PULSAR

MINISTRY OF FINANCE
OF THE REPUBLIC OF ARMENIA

Public Sector Accounting Assessment

PULSE

REPORT ARMENIA

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Public Sector Accounting Assessment

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REPORT ARMENIA

April 2024

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ACRONYMS AND ABBREVIATIONS

AMD	Armenian dram (currency)
APSAS	Armenian Public Sector Accounting Standard
CBA	Central Bank of Armenia
CoA	Chart of Accounts
GFMIS	Government Financial Management Information System
IPSAS	International Public Sector Accounting Standards
MoF	Ministry of Finance of Armenia
NA	Not applicable
PFM	Public Financial Management
PSA	Public Sector Accounting
PULSAR	Public Sector Accounting and Reporting Program
PULSE	Public Sector Accounting Assessment
SNCO	State Non-Commercial Organization

ACKNOWLEDGEMENTS

This report was prepared by an assessment team of the Ministry of Finance of Armenia headed by Karen Alaverdyan (Head of Accounting and Audit Regulation, Reporting Monitoring Department), including Raffi Aleksanyan (Head of Division, Accounting and Audit Regulation, Reporting Monitoring Department) and Gor Kocharyan (Head of Division, Accounting and Audit Regulation, Reporting Monitoring Department), and supported by Lilit Mamikonyan and Arusyak Azizyan (consultants/local experts) under the leadership of the PULSAR team: Dmitri Gourfinkel (Senior Governance Specialist, World Bank), Jose Simon Rezk (Senior Financial Management Specialist, World Bank), Garik Sergeyan (Senior Financial Management Specialist, World Bank), and Julian Laski, (Financial Management Consultant, World Bank). The review of this report was carried out by Levan Sabauri (Professor of the Accounting, Analysis and Auditing Department of Ivane Javakhishvili Tbilisi State University) and Oleg Kantsurov (Executive Director of the Audit Public Oversight Body of Ukraine) (members of the external validation team).

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The World Bank especially appreciates the support and assistance received from Arman Poghosyan, Deputy Minister of Finance of Armenia, as Oversight Team Leader.

ABOUT PULSAR

The Public Sector Accounting and Reporting (PULSAR) Program, launched in 2017, is a regional and country level program in 12 beneficiary countries of Europe and Central Asia.[1] Its objective is to support the enhancement of public sector accounting and financial reporting frameworks in line with international standards and good practices to improve government accountability, transparency, and performance.

The objectives and scope of the PULSAR Program are jointly determined by the PULSAR Partners - Austria, Switzerland, and the World Bank – who also provide institutional support for its implementation and mobilize the resources needed for its activities. Beneficiary countries help shape the program through regional cooperation platforms and input to two Communities of Practice: Financial Reporting Frameworks (FinCoP) and Education (EduCoP).

More information about the PULSAR program and its publications is available online at

www.pulsarprogram.org

1 Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia, Kosovo, Moldova, Montenegro, North Macedonia, Serbia, and Ukraine.

EXECUTIVE SUMMARY

RATIONALE, PURPOSE, SCOPE, COVERAGE, AND MODE OF THE ASSESSMENT

1. The Public Sector Accounting Assessment (PULSE) aims to support the Government of Armenia in the development of an efficient and effective accounting system. PULSE evaluates the quality of the public sector accounting (PSA) system and the progress of reforms implemented by the Government of Armenia in this area. The assessment reviews the progress and level of the conceptual and actual implementation of accrual accounting standards for the public sector and benchmarks the compliance of public sector accounting standards with the International Public Sector Accounting Standards (IPSAS).

2. The PULSE assessment was conducted in Armenia for the first time as a pilot project to establish the readiness and effectiveness of the PULSE tool.

3. The PULSE assessment covers six components of organizational and accounting performance that ensure transparency and reliability of financial reporting data in the public sector. Areas analyzed include legislative regulation of PSA; accounting and reporting of financial and non-financial assets and liabilities; accounting and reporting of expenses and revenue; financial reporting preparation and consolidation systems; and the dynamics of reforming the PSA system and factors affecting it.

4. The assessment follows the PULSE 2021 Framework methodology.[2] Scoring of 29 performance indicators, which in turn consist of 102 dimensions, is the heart of the PULSE process. The scoring and assessment methodology includes a four-point calibration scale between A and D for each dimension.

OVERVIEW OF THE MAIN FINDINGS ON PSA SYSTEM PERFORMANCE

5. PSA reforms are ongoing in Armenia, with a current focus on consolidation. Legislation sets ambitious timeframes to reach the results of each phase of reforms: the next target is the preparation of consolidated financial statements at the level of ministries.

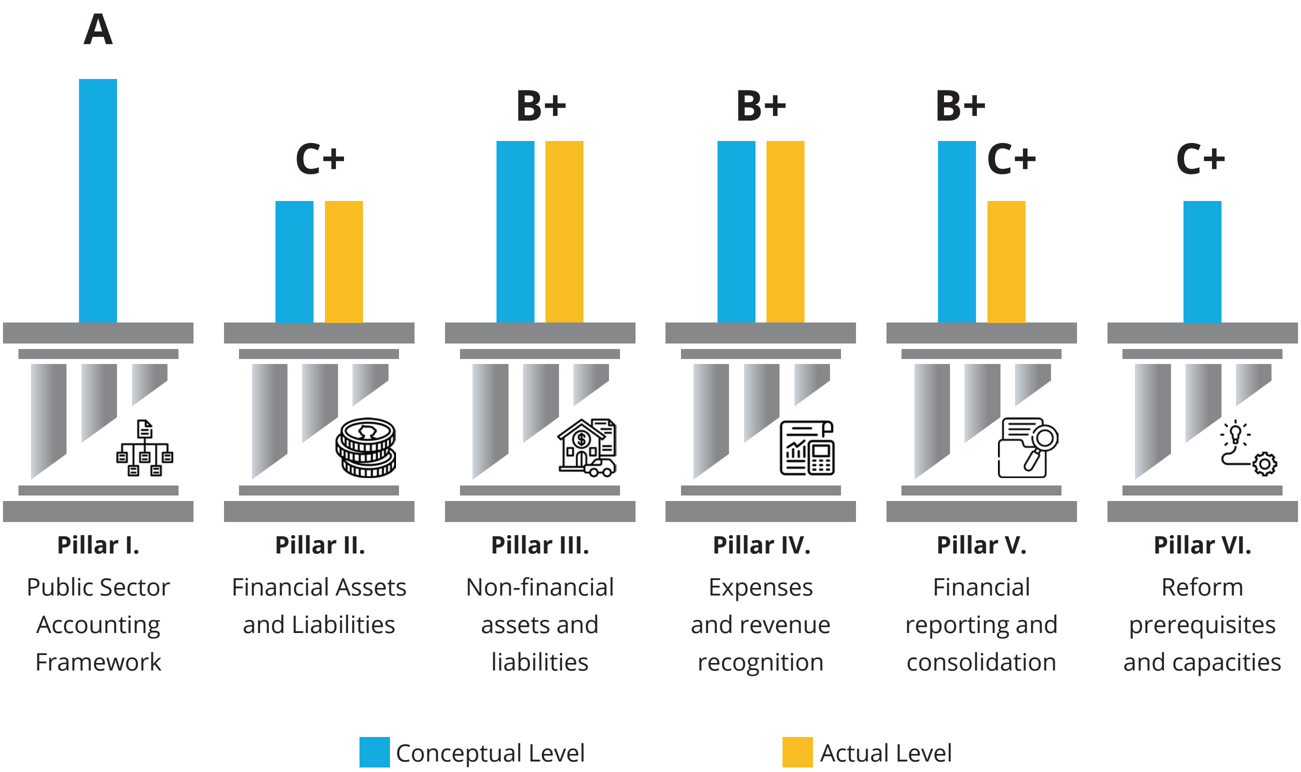
6. The PULSE assessment of PSA in Armenia, including conceptual and practical implementation of accounting regulations, gives an overall score of B (a high degree of compliance, but some gaps with IPSAS requirements remain). Such a high rating has been achieved as a result of the significant set of measures that have been implemented in Armenia over the past decade. A similar approach is planned for the next phase of PSA modernization.

7. Reform progress is reflected especially in the high PULSE scores for pillar I "PSA framework" (A) and pillars III "Non-financial assets and liabilities" and IV "Expenses & revenue recognition" (B+ for both sections) (**Figure 1**).

8. The detailed comparative analysis confirmed that Armenian Public Sector Accounting Standards (APSAS) have a high level of compliance with the principles of IPSAS, especially in terms of accounting for non-financial assets and liabilities, income and expenses, and preparation and presentation of financial statements (pillar III: Non-financial assets and liabilities scored B+). The score for this pillar will be further improved once provisions of impairment for tangible assets are added to APSAS (PI-15).

2 Available at: https://cfrr.worldbank.org/sites/default/files/2024-04/pulse_report_final_gov2021.pdf

Figure 1. PULSE assessment scores for Armenia by pillar



9. The score for pillar II: Financial assets and liabilities of C+ reflects only partial correspondence between IPSAS and APSAS for financial instruments due to differences in the classification of financial assets. In accordance with APSAS, financial assets are classified in two categories: (i) financial assets at amortized cost; and (ii) financial assets at fair value. The second category involves all the financial assets that are not measured at amortized cost. Hence, the financial assets measured at fair value through net assets are included in the scope of financial assets at fair value through surplus/deficit. Accounting treatment of loss allowances does not take into account expected losses of an asset when calculating loss allowances (PI-6.3 D), or lack of disclosures relating to offsetting (PI-7.2 D).

10. APSAS revision is envisaged which will improve low scores on some dimensions, e.g., PI-6.3 and PI-7.2. However, low scores on other dimensions, e.g., PI-4.4: financial assets at fair value through net assets/equity (D) and PI-5.4: financial liabilities with other bases of measurement (D), have little significance in the Armenian accounting environment and so no revision to APSAS is planned at this point.

11. It should also be noted that certain IPSAS, such as ISPAS 42: Social Benefits (PI-20 D), IPSAS 36: Associates and Joint Ventures (PI-23.1 D), IPSAS 40: Public sector combinations (PI-23.3 C), IPSAS 24: Budget information, and IPSAS 18: Segment Reporting are not yet adopted by APSAS.

12. The high scores in the PULSE assessment reflect a decade of work to establish a revised PSA framework. The focus now is on implementation and consolidation, especially as reform efforts move beyond individual organizations to be applied at the level of ministries and, eventually, across the whole of government.

INTRODUCTION

1. The PULSE is designed as a user-friendly web-based self-assessment framework on key measurable aspects of the PSA system for public sector reporting entities. It aims to provide information useful for decision making and future reform priorities. The process has four phases: planning, conducting the assessment, reporting, and PSA reform action.

2. The PULSE assesses six pillars of performance: PSA framework; financial assets and liabilities; non-financial assets and liabilities; expenses and revenue recognition; financial reporting and consolidation; and reform prerequisites and capacities. It uses 29 indicators and 102 dimensions of a transparent, efficient, and effective PSA system. The scoring of the indicators is based on available evidence. For each indicator, the score considers between two and four dimensions, which are averaged to obtain an overall score for the indicator. In order to assess both the existing PSA legal and regulatory framework and the actual implementation of those rules and standards, the assessment process includes both the conceptual and actual compliance with the IPSAS framework (except for the conceptual framework indicator).

3. The main goal of PSA reforms in Armenia is to improve the quality, reliability, consistency, and comparability (at the national and international levels) of information on public finances in order to ensure their effective and useful use. The main reform objective is the operation of a unified accounting system in the public sector using accounting standards that are comparable with IPSAS, comparable with internationally recognized statistical frameworks, and comparable with private sector standards.

4. In 2014, the government acknowledged the importance and potential benefit of an accrual-based accounting system, particularly in providing reliable information on the financial position and financial performance of public sector organizations. This can be used by management for decision making purposes and to create financial statements for the whole of government (state level) based on APSAS.

5. Political support for the reform and modernization of accounting in Armenia is set out in legislation. The Law "On Accounting of Public Sector Organizations" was adopted in 2014. This began the preparatory stage of implementing the new reporting system and during 2014-2015 the regulatory framework of the system was developed. Concurrently, a national accounting standard and a Chart of Accounts (CoA) as a tool for implementing the standard were developed. The structure of the CoA enables it to collect information not only for financial reporting purposes but also for budgetary ones.

6. As a methodological basis for the reporting, the Armenian Public Sector Accounting Standards (APSAS) were developed based on IPSAS. However, some adaptations were made to ease the transition to the new accrual-based accounting system as well as to minimize inconsistencies between different accounting policies when consolidating financial statements of public sector organizations.

Table 1. Public sector entities covered by the PULSE assessment

The Office of the President of the Republic of Armenia	National Assembly Staff of the Republic of Armenia	Audit Chamber of the Republic of Armenia	Ministry of Finance of the Republic of Armenia
Urban Development Committee of the Republic of Armenia	State Supervision Service of the Republic of Armenia	Corruption Prevention Commission of the Republic of Armenia	One State Non-Commercial Organization (SNCO)

7. The PULSE assessment was conducted by the Assessment Team using a full self-assessment approach. It was led by the Ministry of Finance of Armenia (MoF) with the involvement of experts in key national government agencies (listed in Table 1) and with support from external consultants, including for the external validation process.

8. Data collection was conducted under the overall direction and coordination of the assessment team leader of the MoF. The data collection process consisted of reviewing and analyzing relevant documentation containing the indicators for the PULSE assessment, including relevant legislation, public reports, analytical data, and any other documents related to the indicator.

9. The evaluated public sector entities were selected based on the nature and variety of their activities. Interviews were conducted with representatives of evaluated entities and relevant evidence was requested.

ASSESSMENT MANAGEMENT

10. The PULSE assessment involved collaboration among relevant PSA stakeholders in Armenia, including the Government of Armenia and development partners (The World Bank). A list of stakeholders is in **Table 2**.

11. **The lead agency** was the MoF. It assumed full ownership and leadership over the assessment process, including hosting and facilitating organization of the PULSE preparation and dissemination workshops and events, data collection, data quality assurance and consolidation, and dissemination of the final PULSE Report.

12. **The assessment** was led by the assessment team leader, an official from the MoF, and the ultimate responsible person for the quality of the assessment. The assessment team leader was the day-to-day manager of the PULSE process and led organization

Table 2. List of stakeholders

Team Member	Team Member Information
Oversight team	
Arman Poghosyan, Oversight Team Leader	Deputy Minister of the MoF
Assessment Team	
Karen Alaverdyan, Assessment Team Leader	Head of Accounting and Audit Regulation, Reporting Monitoring Department of MoF
Raffi Aleksanyan, Team Member	Head of Division at Accounting and Audit Regulation, Reporting Monitoring Department of MoF
Gor Kocharyan, Team member	Head of Division at Accounting and Audit Regulation, Reporting Monitoring Department of MoF
Lilit Mamikonyan, Local Expert 1	Consultant in public sector accounting
Arusyak Azizyan, Local Expert 2	Consultant in public sector accounting

Team Member	Team Member Information
The external validation team	
Oleg Kantsurov, Expert 1	Executive Director of the Audit Public Oversight Body of Ukraine
Levan Sabauri, Expert 2	Professor of the Accounting and Auditing Department of Ivan Javakhishvili Tbilisi State University
The PULSAR team	
Dmitri Gourfinkel	Senior Financial Management Specialist, The World Bank
Jose Simon Rezk	Senior Financial Management Specialist, The World Bank
Garik Sergeyan	Senior Financial Management Specialist, The World Bank
Natalia Konovalenko	Financial Management Consultant, The World Bank
Julian Laski	Financial Management Consultant, The World Bank

and delivery of PULSE preparation and dissemination workshops and events. The team included other MoF officials and local experts to support the assessment process.

13. **Oversight** was led by the Deputy Minister of the MoF. The oversight team managed the assessment, monitored progress and addressed any policy or communication issues, reviewed and approved the concept note and final PULSE report, and facilitated access to data, information, or institutions needed throughout the assessment process. The oversight team will continue the process of PSA reform dialogue, planning, and implementation following completion of the assessment.

14. **The external validation team** consisted of two international Public Financial Management (PFM)/ PSA experts (international and national). The external validation team had a crucial role throughout the assessment process and were involved in most of the quality assurance steps.

15. **The PULSAR team** of World Bank officials and consultants supported and advised on implementation of the PULSE assessment and provided quality assurance.

QUALITY ASSURANCE AND PULSE VERIFICATION

16. The quality of the assessment was ensured by the PULSE Check procedure, conducted by the PULSAR team. PULSE Check ensures that: the PULSE methodology has been applied correctly; the general assessment is certified; the current general status of the implementation of IPSAS and the basis of financial reporting are properly documented; the structure and content of the report correspond to the PULSE manual; and the proposed recommendations and action plan are reasonable and feasible to implement, taking into account the global/regional experience of the PULSAR team.

PULSE REPORT

17. The PULSE report has the following structure:

- **Executive summary** containing a brief overview of the rationale, purpose, scope, and evaluation method; an overview of the main results of the

PFM system, the current general state of the implementation of the IPSAS, and an action plan for further reforming PFM.

- **Introduction** containing information such as the rationale, purpose, scope, and methodology of the evaluation; assessment management; and quality assurance.
- **Background information** relevant to Armenia and its PSA environment. This section contains information about the structure of the public sector; PFM systems and their connection with the PSA system; legal and institutional mechanisms of PFM; as well as the characteristics of PFM reform.
- **Results of the PULSE assessment.** This section summarizes compliance with the key elements of IPSAS at the conceptual and actual level of implementation, in accordance with the requirements of the PULSE methodology in terms of parameters and indicators, and reviews the current general state of IPSAS implementation and the basis of financial reporting. This section covers the results in each of the six PULSE pillars:
    - **Pillar I** – Assessment of the conceptual framework, including compliance with the IPSAS framework.
    - **Pillar II** – Assessment of financial assets and liabilities accounting: recognition procedures in accounting, assessment, and disclosure of information in reporting.
    - **Pillar III** – Assessment of non-financial assets and liabilities accounting: procedures for recognition in accounting, assessment, and disclosure of information in reporting of non-financial assets, and non-financial liabilities.
    - **Pillar IV** – Assessment of expenses and revenue accounting.
    - **Pillar V** – Assessment of financial reporting and consolidation: financial reporting submission procedures and their notes, and accounting of non-controlled legal entities and associations of public sector entities.
    - **Pillar VI** – Assessment of efficiency of the PSA systems and dynamics of PSA reforms, in particular, information technology systems to operate a PSA system, the availability of sufficient human resources and capacity in the organization of accounting, the level of integration between PSA and PFM systems, and the political capacity to conduct PSA reforms.
- **Findings and recommendations** include key findings of the assessment and offers recommendations regarding further reforms and action planning (short, medium, and long-term) to improve the overall performance of the PSA system, reform monitoring, evaluation, and follow-up arrangements.

18. The final PULSE report will be published on the MoF webpage and the PULSAR website and will be available to the public free of charge and without a requirement to register.

COUNTRY BACKGROUND AND PSA ENVIRONMENT

COUNTRY/JURISDICTION

19. Armenia is a republic headed by the President with the Prime Minister leading the government. Legislative power is vested in the government and the parliament, the single chamber National Assembly of Armenia which is the supreme legislative authority of the country and adopts laws, regulations, and decisions. Members of parliament are elected by an indirect vote every five years. The President is elected by the National Assembly for a term of seven years and must comply with the Constitution. The government is the supreme body of the executive power. It develops and implements the domestic and foreign policies of the state. The government manages all state administrative bodies. It comprises the Prime Minister, Deputy Prime Ministers, and other ministers.

20. Since 2020, Armenia has been subjected to several significant shocks, including COVID 19 pandemic and conflict with Azerbaijan, that have been reflected in key macroeconomic indicators. In 2021, there was a strong expansion of demand following the lifting of COVID-19 controls. In terms of gross domestic product, this fell by 7.4% in FY (January-December) 2020, recovered by 5.7% in FY 2021, and grew by 12.6% in FY 2022.[3] The reason for the acceleration of growth was mainly due to the relocation of Russian IT organizations to Armenia as a result of the Russian-Ukrainian conflict and the sanctions applied against Russia, the flow of people from the countries involved in the conflict, as well as the significant increase in tourism and remittances. The role of these factors decreased in 2023, but due to the high growth of state budget capital expenditures and housing construction, the economic impact of forcibly displaced Armenians from Nagorno Karabakh, as well as the impact of the sharp increase in the production of jewelry products at the end of the year, positive economic growth trends were maintained in 2023 and the economy grew by 8.7%.[4]

21. The strong growth in 2022 was broad-based across sectors with very rapid growth in the services sector connected to the influx of Russians, some of whom permanently relocated to Armenia and established businesses, including in the information and communication industry. The trade and construction sectors also recorded rapid growth reflecting strong tourism numbers and robust domestic demand.

22. Inflation in FY 2021 at 7.7% was above the Central Bank of Armenia's (CBA) 4% target. Reflecting international developments as well as Armenia-specific factors, inflation rose to 8.3% in FY 2022 and decreased to -0.6% in FY 2023.[5] The CBA raised the policy interest rate from 7.75% in December 2020 to 9.25%. As of April 2024, the CBA lowered the policy interest rate to 8.25%.[6]

THE STRUCTURE OF THE PUBLIC SECTOR

23. The Constitution of Armenia is the highest legal act. It was established in 1995, amended a first time in 2005, and a second time in 2015 through a referendum turning the political system into a

3 https://www.cba.am/Storage/EN/publications/DVQ/Inflation%20report%202023Q1%20eng.pdf , p. 49
4 https://www.armstat.am/file/doc/99545173.xls
5 https://www.cba.am/stat/stat_data_eng/6_CPI_eng.xls
6 https://www.cba.am/EN/News/Pages/news_30042024.aspx#sthash.gXCwNVhG.dpbs

parliamentary republic. It defines Armenia as a sovereign, democratic, social state governed by the rule of law. The people of Armenia exercise their power through free elections, referenda, as well as through state and local self-government bodies and officials provided for by the Constitution. The state power is exercised in conformity with the Constitution and the laws, based on the separation of the legislative, executive, and judicial powers.

24. The legal system of Armenia is based upon the Constitution of Armenia; the laws approved by the National Assembly; the decrees issued by the President; and the decisions and orders made by the Government.

25. The Budget System Law is the core legal framework regulating all budget related processes, operations, and functions. It distinguishes two levels of budget: (i) state budget, and (ii) community budget.

26. The state budget covers 46 main budget bodies that report to the Government of Armenia, including all 13 ministries and the 11 provincial governments, including the special case of the capital city, Yerevan. There are 68 subordinate bodies reporting to the main budget bodies, comprising different agencies, committees, foundations, and state services.

27. There are about 1,800 state non-commercial organizations (e.g., schools) with 80% of their budget funded by the state budget. There are 168 state-owned enterprises: those in which the state has a 50% or more share are monitored by the State Property Management Committee (a subordinate budget body to the Ministry of Territorial Administration and Infrastructure). The Social Security and Pensions Funds are part of the Ministry of Social Affairs and there are no extra-budgetary funds.

28. There are two levels of territorial government authorities: (i) the central level and (ii) the local self-governing level of administration, often referred to as the community. There are 71 communities in Armenia. The provincial administration is part of the central government and has no separate budget. A mayor elected by a direct vote heads the community level. Every community has a municipal council, which is the legislative body.

PSA REFORM

29. PSA reform in Armenia aims to improve the quality, reliability, consistency, and interoperability of public finance information to ensure its relevance and usefulness. A key objective was the introduction of a unified accounting system for the public sector of Armenia using accounting standards that are comparable with IPSAS, internationally recognized statistical frameworks, and private sector standards.

30. Political support for the reform and modernization of accounting in Armenia is set out in legislation. The Law "On Accounting of Public Sector Organizations" was adopted in 2014. During 2014-2015 the regulatory framework of the PSA system was developed. A national accounting standard was adopted,[7] and a CoA was developed and adopted as a tool for implementing the standard.[8] The structure of the CoA enables it to collect information for both financial reporting purposes and also for budgetary ones.

31. Armenia has adopted APSAS based on IPSAS. At the time of the assessment, APSAS covered over 25 of the IPSAS currently in force, the only exceptions being rather specialized areas such as *Financial Reporting in Hyperinflationary Economies*. APSAS apply to all budget and subordinate bodies, with the ultimate objective being to publish consolidated, accrual-based annual financial statements for the entire government. Work continues towards this in a three-phase transition process that involves first individual budget bodies, then consolidation at the ministry level, and finally at the state level.

32. The overall picture is of continuing gradual improvement in PFM across a range of important issues. Financial management information systems have improved substantially, and work is taking place on the development and implementation of a multi-module Government Financial Management Information System (GFMIS) that will provide a fully automated budget planning process connected to accounting units and facilitate more efficient expenditure management. From the perspective of transparency, a great deal of fiscal information is published promptly.

7 By the order of the Minister of Finance N725-N of October 24, 2014. https://www.arlis.am/Annexes/4/GT31_2014_N725INK.doc
8 By the order of Minister of Finance N207-N of April 09, 2015. https://www.arlis.am/Annexes/4/GT11_15N207hav.ink.doc

Table 3. Structure of APSAS and references to corresponding IPSAS

APSAS	Name	IPSAS	Name
Section 1	Public Sector Organizations	**No corresponding IPSAS**	
Section 2	Concepts and Pervasive Principles	IPSAS 1	Presentation of Financial Statements
Section 3	Presentation of Financial Statements		
Section 4	Statement of Financial Position		
Section 5	Statement of Financial Performance		
Section 6	Statement of Changes in Net Assets/ Equity		
Section 8	Notes		
Section 7	Cash Flow Statement	IPSAS 2	Cash Flow Statements
Section 9	Consolidated and Separate Financial Statements	IPSAS 34	Separate Financial Statements
		IPSAS 35	Consolidated Financial Statements
Section 10	Accounting Policies, Estimates and Errors	IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
Section 11	Property, Plant and Equipment	IPSAS 17	Property, Plant and Equipment
Section 12	Intangible Assets	IPSAS 31	Intangible Assets
Section 13	Investment Property	IPSAS 16	Investment Property
Section 14	Agriculture	IPSAS 27	Agriculture
Section 15	Tangible Non produced (naturally occurring) Assets	**No corresponding IPSAS**	
Section 16	Valuables	**No corresponding IPSAS**	
Section 17	Inventories	IPSAS 12	Inventories
Section 18	Leases	IPSAS 13	Leases
Section 19	Financial Instruments	IPSAS 28	Financial Instruments: Presentation
		IPSAS 29	Financial Instruments: Recognition and Measurement
		IPSAS 30	Financial Instruments: Disclosures
Section 20	Investments in Associates	IPSAS 36	Investments in Associates and Joint Ventures
Section 21	Investments in Joint Arrangements	IPSAS 37	Joint Arrangements

APSAS	Name	IPSAS	Name
Section 22	Public Sector Combinations and Goodwill	IPSAS 40	Public Sector Combinations
Section 23	Provisions, Contingent Liabilities and Contingent Assets	IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets
Section 24	Liabilities and Net Assets/Equity	IPSAS 28	Financial Instruments: Presentation
		IPSAS 29	Financial Instruments: Recognition and Measurement
		IPSAS 30	Financial Instruments: Disclosures
Section 25	Revenue from Exchange Transactions	IPSAS 9	Revenue from Exchange Transactions
Section 26	Revenue from Non-Exchange Transactions	IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
Section 27	Borrowing Costs	IPSAS 5	Borrowing Costs
Section 28	Employee Benefits	IPSAS 39	Employee Benefits
Section 29	Changes in Foreign Exchange Rates	IPSAS 4	The Effects of Changes in Foreign Exchange Rates
Section 30	Events After the Reporting Date	IPSAS 14	Events After the Reporting Date
Section 31	Related Party Disclosures	IPSAS 20	Related Party Disclosures
Section 32	Service Concession Arrangements	IPSAS 32	Service Concession Arrangements: Grantor

33. There are good prospects for continuing improvements in PFM, supported by Armenia's international development partners. A new five-year PFM reform strategy covers the five years 2024-28. The development of reform strategy is in its inception phase.

34. Over the past two decades, there have been a number of PFM diagnostics which have shaped ongoing PFM reform processes designed and implemented by the Armenian authorities.

35. The Government of Armenia's current PFM reform strategy is outlined in the Work Program on Implementation of Measures Envisaged within the Public Finance System Reforms Action Plan For 2019-2023, published on the MoF website. The MoF also publishes reports on progress in implementing the PFM work program on its website.

36. There remains clear government commitment to PFM reform and the MoF is showing strong leadership regarding the new PFM reform strategy and action plan implemented from January 01, 2024 onwards.

RESULTS

37. The assessment of the quality of the regulatory support of PSA in Armenia, the state of its actual implementation, and the quality of the processes of organization and reform in accordance with the requirements of the PULSE methodology showed a high level of development of the system of accounting support for the management of the public sector. This is evidenced by the high scores obtained for each pillar of the PULSE methodology (**Table 4**).

38. For each of the 30 indicators across the six pillars, the score considers between two and four dimensions, which are averaged to obtain an overall score for the indicator. Each dimension is scored separately on a four-point ordinal scale: A, B, C, or D, according to precise criteria established for each dimension. To justify a particular score for a dimension, every aspect specified in the scoring requirements must be fulfilled. If the requirements are only partly met or the criteria are not satisfied, a lower score is given that coincides with achievement of the requirements for the lower performance rating.

39. As is evident from the table, approximately 70 percent of the dimensions are evaluated with grades A and B: that is, the provisions of the regulatory documents governing the organization and accounting in Armenia fully or in the vast majority of essential indicators correspond to the standards of IPSAS (since the PULSE methodology is built on determining compliance with international standards and best global practices of state regulation of the accounting system).

40. The high scores for most pillars (**Table 5**) indicates the thoroughness of the approach to the development of regulatory regulation of accounting in Armenia. Each dimension at conceptual level in the PULSE system is confirmed by a link to government websites where relevant legal documents are uploaded. Cross-referencing is made to appropriate financial statements of public sector/budget entities uploaded in the system as evidence of actual implementation of the dimensions.

Table 4. PULSE assessment summary by score

Assessment scores	Conceptual level		Actual level	
	Number	Specific weight, %	Number	Specific weight, %
A	58	56	41	53
B	10	10	8	10
C	8	8	6	8
D	21	21	18	23
NA	5	5	4	6
Total	**102**	**100**	**77**	**100**

Table 5. PULSE assessment summary by pillar

Areas that were evaluated	Conceptual level	Actual level
Pillar I. PSA Framework	A	-
Pillar II. Financial assets and liabilities	C+	C+
Pillar III. Non-financial assets and liabilities	B+	B+
Pillar IV. Expenses and revenue recognition	B+	B+
Pillar V. Financial reporting and consolidation	B	C+
Pillar VI. Reform prerequisites and capacities	C+	-

41. A high level of discipline in the practice of public sector entities introducing new conceptual provisions of accounting was noted (**Table 5**). This is confirmed by the organization of accounting services and accounting policies of the budget entities participating in the project, as well as their financial reporting indicators, which show the state of and changes to all assessed assets, liabilities, and equity elements.

42. Dimensions with D and NA scores are necessarily a focus of attention. Mostly, those are dimensions that are of limited relevance for the scope of activity of public sector entities of Armenia or their application is limited by APSAS or legislation (**Figures 2** and **3**).

43. All key components of the financial and economic activity of public sector entities have an approved methodology and accrual method of accounting. Good practice has been established in Armenia with regard to the methodological support provided to public sector entities: guidance papers are issued and disseminated by MoF among public sector entities, advising on the application of APSAS and providing practical examples.

44. A more detailed explanation of the highest and lowest scores is in later sections.

Figure 2. PULSE assessment summary by conceptual score dimension

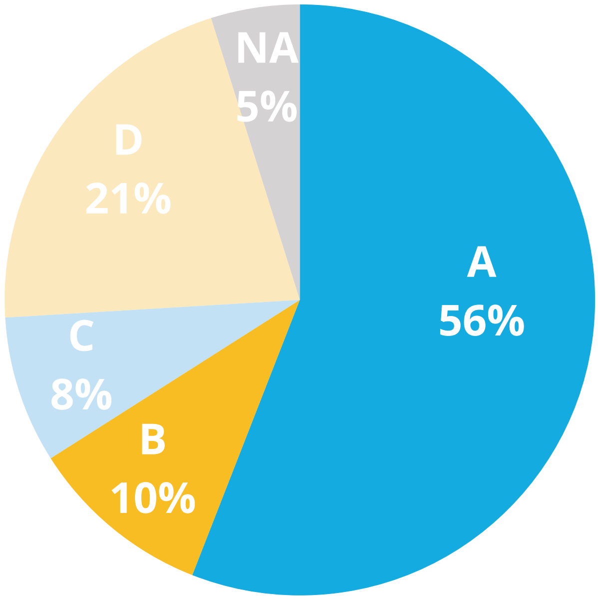
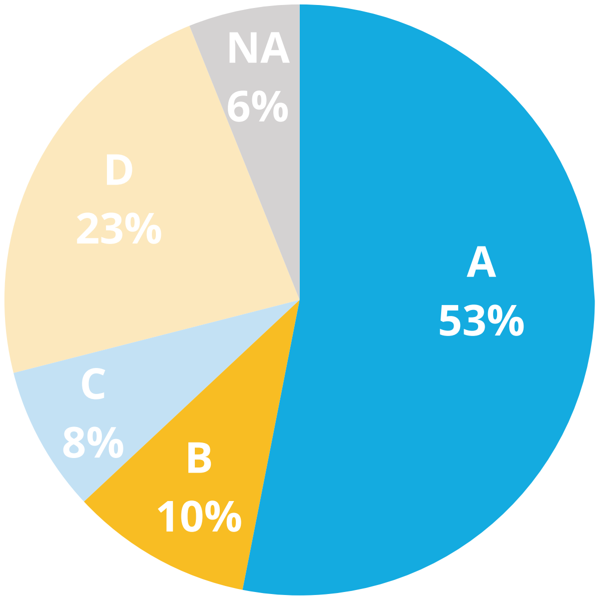


Figure 3. PULSE assessment summary by actual score dimension



PILLAR I. PSA FRAMEWORK

45. Pillar I assesses whether the PSA and APSAS framework for public sector reporting entities is in accordance with the conceptual framework of IPSAS and IPSAS 3: Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies, IPSAS 4: The Effects of Changes in Foreign Exchange Rates, IPSAS 10: Financial Reporting in Hyperinflationary Economies, and IPSAS 14: Events After the Reporting Date.

46. The PULSE assessment found that public sector organizations maintain their accounting according to APSAS, developed based on IPSAS. Section 2 "Concepts and Pervasive Principles" of APSAS defines all qualitative characteristics and the constraints as described in the dimension PI-1.1 (APSAS paragraphs 2.5-2.20). As defined by assessment requirements, APSAS requires presentation of general purpose financial statements for accountability and decision-making purposes for public sector entities that raise resources and use the resources to undertake activities (APSAS paragraphs 1.3-1.4, 2.4). Also, APSAS precisely defines all eight elements of financial statements defined in IPSASs (APSAS paragraphs 2.2, 2.25-2.35). Thus, the highest rating is appropriate.

47. Para 10.3-10.15 of Section 10 "Accounting Policies, Estimates and Errors" of APSAS require that accounting policies are determined by specified hierarchy of references. Changes in accounting policies are applied retrospectively, unless impracticable, and are only made when required by APSAS or in order to improve relevance and faithful representation. This is the exact approach as provided by IPSAS 3. In accordance with APSAS

Table 6. Results of the Assessment of the Indicators of Pillar I: PSA Framework

Indicators	Rating
	Conceptual level
Pillar I.	**A**
PI-1. Conceptual framework	**A**
Dimension 1.1 – Qualitative Characteristics	A
Dimension 1.2 – Reporting entity	A
Dimension 1.3 – Elements	A
PI-2. Accounting policies, estimates, errors, and events after the reporting date	**A**
Dimension 2.1 – Accounting policies	A
Dimension 2.2 – Estimates	A
Dimension 2.3 – Errors	A
Dimension 2.4 – Reporting of events after reporting date	A
PI-3. Foreign currency transactions and hyperinflation effects	**A**
Dimension 3.1 – Initial recognition of exchange differences resulting from foreign currency transactions	A
Dimension 3.2 – End of year reporting of foreign currencies transactions	A
Dimension 3.3 – Compliance with hyperinflation requirements	NA

paragraphs 10.18-10.22, 12.36, 23.44, accounting estimates, are reviewed at least at each reporting date and changed if necessary. Changes of estimates are applied prospectively. This is also the same approach as provided by IPSAS 3. Additionally, in APSAS paragraphs 10.25 -10.29, errors in respect of recognition, measurement, presentation, or disclosure are corrected retrospectively in the first financial statements issued after their discovery. Errors corrected are then provided in the disclosures. Section 30 “Events After the Reporting Date” of APSAS paragraphs 30.6-30.9, 30.19-30.22 define, that events are classified as adjusting and non-adjusting. Adjusting events are recognized and disclosed, whereas non-adjusting events are only disclosed in the financial statements. These are all as provided by IPSAS 3 and IPSAS 14.

48. In accordance with APSAS paragraphs 29.8-29.10, 29.12, 29.13, 29.26-29.31, exchange differences resulting from transactions with monetary and non-monetary items are recognized in the surplus or deficit in the period they arise. In addition, the total amount of exchange differences recognized in the surplus or deficit and net assets are disclosed in the notes. This is the same approach as provided by IPSAS 4. In accordance with APSAS paragraphs 29.11, (i) monetary items are translated using the closing rate; (ii) non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction; and (iii) non-monetary items that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. This is also as provided by IPSAS 4.

49. As the economic environment in Armenia is not classified as hyperinflationary, APSAS does not include chapter related to hyperinflation requirements. Thus, NA (not applicable) is the most appropriate score for dimension PI-3.3.

PILLAR II. FINANCIAL ASSETS AND LIABILITIES

50. Pillar II assesses whether public sector reporting entities recognize, measure, present, and disclose financial assets and liabilities in accordance with IPSAS (IPSAS 5: Borrowing cost, IPSAS 28: Financial Instruments–Presentation, IPSAS 30: Financial Instruments–Disclosures, and IPSAS 41: Financial Instruments).

51. According to the results of the analysis of compliance of the requirements of APSAS Section 27 “Borrowing Costs”, Section 19 "Financial instruments", and Section 24 “Liabilities and net assets/equity” with IPSASs requirements on the procedures for recognizing financial instruments, their assessment and disclosure, it was determined that the level of congruence is C+ (**Table 7**).

Table 7. Results of the Assessment of the Indicators of Pillar II: Financial Assets and Liabilities

Indicators	Rating	
	Conceptual level	Actual level
Pillar II.	**C+**	**C+**
PI-4. Financial assets	**B**	**B**
Dimension 4.1 – Short-term receivables at cost	A	B
Dimension 4.2 – Financial assets at amortized cost	A	A
Dimension 4.3 – Financial assets at fair value through surplus and deficit	B	B
Dimension 4.4 – Financial assets at fair value through net assets/equity	D	D

Indicators	Rating	
	Conceptual level	Actual level
PI-5. Financial liabilities	**B**	**B**
Dimension 5.1 – Short-term payables at cost	A	A
Dimension 5.2 – Financial liabilities at amortized cost	A	A
Dimension 5.3 – Financial liabilities at fair value through surplus and deficit	B	B
Dimension 5.4 – Financial liabilities with other bases of measurement	D	D
PI-6. Derivatives, hedge accounting, loss allowance and borrowing cost	**C+**	**C+**
Dimension 6.1 – Derivative instruments	NA	NA
Dimension 6.2 – Hedge accounting	NA	NA
Dimension 6.3 – Loss allowance	D	D
Dimension 6.4 – Borrowing costs	A	A
PI-7. Presentation, offsetting, and disclosures	**C**	**C**
Dimension 7.1 – Representation	A	A
Dimension 7.2 – Offsetting	D	D
Dimension 7.3 – Disclosures relating to significance of financial instruments	C	C
Dimension 7.4 – Risk management disclosures	D	D

52. The scores for some dimensions were low because they do not exactly match with IPSAS. For example, in APSAS the complex requirements of IPSAS regarding financial instruments have been simplified. This is to assist public sector accountants in the process of transitioning to the new PSA system and to taking into account the absence of particular types of financial instruments in Armenia, for example, derivative instruments. Another reason for inconsistency with IPSAS is, for example, that accounting treatment of loss allowances in APSAS is based on the provisions of the previous International Accounting Standard 39, without taking into account expected losses of an asset when calculating loss allowances.

53. Accounting of financial assets is being maintained in accordance with requirements of Section 19 "Financial Instruments" of APSAS. In accordance with APSAS paragraphs 19.6, 19.10, 19.28, and 19.31-19.37, short term receivables are recognized at cost and measured at the invoice amount. Subsequently, the short-term receivables can be impaired with impairment losses recognized in surplus and deficit and allowance for impairment reducing the carrying amount of the receivable. The receivables are derecognized if they are paid, or contractual rights to receive a financial asset expire, or contractual rights to receive a financial asset are waived. This is exactly the same approach as provided by IPSAS 41. In accordance with corresponding financial statements

of Armenian public sector entities (Note 15), the entities in practice comply with the requirements of the APSAS with regard to initial and subsequent measurement, as well as derecognition requirements. Nevertheless, the notes to the financial statements do not reconcile with the face values presented in the statement of financial position. Taking into account this difference, the actual level is evaluated as B, unlike the conceptual level that is evaluated as A.

54. Regarding recognition, measurement, and derecognition of financial assets measured at amortized cost, in accordance with APSAS paragraphs 19.3, 19.6, 19.7, 19.11-19.19, and 19.31-19.37, financial assets at amortized cost fulfill the requirement of recognition and are recognized when an entity becomes party in any contract to receive cash or another financial asset. Similarly, requirements of initial measurement, subsequent measurement, and derecognition are all met, the exact approach of IPSAS 41. In accordance with assessed financial statements, the entities in practice do not have any financial assets at amortized cost. It is assumed that in the case of availability of such financial assets, the accounting treatment will be in accordance with APSAS requirements. Thus, an A score for dimension PI-4.2 is appropriate.

55. In terms of accounting for financial assets at fair value through surplus and deficit, APSAS paragraphs 19.3, 19.5, 19.6, 19.8, 19.9, 19.20-19.27, and 19.37 are applied. In accordance with APSAS, financial assets are classified as financial assets at amortized cost or financial assets at fair value. The second category involves the financial assets not measured at amortized cost. All requirements of initial recognition, subsequent measurement and derecognition of this type of financial assets set in assessment methodology are met. In accordance with assessed financial statements, the entities in practice do not have any financial assets at fair value. It is assumed that in case of availability of such financial assets, the accounting treatment will be in accordance with APSAS requirements. As there is no distinction between classification of financial assets measured fair value through surplus and deficit and through net assets, a B score is appropriate.

56. In accordance with APSAS, financial assets are classified as financial assets at amortized cost or financial assets at fair value. The second category involves all financial assets not measured at amortized cost. Hence, the financial assets measured at fair value through net assets are included in the scope of financial assets at fair value through surplus/deficit. The D score regarding dimension PI-4.3 is appropriate.

57. Accounting of financial liabilities is maintained in accordance with requirements of Section 19 “Financial Instruments” of APSAS. In accordance with APSAS paragraphs 19.6, 19.10, 19.28, and 19.40, short-term payables at cost fulfill the requirements of recognition, initial measurement (at cost-original invoice amount), subsequent measurement (at cost), and derecognition which is the same approach as provided by IPSAS 41. Interest cost calculated by using the effective interest method is not required. In accordance with assessed financial statements, the entities in practice comply with the requirements of APSAS with regard to initial and subsequent measurement, as well as derecognition requirements.

58. As in the case of financial assets, recognition, measurement, and derecognition of financial liabilities measured at amortized cost is covered by Section 19 “Financial instruments” of APSAS. In accordance with APSAS paragraphs 19.3, 19.6, 19.7, 19.11-19.19, and 19.40, financial liabilities at amortized cost fulfill the requirement of recognition (entity becomes party in any contract to deliver cash or another financial asset), initial measurement (fair value minus transaction costs), subsequent measurement (amortized cost), and derecognition, the same approach as provided by IPSAS 41. In accordance with assessed financial statements, in practice the entities do not have any financial liabilities at amortized cost. It is assumed that in case of availability of such financial liabilities, the accounting treatment will be in accordance with APSAS requirements. Thus, an A score for dimension PI-5.2 is appropriate.

59. In terms of accounting for financial liabilities at fair value through surplus and deficit, APSAS paragraphs 19.3, 19.6, 19.8, 19.9, 19.20-19.27, and 19.40 are applied. In accordance with APSAS, financial liabilities are classified as financial liabilities at amortized cost or financial liabilities at fair value. The second category involves all financial liabilities not measured at amortized cost. In accordance with financial statements used in assessment, the entities in practice do not have any financial liabilities at fair value. It is assumed that in case of availability of such

financial liabilities, the accounting treatment will be in accordance with APSAS requirements. As there is no distinction between classification of financial liabilities measured at fair value through surplus and deficit and through net assets, the B score is appropriate.

60. In accordance with APSAS, financial liabilities are classified as financial liabilities at amortized cost or financial liabilities at fair value. The second category involves all financial liabilities not measured at amortized cost. Hence, financial liabilities measured with another basis of measurement are included in the scope of financial liabilities at fair value through surplus/deficit. Thus, the D score regarding dimension PI-5.4 is appropriate.

61. Regarding the assessment of derivatives and hedge accounting provisions, it was pointed out that these are not present in the Armenian public sector, hence APSAS does not include any provisions on their recognition and measurement. Accordingly, the NA score is appropriate in both cases. If such financial instruments become widely used, APSAS will be updated accordingly.

62. Dimension PI-6.3 considers two different approaches to measure loss allowance depending on type of financial instrument: the simplified and the general approach. The simplified approach is applied to either: (i) receivables that result from exchange and non-exchange transactions; or (ii) lease receivables, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. Meanwhile, the general approach is applied in all other cases. Accounting treatment of loss allowances according to APSAS is based on provisions of previous International Accounting Standard 39, without taking into account expected losses of an asset when calculating loss allowances. It means that performance for this dimension is lower than the simplified approach of IPSAS 41, so the appropriate score for this dimension is D.

63. In accordance with Section 27 “Borrowing Costs” of APSAS, borrowing costs are recognized as an expense in surplus and deficit when they are incurred based on the accrual basis. The calculation of borrowing expenses is performed based on effective interest method as provided by IPSAS 5. Borrowing costs are recognized under accrual basis accounting in accordance with APSAS paragraphs 2.21 and 27.6. On corresponding financial statements, the entities in practice do not have any borrowing costs. It is assumed that in case of an occurrence of borrowing costs, the accounting treatment will be in accordance with APSAS requirements. It means an A score is appropriate for dimension PI-6.4.

64. Regarding presentation, offsetting, and disclosures on financial instruments, in accordance with APSAS paragraphs 24.3 and 24.10-24.14, financial instruments or their components are presented as a financial asset, financial liability, or equity instrument in accordance with the substance of the contractual agreement and definitions of financial asset, financial liability, and equity instrument. All the requirements of presentation of the financial instruments are met in the same manner as provided by IPSAS 28. Financial statements of Armenian public sector entities included in the assessment comply in practice with the requirements of the APSAS with regard to the requirements of presentation of financial instruments. Accordingly, an A score is appropriate.

65. APSAS paras 24.22-24.25 of Section 24 “Liabilities and net assets/equity” define all requirements of offsetting of financial assets and financial liabilities. However, requirements for disclosures are not defined in APSAS. So, the appropriate score for dimension PI-7.2 is D.

66. In case of disclosures relating to the significance of financial instruments, it is important to note that while all general requirements of disclosures are provided by APSAS it includes no specific requirements for disclosures of financial instruments. Financial statements of Armenian public sector entities included in the assessment show that in practice the entities comply with the requirements of the APSAS with regard to disclosures of financial instruments (statement of financial position and notes 15 and 22 in the assessed financial statements). So the appropriate score for dimension PI-7.3 is C.

67. Dimension PI-7.4 considers general and specific information that should be disclosed by the entities regarding to credit risk, liquidity risk, and market risk. No requirements of risk management disclosures of financial instruments are provided by APSAS. It means that requirements of APSAS are less than general requirements set in IPSAS 30. So, the appropriate score for this particular dimension is D.

PILLAR III. NON-FINANCIAL ASSETS AND LIABILITIES

68. Pillar III is concerned with accounting for nonfinancial assets and liabilities in financial statements of public sector entities of Armenia in accordance with IPSAS 12 “Inventories”, IPSAS 13 “Leases”, IPSAS 16 “Investment Property”, IPSAS 17 “Property, Plant and Equipment”, IPSAS 19 “Provisions, Contingent Liabilities, and Contingent Assets”, IPSAS 21 “Impairment of Non-Cash-Generating Assets”, IPSAS 26 “Impairment of Cash-Generating Assets”, IPSAS 27 “Agriculture”, IPSAS 31 “Intangible Assets”, IPSAS 32 “Service Concession Arrangements: Grantor”, IPSAS 33 “First Time Adoption of Accrual Basis IPSAS”, and IPSAS 39 “Employee Benefits”. Those IPSAS provide overarching principles that fundamentally define what properties should be considered non-financial assets and under which circumstances a non-financial liability is present. Results of the assessment of the indicators of Pillar III "Non-financial assets & liabilities" are presented in **Table 8** below.

Table 8. Results of the Assessment of the Indicators of Pillar III: Non-Financial Assets and Liabilities

Indicators	Rating	
	Conceptual level	Actual level
Pillar III.	**B+**	**B+**
PI-8. Inventories	**B+**	**B+**
Dimension 8.1 – Definition and recognition	A	A
Dimension 8.2 – Measurement	C	C
Dimension 8.3 – Disclosure	A	A
PI-9. Biological assets	**A**	**A**
Dimension 9.1 – Definition and recognition	A	A
Dimension 9.2 – Measurement	A	A
Dimension 9.3 – Disclosure	A	A
PI-10. Leases	**A**	**A**
Dimension 10.1 – Definition and classification	A	A
Dimension 10.2 - Recognition from the perspective of lessor and lessee	A	A
Dimension 10.3 – Measurement (Finance Lease)	A	A
Dimension 10.4 – Disclosure	A	A
PI-11. Property, plant and equipment - recognition and measurement	**B+**	**B+**
Dimension 11.1 – Definition and recognition	A	A
Dimension 11.2 – Initial measurement	A	A
Dimension 11.3 – Subsequent measurement: Cost model	A	A

Indicators	Rating	
	Conceptual level	Actual level
Dimension 11.4 – Subsequent measurement: Revaluation mode	C	C
PI-12. Property, plant and equipment - First time adoption and depreciation	**B**	**B**
Dimension 12.1 – Measurement at first time adoption	A	A
Dimension 12.2 – Depreciation	C	C
Dimension 12.3 - Disclosure	B	B
PI-13. Intangible assets	**B**	**B**
Dimension 13.1 – Definition and recognition	B	B
Dimension 13.2 – Initial measurement	B	B
Dimension 13.3 – Subsequent measurement	C	C
Dimension 13.4 – Disclosure	A	A
PI-14. Service concessions	**A**	**A**
Dimension 14.1 – Definition and recognition: control of asset by grantor	A	A
Dimension 14.2 – Recognition of liability	A	A
Dimension 14.3 – Recognition of guarantees made by a grantor	A	A
PI-15. Impairment	**D**	**D**
Dimension 15.1 – Identification and recognition	D	D
Dimension 15.2 – Measurement	D	D
Dimension 15.3 – Loss reversal	D	D
Dimension 15.4 – Disclosure	D	D
PI-16. Provisions, contingent liabilities, and contingent assets	**A**	**A**
Dimension 16.1 – Definition and recognition of provisions and contingent liabilities	A	A
Dimension 16.2 – Definition and disclosure of contingent assets	A	A
Dimension 16.3 – Estimation of provisions	A	A
Dimension 16.4 – Disclosures in respect of provisions and contingent liabilities	A	A

Indicators	Rating	
	Conceptual level	Actual level
PI-17. Employee benefits	**B+**	**B+**
Dimension 17.1 – Short-term benefits	A	A
Dimension 17.2 – Defined benefit plans	NA	NA
Dimension 17.3 – Other long-term employee benefits	NA	NA
Dimension 17.4 – Termination benefits	B	B

69. Requirements for accounting of inventories are set in APSAS Section 17 "Inventories". In accordance with APSAS paragraphs 17.3-17.5, all materials or supplies held for consumption, distribution, or sale (either in the production process, rendering of services, or ordinary course of operations), and work-in-progress, including services, are recognized as inventory in the same manner as provided by IPSAS 12. Furthermore, in accordance with APSAS paragraphs 17.30-17.32, public sector entities should disclose accounting policy adopted for measuring inventory as well as items of table of changes in the financial statements, in the same manner as provided by IPSAS 12. The financial statements of Armenian public sector entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to recognition requirements as well as disclosures of the inventories. Evidence is presented in the statement of financial position and Note 8 in the assessed financial statements.

70. According to IPSAS 12, inventories should be measured at the lower value of the cost and net realizable value. APSAS Section 17 "Inventories", paragraphs 17.24, defines that strategic inventories should be measured at fair value, the remaining types of inventory should be measured at cost (APSAS paragraphs 17.8-17.11 and 17.21-17.23). As the strategic inventories have significant reporting end date balances, the requirement of measurement may be considered as fulfilled. In addition, the amount of inventory present in the public sector is very low, hence the cost measurement is applied as a simplified approach. The financial statements of Armenian public sector entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to measurement of inventories. Based on analysis of the requirements of Section 17, the score for the dimension PI-8.2 is C.

71. Additionally, in accordance with APSAS paragraphs 17.30-17.32, public sector entities should disclose accounting policy adopted for measuring inventory as well as disclose other required items in the financial statements, exactly in the same manner as provided by IPSAS 12. The financial statements of Armenian public sector entities reviewed for the PULSE assessment comply in practice with the APSAS requirements with regard to disclosures of inventories (Note 8).

72. Analysis of the provisions of Section 14 "Agriculture", Section 18 "Leases", Section 32 "Service Concession Arrangements", and Section 23 "Provisions, Contingent Liabilities and Contingent Assets" confirm that accounting and disclosure requirements of APSAS for this type of assets and events are in line with corresponding IPSAS. The highest score is granted to these indicators and corresponding dimensions.

73. Regarding PI-11. Property, plant, and equipment (PPE) – recognition and measurement indicator, beside revaluation model application requirements, which is only applicable to only for buildings and land, all dimensions are in line with IPSAS 16 and IPSAS 17. In accordance with APSAS paragraphs 2.28, 11.3, 11.10-11.13, and 13.5, PPE is defined as tangible items held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, with an expected use of more than one reporting period. In case of investment property, it should be held for the purpose of earning rent and for capital appreciation. In addition to two recognition conditions provided by APSAS paragraph 11.10, APSAS sets a third condition related to fixed asset initial cost amount, i.e., the Government sets a minimum amount of fixed asset initial cost taking into account the materiality concept of the accounting. The financial

statements of the entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to recognition criteria of PPE. No entities have recognized investment properties in the financial statements assessed.

74. In accordance with APSAS paragraphs 11.19-11.25, and 13.18-13.20, PPE and investment property are initially measured at cost, that is equal to the purchase price plus any attributable costs applicable to the item of PPE and investment property. In accordance with APSAS paragraphs 11.28, 11.29, 11.30, and 13.24, PPE and investment property, except for land and buildings, are subsequently measured at cost less accumulated depreciation. These approaches are practically the same as defined by IPSAS 16 and 17. The financial statements of the entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to initial and subsequent measurement of PPE. No entities had recognized investment properties in the assessed financial statements.

75. According to APSAS paragraphs 11.29, 11.30, and 13.24 and Order of the Minister of Finance N 143-A dated March 9, 2016, it is mandatory to adopt the revaluation model only for buildings and land. Hence, in most cases, the revaluation model "covers" the effect of impairment. The financial statements of entities reviewed for the PULSE assessment comply in practice with the requirements of the APSAS with regard to the revaluation model for subsequent measurement of PPE. No entities have recognized investment properties in the assessed financial statements. As recognition of impairment losses is not provided by APSAS, the score for dimension PI-11.4 is C.

76. With regard to PI-12. PPE – first time adoption and depreciation indicator, an action plan is set for implementation of APSAS in accordance with Order of the Minister of Finance N 607-A dated September 11, 2014. It defines fair value as deemed cost for all non-current tangible assets. Fair value is estimated based on defined methodology. The financial statements of the entities reviewed for the PULSE assessment comply in practice with the requirements of the Order of the Minister of Finance.

77. Regarding the dimension on depreciation, APSAS paragraphs 11.10, and 11.35-11.42 are applied. In order to ensure unified accounting policies and estimates for the entire public sector, the Government adopted a centralized approach on the review and update of estimates such as useful lives of PPEs. The depreciation method is set by APSAS and can only be updated by legislative change. The financial statements of the entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to depreciation of PPE. Taking into account the difference of this approach from IPSAS 16, dimension PI-12.2 is scored C.

78. In accordance with APSAS paragraphs 11.48-11.52, and 13.34-13.36, all of the applicable disclosures are provided for, except for certain disclosures regarding revaluation of lands. The financial statements of the entities reviewed for the PULSE assessment comply in practice with the disclosures set by APSAS with regard to PPE (Note 5).

79. Regarding intangible assets, in accordance with APSAS paragraphs 2.27-2.28, 12.7-12.14, and 12.26 of Section 12 “Intangible Assets”, non-monetary assets without physical substance are recognized as intangible assets based on four conditions. According to APSAS paragraphs 12.15-12.17, and 12.25-12.26, all the requirements applicable for initial measurement of separately acquired intangible assets are in line with IPSAS 31. As it is rare to have internally generated intangible assets in the public sector, APSAS defined a simplified approach. All costs related to internally generated intangible assets are expensed unless those costs form part of the initial cost of another asset that meets the recognition criteria of APSAS. The financial statements of the entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to recognition criteria and initial measurement of intangible assets.

80. According to APSAS paragraphs 12.29-12.36, intangible assets are measured at cost less accumulated amortization. The amount to be amortized and the useful life are determined considering economic factors, however, intangible assets with indefinite life are amortized over 10 years.

81. APSAS does not have any provisions for impairment of non-financial assets. This risk is mitigated via mandatory adoption of the revaluation model for buildings and land. Infrastructure assets are excluded from mandatory application of the revaluation model. If infrastructure assets are included in mandatory application of the revaluation

model, the material part of the non-financial assets will, in substance, be covered from the risk of impairment, taking into account that revaluation downwards will always be an effective mechanism for avoiding overstatement of assets. Thus, the score D is applicable for PI-15 Impairment indicator.

82. APSAS paragraphs 28.8-28.19 of Section 28 “Employee Benefits” state that short term employee benefits are recognized as an expense and a liability in accordance with all requirements. This is the same as IPSAS 39. The financial statements of the entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to recognition of short-term employee benefits.

83. The Armenian public sector does not have defined benefit plans or other long term employee benefit plans; therefore, no accounting policies are provided by APSAS. Thus, the NA score for dimensions PI-17.2 and PI-17.3 is appropriate.

84. In accordance with APSAS paragraphs 28.8, and 28.24-28.32 of Section 28 “Employee Benefits”, termination benefits are recognized as an expense and a liability at the earlier of when the entity can no longer withdraw the offer of those benefits or when the entity recognizes costs for a restructuring and involves the payment of termination benefits. According to Armenian legislation, the termination benefits are paid within 12 months. In this case, a B score is appropriate.

PILLAR IV. EXPENSES AND REVENUE RECOGNITION

85. Pillar IV assesses whether a public sector reporting entity recognizes, measures, presents, and discloses its expenses and revenues in accordance with IPSAS 9 “Revenues from Exchange Transactions”, IPSAS 23 “Revenues from Non-Exchange Transactions” (Taxes and Transfers), and IPSAS 42 “Social Benefits”. It presents results of analysis of provisions of APSAS regarding recognition, measurement, presentation, and disclosures of expenses and revenues in public sector entities of Armenia. The overall score for this pillar is B+ (**Table 9**).

86. The provisions of APSAS Section 25 “Revenue from Exchange Transactions” and Section 26 “Revenue from Non-Exchange Transactions” are in line with IPSAS 9 and IPSAS 23 accounting and disclosure requirements for these types of revenues. These indicators and corresponding dimensions receive the highest score A.

87. The definition of social benefits in APSAS paragraphs 23.3-23.6 of Section 23 “Provisions, Contingent Liabilities and Contingent Assets" is in line with IPSAS 42. The financial statements of the entities reviewed for the PULSE assessment do not in practice have any provisions for social benefits. This determined the score of A for dimension PI-20.1.

Table 9. Results of the Assessment of the Indicators of Pillar IV: Expenses and Revenue Recognition

Indicators	Rating	
	Conceptual level	Actual level
Pillar IV.	**B+**	**B+**
PI-18. Exchange transactions	**A**	**A**
Dimension 18.1 – Rendering of services	A	A
Dimension 18.2 – Sale of goods	A	A
Dimension 18.3 - Interest, royalties, and dividends or similar distributions	A	A

Indicators	Rating	
	Conceptual level	Actual level
PI-19. Revenue from non-exchange transactions	**A**	**A**
Dimension 19.1 – Tax revenues	A	A
Dimension 19.2 – Transfer revenues	A	A
Dimension 19.3 – Revenue or liability recognition	A	A
Dimension 19.4 – Measurement of non-exchange revenue	A	A
PI-20. Social benefits	**C**	**C**
Dimension 20.1 – Scope	A	A
Dimension 20.2 – Recognition and measurement	D	D
Dimension 20.3 – Disclosure	D	D

88. However, other provisions of IPSAS 42 are not defined by APSAS, which results in the score D for dimensions PI-20.2 and PI-20.3.

PILLAR V. FINANCIAL REPORTING AND CONSOLIDATION

89. Pillar V assesses the compliance of APSAS with IPSAS 1 "Presentation of Financial Statements", IPSAS 2 "Cash Flow Statements", IPSAS 18 "Segment Reporting", IPSAS 20 "Related Party Disclosures", IPSAS 24 "Presentation of Budget Information in Financial Statements", IPSAS 35 "Consolidated Financial Statements", IPSAS 36 "Investments in Associates and Joint-Ventures", IPSAS 37 "Joint Arrangements", IPSAS 38 "Disclosure of Interest in Other Entities", and IPSAS 40 "Public Sector Combinations." This section is evaluated according to four indicators (**Table 10**).

90. In accordance with APSAS paragraph 3.7 of Section 3 "Presentation of Financial Statements", as well as paragraphs 8.2-8.3 of Section 8 "Notes" of, the financial statements shall include a paragraph stating the compliance to APSAS. No information with regard to the difference between national standards and IPSAS should be provided. The financial statements of the entities reviewed for the PULSE assessment include a statement of compliance to APSAS. The score for dimension PI-22.1 is therefore B.

91. The provisions of IPSAS 24 "Presentation of Budget Information in Financial Statements" are not defined by APSAS. Furthermore, APSAS has no provisions on segment reporting as defined in IPSAS 18 "Segment Reporting". Based on these, dimensions PI-22.2 and PI-22.3 are scored as D.

92. Dimension PI-22.4 assesses the extent to which a reporting entity discloses key management personnel in its financial statements as required by IPSAS 20 "Related Party Disclosures". In accordance with APSAS Section 31 "Related Party Disclosures", public sector entities are required to disclose information about key management personnel and their close family members in the financial statements with all minimum items. This is the same approach as provided by IPSAS 20. The financial statements of the entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to disclosure of information about key management personnel. Given this, dimension PI-22.4 is scored as A.

Table 10. Results of the Evaluation of the Indicators of Pillar V: Financial Reporting and Consolidation

Indicators	Rating	
	Conceptual level	Actual level
Pillar V.	**B**	**C+**
PI-21. Presentation of financial statements	**A**	**A**
Dimension 21.1 – Degree of completeness: statement of financial position	A	A
Dimension 21.2 – Degree of completeness: statement of financial performance	A	A
Dimension 21.3 – Degree of completeness: statement of changes in net assets/equity	A	A
Dimension 21.4 – Degree of completeness: cash flow statement	A	A
PI-22. Notes	**C+**	**C+**
Dimension 22.1 - Notes	B	B
Dimension 22.2 – Degree of completeness: budget information	D	D
Dimension 22.3 – Segment reporting	D	D
Dimension 22.4 – Key management personnel	A	A
PI-23. Accounting for non-controlled entities and public sector combinations	**D+**	**D+**
Dimension 23.1 – Associates and joint ventures/Equity method	D	D
Dimension 23.2 – Joint operations	C	C
Dimension 23.3 – Public sector combinations	D	D
PI-24. Consolidated financial statements	**B+**	**D+**
Dimension 24.1 – Reporting scope and investment entities	A	D
Dimension 24.2 – Consolidation procedures	A	D
Dimension 24.3 – Transactions between related parties	A	A
Dimension 24.4 – Disclosures of interests in other entities	D	D

93. IPSAS 36 requires associates and joint ventures to be accounted for using the equity method when presenting consolidated financial statements. The standard also prescribes the procedures of the equity method in detail. APSAS Section 20 “Investments in Associates” and Section 21 “Investments in Joint Arrangements” adopts the fair value model instead. If the use of fair value is impractical, the cost model applies. This results in a score of D for dimension PI-23.1.

94. IPSAS 37 defines joint operations and requires the entity to account for them using proportional consolidation. If proportional consolidation is applied to different types of joint arrangements, in particular joint ventures (as was permitted by the withdrawn IPSAS 8), the score is C. In accordance with APSAS paragraphs 21.8-21.11 of Section 21 “Investments in Joint Arrangements”, each entity recognizes and measures each asset, liability, revenue, and expense according to its interest in the joint operation. In the assessed financial statements, entities did not enter into joint arrangements. Taking this all into account, dimension PI-23.2 is scored C.

95. Regarding dimension PI-23.3, the provisions of IPSAS 40 are not provided in APSAS. Thus, a D score is appropriate.

96. Provisions on consolidation of financial statements are defined by article 18.2 of the Law "On Accounting of Public Sector Organizations". The first set of consolidated financial statements should be presented for the reporting year of 2023. ASPAS Paras 9.7-9.11 of Section 9 “Consolidated and Separate Financial Statements” also provide guidance on whether the entity is controlled for the preparation of consolidated financial statements. Control is determined based on the combination of both power and benefit. In accordance with APSAS paragraphs 9.12-9.17 and Section 22 “Public Sector Combinations and Goodwill”, consolidated financial statements are prepared using uniform accounting policies, on a line-by-line basis, eliminating all transactions between the entities. This is the same approach as IPSAS 35. This results in score A for the conceptual level and D for the actual level of assessment for dimensions PI-24.1 and PI-24.2.

97. In accordance with APSAS Section 31 “Related Party Disclosures”, all related party transactions should be disclosed unless the terms and conditions of the transaction are the same as would apply to non-related parties. This is the same approach as IPSAS 20. The financial statements of the entities reviewed for the PULSE assessment comply in practice with the requirements of APSAS with regard to related party transactions that need disclosure. An A score is appropriate for dimension PI-24.3.

98. In case of dimension PI-24.4, IPSAS 38 requires disclosing the minimum items about interests in other entities. As provisions of IPSAS 38 are not provided in APSAS, the score for this dimension is D.

PILLAR VI. REFORM PREREQUISITES AND CAPACITIES

99. Pillar VI assessed the fundamental prerequisites and opportunities that must be taken into account for the effective and efficient functioning of PSA systems and the successful implementation of PSA reforms. Pillar VI contains an analysis of five indicators at the conceptual level (**Table 11**).

100. Armenia has a single CoA for all public sector entities, approved by order of the Minister of Finance N 207-N dated April 09, 2015. As indicated by paragraph "a" of the preface of the order, the CoA was developed to support the preparation of financial statements by public sector entities in accordance with APSAS. The CoA also includes classes of outflows and inflows, which are based on budget classifications and aim to assist in the process of preparation of budget execution reports. The CoA does not provide opportunity to derive the information for fiscal reporting purposes under the Government Finance Statistics (GFS), which means that the codification of GFS in CoA is missing. Therefore, the appropriate score for dimension PI-25.1 is B.

101. The high score for dimension PI-25.2 "Treasury Single Account" is because there is a single treasury account in Armenia. According to Clause 14 of the Law “On Treasury System”, the treasury single account is opened and held at the CBA.

102. According to Clause 6 of the Law "On Accounting of Public Sector Organizations", all public sector

Table 11. Results of the Assessment of the Indicators of Pillar VI: Reform Prerequisites and Capacities

Indicators	Rating
	Conceptual level
Pillar VI.	**C+**
PI-25. Integration with other PFM systems	**B+**
Dimension 25.1 – Multipurpose CoA	B
Dimension 25.2 – Treasury Single Account	A
PI-26. Integrated Financial Management Information Systems	**C+**
Dimension 26.1 – Accrual information	A
Dimension 26.2 – Capturing of transactional information	A
Dimension 26.3 – Integration of accounting and PFM systems	D
Dimension 26.4 – Automated consolidation process	D
PI-27. Human resources and capacity	**B**
Dimension 27.1 – Accrual accounting competencies	A
Dimension 27.2 – Professionalization of the PSA function	B
Dimension 27.3 – Appropriate staffing level	C
PI-28. Accounting function	**C**
Dimension 28.1 – Accounting function	C
Dimension 28.2 – Independence of standard-setter	D
Dimension 28.3 – Independence of standard-setting process	B
PI-29. Reform ownership	**C**
Dimension 29.1 – Mandate for reform	A
Dimension 29.2 – Political commitment	D
Dimension 29.3 – Stakeholder involvement	D

organizations should maintain their accounting via IT program software. The requirements for the IT program software are set by Government Decree N 313-N dated March 26, 2015. According to point 4 of Annex 1 of the Decree, IT program software should provide an opportunity to record the results of all operations, cases, and events so that they are reflected in the financial statements of the period to which they refer, i.e., on an accrual basis. Point 3 of Annex 2 of the Decree requires IT program software to have a general ledger. Public sector organizations in Armenia mostly use software designed by the Armenian company, Armenian Software. The score for dimensions PI- 26.1 and PI-26.2 is A.

103. Most PFM systems processing relevant accounting information are not yet configured to exchange information with the general ledger and there is no automated consolidation process. The score for dimensions PI-26.3 and PI-26.4 is therefore currently D. However, this will improve with the planned introduction of the GFMIS. Terms of reference for development of the GFMIS have been published on the website of the MoF and include automatic exchange of information between all core PFM systems. The tendering process is expected in 2024 with the introduction of GFMIS within three years. Consolidation of financial statements is planned to be implemented via the accounting module of GFMIS.

104. Regarding dimensions PI-27.1 “Accrual accounting competencies” and 27.2 “Professionalization of the PSA function”, the MoF has developed a qualification system for public sector accountants and began conducting qualification exams in 2020. The exam consists of 75 multiple choice questions covering APSAS, CoA, Tax Code, and other regulations related to PSA. Qualification is mandatory for heads of accounting functions of ministries and other state bodies as well as state non-commercial and local non-commercial organizations with annual budget financing which exceeds AMD 400 million. The qualification is valid for five years. As of October 01, 2023, more than 300 people have obtained the qualification. An A score is granted for the PI-27.1 dimension and B for PI-27.2.

105. The MoF perceives that the staffing level of units directly involved in PSA reform are not yet sufficient and plans to hire additional personnel to support the next phase of phase. A C rating is appropriate for dimension PI-27.3.

106. For the assessment of dimension PI-28.1, it is important to note that accounting in Armenia is maintained via a decentralized system. Each public sector organization is responsible for maintaining its own accounting. Duties and responsibilities of management and the head of accounting function are clearly defined by clauses 8 and 9 of the Law "On Accounting of Public Sector Organizations". In addition, APSAS and other methodological frameworks are published and available for use. So, accounting is organized in way that it fulfills two criteria of an efficient and effective operation of the key accounting function and tasks, which results in the score C for this dimension.

107. Regarding standard-setting, the key principles include that an independent standard-setting authority has adequate resources and sufficient technical expertise, skills, and experience and operates a transparent process to identify and prioritize changes to the standards. It should have a process for the selection of independent members to the standard-setting body and monitoring of their performance, a conflict-of-interest policy, and conduct regular public meetings. There should be an oversight process for the standard-setter in support of the public interest. The MoF is the standard-setter in Armenia so the score for dimension PI-28.2 is D.

108. On the independence of the standard-setting process, APSAS has been discussed with representatives of the professional community and approved by order of the Minister of Finance. The final version of APSAS was approved as a by-law and is officially published on the official website of legal acts of Armenia. So, the standard-setting process fulfills the principles of an independent standard-setting due process but, because dimension PI-28.2 scored D, an overall indicator score B is appropriate.

109. According to the Law "On Accounting of Public Sector Organizations", all public sector organizations should maintain their accounting based on accrual based APSAS starting from January 01, 2018. Transitional provisions of the Law (Clause 24) set deadlines for the preparation of consolidated financial statements at the level of ministries and for the whole of government (respectively the reporting periods of 2023 and 2024). This is basis for a score of A for dimension PI-29.1.

110. Regarding dimensions PI-29.2 and PI-29.3, PSA reform was initiated in 2014 when the Law "On Accounting of Public Sector Organizations" was adopted. The reform is designed in three phases: 1. embedding a new accrual-based accounting system at the level of separate public sector organizations, 2. preparation of consolidated financial statements at the level of ministries, and 3. preparation of consolidated financial statements at the level of whole of government. The first phase is in place and consolidation is planned via the accounting module of GFMIS. There is no cost estimate for the consolidation process. There is no technical task force to act as the responsible authority, with defined reporting lines to senior government officials at the administrative level. This results in D scores for both dimensions PI-29.2 and PI-29.3.

FINDINGS AND RECOMMENDATIONS

111. Reforms to the PSA system of Armenia are ongoing, and the main focus now is consolidation. Legislation sets an ambitious timeframe in order to reach the results of next phase of reforms: prepare consolidated financial statements on the level of ministries.

112. This PULSE assessment confirms that the overall status of reforms, both conceptually and the practical implementation of accounting regulations, are rated B. This high rating reflects the significant measures implemented in Armenia over the last decade. The same approach is planned for the next modernization phase of PSA.

113. The following table summarizes main findings and notes any related recommendations or actions.

Table 12. Comments and recommendations

Indicators	Rating		Comment	Recommendation/Action
	Conceptual	Actual		
PILLAR II	**C+**	**C+**		
PI-4. Financial assets	**B** (Total of 4 dimensions = A, A, B, D)	**B** (Total of 4 dimensions = A, B, B, D)	Dimension PI-4.4 - Financial assets at fair value through net assets/equity Financial assets measured at fair value through net assets are included in the scope of financial assets at fair value through surplus/deficit. Accordingly, no explicit and separate category for financial assets at fair value through net assets/equity.	No corrective action is required. In Armenian public sector, financial assets measured at fair value are very rare. The use of such instruments is not expected to increase in near future. If such need arises, APSAS will be updated accordingly.
PI-5. Financial liabilities	**B** (Total of 4 dimensions = A, A, B, D)	**B** (Total of 4 dimensions = A, A, B, D)	Dimension PI-5.4 – Financial liabilities with other bases of measurement Financial liabilities measured at fair value through net assets are included in the scope of financial liabilities at fair value through surplus/deficit.	

Indicators	Rating		Comment	Recommendation/Action
	Conceptual	Actual		
PI-6. Derivatives, hedge accounting, loss allowance, and borrowing cost	**C+** (Total of 4 dimensions = NA, NA, D, A)	**C+** (Total of 4 dimensions = NA, NA, D, A)	Dimension PI-6.1 – Derivative instruments In Armenian public sector derivative instruments are not presented, hence APSAS does not include any provisions on its recognition and measurement.	No corrective action is required as derivative instruments and hedge accounting are not used nor expected to be used in the public sector. If such need arises, APSAS will be updated accordingly.
			Dimension PI-6.2 – Hedge accounting In Armenian public sector hedge accounting is not presented, hence APSAS does not include any provisions on its recognition and measurement.	
			Dimension PI-6.3 – Loss allowance Accounting treatment of loss allowances is based on provisions of previous International Accounting Standard 39, without taking into account expected losses of an asset when calculating loss allowances.	Revision of APSAS Chapter 19 is planned, to include the provisions of IPSAS with regard to impairment of financial assets based on expected losses.
PI-7. Presentation, offsetting, and disclosures	C (Total of 4 dimensions = A, D, D, C)	C (Total of 4 dimensions = A, D, D, C)	Dimension PI-7.2 – Offsetting APSAS defines all requirements of offsetting, but requirements of disclosures are not defined.	APSAS revision is planned.
PILLAR III	**B+**	**B+**		
PI-15. Impairment	D (Total of 3 dimensions = D, D, D)	D (Total of 3 dimensions = D, D, D)	All dimensions APSAS does not have any provisions for impairment of fixed assets.	A new APSAS Chapter will be added.
PILLAR IV	**B+**	**B+**		
PI-20. Social benefits	C (Total of 3 dimensions = A, D, D)	C (Total of 3 = A, D, D)	Dimensions PI-20.2 and PI-20.3. Other provisions of IPSAS 42 are not defined by APSAS.	APSAS revision is planned.

Indicators	Rating		Comment	Recommendation/Action
	Conceptual	Actual		
PILLAR V	**B**	**C+**		
PI-22. Notes to the financial statements	**C+** (Total of 4 dimensions = A, B, D, D)	**C+** (Total of 4 dimensions = A, B, D, D)	Dimension PI-22.2 - The provisions of IPSAS 24 “Presentation of budget information in financial statements” are not defined by APSAS. Dimension PI-22.3 – APSAS has no provisions on segment reporting.	APSAS revision is planned subsequent to consolidation at state level.
PI-23. Accounting for non-controlled entities and public sector combinations	**D+** (Total of 3 dimensions = C, D, D)	**D+** (Total of 3 dimensions = C, D, D)	Dimension PI-23.3 – Public sector combinations Provisions of IPSAS 40 are not provided in APSAS.	First set of consolidated financial statements is not yet prepared in Armenia. Provisions of IPSAS 40 will be incorporated in the consolidation methodology where relevant.
PI-24. Consolidated financial statements	**B+** (Total of 4 dimensions = A, A, A, D)	**D+** (Total of 4 dimensions = A, A, A, D)	Dimension PI-24.1 – Reporting scope and investment entities Consolidated financial statements are not yet prepared in Armenia at state level and/or at interim level. Dimension PI-24.2 – Consolidation procedures Consolidated financial statements are not yet prepared in Armenia at state level and/or at interim level. Dimension PI-24.4 – Disclosures of interests in other entities Provisions of IPSAS 38 are not provided in APSAS.	First set of consolidated financial statements is not yet prepared in Armenia. These provisions will be taken into account when consolidation methodology is prepared.

Indicators	Rating		Comment	Recommendation/Action
	Conceptual	Actual		
PILLAR VI	**C+**			
PI-26. Integrated Financial Management Information Systems	**C+** (Total of 4 dimensions = A, A, D, D)		Dimension PI-26.3 – Integration of accounting and PFM systems Terms of Reference for GFMIS have been developed which will ensure automatic exchange of information between all core PFM systems. Tendering process is expected in 2024 and introduction of the GFMIS within 3 years. Dimension PI-26.4 – Automated consolidation process Consolidation of financial statements are planned to be implemented via accounting module of GFMIS. Tender is planned to take place during 2024.	GFMIS implementation is a long term and extensive process. A roadmap will be used for the PSA module. This may include standalone tools/ solutions for integrating accounting data received from public sector entities, and could use an interim solution for preparation of state level consolidated financial statements.
PI-27. Human resources and capacity	**B** (Total of 3 dimensions = A, B, C)		Dimension PI-27.3 – Staffing level The MoF believes there are insufficient staff in units directly involved in PSA reform.	The MoF plans to hire additional personnel for the next phase of PSA reform. Knowledge gained and experience obtained from the FinCoP and EduCoP events of the PULSAR program as well as different knowledge products of PULSAR program will significantly improve the capacity of relevant staff of the MoF.

Indicators	Rating		Comment	Recommendation/Action
	Conceptual	Actual		
PI-29. Reform ownership	**C** (Total of 3 dimensions = D, D, A)		Dimension PI-29.2 – Political commitment. Reform began in 2014 with adoption of the Law "On Accounting of Public Sector Organizations". There are 3 phases envisaged: 1. embedding new accrual-based accounting system in separate public sector organizations, 2. preparation of consolidated financial statements at level of ministries and 3. preparation of consolidated financial statements at level of whole of government. The first phase is in place, and consolidation is planned via the accounting module of GFMIS. There is no cost estimate for consolidation process. Armenia is committed to have 2024 consolidated state level financial statements prepared in accordance with Law "On Public Accounting". Dimension PI-29.3 – Stakeholder involvement There is no technical task force as the responsible authority with defined reporting lines to senior government officials at the administrative level.	Timetable is precise, i.e., state level consolidated financial statements for 2024 shall be prepared in first half of the 2025.

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