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Local knowledge



## Outsourcing offers financial risk mitigation

TMF Group supports Witteveen+Bos in Kazakhstan as it performs engineering projects around the Caspian Sea

### Client profile

Occupying an area greater than Western Europe, Kazakhstan is a land of extremes. Its deep continental climate means temperatures can plunge below -20°C in winter and top 35°C in the summer. Lying on two continents, either side of the Ural River, Kazakhstan is also the world's largest landlocked country.

Rich mineral and hydrocarbon deposits make Kazakhstan a magnet for major mining, energy, construction and infrastructure companies. International consulting and engineering firm Witteveen+Bos, which is headquartered in the Netherlands, is much in demand.

Witteveen+Bos is currently engaged in contracts with major oil producers in the Caspian Sea area. Intended to assist in exploiting oil reservoirs found off the Kazakhstan shore, Witteveen+Bos offers engineering solutions for water facilities, offshore islands, ports infrastructure development and the like.

### Strategic issue

The Witteveen+Bos Kazakhstan branch office was established in the city of Atyrau in 2000. Diana Shashina, Finance Director at Witteveen+Bos Caspian LLP, says: "In late-2011, following a particularly heavy tax audit by the Kazakh authorities, it was realised that our local internal accounting and tax compliance organisation was underperforming. With the pressure on to put things right we decided to outsource the function."

The Witteveen+Bos Netherlands head office recommended TMF Group because of excellent work it had done for the company elsewhere in the world. A presentation by representatives from TMF Group Kazakhstan provided further convincing evidence that Witteveen+Bos Kazakhstan had found the partner it was seeking.

*"TMF Group were not only well versed in Kazakhstani government finance and regulatory requirements and processes, but also were able to demonstrate they had in-depth understanding of our business."*

Diana Shashina  
UK Finance Director  
Witteveen+Bos Caspian LLP

TMF Group provide the following services to Witteveen + Bos in Kazakhstan:

- Accounting and bookkeeping
- Bank and bill payments
- Payroll systems and processes
- Tax and other statutory filing and reporting requirements



## TMF Group engagement

A three-year outsourcing contract between Witteveen+Bos Kazakhstan and TMF Group Kazakhstan was agreed. It includes bookkeeping in the Russian 1C accounting package – in use by thousands of companies in the former- CIS countries and widely accepted by tax authorities – along with processing bills and bank payments. TMF Group manages the payroll for some 58 employees, too.

Also included in the contract are the filing of statutory tax returns and the provision of quarterly and annual statistical reports to various government agencies such as the National Bank of Kazakhstan.

The work is done in the local TMF Group office, releasing valuable Witteveen+Bos office space for other uses. Original stamped and signed documents, supplied by Witteveen+Bos, are used by TMF Group people in order to meet strict Kazakh compliance requirements. Says Diana: “The turnover is around 10,000 journal entries per year along with some 1,500 bank payments.”

## Business value

Alongside an estimated five per cent cost reduction – compared to employing an in-house accounting team – one of the principal benefits to Witteveen+Bos of the outsourcing arrangement with TMF Group is risk mitigation.

Late filing incurs an administrative charge, while incorrect tax returns result in a penalty extending to 50 per cent of the underpayment, along with heavy interest charges on the outstanding amount. Persistent offenders are blacklisted by the Kazakh authorities, triggering regular intrusive tax and financial audits until they are willing and able to toe the line.

“In-house manual processing is not cost effective and introduces human error,” explains Diana. “So systems have to be configured and maintained to ensure the accuracy and timeliness of the reports that are derived from them. We get that assurance of professionalism and integrity from TMF Group.”

## Looking forward

In 2006 Witteveen+Bos created the entity referred to as Witteveen+Bos Caspian LLP to service its growing Caspian Sea operations. Diana took up her present post as Finance Director in 2011.

“We agreed on the contract for Caspian LLP, in addition to the branch office already serviced by TMF for six months,” she says, “and TMF Group quickly extended the existing outsourcing arrangements to cover the new company.”

Witteveen+Bos group financial management is also considering extending its use of TMF Group services to cover other international locations.



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Diana Shashina  
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Witteveen+Bos Caspian LLP



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