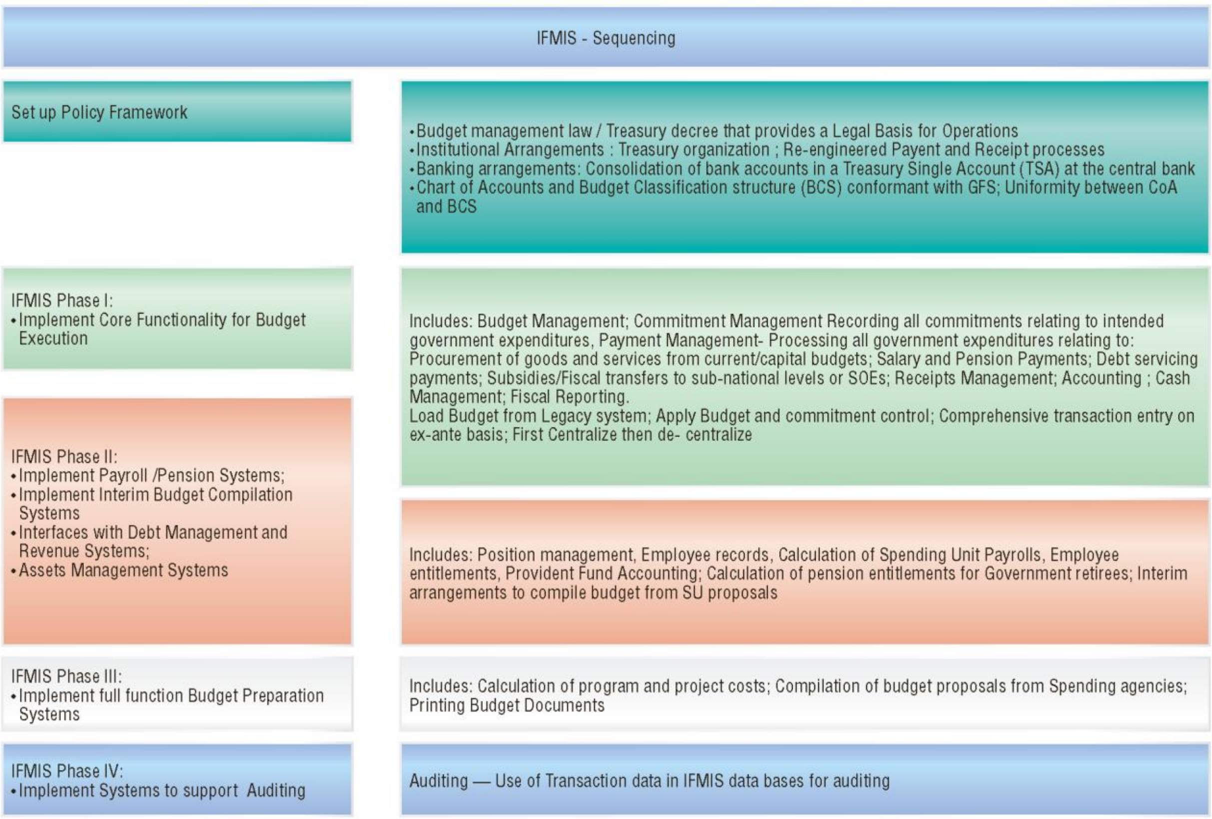

Fig. 37. IFMIS implementation phases

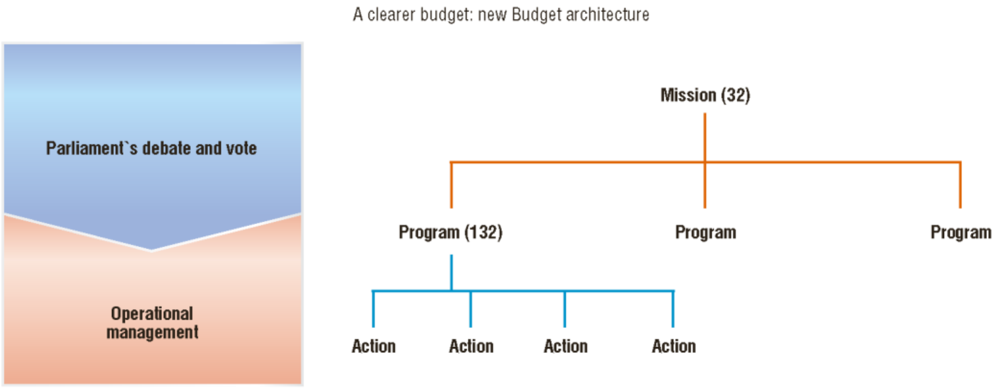

Fig. 38. Schematic representation of the budget structure in France in accordance with the Constitutional bylaw on budget acts

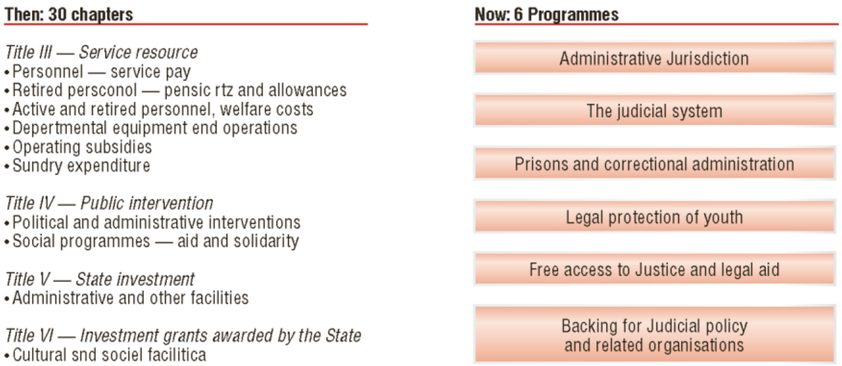

Fig. 39. Example of the budge in the sphere of justice (Ministry of Justice)

The 4-year transition period of putting CBBA into effect to the fullest degree was set to workout new budgeting and accounting standards. The 2006 Budget Act in France was the first budget act fully prepared, adopted and executed using new budget regulations.

Advantages of the regulations introduced by the Constitutional Bylaw of Budget Acts over the old budgeting and accounting procedure include the following:

- CBBA ensures development of more clear and transparent budget containing detailed performance parameters, the main parameters of which define the governmental policy in that or this sphere in France;
- this “new face” of the state accounting (CBBA) introduced new financial governmental reporting;
- bylaws contain forms and rules for preparation of improved (indicative and illustrative) budget documents;
- in accordance with CBBA the budget should be oriented to performance and efficiency principles including cost efficiency and secure profound budget resources and programs management.

Pursuant to the bylaws on the budget acts the structure of the budget and accounting act in France should consist of three layers: mission (state policies), programs and actions:

- missions correspond to the core state policies;
- programs or allotments define the state policy implementation framework;
- actions define what allotments shall be spent on.

The schematic representation of the budget structure in France in compliance with the Constitutional Bylaws on Budget Acts is given in fig. 38.

The budget prepared on the basis of the governmental policies with the CBBA framework is also controlled by the following limits:

- cash limit on allotments to improve tracing and fulfill state expenditure liabilities;
- bilateral presentation of allotments;
- limitation of personnel expenses by the state programs (funds allotted);
- setting the maximum number of staff members per ministry.

Higher transparency and accountability of the budget prepared with regard to the CBBA is provided by the relevant requirements:

- budget preparation system *ab initio* (from the laws and regulations, which specify liabilities);
- cost analysis of the operations (specific measures) for assessment of efficiency and performance;
- compliance of the operators and state programs (allotments);
- representation of tax expenses.

Picture 39 contains the example of the (allotment distribution) program in the sphere of justice (Ministry of Justice). Before (prior to putting the Constitutional Bylaws on Budget Acts into force) the 'justice' budget included 30 chapters and the expenditures therein were provided for bound to the object (services, state machinery maintenance, grants, etc.). Within the scope of the CBBA the state program in the sphere of law contains six sections where expenditures are grouped in accordance with the powers, current tasks and set results (justice system, prisons and correctional institutions, etc.).

The Constitutional Bylaws on Budget Acts provides wider accounting in France. Article 27 of the CBBA establishes 3D state accounting principle, where transactions are assessed on three layers:

- supervision;
- added value;
- efficiency.

CBBA also defines the procedure for preparation of new financial statements of the government and governmental authorities in France. Financial statements consist of four sections:

- state accounting balance sheet;
- state P&L statement;
- cash flow statement;
- addendum.

The bylaws define that it is necessary to prepare new budget documents. The report on the national tendencies and underlying principles of public finance in France is prepared half a year prior to effective date of the next budget in June of year $N-1$ (N — effective year of the budget in question) to debate on budget policy.

In October of year $N-1$ the Parliament of France should receive the following mandatory documents together with the draft budget:

- annual performance plans of the departments;
- economic, social and financial report;
- inter-sector state policy documents and annexes.

In June of year $N+1$, by the execution time of the current budget for the first half year period from its effective date, the Parliament of France should receive the annual performance reports of the departments (compared to the performance plans) and the state audit administration report together with the budget review procedure and the annual draft report of the government.

The Constitutional Bylaw on Budget Acts also includes budgeting results-driven principles. In particular, budgeting includes performance components:

- each program is linked with the strategy, tasks and quantifiable performance indicators;
- each indicator is defined both as the value for the draft budget act and as the value for the mid-term period (mid-term target of the relevant program).

	Tax actions of the State and local public sector tax and financial management programme	National police and gendarmerie programmes
Socioeconomic effectiveness (citizen's point of view)	Encourage taxpayers to comply voluntarily with their tax obligations. React rapidly to any failure to file tax returns or pay tax. Tighten up enforcement measures for the most serious frauds.	«Increase the crime-solving rate». (Internal Security Act of 29 August 2002).
Service quality (user's point of view)	Use new technologies to make it easier to file tax returns and pay taxes Provide users with a reactive service. Offer SMEs a one-stop contact in the tax adminisration.	Improve reception of the public in police and gendarmerie stations.
Managerial efficiency (taxpayer's point of view)	Cut the cost of tax management.	«Gear police and gendarmerie staffing levels to demographic trends and crime patterns». «Stop using police officers and gendarmes for jobs not strictly linked to security». (Internal Security Act of 29 August 2002).

Fig. 40. Examples of three categories of strategic goals in the budget of France

Standpoint	Goal	Sample goal	Sample indicator
Citizen	Social and economic effectiveness	Health: cut breast cancer screening time	Average time elapsing before breast cancers are detected
User	Quality of services provided	Police: cut police intervention time	Average time between police forces being alerted and their arrival on the scene
Taxpayer	Efficiency	Roads: reduce maintenance costs	Average maintenance cost per kilometre (A-roads)

Fig. 41. Three efficiency evaluation categories

Picture 40 shows examples of three categories of strategic goals in France: social and economic efficiency (assessment from the citizens' point of view), quality of services (from the point of view of the service consumers), managerial efficiency (from the taxpayers' point of view).

Picture 41 demonstrates three directions of performance analysis corresponding to three categories of set strategic goals.

More flexible approach to management in accordance with CBBA is provided at the expense of the following new budgeting principles:

- globalization of allocations;
- asymmetric flexibility in allocation management;
- lasting allocation management.

Article 8 of the Constitutional Bylaws on Budget Acts, in particular, defines the following:

"Execution of allocations includes authorization of liabilities and allocations with limit of funds".

Authorization of obligations defines the upper limit of expenditures, which may be incurred in case of investment deals, and covers consistent entirety, which may be implemented or executed without any additions.

Allocations with limit of funds define the upper limit of expenditures, which may be authorized for payment or paid within a year to cover contractual obligations undertaken during authorization of obligations".

Single treasury account increasing efficiency of management of the local self-management body financial resources

Legal and financial standards of the treasury account usage are defined by the legislative act as mandatory for application over the whole territory of France.

The self-management bodies to a certain extent are the owners of financial flows debited to their accounts. The state plays an important role in this sphere.

First of all, the state establishes regulations concerning expenditures and revenues of the local authorities. Besides, the state deals with all budget resources, reimbursement of local taxes by the network of general public finance directorates and making payments to the beneficiaries in accordance with the given payment schedule.

To a great extend the state establishes the financial conditions for the municipalities, regions, ministries, departments and other administrations including through various transfers.

The general principle of the treasury single account in France has a long history. The emperor's decree of February 27, 1811 enacted the principle of depositing the liquid assets by the municipalities.

The principle applied to the departments during the Third Republic period and was re-enacted in 2001 in article 26.3 of the Constitutional Bylaws on Budget Acts: 'Local and regional authorities shall be obliged to transfer their liquid assets to the state for depositing'.

Keep in mind that the mentioned principle doesn't contradict decentralization and independence of the management of the regional authorities and self-management bodies.

At present France uses the treasury single account maintained by the Central Bank and centralizing all budget funds of:

- the state;
- the regional authorities and local self-management bodies;
- other governmental organizations.

The TSA provides the important financial results to the state – the significant effect from the scope and additional products. Centralization of funds simplifies operation with its financial obligations for the state. This centralized fund flows management ensures collection of profit required for all necessary expenditures at any time.

The treasury single account in France adjusts balances of 6948 transaction accounts of the state budget, budgets of the regional authorities, self-management bodies and other state organizations on a daily basis. Using TSA the state may invest its daily surpluses (reducing debt burden) minimizing balance on the state account with the Central Bank at the end of each day if the budget suffers structural deficit.

Picture 42 shows the centralized budget funds management chart in France.

The TSA provides certain benefits for the regional authorities and self-management bodies:

- state guarantee with regard to funds on deposit;
- the state maintains and services the accounts of the local self-management bodies;
- free accounting and banking services provided by the state;
- the state caries out tax base recording, collection and control of local taxes;
- guaranteed advance payment of the monthly one twentieth of the direct local taxes;
- tax and financial advice.

Only state accountants are entitled to operate with the budget funds on the treasury single account (art. 114 of the decree of December 29, 1962). The state accountants include:

- accountants from the General Directorate of public finances (treasury accountants

Financial scheme

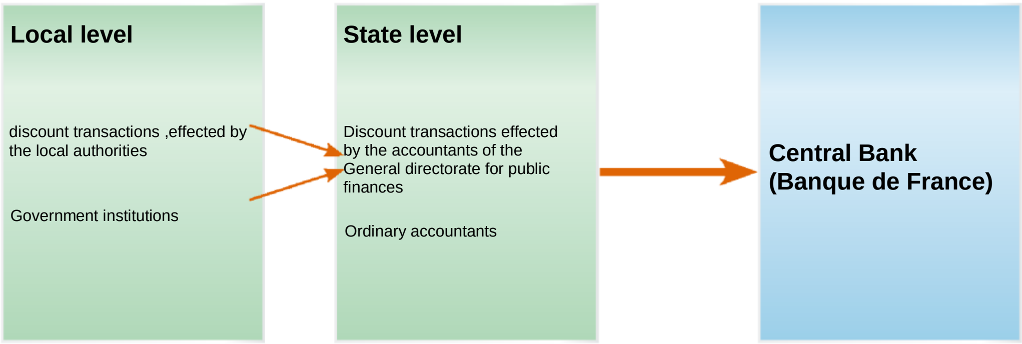

Fig. 42. Centralized budget funds management

and the accountants of the General Tax Directorate);

- accountants of the General Customs Directorate;
- government officials from the mentioned general directorates, who passed special training or senior administrative officials (chief accountants).

State accountants are accountable for the funds they operate with. Besides, France has effective codes of ethics for accountants stipulating serious disciplinary actions for violation of the official ethics when operating with the public finances.

Treasury System in the Republic of Macedonia

Treasury functions in the Republic of Macedonia are assigned to the Treasury Department that is the structural link of the Ministry of Finance.

The Treasury Department has the following functions:

- manages the treasury single account and other state accounts;
- maintains the budget users register;
- opens accounts within the framework of the treasury single account;
- prepares treasury single account liquidity forecasts;
- receives, processes and records requests from the budget users concerning payments in Dinars and foreign currency;
- monitors receipt of the state proceeds to the budget of the Republic of Macedonia and their distribution among the budget users;
- monitors receipt of revenue for the benefit of the self-management bodies and distribution of revenue among the budget users in accordance with the set criteria
- arranges and maintains budget accounting;
- records budget revenues and expenditures in accordance with the applicable chart of accounts;
- transfers funds to the Republic of Macedonia related to joining the European Union.

Organizational structure of the Treasury Department is shown in fig. 43.

Basic changes in the treasury system of the Republic of Macedonia passed two stages.

First stage of the reform (2001) was dedicated to such activities as strategic planning, organization of main functional processes, manpower policy, training and development.

The main results of operation at the first stage are:

- change in the structure of the budget users' accounts;

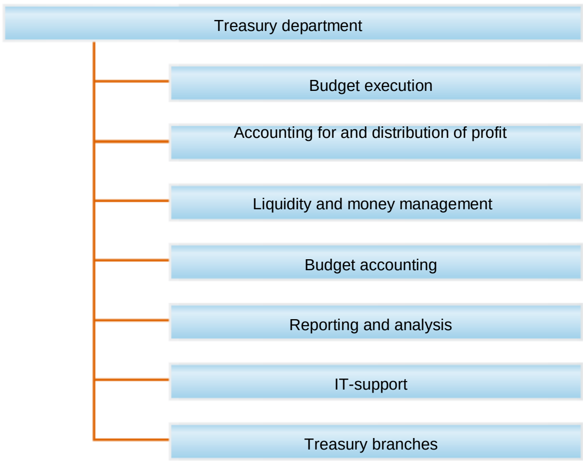

Fig. 43. Organizational chart of the Treasury Department and Ministry of Finance in the Republic of Macedonia

- monitoring of revenues and expenditures on a higher analytical level;
- implementation of procedure for new payments;
- accounts with zero balance;
- provision of records for the actual expenditures of the budget users (earlier recorded as withdrawals only).

That results at the first stage ensured more effective funds management, improvement of liquidity forecast quality, implementation of the financing principle on the basis of selected priorities, improved transparency with regard to budget funds spending.

Legal groundwork for upgrading of the treasury system at the first stage was secured by:

- national budget act;
- 2002 budget execution act;
- payment agencies reorganization act (ZPP);
- national payment system law;
- other legislative acts and regulations concerning activity of the treasury (for opening of the accounts within the framework of the treasury single account (TSA), classification of revenues and expenditures, payment request forms, etc.).

The second stage of the reform (2002) dealt with:

- closing interim accounts for collection of public revenues;
- closing the budget users' accounts and other special state accounts;
- collection, distribution and accounting for revenues of the self-management bodies;
- creation of a treasury single account;
- establishment of the representation offices in 16 various cities for acceptance and processing payment requests and budget users' accounts reporting.

Legal groundwork for upgrading of the treasury system at the second stage was secured by:

- budget act/public finance act;
- budget execution act;
- treasury regulation;
- chart of accounts;
- classification of revenues;
- classification of expenditures;
- operational procedures for the staff members of the treasury;
- instructions for the budget user, etc.

The central link of the current change at the second stage was the treasury single account concept.

Major lines of this concept included:

- improvement of the account system (conception of subsidiary accounts with zero balance, conception of sub-accounts of the treasury ledger);
- improvement of procedures, instruments and mechanisms for collection of revenues (KIBS and MIPS transactions (National Bank of the Republic of Macedonia (NBRM)) in a real time,

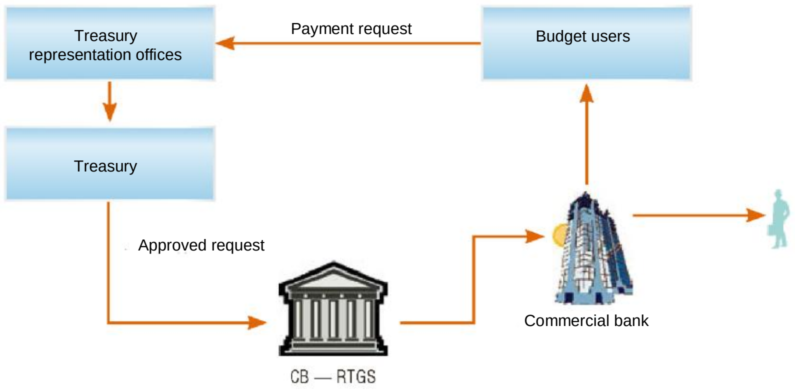

Fig. 44. Organizational chart of operation with the budget users in the Republic of Macedonia

payment through the banks authorized to carry out payment transactions);

- improvement of liquidity management procedures, instruments and mechanisms.

Accounts of the treasury single account have the following structure:

Budget accounts	630 — first line budget users' account (75) and second line budget users' accounts
SRA — Special Revenue Account	631 — collected revenues account
	785 — donation account
	786 — loans account
	787 — account for self-financing activity
	788 — higher education account
Funds accounts	660 — account for off-budget Road Fund and social security funds (Pension fund, Health Fund and Unemployment fund)
Local self-management bodies accounts	930 — account for local authorities (85 municipal entities)

Picture 44 presents the organizational chart of operation with budget users.

After completion of two main stages of upgrading of the treasury system in the Republic of Macedonia operations concerning integration of social security funds on the single treasury fund (2004), integration of self-management body accounts on the single treasury fund (2005) and development of the electronic treasury system (2011) were performed.

The budget in the Republic of Macedonia is planned and executed in accordance with the methodology of the International Monetary Fund (public finance statistics, 1986).

The budget execution tables are published on the web-site of the Ministry of Finance within 30 days in the current month with regard to the proceeding month data.

The budget accounting in the Republic of Macedonia is characterized by the following features:

- budget is accounted for by cash method;
- accounting systems belong to the budget users;
- revenues and expenditures data are reconciled (records of the budget users and data from the treasury ledger);
- consolidated final budget account is provided to the parliament and published in the official press.

The following priorities can be emphasized among the priority guidelines of the treasury system improvement in the Republic of Macedonia for the nearest future:

- development and maintenance of the ledger (register) of long-term obligations;
- on-line connection with each budget user;
- improvement of the budget accounting and reporting system;
- improvement of the financial control mechanisms including through implementation of the integrated public finance management system.

Strategic plan of development of the Treasury System in the Republic of Tadzhikistan (2011–2016)

Implementation of the treasury system in the Republic of Tadzhikistan commenced in 1996 in accordance with the decree of the Government of Tadzhikistan “On development of the budget execution treasury system”. The decree of the Government of January 15, 1997 approved the Regulation ‘On the Central Treasury Administration’, which defined structure, functions, rights and powers of the Central Treasury of the Ministry of Finance of the Republic of Tadzhikistan.

For development of the contemporary treasury system of the Republic of Tadzhikistan the following measures were and are taken:

- In 2000 the Ministry of Finance of the Republic of Tadzhikistan commenced computerization of the Central Treasury transactions.
- In 2001 the Soviet budget classification was transferred to a new format.
- In 2005 the new budget classification compatible with GFS (government finance statistics, 1986) was implemented.
- In 2007 PEFA (public expenditures and financial accounting assessment) was carried out.
- In February 2009 the Public finance management upgrading project (PFMMP) was launched.
- In March 2009 in accordance with the Decree of the President of the Republic of Tadzhikistan No. 639 dd. March 20, 2009 the Coordination council in public finance management was created and the public finance management strategy was approved.
- In 2010 the Classification of sources of finance and the Administrative classification of the republican budget were implemented as a part (segment) of the budget classification and the Administrative local budget classification - in 2011.
- In 2010 the Ministry of finance of the Republic of Tadzhikistan modernized the existing information systems in view of changes introduced into the budget preparation and execution processes.
- In 2011 the decision of the Coordination council of the public finance administration approved:

  a) strategy of improvement of the public sector accounting system (2011–2018);

  b) strategic plan of development of the Treasury in the Republic of Tadzhikistan (2011–2016);

  c) investment plan of tax administration development (2012–2014);

  d) strategy of training management of the Ministry of Finance of the Republic of Tadzhikistan.
- At present PEFA (public expenditures and financial accounting assessment) is carried out.
- In June 2012 the Ministry of Finance of the Republic of Tadzhikistan shall approve the Budget classification (6 segments) compatible with GFS (public finance statistics, 2001) and the single chart of accounts (SCA).

For the time being the Ministry of Finance of the Republic of Tadzhikistan understands that in order to achieve strategic goals extreme reforms in the treasury are needed to transfer from control to servicing.

The determinant factor in the design stage of the project cycle and cross-lighting of “how, who and where” the international recognized project management methodology such as PRINCE 2 shall be used. Besides, the international advisers with first-rate experience in implementation of the major projects should be the member of the implementation team or head the project implementation team.

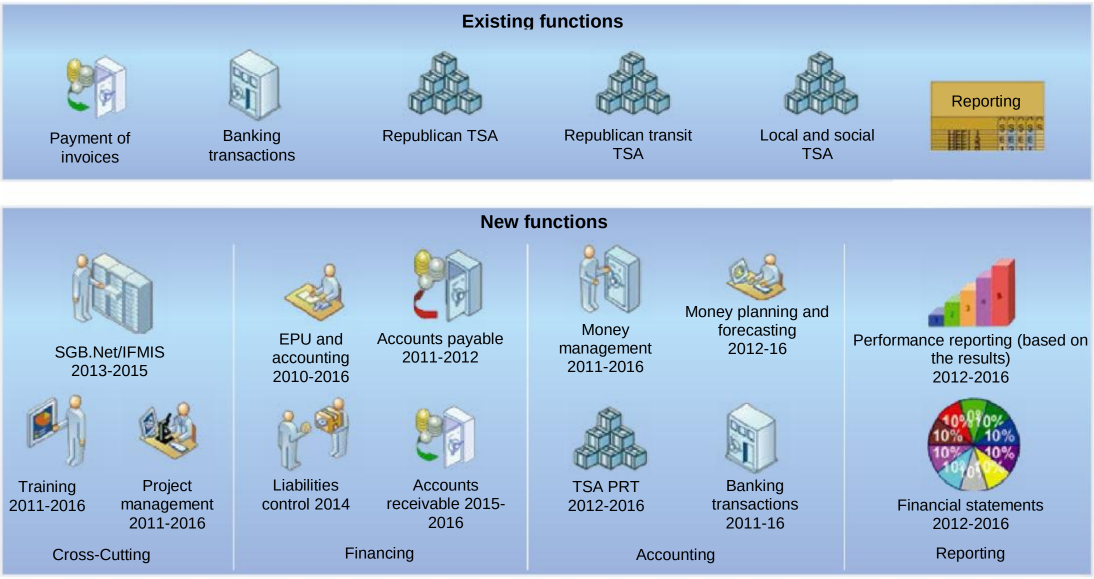

Fig. 45. Central Treasury functions

The project aims at improvement of the transaction and information processes of the treasury system in the Republic of Tadzhikistan and increase of efficiency and performance of the treasury employees.

It is expected that further development of the treasury system in the Republic of Tadzhikistan shall ensure the following operational improvement:

1. cash drawer management including the treasury single account.

The purpose of funds management is to provide sufficient funds to the disposal of the budget organizations within the required period so that they can execute their budgets in time within the frameworks of promises and obligations stated in their mid-terms strategic development plans, which form the basis for the annual budgets.

2. Funds planning and forecasting.

The purpose of funds forecasting involves the strategic determination of the terms of proceeds and their volume necessary for financing mid-term public expenditure program (MPEP) of the government.

3. Implementation of the single chart of accounts

The purpose of implementation of the single chart of accounts involves the consolidation analysis, budgeting with analysis applicable for the accounting and improvement of the efficiency at the preparation stage of the reports by the budget organizations including presentation of the comparative financial statistics. It is also possible to simplify selection of the additional directions of assets and liabilities analysis.

4. Budget execution reporting

The task of the budget execution reporting is to shift the emphasis from expenditures to results. Improvement of efficiency in public finance management including aggregate fiscal discipline, setting of strategic budget priorities and effective spending of funds shall be accompanied by changes in requirements to reporting and budget execution.

5. Obligations control (prototype)

The purpose of obligations control (prototype) consists of development and acknowledgement of obligation control concept in the budget organizations with a certain reference to the decree of the Republic of Tadzhikistan.

Organizational improvements accompanying the treasury system upgrading in the Republic of Tadzhikistan include:

1. re-arrangement of the treasury based on new functions.

The purpose of re-arrangement of the Central Treasury on the basis of new functions includes creation of new functions with simultaneous elimination of extra functions (see fig. 45).

2. Establishment of the Treasury Administration for Cash Transactions.

The purpose of establishment of the Treasury Administration for Cash Transactions involves resolution of the issue regarding performance of a new function – funds management, forecasting and planning.

3. Establishment of the Central Treasury Accounting Administration.

The purpose of establishment of the Central Treasury Accounting Administration involves resolution of the issue concerning re-arrangement of functions executed by the Central Treasury with regard to the treasury accounting administration needs.

4. Establishment of the Central Treasury Administration for executive reporting.

The purpose of establishment of the Administration for executive reporting is to improve reporting, which should be prepared in order to demonstrate efficiency and performance within the framework of a new function of the Central Treasury on the grounds that the budget organizations are liable for their obligations having limited resources and should be oriented to achievement of the “performance-expenditures” indicator.

5. Establishment of the project support unit.

The purpose of establishment of the project support unit involves provision of technical resources to help the treasury with the implementation of the computer support system.

6. Annual review of obligations

The purpose of the annual review of the treasury obligations involves security of continuous efficiency of the treasury activity.

The measures to develop potential of the treasury employees shall include:

1. review of the Central Treasury potential.

The purpose of the review of the Central Treasury potential involves analysis of existing employees’ skills to determine skills required for operation with the new software and hardware whey lack.

2. Assessment of needs in the treasury employees’ training

The purpose of assessment of needs in training involves definition of the type, quantity and quality of training programs needed for the treasury employees to acquire necessary skills for performance and execution of required functions.

3. Training related to operation with new functions implemented in the treasury

The personnel training related to new functions implemented in the treasury involves improvement of quality of services provided by the budget institutions.

4. Accounting policy training

The purpose of the personnel’s accounting policy training involves consistent application of the policy in all scopes of activities of the government, receipt of advantages by the government from improvement of accounting quality and control through consistent application of policies.

Information system shall be improved in the following directions:

1. Replacement of Complex software by the Treasury Management Information System—2 (TMIS-2).

The purpose of Complex replacement by TMIS-2 is to integrate all revenues into TMIS-2 and to prepare reports in one system.

2. TMIS-2 spreading.

The purpose of TMIS-2 spreading is to computerize organizations subordinate to the treasury that have the standard software, which may be connected to the central system.

3. Connection of the interface of the organizations subordinate to the treasury.

The purpose of connection of the interface of the organizations subordinate to the treasury involves improvement of efficiency of the organizations subordinate to the treasury, reduction of key errors in these organizations, and further implementation of information means in the remote territories.

4. SGB.Net. testing

First, the purpose of SGB.Net testing is to make sure that all existing functions required to the treasury are available; second, the system should be used in practice and, third, the SGB. Net processes and application rules should be developed to comply with the needs of the treasury.

5. SGB.Net. installation

The purpose of SGB.Net installation involved replacement of TMIS-2 by the next budget and accounting system ensuring the additional function and moving the treasury one step closer to the full-fledge finished software as compared to TMIS-2.

6. Hardware, infrastructure, procurement and installation

The purpose of procurement and installation of hardware, development of the infrastructure involves support of SGB. Net installation and implementation of the future finance management information system (FMIS).

7. Assets management system analysis. The purpose of the assets management system analysis is to develop the technical solution with regard to problems of the public sector in Tadzhikistan (PST) as to management, protection and application of assets held by the PST.

8. Analysis of the combined system for calculation of salary and personnel management.

The purpose of analysis of the system for calculation of salary and personnel management involves development of the technical and integrated application for resolution of difficult tasks in the public sector of Tadzhikistan related to payment, recording, forwarding, preparation and improvement of the personnel qualification on all public sector levels.

9. Procurement and implementation of the finance management information system.

The purpose of procurement and implementation of the finance management information system is to provide the Central Treasury with the functions it requires (more than existing for the time being or required (in order to carry out activity in accordance with the high level of international standards of the treasury operation.

Among the results expected from implementation of the whole action plan on strategic development of the Treasury of Kazakhstan the following may be emphasized:

- improvement of the budget execution quality due to ongoing and complete financing of the budget organizations;
- financial results of the activity of the budget organizations shall be more transparent and open that shall result in increased accountability of the budget organizations;
- gain in performance through improvement and the magnitude of cash management procedures;
- growth of performance attribution of the treasury approximating international accounting standards;
- improved and all-round financial control that shall reduce potential for embezzlement of the State property and fraudulence;
- improvement of efficiency of the treasury activity through use of more contemporary technologies.

In spite of the stated expected results the Treasury of the Republic of Tadzhikistan is aware of complexity and magnitude of the problems to be resolved. In this connection the following risks were assessed with regard to strategic development:

- treasury development plan is extremely ambitious;
- treasury employees don’t accept necessary changes in their activities;
- lack of qualified labor market with regard to required positions and functionality;
- donors redirected financing to another sphere;
- lack of experience in management of similar projects.

IV. Discussions of the treasury system upgrading strategy in working groups

This section represents major outcomes of work in small groups at the workshop of the treasury community countries on June 25-27, 2012.

To organize the discussion, the audience of the workshop was divided into several groups. On June 25, the groups discussed the Russian experience of the treasury upgrading project, and implementation of the finance management information system. On June 26-27, the groups discussed external conditions and constraints for treasury reforms, and the relationship between reforms in treasury and large-scale reforms in public finance and public sector.

Composition of the groups by represented member countries of the treasury community and major outcomes of the groups' work are presented below.

1. Outcomes of work in groups on June 25, 2012

The work in groups on June 25, 2012 was devoted to discussing the Russian experience of the treasury upgrading project, and implementation of the finance management information system.

1.1. Russian Federation, Armenia, Ukraine, Kazakhstan, Kyrgyzstan, Uzbekistan, Belarus, Moldova, Tajikistan

Participants of the group discussion pointed out that the experience of Russia in upgrading the treasury system is of great interest for many countries. The most interesting and significant results of the Russian treasury reform were:

- clarity in the formulation of goals and objectives of upgrading the public finance and treasury system clear for non-experts (increasing stability, transparency and accountability, increasing role of the state in the management of public finances);
- • gradual transition to accrual method (definition of subjects and objects of accounting, definition, standardization of accounting and reporting principles and rules, unification of documents and processes, on-line methodological support of the reform);
- distinct analytical approach to justification of the need for transition to the accrual method;
- preparatory work for the implementation of international accounting and reporting standards (official publication of international financial reporting standards in the public sector in Russian, projects of developed accounting standards and accompanying methodological materials, interesting solutions for individual technically complex issues, such as consolidation of reporting);
- Russia's approach to the integration of budget classification and chart of accounts;
- standardization of reporting for state and municipal government agencies of all types;
- transition to accrual accounting by revenue administrators;
- introduction of a mandatory level of aggregation (consolidation) of statements given by the Ministry of Finance;
- ability to centralize accounting in the future with the introduction of an integrated public finance information management system;
- transformation of the network of state and municipal government agencies (transition to funding through grants to perform state/municipal tasks for services and maintenance of property assigned to agencies);
- development and implementation of a unified portal of state and municipal government procurement, a unified portal of state and municipal services (although integration with the treasury system is yet to come);
- application by the Treasury of Russia of elements of the system of performance-based incentives similar to KPI.

In addition, the group members discussed various options of cooperation between the countries in the development of the methodological solutions on complex aspects of the public finance and treasury systems upgrading.

1.2. Russian Federation, Albania, Bulgaria, Bosnia and Herzegovina, Serbia, Croatia, etc.

Representatives of the Russian Treasury characterized the progress and key results of implementing the project on treasury system upgrading and implementation of the public finance management information system by the following key areas:

- building the payment system;
- organization of internal operations management of the Treasury of Russia;
- organization of the process of development and implementation of the public finance management information system;
- transition to accrual method;
- revaluation and inventory assets procedure.

Building the payment system

The scale of the treasury system of the Russian Federation (more than 50,000 employees, annual payments of over 1 trillion dollars) requires building a special payment system.

The payment system of the Russian Treasury was built in partnership with the Central Bank based on the main principles and technology of the Treasury System Upgrading project. Its formation began with the creation of a treasury single account opened with the Central Bank, with which electronic document workflow was established. Accounts, sub-accounts with the Central Bank were opened in rubles, US dollars, euros, Chinese yuans, British pounds. Originally, all budget funds, including those of budget-funded entities were centralized on the treasury single account, and at the moment of the crisis (2008–2009) – also off-budget sources. Off-budget sources refer primarily to income from business and other income-generating activities of public (municipal) entities. Funding sources of public (municipal) entities in Russia are not only the funds of the relevant budgets (federal, regional, local), but also self-earned money (for instance, educational establishments may provide paid educational services, medical establishments – medical services). These funds are integrated in a special way, whereas surplus balances are concentrated on the treasury single account. This enabled to receive additional resources for the treasury single account liquidity injecting in the amount of about 400 bln rubles in average daily terms. Accordingly, one could refuse internal and external loans for the same amount.

The next stage in the payment system development was implementation of the model that was conventionally named Cash Concentration. This model was first developed by colleagues from the Federative Republic of Germany and implemented in partnership with Bundesbank. A similar model was implemented in Russia. On the first stage, when the classical treasury single account was operating, the Federal Treasury performed all payment transactions on transferring funds to the regions and further to town councils on its own. Where unclaimed balance was formed on accounts of public-law entities, these funds had to be consolidated manually (raised up through all the hierarchy) on the treasury single account. Cash Concentration system enabled account zeroing based on Zero Base Technology using forces of the Central Bank by reconfiguring their software.

One of the most branched payment system was built in partnership with the Central Bank, which enabled to resolve an untypical problem for most countries – the problem of large territories and multiple time zones. On request of the Treasury of Russia, the Central Bank made a decision and built a system based on satellite technology. Two satellites (Banker-1 and Banker-2) located on the geostationary orbit more or less in the geographic center of the country have been launched into space and are successfully functioning now. Located opposite one another, they cover the entire territory of the Russian Federation at all times

If a client located anywhere in the country refers to his local branch with a cash disbursement request for tomorrow, these requests automatically end up in the central apparatus, are programmatically consolidated, and the account manager in the central apparatus gets information about the region and the amount of funds transferred to the treasury single account, in which amount they must be backed for carrying out the relevant disbursement. Disbursements of the regions located in remote time zones in the Asian part of the country (Trans-Urals) are backed the day before.

Starting from 2013 the system is expected to be improved. The new system will be called Cash Pulling. Any and all receipts from individuals, businesses and funds meant to be paid to the treasury clients will be consolidated on the treasury single account through the system of the Central Bank into a single pool. For this purpose, clearing technology will apply. For example, if a region has accumulated 100 million rubles for the federal budget, but needs 120 million rubles for making settlements, 100 million rubles will automatically remain in the region, and the Central Bank's program will determine where to take the lacking 20 million rubles from, so that the relevant disbursement would be logistically convenient and fast. In a distant prospect, by 2017, one account instead of 70,000 accounts currently opened will be opened with the Central Bank of the Treasury of Russia.

Organization of internal operations management of the Treasury of Russia

Federal form of government predetermines the principle of independence of budgets of the RF budget system formalized in the Budget Code of the Russian Federation – main law in the budget sphere. Due to this, regions (municipal entities) can create their own treasury bodies in case they have own funds or can be services at the Federal Treasury bodies. At the same time, at the legislative level, it was regulated that cash services of budgets of all public-law entities shall be carried out at the Federal Treasury body, that is on Central Bank accounts. This excludes the possibility of operation through the system of pocket-size banks, when a governor founds his/her own pocket-size bank, budget funds are accumulated on it, and at the time of a crisis this money disappears.

The Internal Management Organization System of the Treasury of Russia is untypical for the government authorities of the Russian Federation and is implemented on an experimental basis. This experience will probably be further applied to improve the public management system countrywide. The Treasury of Russia is a separate federal government authority. At the same time, the Federal Treasury is one step under the Ministry. Ministries are law stating authorities, policy elaborating authorities in the relevant area. Either federal services or federal agencies report to them. A federal service is a federal government authority with the functions of control. A federal agency is a federal government authority providing public services. Based on this classification, the Treasury of Russia is a federal service.

In this connection, the Treasury of Russia is under the jurisdiction of the Ministry of Finance of the Russian Federation, the Head of the Treasury of Russia reports directly to the Minister of Finance. Currently, the Minister of Finance delegated this power to his First Deputy.

At the same time, the Treasury of Russia is autonomous, which means she has own independent resources (budget) and managerial apparatus. That being said, the management system is formed by the Treasury of Russia on its own proceeding from the goals set and active problems The Internal Management System includes the following elements: strateging system, goal, task, vision and mission articulation system, and a strategic map for the next five years. The main trends of development are coordinated with the Ministry of Finance as a superior authority. Interim and final results of treasury operation are determined in these trends (outputs and outcomes). To that end, a line-and-staff management model was built. Each Deputy Head of the Treasury of Russia is a conventional chief of staff with sufficient amount of powers and responsibility level. Each Chief of Staff, each structural unit, each territorial body of the Federal Treasury is evaluated by 5 comprehensible, measurable performance indicators — KPI (Key Performance Indicators).

This system is also connected with the financial accounting system which is now under development. The said system enables evaluation of expenses for some or other function. For example, application of this system enables comparison of the cost of single-type transactions in different regions and make a managerial decision based on situation assessment results. For the purpose of successful implementation of this system, transaction performance and logistic support (paper, pens, and stationery) standards have been set. Another attribute of the managerial accounting system is regulation. All processes and functions in the system are regulated. There is a 3-layer hierarchy of the types of procedures. Procedure of type 1 is an administrative procedure representing a public document executed in the form of the Ministry of Finance Order, from which any interested person can get information about the essence of a transaction, procedure and period for performance, responsible individuals etc. Procedures of type 2 are operating procedures. Every repeated transaction has an operating procedure, their total number is 200 and the roles of each employee are spelled out in them. These roles are further fixed in procedures of type 3 – position procedure of every public officer of the Federal Treasury. All procedures constitute one system and are interconnected.

The last element of this management system is the internal control and performance efficiency assessment system. Here, the Federal Treasury has founded a special unit. This unit performs monthly assessment of performance efficiency of structural units and territorial bodies of the Federal Treasury based on KPI. Implementation of the Automated Federal Treasury System allowed shifting the focus from on-site inquiries to in-house ones. In each territorial directorate there are departments which control departments in their region located in municipal formations based on a single principle. In order to get a feedback, qualify temporary violations and identify their causes, a supervisory council has been founded. In case of in-house checks, members of the supervisory council visit the region for carrying out an inspection by areas, which are difficult to assess from the central apparatus. Based on audit results the supervisory council make a video conference with the top-management of the audited region, discuss detected violations, provide classification, qualify violations, provide advice and recommendations, discuss deadlines and mechanisms for violation removal, if required – schedule a repeated audit. This mechanism has been available for 7 years now and has proved to be highly effective.

Organization of the process of development and implementation of the public finance management information system

The public finance management information system (FMIS), in the Russian version – Electronic Government – is only starting to develop. These activities are coordinated at the RF government level.

The Government of the Russian Federation has founded a special governmental committee (Committee for implementation of information technology in operations of the government and local authorities). Direct project management is performed by the Ministry of Finance of the Russian Federation. Tatiana Nesterenko, Deputy Minister, is the one who supervises this work and in fact is a project manager in the Ministry of Finance. A coordination board operates under the guidance of the Deputy Minister, namely, a working group consisting of representatives of all departments of the Ministry of Finance and federal services – the Federal Tax Service and the Federal Treasury.

The applicable legal organizational form of project management results from a decade-long project "Automated Federal Treasury Information System" which has shown good results and is applied in the implementation of the Electronic Budget Project. Systems integrator of the system was a major Russian company (IBS), the rest of the work was done by companies which organized programming, implementation, maintenance and technical support.

The Ministry of Finance of the Russian Federation has made a decision, due to the importance of the project, not to outsource integration of the Electronic Budget Project, and to perform it using own forces, the rest of functions will be delegated to businesses.

Currently, functional design of the system has already been developed, a company which will be responsible for the development of business processes has been selected.

Before setting the project in motion, a typical FMIS model had been analyzed and elements required for Russia had been identified. In addition to treasury technological processes, the system will include various software modules (procurement management, public civil service management, and financial accounting system for all public (municipal entities like in the Federative Republic of Germany for example). This work is currently decentralized. Each ministry and department, proceeding from their specifics, uses a software product for financial accounting for all their subordinate units chosen through competitive selection at their sole discretion, adjusts it to their specific conditions. Statements formed in these systems are transferred to the treasury, and further to the Ministry of Finance, and later to the Government of the Russian Federation. As soon as the Electronic Budget Project is implemented in full, the function of an accountant will be realized on a centralized basis for all public (municipal) entities.

Having a modern treasury system in the country with cutting-edge technology is not cheap. For example, a World Bank loan was attracted for implementation of the decade-long project "Treasury system upgrading".

A credit line for this project was opened by the Russian Federation in the amount of 400 bln roubles, of which just over half were used. Almost the same amount had to be provided as co-finance by the Federal Budget of the Russian Federation for the project implementation.

As soon as major investments were completed, a huge infrastructure was created, where the Federal Treasury automated system operates. Functioning of the treasury system costs about 1bn dollars (or 30bn rubles) a year, of which two-thirds now return at the expense of the Cash management transaction. However, far more ambitious goals are being set: bringing the RF treasury system to absolute self-recoupment due to Cash management tools (primarily, due to REPO transactions whose implementation is planned for the next year).

Transition to accrual method

Budgets of the budget system of the Russian Federation are not currently formed or approved based on the accrual method. A budget for the successive fiscal year and planning period is drawn up and the amount of income and expenses is planned based on the cash method. Statements are drawn up based on the accrual method: balance sheet, assets and liabilities, as of the beginning and the end of the reporting period, as well as Profit and Loss statement, acquisitions and disposals of financial and non-financial assets and liabilities. The 2012 plan has a target to plan the budget based on the accrual method.

Most countries, including Russia, realize that when implementing the accrual method, the cash method should be renounced with extra caution and cold math. Both methods should have the right to exist.

In 2003, a Russian delegation visited Australia and studied in detail various aspects of the accrual method together with the specialists of the Australian Department of Finance, the Audit Chamber, Chief Auditor's Office and members of the parliament for two weeks. Then, like currently in Russia, they faced the fact that firstly - this method is not universal, and secondly – it is difficult for the politicians to apprehend it. In Australia, this problem still exists. In Russia, the principles of gradual approach, no need of substituting one method by another is currently made the corner-stone during the transition to the accrual method.

Revaluation and assets inventory procedure

The procedure and deadline for carrying out inventory are set by applicable regulatory acts. Compulsory inventory is carried out by all public (municipal) entities, which public (municipal) property is assigned to, before drawing up annual reporting. Inventory results are disclosed in the annual reporting. Revaluation is performed based on governmental instruction, that is, not as the entity may decide, but based on instructions coming from public authorities. Last revaluation was carried out in 2007, and its results are disclosed in 2007 reporting.

Having discussed expected results of the treasury system upgrading project provided and FMIS implementation progress in Russia, members of the group have delivered the following generalized opinion and proposals:

- the World Bank has developed a single functional design of the treasury system reforms. In order for these reforms to be carried out in one direction by treasuries of all countries, the World Bank model can be used. This model can be complemented by the functional design corresponding to the specifics of the financial system of a particular country;
- Most countries, including Russia, realize that when implementing the accrual method, the cash method should be renounced with extra caution and cold math. Both methods should have the right to exist;
- Uniform procedures of treasury functions at different management levels, as well as the experience of implementation of the best practices of corporate management in the treasury management system are vital for the development of the treasury system.

Table 4

Albania	Approach of the Treasury of Russia to the analysis of benefits and costs related to the development and implementation of information systems Integrated approach in the course of the system formation (contrary to various interfaced systems) Russia's experience in making payments to individuals Russia's experience in the development of key indicators and databank functioning procedures Treasury system operation procedure based on Oracle: standardized invoices, digital archives, distribution of functions between the treasury and entities
Tajikistan	Identified strategic risks of treasury development Human resource management Accounting and reporting forms (experience in the integration of international standards is useful)
Bulgaria	Integrated information systems Budgetary accounting methodology Drawing up reports based on the accrual method
Indonesia	Financial instruments for TSA optimization Russia's experience in solving the problem of uneven budgetary performance to the extent of expenses (peak – Q4)
Romania	Internal organization of the treasury activities Russia's experience in liquidity management: depositing funds with commercial banks, practice of partnership between the Treasury of Russia and the Central Bank, influence on market and interest rates Forecasted influence of switch to accrual method on the deficiency of the general government sector
Macedonia	Cooperation between the Central Bank and the Treasury of Russia on liquidity management issues
Turkey	Cooperation between the Central Bank and the Treasury of Russia Types and amount of commission fees and interest rates in TSA
Kyrgyzstan	Interface between the client and the treasury system Procedure and rules of client registration in the system
Moldova	Well-thought-out and painstaking planning of reforms Regulatory documents, recommendations and procedures governing activities of the interdepartmental committee for cash planning
France	Principles of setting budgetary accounting rules

1.3. Azerbaijan, Armenia, Belarus, Bulgaria, Serbia, Ukraine, Uzbekistan

Members of the group discussed the experience of Russia on implementation of the project of treasury upgrading and introduction of the finance management information system, the results of which were announced by representatives of the Russian party during the main part of the workshop.

Working group members once again drew attention to such issues as:

- liquidity management;
- trends in this area are associated with withdrawal of funds from commercial banks, consolidation of funds on TSA, using tools for effective management of cash balances, feasibility of developing the concept of resource management, stock placement of funds on a competitive basis, development of software for liquidity management.
- access of budget organizations to automated treasury control system;
- participants discussed the implementation of this event in Russia with consideration of specific features of a federal state, the country's geography and the number of budget organizations, as well as the experience and improvement of application of corporate cards, personal accounts of budget organizations in the portal system, development of individual software for the delivery of documents to the information system, use of electronic digital signatures, determining legal liability of a supplier and a customer in the budget process, transition to complete abandonment of the paper-based technology;
- providing services by treasury on general and payroll accounting ;
- replication of the data transfer process system, database migration;
- system testing, process of parallel work in two systems;
- percentage of the system adaptation (customizing);
- budget revenue planning using the accrual method;

scale of the project;

- concept of the project development and management on matters of legislative support, organization of work process, organization of project groups, defining the ultimate goals and optimization of business processes;
- ability to cover state non-budgetary funds by the information system;
- consolidation of statements;
- internal and external users of the system.

1.4. Albania, Bulgaria, Macedonia, Romania, Turkey, Belarus, Indonesia, Kyrgyzstan, Moldova, Tajikistan, Russian Federation, France, EDB, SECO experts of the World Bank

As a part of the group's proceedings, its members discussed the possibility of applying the experience of the Russian Federation in other countries to upgrade the treasury system.

In the course of the discussion, the group members pointed out interest towards the following elements of the development strategy and the existing procedures of the Treasury System of the Russian Federation functioning (see Table 4).

The members of the working group took the largest interest in more detailed study of the Russian experience in terms of interaction between the Treasury and the Central Bank of Russia, application of the accrual method, development of rules and methodology of budgetary accounting, internal organization of operation and HR policy of the Treasury of Russia.

2. Outcomes of work in groups on June 26–27, 2012

The work in groups on June 26-27, 2012 was devoted to the following issues:

1) external conditions and constraints affecting the implementation of treasury reforms, relationship between treasury reforms and general management of public finance, public sector reforms;

2) possibility to centralize general accounting and reporting due to introduction in the countries of the modern IT-systems for managing public finance, benefits and challenges of the centralized approach in comparison to the decentralized approach to accounting and reporting.

2.1. Turkey, Bulgaria, Macedonia, Albania, Romania, Indonesia, France, the World Bank

Key findings on the general trends in the framework of these issues can be summarized as follows:

- driving forces of reform in countries in transition and developing countries are different;
- over time, both the driving forces of reforms and the contents of reforms change (formerly, the countries were mostly implementing treasury projects from scratch, currently, most countries undergo the upgrading processes in the created treasury systems);
- countries in transition have reached higher level of treasury systems development as a result of the reforms now in comparison to developing countries;
- in developing countries, treasury systems mostly repeat the basic structures created by historical colonialists, and the content of the reforms is aimed at addressing problems in existing systems;
- reforms need time, political will, and money;
- often, systems reforming results in reducing the need for quantity of employees, and management of these processes is a difficult task (in terms of their political, economic, and social influence);
- financial crisis may be a push and a chance for reforms;
- reforms require changes in the management system;
- when reforming the system, high level of technical capacity is required only at the stage of implementation of information systems, as users of the system do not need to have special skills in IT to work with the current system. Consequently:

- sometimes problems relating to the technical potential for treasury systems development are exaggerated;
- at the stage of implementation of the treasury information system, an important factor is to ensure proper and structured learning;
- it is more appropriate to start implementation of a new system at pilot sites, and then replicate.

Below, there is a summary of the treasury reforming experience of individual countries of the treasury community.

France:

- the treasury system upgrading took about 10 years;
- it took three stages - political, technical, and implementation;
- the main difficulties in developing and implementing the system include:
    - the need for special skills in IT for organizations in the broader public sector;
    - high expenses of the state – historically large state apparatus; for employees' reassignment to another job, it was necessary to negotiate with trade unions, to plan and carry out the appropriate training.

Romania:

- financial crisis has caused many problems in the country (access to liquidity to finance the debt, downgrade by rating agencies, unfavorable trends on public debt);
- the need to meet certain targets set by the IMF and the EU constituted a limitation to treasury system reform, in particular the austerity measures (wage cuts, etc.), as well as a number of problems due to the need to reduce the number of state officials (staff replacement rate during the reform was 1:7);
- as a part of the treasury reform, measures have been taken in three main areas:
    - political measures: improving fiscal discipline in accordance with the agreements with the IMF and the EU, the law on fiscal responsibility, medium-term expenditure planning, strategy of public debt management, the new law on local public finances (setting maximum limits for borrowing), and the introduction of result-oriented budgeting;
    - financial measures (borrowing from the IMF/EU) and introduction of the program of medium-term debt obligations;
    - organizational measures (fiscal council established).

Turkey:

- reform similar to those carried out in France and Romania has been made;
- reforms in public finance management have been carried out in response to severe financial crisis:
    - new law on treasury has been adopted;
    - in 2005, accrual accounting was introduced;
    - special personnel program in treasury has been implemented containing criteria for recruitment: to hire employees who speak foreign languages and have IT skills;
    - in 2007, a treasury single account infrastructure was introduced.

Bulgaria:

- currently, the country is actively working to improve public finance management system, to strengthen the regulatory framework, and to introduce fiscal rules;
- steps have been taken to strengthen the monitoring of expenditure commitments, increasing the coverage of budget resources of the country by a treasury single account (municipal level covered), budget accounts are being closed;
- the new law on public finances (currently at an early stage of development) is to become the regulatory framework for reforming the public finance management system.

Macedonia:

- when reforming the treasury system, the country faced problems in the following areas:
  - closing of non-budgetary (commercial) accounts and moving to a treasury single account;
  - decentralization of the process with municipalities;
  - management and human resources.
- currently, the functionality of the treasury system of Macedonia expands towards accounting of adopted expenditure commitments and launching the process of upgrading the accounting and reporting system.

Albania:

- reforms in the treasury in the country are carries out within the framework of wider reforming of public finance management in general:
  - 2008 law containing the basic measures to reform the treasury system established a three-year transition period for training of employees and managers in the new regulations, but this decision turned to be ineffective;
  - after the end of the transition period, in 2011, it was necessary to monitor the whole process of the treasury reform for six months, but the monitoring is currently still going;
  - the legal rule on application of the modified accrual method is not well understood by the Budget Department of the Ministry of Finance of Albania, which causes problems with budgetary reporting;
  - the main problems of the treasury reform are staffing problems: the accounting and reporting system is designed well, just like the information system (software), but there are difficulties in understanding the new principles and methods of work by heads of financial services.

Indonesia:

- the country has suffered considerably from the Asian financial crisis that hit the country harder than other countries in the region (for example, the public debt to GDP ratio was almost 100%);
- treasury reforms began in 2003, but the practical work started in 2009 with the implementation of ORACLE (full implementation is planned by 2013);
- law on treasury, law on finance, law on audit have been adopted;
- during the introduction of the new treasury system, the country is experiencing difficulties with changes management (changes and communications control);
- accounting standards for the Central Government are developed by the Ministry of Finance, while standards for local authorities are developed by the Interior Ministry, which requires additional efforts to consolidate the requirements of the standards;
- in the course of the reforms, staffing problems have gained high importance.

2.2. Bosnia and Herzegovina, Bulgaria, Montenegro, Albania, Serbia, Macedonia, Croatia, the OECD representatives

During the discussion, the group identified a number of key issues that had to be resolved by the countries while upgrading the public finance management and reforming the treasury system: political, legal, technical issues related to the creation of IT-systems, HR potential.

The main conclusions drawn from the discussion of the group members are as follows. The key external conditions and constraints affecting the implementation of treasury reforms in the country are high value and long timeline of the treasury system to be reformed. In this regard, the treasury reform at the conceptual stage requires thorough cost and benefit analysis. Perhaps, upon performing this analysis, the reform strategy and concept or some of its key areas and activities will be decided to adjust downwards their value and (or) implementation format and timeline. The issues related to data security, transparency and efficiency of the activities held are also of exceptionally great importance. Reforming the treasury system and centralizing the cash flow management should remain the responsibility of all the system users for the operations they perform.

Treasury reforms and upgrading the management system for public finance and public sector as a whole should be implemented on a simultaneous and coherent basis. The discussion participants note that the public finance reform can not be implemented without effecting the treasury reform, and vice versa. And given the generally long timeline of the treasury reform implementation, there should be interaction between the staff members, the relevant ministries and the government as well as the consistency and coherence of policies, strategy and policy documents for upgrading and reforming the public finance and treasury system to create the conditions for long-term stability of the treasury system while reformed.

The advantages of centralized accounting and reporting within the treasury system of a particular country as a whole are improvement of cash management efficiency and provision of necessary speed of data collection and consolidated financial statements preparation. It is important in this regard that the responsibility for the operations performed in the treasury system should not become "centralized" along with cash flows, but remain for individual users performing specific operations.

The treasury systems of the countries the representatives of which participated in the discussion on a group basis are described by the following features in terms of centralized accounting and introduced modern IT-systems.

Macedonia has developed its own centralized treasury IT-system applied by all the budget users (local and government authorities).

Croatia:

- The treasury uses the SAP system while the budget users apply their own IT-systems to manage funds. Providing the coherent operation of these systems is yet an incomplete process. In this regard, the Treasury of Croatia already has available the data related to obligations and expenses of budget users as well as those related to revenues (except for data related to receivables);
- A high percentage of all the budget funds in Croatia is concentrated on a treasury single account.

Bulgaria:

- The country has a centralized treasury system, but in this regard, Bulgaria avoids the centralization restrictions. The budget users manage the budget performance on their own within the limits of allocations provided for them in the amounts complying with the budget. This eliminates the need to have a large number of employees in the treasury, but the budget users can not evade their obligations related to keeping accounts and making statements;
- Zero balance accounts are used in Bulgaria to collect revenues. Daily, weekly, monthly, quarterly plans of revenues to the budget are developed;
- Bulgaria has introduced the uniform chart of accounts, the accrual method use as well as the functional and economic classification of budget expenses. Financial statements are acquired using the Internet;
- Currently, the self-government authorities of the country are not included in the treasury IT-system, but it is planned for the coming years.

Serbia is currently planning to include the social foundations, agencies and local authorities into the centralized treasury system.

Bosnia and Herzegovina:

- Technical prerequisites for centralized accounting have been created. It is planned to include the government and local authorities into the centralized treasury system;

- The budget users have no general ledgers of their own;
- Total budget expenses may be consolidated in a semiautomatic mode.

Albania:

- The uniform chart of accounts has been introduced to the whole public sector included in the treasury system. However, the treasury single account does not limit the independence of budget users in the fund management, and accordingly, they remain responsible for the operations performed. The budget users make their own decisions with regard to fulfilling their obligations within the limits of their allocations, and the treasury manages their payment requests as a bank;
- The treasury is responsible for collecting data in the public accounting system and manages the liquidity of budget accounts. The budget users remain responsible for the budget implementation (in terms of the budget allocations provided for them);
- The information of the budget implementation for all the budget users at the level of the government and local authorities is collected on a day-to-day basis. Before the introduction of modern centralized treasury IT-system it had taken one month to prepare an operational report of budget implementation over a certain period for the government. Now the consolidated statements are submitted two days after the end of the relevant period.

In *Montenegro* there is no legal requirement that the budgets of local authorities shall be managed through the treasury. The treasury provides software and all the necessary methodological and technical support, but the decision where to get their accounts serviced: at the treasury or at credit companies is taken by the local authorities. In this regard, servicing the accounts of local authorities in the Treasury of Montenegro reduces the account service expenses they undertake.

2.3. Moldova, Azerbaijan, Belarus, Ukraine, Kazakhstan, Kyrgyzstan, Tajikistan, the Russian Federation, the World Bank representatives

While discussing the external conditions and constraints affecting the implementation of reforms in the treasury, the group members noted that based on the experience of developed countries, it takes from 4 to 10 years to create the public finance management information system combined with other information systems and included into a large-scale electronic data exchange network between different authorities.

The working group members came to the conclusion of the need to take into consideration the following factors affecting the implementation of reforms in the treasury based on the relevant examples from the Russian Federation's experience in upgrading the treasury system and the public administration system as a whole.

1. Demand for reforms among the population, the business community and the government.

The population and the business community are interested in modern and good quality provision of public services. The degree of population trust is built by timely payment of wages, pensions, etc. The government is interested in improving the quality of public services provided.

Example of the Russian Federation

From 1 January 2013 on, the government and local authorities shall not be entitled to request the population to submit the documents possessed by the government and local authorities while providing the public and municipal services.

2. The need to ensure the long-term sustainability of financial (fiscal) policy, budget stability and inter-budget relations, and integrated implementation of plans and programs.

Example of the Russian Federation
The availability of long-term strategic plans, concepts and programs developed and adopted by the government

3. Coverage and understanding of the reforms by all the members involved therein. Concurrence of actions and delineation of powers and responsibilities
The factors impeding the implementation of this principle are generally associated with the volatility of the treasury position in the structure of the government authorities, legislative instability, untimely drafting and approval of new laws and statutory instruments.

Example of the Russian Federation
Upgrading the treasury system of the Russian Federation was accompanied by the organizational and legal reforms of the budget process participants in the Russian Federation, the reform of budgetary institutions, a law draft made for amending the Civil Code of the Russian Federation etc.

4. Relevant development of technical communications

Example of the Russian Federation
It is impossible to reduce the percentage of cash payments without providing the relevant terminals (ATMs). The application and development of portal solutions (the Federal treasury is an active operator of information systems) is impossible without any external computer hardware users available. It is impossible to process volumes of information without communication channels of required bandwidth, quality and spread of coverage.

5. Availability of labor resources
6. Motivation of skills development program.
7. Availability of funds.
8. Compliance with laws by the external environment. Clear and mutually agreed procedures.

Example of the Russian Federation
Empowering administrators of budget funds while increasing their responsibility for the effective and efficient use of resources. Taking measures by the Federal treasury for authorization of operations.

While discussing the connection of the treasury reform with the reforms of the public finance and public management system, the working group members concluded as follows:
1. All the reforms are efficient when they are consistent and legally established. The consistency of reforms is determined by political decisions.

Example of the Russian Federation
The Federal treasury took measures to legally settle the issues of the treasury's responsibility under the tax laws and the procurement laws.

2. Implementing the reforms requires a credit of trust.

Example of the Russian Federation
Enhancing reliability and security of databases for public finance management. Information technology development for every process is inextricably connected with the creation of control systems to ensure the integrity of the data accounts and to exclude fraud and possible violations.

In addition, the working group members also discussed the experience of the Russian Federation in upgrading the treasury system, and in particular, described the change in the functions of the Treasury of Russia resulting from the introduction of modern information systems. The group members noted that the evolution of the role and functions of the Treasury of Russia including the locations as a result of introducing the modern information systems was ensured by the following activities:

- Furthering a new project from 2001 related to the creation of Automated System for the Federal treasury. Performing the preliminary work on the implementation of the Automated System for the Federal treasury made it possible to fulfill the order of the Russian Federation Government to make reductions to the staff of state officers while preserving the treasury system and advancing the functions;

- Based on the laws adopted, the Federal treasury details the statutory instruments on a variety of financial issues. Based on the statutory instruments of the Federal treasury, the constituent entities of the Russian Federation draw up similar documents;
- Implementing the enlightenment function, training the budget holders, the business community and the population in the regions. Holding the trainings, workshops, placing the relevant information on web portals.

2.4. Russian Federation, Armenia, Ukraine, Kazakhstan, Kyrgyzstan, Uzbekistan, Azerbaijan, Belarus, Moldova and Tajikistan

While discussing the first issue the group members came to the conclusion that implementation of reforms in the treasury system is influenced by many external conditions.

The following examples were reckoned among those indicating the influence of external factors:

- Decisions on freezing or reducing the number of state officers;
- Budget restrictions;
- Lack of tools for financial incentives due to the wage and salary system inflexibility;
- Changes in the delineation of powers between the administrative levels;
- Changes in the financing facilities;
- Introduction of information systems and decisions at the national level;
- Transition to the management methods focused on the result.

Even under the circumstances where the treasury authorities cannot influence the external factors, the group members noted the importance of a thorough analysis of predictable risks at the stage of the treasury reform arrangements, and the possibility to solve specific problems related to external factors in the implementation of the treasury reform itself (e.g. improving the efficiency by introducing new technologies).

During the discussion of the second issue the members noted such advantages of introducing modern information systems for public finance management while keeping records and reporting as follow: improved quality and promptness of reporting, created conditions for abandoning hard copies, facilitated support and updated software. HR issues and social problems related to them were reckoned among disadvantages.

CONCLUSION

Generalizing experience of upgrading and the vision of strategic development of treasury systems in the member countries of the community for mutual learning and experience exchange in the public finance management (PEM PAL - Public Expenditure Management Peer Assisted Learning), we can conclude that reforming the treasury systems in most countries includes a set of legal and institutional measures for the following key areas:

- legal control;
- developing the infrastructures for the treasury single account;
- widening a range of services provided and ensuring the promptness and safety of operations performed;
- developing and introducing the modern automated information treasury system;
- improving the arrangement of banking transactions and the procedure of processing the payment transactions;
- building a uniform system of budget classification and a chart of accounts integrated with the classification mentioned above.

During the workshop held on June 25 - 27, 2012 the representatives of the Russian part delivered a detailed description of Russia’s experience in implementing the key areas mentioned above within the project "Treasury system upgrading".

The results that have been achieved for 10 years of implementing the project of upgrading the Treasury System of the Russian Federation were obtained owing to successful interaction of the Ministry of Finance, the Treasury of Russia actively assisted by the World Bank.

The scope of the work done, the basic functions, the architecture of the automated information system for the Federal treasury, phases of creating the system, the prospects for the development of information systems make the experience garnered by Russia and applicable by other countries.

The treasury community representatives of member countries consider the following measures and results of the Russian treasury reform to be the most interesting and possible to replicate:

- Clarity in stating the goals and objectives of upgrading the public finance and treasury system clear to non-professionals;
- Strong analytical substantiation and consistency in transition to using the accrual method (identifying accounted entities and assets; identifying, standardizing the principles and rules of financial reporting, unifying the documents and processes; online methodological support of the reform);
- Russia's approach to the integration of budget classification and chart of accounts;
- Standardization of reporting to the state and municipal institutions of all types;
- Transition to accounting revenues by the administrators using the accrual method;
- Introduced mandatory level of aggregation (consolidation) of statements preset by the Ministry of Finance of the Russian Federation;
- Possibility to centralize accounting with the integrated public finance management information system to be introduced in the future;
- Preparatory work for the introduction of the international financial reporting standards (official edition of the international financial reporting standards in the public sector in Russian, drafts of the financial reporting standards developed, supporting methodological papers and interesting solutions for individual technically complex issues, e.g. the consolidation of statements;
- Developing and bringing into operation the unified portal of state and municipal purchases and the unified portal of state and municipal services;
- Applying elements of the financial incentives system for performance similar to KPI by the Treasury of Russia. The workshop participants showed interest in a more detailed study of the experience of Russia in terms of interaction between the Central Bank and the Treasury of Russia, the accrual method use, the development of rules and methods of budgetary accounting, internal organization and HR policies of the Treasury of Russia.

In spite of the results achieved while reforming the treasury systems, the workshop participants distinguish the high risks of transformations made. During the discussion, the members identified a number of key issues that the countries had to resolve while upgrading the public finance management and reforming the treasury system, including political, legal, technical and HR risks.

Political risks are associated with the need to obtain political support and credit of trust for the transformations being made. All the reforms are efficient when they are consistent and legally regulated. The consistency of reforms is determined by political decisions.

The experience of the member countries of the PEM PAL treasury community shows that upgrading the treasury system in the country should be carried out along with large scale reforming the public finance management system and the public sector as a whole. Taking into consideration the generally long timelines of implementing the treasury reform, there is a need to ensure the interaction between the staff employees, the relevant ministries and the government as well as the consistency and coherence of policies, strategy and policy documents on upgrading and reforming the public finance and treasury system to create the conditions for long-term stability of the treasury system while reformed.

Legal risks are accompanied by the need to crucially choose whether to develop the system that would fit into the regulatory framework or to modify the regulatory framework to match the existing system, the need to develop and follow certain procedures, rules and strict, consistent manner of executing the project at every stage, to control the data input and migration from one system to another.

The process of upgrading the treasury systems is accompanied by not only the development of new software, but also the introduction of new working procedures for the treasury, efforts to improve the law, the implementation of infrastructure engineering systems, communication systems, the supply of equipment, the provision of information security. At each stage each component requires professional training in the relevant field.

In the process of information technology development, the fundamental importance is pertaining to a deep study of requirements for automated treasury system at the stage of preparing tender documents. The accuracy and completeness of the objectives set largely determine the quality of the software developed. The role of the project integrator that is to examine the documents prepared and to control the supplier is extremely important in this regard.

The key external conditions and constraints affecting the implementation of the treasury reform in the country are a high value and the long timelines of reforming the treasury system accounting for 7-10 years as estimated by the World Bank. In connection therewith, the treasury reform under conceptualization requires a thorough cost and benefit analysis.

While reforming the treasury system there occur HR problems resulting from the improved performance of treasury authorities and the large-scale introduction of information systems. Through the regulation of all the functional activities with subsequent registration of employee actions in the information systems there appeared a possibility not only to evaluate the quality of ongoing work, but also to simulate the functionality for the purposes of enhancing the operating efficiency by distributing the workload between the employees and making decisions of headcount optimization.

Also under the circumstances where the treasury authorities can not influence the external factors, the workshop participants noted the importance of performing a thorough analysis of predictable risks at the stage of the treasury reform arrangements, and the possibility to solve specific problems related to the external factors in the course of the reform implementation.

In order to minimize the risks and external influences on the implementation of treasury reforms, the following factors should be taken in consideration according to the conclusion of the workshop participants:

• demand for reforms among the population, business community and government;
• the need to ensure the long-term sustainability of financial (fiscal) policy, budget stability and inter-budget relations, integrated implementation of plans and programs.
• coverage and understanding of the reforms by all the members involved therein, concurrence of actions and delineation of powers and responsibilities;
• relevant development of technical communications;
• availability of labor resources;
• motivation of employees, skills development program;
• availability of funds;
• compliance with laws by the external environment.
• clear and mutually agreed procedures.

At present, most member countries of the PEM PAL community, despite the difficulties encountered, continue their active work for the purposes of upgrading and developing the treasury systems.

For integrating the strategic development of the treasury systems worldwide, the workshop participant concluded that:

1) In order to implement the reforms in the unified key area, the treasuries of all the countries may use the treasury system reform model of the World Bank which may be supplemented with the functional design consistent with the specificity of a particular country financial system;

2) Introducing the accrual method requires a very careful and well considered approach to abandoning the cash method. Both methods should have the right to life;

3) Uniform procedures of treasury functions at different management levels as well as experience in introducing the best practices of corporate management to the treasury management system are extremely important for the development of treasury systems;

4) The advantages of centralized accounting and reporting within the treasury system of a particular country as a whole are improvement of cash management efficiency and provision of necessary speed of data collection and consolidated financial statements preparation. It is important in this regard that the responsibility for the operations performed in the treasury system should not become "centralized" along with cash flows, but remain for individual users performing specific operations;

5) The treasury single account does not limit the independence of budget users in the fund management, and accordingly, they remain responsible for the operations performed. The budget users make their own decisions with regard to fulfilling their obligations within the limits of their allocations, and the treasury manages their payment requests as a bank;

6) The treasury should move from predominantly control functions to provision of services related to maintaining accounts, conducting payment transactions, etc.

The priorities for further development and the current state in reforming the treasury systems of some PEM PAL member countries are summarized in the table shown in Annex 8.

The large-scale projects declared in the countries clearly show how important the task performed by the treasury is. But behind the large-scale new projects we must not forget the principal mission of the treasury - to serve the state, to enhance the stability, reliability and transparency of the country’s financial system. In view thereof the task of the treasury as a link of the financial system is to ensure the safeguard, the full and transparent accounting of funds owned by all the public-law entities.

Annexes

Annex 1. Sample application for cash disbursements formed in the automated system of the Federal Treasury

APPLICATION FOR CASH DISBURSEMENTS No. 0000479
(short)

dd. April 13, 2012

				Codes
			Form under KFD*	0531851
			Date	13.04.2012
Client name	Federal Penitentiary Service Department for the Vladimir Region		under Consolidated register	17582
			Budget code chapter	320
Personal account number	03281175820	TIN	KPP*	
Budget name	Federal budget			
Federal Treasury body	Federal Treasury Department for the Vladimir Region		under KOFK*	2800
Unit of measurement: RUB			under OKEI*	383
			Deadline	20.04.2012

1. Document details

Type of funds: budget funds

Reason for payment	Public contract (agreement (public contract))	Number	43	Date	22.02.2012
	Consignment note (document name)	Number	102	Date	05.03.2012

Payment reference: (32003052166700223340,03281175820) Public contract 43 dd. 22.02.2012. Consignment note 102 dd. 05.03.2012. For supply of food (wheat flour). Exclusive of VAT

Code in the Budget Code	Amount	Account number of the budget commitment	Advance payment mark	Payment	
				type	order
1	2	3	4	5	6
32003052166700223340	304,500.00		NONE	Electronic	6

2. Counteragent details

Name of legal entity, full name of individual	Selinvest Federal State Unitary Enterprise Federal Penitentiary Service of Russia

Account number 40502810012000025515 TIN 6162039700 KPP 645201001

Bank name	BIC	Correspondent account
1	2	3
POVOLZHSKIY BRANCH OF GLOBEXBANK CJSC	043678713	30101810400000000713

Director (authorized person) ____________ ____________

(signature) (print name)

Chief accountant (authorized person) ____________ ____________

(signature) (print name)

April 13, 2012

Federal Treasury body's mark on registration of this application

Number of application 3KP2800/12-8639

Responsible officer ____________ ____________ ____________ ____________

(position) (signature) (print name) (telephone number)

________________, 20__

Annex 2. Sample protocol of application for cash disbursements formed in the automated system of the Federal Treasury

PROTOCOL No. ПРТ2800-2972365

dd. April 13, 2012

			Codes
		Form under KFD	0531805
	dd. April 13, 2012	Date	13.04.2012
From: Federal Treasury, Federal Treasury body	Federal Treasury Department for the Vladimir Region	under KOFK	2800
To: Federal Treasury, Federal Treasury body		under KOFK	
Document name	application for cash disbursements	Document number	0000450
		Date of the document in the Consolidated register	13.04.2012
Client name	Federal Penitentiary Service Department for the Vladimir Region		17582
		Number of personal account	03281175820
Budget name	Federal budget		
Financial body	Ministry of Finance of the Russian Federation		
Instruction	client's document is cancelled (client's document is accepted/ cancelled)	Date	13.04.2012
Note	Paragraph 10, subparagraph 2 of the RF Ministry of Finance Order dd. 01.09.2008 No. 87н: KOSGU* code in the application for cash disbursements does not correspond to the content of the payment reference text		

Responsible officer

(position)	(signature)	(print name)	(telephone number)

April 13, 2012

Annex 3. Sample statement from personal account of a budget holder formed in the automated system of the Federal Treasury

STATEMENT
from personal account of budget holder No. 03281175820
for April 16, 2012

		Codes
	Form under KFD	0531759
	Date	16.04.2012
	Date of previous statement	13.04.2012
Federal Treasury, Federal Treasury body: Federal Treasury Department for the Vladimir Region	under KOFK	2800
Budget holder: Federal Penitentiary Service Department for the Vladimir Region	under Consolidated register	17582
Chief controller of budget funds: Federal Penitentiary Service	Budget code chapter	320
Budget name: Federal budget		
Financial body: Ministry of Finance of the Russian Federation		
Regularity: daily		
Unit of measurement: RUB	under OKEI	383

1. Budget data operations

1.1. Personal account balance

Indicator name	Budget allocations			Budget commitments limits			Budget level for the current financial year	
	for the current financial year	for the planning period		for the current financial year	for the planning period		Excluding tied loans	At the expense of tied loans
		year 1	year 2		year 1	year 2		
1	2	3	4	5	6	7	8	9
balance as at the beginning of the day	0.00	0.00	0.00	266,012,184.83	0.00	0.00	0.00	0.00
balance as at the end of the day	0.00	0.00	0.00	291,824,749.83	0.00	0.00	0.00	0.00

Section 1.2. Adjusted budget data

1.2.1. Budget data

Document		Budget allocations			Budget commitments limits			Budget level	
Number	date	for the current financial year	for the planning period		for the current financial year	for the planning period		Excluding tied loans	At the expense of tied loans
			year 1	year 2		year 1	year 2		
1	2	3	4	5	6	7	8	9	10
320/17582/048	16.04.2012	0.00	0.00	0.00	25,812,565.00	0.00	0.00	0.00	0.00
	total:	0.00	0.00	0.00	25,812,565.00	0.00	0.00	0.00	0.00

2. Budget funds operations

2.1. Changes in personal account balance

Indicator name	Registered budget commitments			Revenue (from the beginning of the current financial year)	Disbursements (from the beginning of the current financial year)
	for the current financial year	for the planning period			
		year 1	year 2		
1	2	3	4	5	6
as at the beginning of the day	123,432,844.62	0.00	0.00	1,211,699.81	122,784,565.66
as at the end of the day	123,791,402.56	0.00	0.00	1,242,638.18	124,644,544.43

2.2. Revenue in the currency of the Russian Federation

Document		Amount
Number	date	
1	2	3
w/No.	16.04.2012	25,000.00
w/No.	16.04.2012	1,207.26
w/No.	16.04.2012	4,731.11
	Total:	30,938.37

2.4. Disbursements in the currency of the Russian Federation

Document confirming the operation		Document of a budget holder		Amount
Number	date	Number	date	
1	2	3	4	5
00000480	16.04.2012	00000480	16.04.2012	152,856.79
4934771	16.04.2012	00000472	16.04.2012	27,866.00
4934773	16.04.2012	00000473	13.04.2012	25,280.27
4934775	16.04.2012	00000475	13.04.2012	80,487.21
4934777	16.04.2012	00000476	13.04.2012	176,008.50
4934779	16.04.2012	00000477	13.04.2012	819,000.00
4934781	16.04.2012	00000478	13.04.2012	273,980.00
4934783	16.04.2012	00000479	13.04.2012	304,500.00
			Total:	1,859,978.77

Section 2.6. Registered budget commitments

Document		Account Number	Amount for the current financial year	Amount for the planning period	
Number	date			year 1	year 2
1	2	3	4	5	6
00000474	13.04.2012	2817582201200494	465.20	0.00	0.00
00000481	13.04.2012	2817582201200495	384,300.00	0.00	0.00
00000483	13.04.2012	2817582201200496	4,731.11	0.00	0.00
BKP/16300711	13.04.2012	2817582201200497	-4,731.11	0.00	0.00
BKP/16300940	16.04.2012	2817582201200498	-1,207.26	0.00	0.00
BKP/16302397	16.04.2012	2817582201200499	-25,000.00	0.00	0.00
		Total:	358,557.94	0.00	0.00

Annex 4. Sample consolidated application formed in the automated system of the Federal Treasury

Consolidated application No. 2800-2012-12175

dd. April 13, 2012

			Codes
		Form under KFD	0531685
		Date	13.04.2012
Name of territorial body of the Federal Treasury	Federal Treasury Department for the Vladimir Region	under KOFK	2800
		Date of expected funds transfer	16.04.2012
Unit of measurement: RUB		under OKEI	383

Section 1. Application details

Amount of support (including the reserve amount)	Reserve amount	Order of payment	Type of payment	Payment reference (note)
1	2	3	4	5
20,915,161	0.00	6	electronic	

Section 2. Federal Treasury Department bank account details

Bank name	Bank account of the Federal Treasury body	BIC of the bank	Correspondent account of the bank
1	2	3	4
Main Settlement and Encashment Center, General Directorate of Central Bank of the Russian Federation for the Vladimir Region	40105810600000010004	041708001	

Director (authorized person) Deputy Director of the Department

(position) (signature) (print name)

Responsible officer Head of the Unit

(position) (signature) (print name) (telephone number)

April 13, 2012

Annex 5. Sample payment order formed in the automated system of the Federal Treasury

16.04.2012	16.04.2012	0401060
Received by the bank	Written off from the payer's account	

PAYMENT ORDER No. 792

16.04.2012	urgent
Date	Type of payment

Amount in words	RUB twenty million nine hundred and fifteen thousand one hundred and sixty one point 00

TIN 7710568760	KPP 771001001	Amount	20915161-00		
Treasury of Russia Payer		Acc. No.	40105810800000012900		
Operational department OPERU-1 OF THE BANK OF RUSSIA Payer's bank		BIC	044501002		
		Acc. No.			
Main Settlement and Encashment Center, General Directorate of Central Bank of the Russian Federation in the Vladimir Region, Vladimir Beneficiary's bank		BIC	041708001		
		Acc. No.			
TIN 3327101933	KPP 332701001	Acc. No.	40105810600000010004		
Federal Treasury Department for the Vladimir Region Beneficiary		Operation type	01	Payment term	6
		Payment reference		Order of payments	
		Code		Res. field	

Support of account of Federal Treasury Department for the Vladimir Region. КЗ No.2800-2012-12175

Payment reference

l.s.	Signatures	Notes of the bank

Annex 6. Sample General Ledger formed in the automated system of Federal Treasury

General Ledger

Organization of the federal budget execution for April 16, 2012

		CODES
	Form under ОКУД	0504072
	Date	16.04.2012
Institution	Federal Treasury Department for the Vladimir Region — under OKPO	32906015
Structural unit	Department of Budget Accounting and Budget Operations Reporting	
Name of the founder		
Budget name	Federal budget	
Measurement unit:	RUB — under OKEI	383

No.	Account number	Balance as at the beginning of the year		Balance as at the beginning of the period		Turnover for the period		Turnover from the beginning of the year		Balance as at the end of the period		Number of operation log
		on the debit side	on the credit side	on the debit side	on the credit side	on the debit side	on the credit side	on the debit side	on the credit side	on the debit side	on the credit side	
1	2	3	4	5	6	7	8	9	10	11	12	13
1	00000000000000000.1.20211.000	0.00	0.00	0.00	0.00	21,166,968.77	21,166,968.77	3,672,907,540.13	3,672,907,540.13	0.00	0.00	
	00000000000000000.1.20211.500	0.00	0.00	3,651,740,571.36	0.00	21,166,968.77	0.00	3,672,907,540.13	0.00	3,672,907,540.13		
	10001050201010000.1.20211.510	0.00	0.00	3,651,740,571.36	0.00	21,166,968.77	0.00	3,672,907,540.13	0.00	3,672,907,540.13	0.00	8
	00000000000000000.1.20211.600	0.00	0.00	0.00	3,651,740,571.36	0.00	21,166,968.77	0.00	3,672,907,540.13	0.00		
	10001050201010000.1.20211.610	0.00	0.00	0.00	3,651,740,571.36	0.00	21,166,968.77	0.00	3,672,907,540.13	0.00	3,672,907,540.13	8
	32003052166700223.1.40220.340	0.00	0.00	59,925,529.28	0.00	304,500.00	0.00	60,246,674.28	16,645.00	60,230,029.28	0.00	8
34	00000000000000000.1.50345.000	18,000.00	0.00	0.00	0.00	0.00	0.00	0.00	18,000.00	0.00	0.00	
	00000000000000000.1.50345.200	18,000.00	0.00	0.00	0.00	0.00	0.00	0.00	18,000.00	0.00		
	43810035051101314.1.50345.263	18,000.00	0.00	0.00	0.00	0.00	0.00	0.00	18,000.00	0.00	0.00	8
TOTAL:		**10,930,849,578.47**	**10,930,849,578.47**	**24,747,177,160.26**	**24,747,177,160.26**	**145,785,611.03**	**145,785,611.03**	**50,397,103,778.64**	**50,397,103,778.64**	**24,806,464,316.85**	**24,806,464,316.85**	

Chief accountant

(signature) (print name)

Officer in charge

(position) (signature) (print name) (telephone number)

Annex 7. Sample report on federal budget cash retirement and cash operations to repay the sources of financing of the federal budget deficit, which is formed in the Automated System of the Federal Treasury

Report
on federal budget cash retirement and cash transactions to repay the sources of financing of the federal budget deficit

			CODES
	for April 16, 2012	Form under KFD	0521469
		Date	16.04.2012
Name of the body Federal Treasury	Federal Treasury Department for the Vladimir Region	under KOFK	2800
Regularity: daily			
Unit of measurement: RUB		under OKEI	383

Section 1. Federal budget cash retirement broken down by sections, subsections of the budget expenses classification

Section, subsection code	cash retirement		
	total	out of them	
		at the expense of additional financing sources	transferred to bank accounts of other beneficiaries
1	2	3	4
……..	……	……	……..
0304	22,805.81		
0305	304,500.00		
…….			

Section 2. Federal budget cash retirement broken down by KOSGU budget expenses classification

KOSGU code	cash retirement	
	total	out of them: transferred to bank accounts of other beneficiaries
1	2	3
……..	……	……
340	304,500.00	0.00
……..	……	……

Section 3. Cash operations to repay the sources of financing of the federal budget deficit

Code of classification of the federal budget deficit financing sources	Amount
1	2
000 00 00 00 00 00 0000 000	0.00

Section 4. Federal budget cash retirement broken down by codes of chief controllers of budget funds in the budget expenses classification

Chief controller code	Amount
1	2
204	205,800.00
320	304,500.00
321	265,389.62

Director ____________ ______________________
(signature) (print name)

Chief accountant ____________ ______________________
(signature) (print name)

_________________, 20__

* KFD – classifier of document forms
KPP – tax registration reason code
KOFK – classifier of Federal Treasury bodies
OKEI – All-Russia Classifier of Measurement Units
KOSGU - classification of government sector operations
OKUD - All-Russia Classifier of Management Documentation
OKPO - All-Russia Classifier of Enterprises and Organizations

Annex 8. Priorities for further development and current condition of reforming the treasury systems of some member countries of PEM PAL[1] Treasury Community

Country	Name and validity term of the document	Treasury system development priorities embodied in the strategic document/ based on evaluation of the country treasury representative (in the absence of a strategic document)
Azerbaijan	No document available	Full automation, implementation of all expenditure and revenue transactions from one bank account without agent banks, refusal from regional treasury bodies, integration of general accounting with treasury accounting
Albania	Directive document on Public Internal Financial Control (PIFC) for 2009-2016 approved by decision of the Council of Ministers + concept of development until 2020	1. Integration of medium-term budgetary processes in the information system of public finance management (ISUGF) 2. ISUGF introduction in the budget implementation by budget institutions (up to 50 institutions in the pilot project by 2014, all institutions – by 2020) 3. Transition to accrual accounting (2016) 4. Planned strategy adjustment
Belarus	No document available	1. Adopting a single chart of budgetary accounting 2. Inclusion of extra-budgetary funds of budgetary organizations in service through the treasury system 3. Improvement of budget reporting forms in order to optimize its indicators 4. Improvement of information system of public finance management as a whole
Bosnia and Herzegovina	Action plan to reform public authorities of Bosnia and Herzegovina (expiry: end of 2012)	1. Introduction of IPSAS and implementation of accrual accounting simultaneously with the standards of the European Union 2. Forming treasury at all levels of government (including local authorities and non-budgetary funds) 3. Development of the system (ongoing) by upgrading the information system – through its updating to the latest version 4. Introduction of new functionality of the treasury system (cash accounting – accrual method, the accounting system applied by foundations, introduction of new modules - currency operations, fixed assets) 5. Raising the IT-security technical properties of the system to the highest level 6. Creating a backup location for a recovery server

[1] PEM PAL — Public Expenditure Management Peer Assisted Learning

Availability of a centralized treasury system	Current status of the treasury system reforming
N/a	N/a
A centralized treasury IT-system is created, but budget users make individual decisions on performance of his duties within the limits of their allocations, and the treasury manages their payment requests as a bank.	Reforms in the treasury in the country are carries out within the framework of wider reforming of public finance management in general: - 2008 law containing the basic measures to reform the treasury system established a three-year transition period for training of employees and managers in the new regulations, but this decision turned to be ineffective; - after the end of the transition period, in 2011, it was necessary to monitor the whole process of the treasury reform for six months, but the monitoring is currently still going; - the legal rule on application of the modified accrual method is not well understood by the Budget Department of the Ministry of Finance of Albania, which causes problems with budgetary reporting; - the main problems of the treasury reform are staffing problems: the accounting and reporting system is designed well, just like the information system (software), but there are difficulties in understanding the new principles and methods of work by heads of financial services.
N/a	N/a
There is no centralized treasury system, technical conditions are created for its implementation. It is planned to include government agencies and local authorities in the centralized treasury system	N/a

Country	Name and validity term of the document	Treasury system development priorities embodied in the strategic document/ based on evaluation of the country treasury representative (in the absence of a strategic document)
Bulgaria	The concept of optimal model of integrated State Treasury of Bulgaria	1. Improvement of payment procedures and enhancing the functionality of SEBRA 2. Development and implementation of new modules of State Treasury management information system 3. Development of the local market of government securities in correspondence with the European norms and practices 4. Development of liquidity management functions through the creation of the regulatory framework 5. Strengthening the administrative function 6. Development of the regulatory framework of the State Treasury
Kazakhstan	The Strategic Plan of the Ministry of Finance of the Republic of Kazakhstan for 2012-2016	Reducing the term of service of payment documents of public institutions, implementation of the Treasury-Client system, introduction of accrual method in accordance with IPSAS, control over the budget funds allocated to the quasi-public sector of economy, further development of the Integrated Treasury Information System (IISK), personnel training of, reduction of administrative violations and corruption, etc.
Kyrgyzstan	The reform in public finance management in the Kyrgyz Republic (document is formed for three years and annually updated)	1. Development and implementation of a unified chart of accounts integrated with the budget classification 2. Operation of a treasury single account 3. Implementation of the principles of cash planning 4. Accounting and reporting on contracts and obligations 5. Service of social and non-budgetary funds through the treasury system 6. Reforms in the public debt service 7. Consolidated financial statements 8. Transition to accrual accounting
Macedonia	No document available	1. Finalization of the treasury system to include liabilities register over several years 2. Online communication with each budgetary organization 3. Improvement of budgetary accounting 4. Improvement of reporting system 5. Improvement of financial control facilities
Moldova	No document available	1. Transition to the new budget classification and new chart of accounts designed to meet the standards of GFS-2001 2. Changing formation of statements on budget execution 3. Implementation of an integrated public finance management information system (IISUF) 4. Development of a unified information system of accounting in public institutions and providing its connection with IISUF

Availability of a centralized treasury system	Current status of the treasury system reforming
Centralized treasury system, which has not included local authorities so far	• currently, the country is actively working to improve public finance management system, to strengthen the regulatory framework, and to introduce fiscal rules; • steps have been taken to strengthen the monitoring of expenditure commitments, increasing the coverage of budget resources of the country by a treasury single account (municipal level covered), budget accounts are being closed; • the new law on public finances (currently at an early stage of development) is to become the regulatory framework for reforming the public finance management system.
N/a	N/a
N/a	N/a
Own centralized treasury IT-system, which is currently applied by all budget users (local authorities and government agencies)	When reforming the treasury system, the country faced problems in the following areas: • closing of non-budgetary (commercial) accounts and moving to a treasury single account; • decentralization of the process with municipalities; • management and human resources. • currently, the functionality of the treasury system of Macedonia expands towards accounting of adopted expenditure commitments and launching the process of upgrading the accounting and reporting system.
N/a	N/a

Country	Name and validity term of the document	Treasury system development priorities embodied in the strategic document/ based on evaluation of the country treasury representative (in the absence of a strategic document)
Romania	External debt management strategy for 2012-2014	1. Improvement of procedures relating to the operations of cash flow control for active management of liquidity through the placement of free treasury funds in the money markets and introduction of repo and reverse repo transactions 2. Opening of correspondent accounts in national and foreign financial institutions 3. Further development/improvement of IT infrastructure in the general directorate of the treasury and public debt related to execution and accounting of financial transactions 4. Infrastructure development of exchange transactions to allow operations in the money market and government securities market 5. Implementation of a platform for electronic auctions 6. Continuous staff training in cash flow and public debt management through special courses of treasury operations, debt management and hedging
Russia	Strategic Map of the Treasury of Russia for 2011-2013	1. Unified information space of financial activities of public legal entities of the Russian Federation 2. Providing cash services to general government entities 3. Improvement of the budget payment system 4. Promoting the efficient use of budget funds in the area of state and municipal procurement 5. Improving financial management in the Treasury of Russia, ensuring safety of operations; 6. Improving the organization of activities in the Treasury of Russia 7. Conducting effective personnel policy
Serbia	Government work program for 2012 + Management bodies development strategy and Serbia e-government development strategy for 2010-2015	1. Creation of a centralized treasury system, including local authorities, indirect budget holders (agencies) and social insurance funds 2. Development of the management information system through introduction of data warehousing and business reporting systems 3. Consolidation of servers system by implementing virtual infrastructure 4. Creating an electronic document exchange system 5. Further development of the electronic payment system 6. Introduction of accrual method to record data on use of budget funds
Tajikistan	Strategic plan of development of the Treasury of the Republic of Tajikistan for 2012 - 2014	Improving the functionality of the Treasury, restructuring of the Treasury, capacity building, improvement of information systems
Turkey	No document available	Taking measures to improve the treasury system, especially in the area of cash flow management. Turkey is now implementing the project implying local payments to be made directly from the accounts of the central bank, rather than those of the agricultural bank

Availability of a centralized treasury system	Current status of the treasury system reforming
N/a	Financial crisis has caused many problems in the country (access to liquidity to finance the debt, downgrade by rating agencies, unfavorable trends on public debt); The need to meet certain targets set by the IMF and the EU constituted a limitation to treasury system reform, in particular the austerity measures (wage cuts, etc.), as well as a number of problems due to the need to reduce the number of state officials (staff replacement rate during the reform was 1:7); As a part of the treasury reform, measures have been taken in three main areas: • political measures: improving fiscal discipline in accordance with the agreements with the IMF and the EU, the law on fiscal responsibility, medium-term expenditure planning, strategy of public debt management, the new law on local public finances (setting maximum limits for borrowing), and the introduction of result-oriented budgeting; • financial measures (borrowing from the IMF/EU) and introduction of the program of medium-term debt obligations; • organizational measures (fiscal council established)
Centralized treasury IT-system created	Ongoing harmonization of accounting and financial reporting with international accounting standards of the public sector (IFRS): • publication of the Russian translation of the international standards; • development of federal standards in accordance with the international standards; • identification of accounting entities being a part of governmental (municipal) sector, considering the reforming of the network of governmental (municipal) institutions; • improving accounting and centralizing the formation of statements on the basis of the Treasury of Russia. Changing the budget classification to meet the tasks of reforming the budget process (transition to program budget, reforming the network of state and municipal agencies)
The centralized treasury system does not currently include social insurance funds, indirect budget holders (agencies), and local authorities	N/a
N/a	N/a
N/a	Reforms in public finance management have been carried out in response to severe financial crisis: • new law on treasury has been adopted; • in 2005, accrual accounting was introduced; • special personnel program in treasury has been implemented containing criteria for recruitment: to hire employees who speak foreign languages and have IT skills; • in 2007, a treasury single account infrastructure was introduced.

Country	Name and validity term of the document	Treasury system development priorities embodied in the strategic document/ based on evaluation of the country treasury representative (in the absence of a strategic document)
Ukraine	Strategy of upgrading the public finance management system in Ukraine for 2011-2016	1. Creation of an integrated information-analytic system that provides for optimization of functional processes and technological procedures 2. Improving the system of training and raising the level of qualification of specialists in the area of public finance and information technology 3. Upgrading the accounting system in the public sector
Uzbekistan	Strategy of upgrading the accounting system in the public sector for 2007 - 2015	Creating a full-scale the information system of public finance management (ISUGF) Gradual transition to accrual accounting
Croatia	Strategy of public finance management in Croatia	Budget planning – improvement of the quality of strategic plans - development of monitoring and reporting system by implementing web applications - increasing the amount of information as a part of the budget documentation - optimizing the use of budget funds – development of a system for monitoring of implementation of budget funds received from the Cohesion Fund and structural fund Accounting and reporting - increasing the scope of information included in the annual report on the state budget - defining methodology to assess the state resources (assets) and their accounting - automating the process of consolidation of financial statements - integration of all budget holders in the state budget - adoption of the law on non-profit organizations Information system - continuation of work on integration of the information system of the State Treasury with information systems of financial departments of local treasuries - formation of publicly available databases to search for payments executed
Montenegro	N/a	N/a

Availability of a centralized treasury system	Current status of the treasury system reforming
N/a	N/a
N/a	N/a
The treasury uses the SAP system, while budget users use their own IT-systems for the management of funds. Coherent operation of these systems has not been completed yet	N/a
There is no legal requirement that the budgets of local authorities should be managed through the Treasury. This decision is made by local authorities	N/a


СЕМИНАР КАЗНАЧЕЙСКОГО
ПРОГРАММЫ
Ольга
Бочарова


КАЗНАЧЕЙСТВО РОССИИ
УПРАВЛЕНИЕ
ФЕДЕРАЛЬНОГО КАЗНАЧЕЙСТВА
ПО ВЛАДИМИРСКОЙ ОБЛАСТИ

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