

PEM®PAL Europe and Central Asia Region

Financial Reporting - Consolidation

Progress, survey results and next steps

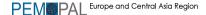
Michael Parry, World Bank, February 2014



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Consolidation Thematic Working Group - Progress

- Initiated Kiev 2013
 - Programme of work agreed
- Video Conference December 2013
 - Presentation by Bulgaria IPSAS and statistical reporting
 - Summary of new Consolidation Exposure Drafts
 - Draft outline of Consolidation Guidance
 - Survey on consolidation practices





Consolidation Survey Results Summary



Respondents

- 12 Countries responded:
 - Albania
 - Azerbaijan
 - Bulgaria
 - Kazakhstan
 - Kyrgyz Republic
 - Macedonia
 - Moldova
 - Montenegro
 - Russian Federation
 - Tajikistan
 - Turkey
 - Ukraine





Q 2 - Existing Consolidation

Budget

- All countries consolidated budget expenditure
- All but one consolidated budget revenue

Reporting

- All but one consolidated expenditure for budget or financial reporting
- All but two consolidated revenues

Consolidated information is required for fiscal planning and management



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Q3 & 4 -Consolidation Comprehensiveness

- 9 out of 12 countries consolidated the whole of the General Government Sector for both budget and reporting
- All of the above used a "tree" consolidation structure
- Of the 3 countries that did not consolidate the whole GGS exceptions were:
 - Entities below Level 1 not consolidated
 - Pension and social funds not consolidated

Difficult to exercise fiscal control without information on all budget revenue & expenditure

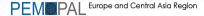
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Reporting

- Q6 Whole of government reporting
 - 6 countries prepare consolidated financial reports for the whole of government which are audited and submitted to Parliament
- Q5 Reporting below the level of the whole of government
 - 8 countries prepared budget and financial reports at every level of consolidation

Narrative responses indicate reports do not contain all information required by IPSAS



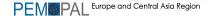
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Q 7 & 8 - Consolidation Methodology

- Contradiction between responses from some countries:
 - 8 reported that all inter-entity transactions were eliminated on consolidation
 - But 4 of these did not eliminate taxation between entities

Concept of eliminating transactions between entities that are consolidated together may not be fully understood



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Q9 - Automation of Consolidation

- 6 countries reported partial automation
- 3 countries reported fully automated consolidation processes
 - Easy to automate aggregation
 - Difficult to automate consolidation system must be able to identify, match and eliminate transactions between entities



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Q10 Compliance with IPSAS 6

- 4 countries prepare consolidated financial statements at every level of government fully compliant with IPSAS
 - This result must be treated with caution
 - No other country in the world has achieved full IPSAS compliance
 - Need to compare financial statements to IPSAS requirements







Q12 - Identified issues

- Reconciliation of data flows
- Obtaining information from some government entities
- Misstatement of economic operations
- Non-coordination of financial plans for consolidated transfers
- Scope of consolidation units

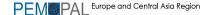


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Conclusions

- Survey results of limited value
 - All respondents have consolidation process for both budget and reporting
 - Some countries indicate a high level of compliance with IPSAS/GFS consolidation requirements
 - But questions have failed to adequately identify issues and problems





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Required Actions

Action	Comment		
Survey	Review resultsConclusions		
Experience other countries	Bulgaria & Georgia presentationsLessons learned		
IPSASB Exposure Drafts	Review Impact on guidance		
Guidance Note on Financial Reporting for consolidation	Review headingsProcess for preparation		

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Proposed Guidance Note Outline

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