**Report on the Videoconference of the TCOP Thematic Group on Financial Reporting Consolidation**

**25 September 2014**

According to the Action Plan, the thematic group on financial reporting consolidation held a videoconference on 25 September 2014, where the issues related to development of a Guide on Financial Reporting Consolidation were discussed. The agenda of the videoconference is embedded below.



Representatives of Albania, Azerbaijan, Georgia, Moldova, Russian Federation, Tajikistan and Ukraine took part in the videoconference. The following TCOP resource team members also attended the event: Elena Nikulina, Ion Chicu and Michael Parry. The videoconference lasted for three hours. The list of videoconference participants is embedded below.

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At the beginning of the meeting, Mr. Ion Chicu gave brief information on the work done by the group after the last meeting in Tbilisi in February 2014. In particular, the group has reviewed the structure of the Guide on Financial Reporting Consolidation it is developing and has drafted a plan on the document development. Representatives of the Russian Federation (Mr. Anton Dubovik) and Moldova (Nadejda Slova) showed initiative to prepare drafts of some of the chapters of the future Guide, and namely:

*Chapter 1 - Basic Concepts (Anton Dubovik)*

*Chapter 2 - Guide Objectives (Anton Dubovik)*

*Chapter 5 - Consolidation Structure (Nadejda Slova)*

The main goal of the videoconference was to discuss the draft chapters prepared by Mr. Dubovik and Mrs. Slova, as well as to assign the work on the remaining chapters of the Guide among group members.

Mr. Dubovik prepared several slides to present his draft, including, among others, his proposals on reviewing the structure of the Guide. The draft chapters developed by him and the corresponding slides are embedded below.

 

The presenter underlined that while working on the corresponding draft chapters of the Guide it became evident that there was a need to review the earlier coordinated document structure. The proposals on the corresponding changes were presented to the videoconference participants (slides 3 and 4). Within further comments to these proposals, group members, as well as Michael Parry agreed with the opinion of Mr. Dubovik and the structure was amended accordingly. Also taking into account the proposal of Mr. Ehtiram Isabalaev from Azerbaijan to include an additional chapter on flows and stocks subject to consolidation in the structure of the Guide, sustained by the videoconference participants, the new structure contains 13 chapters. Mr. Dubovik also presented his vision of the structure of subchapters to the participants, featured in the above-mentioned slides as well.

Presenting the developed draft, Mr. Dubovik emphasized that work on these chapters was not over yet and there was still relevant information to be added. First of all, it was about ESA (European System of Accounts) and Mr. Dubovik invited colleagues from countries with relevant experience to contribute to drafting this information. Commenting on this proposal, Ion Chicu informed that he would address to the group members representing Bulgaria and Croatia with a request to contribute to drafting relevant information for the Guide.

At the end of his presentation, Mr. Dubovik also made the following proposals regarding the process of future work on the Guide development:

*- If materials from other sources are used in the process of developing the Guide, the authors of the relevant chapters of the document should make references to the publications they use to avoid possible accusations of plagiary and copyright violation;*

*- To structure each chapter of the Guide logically, so that to pass from the description of the general theoretical methodological approach stipulated in the standard or any other guidelines to description of the applied practical aspects in specific countries and further to relevant recommendations;*

*- In order to ensure high quality translation of the developed material, if various charts and diagrams are used, it is proposed to present them in Power Point and provide sources and links for the translators to be able to work with the original data.*

Commenting on the information presented by Mr. Dubovik, Mr. Michael Parry said he supported the proposals on the structure of the Guide, underlining at the same time that in the process of further work on the document a need to operate similar changes was likely to appear again. Thus, he proposed to focus the efforts on developing the contents of the chapters and to approve the final structure of the document after the group examines the developed material. He also supported Mr. Dubovik's proposal on the structure of chapters passing from the description of general methodology to practical aspects. As for the presentation of various definitions and notions in the Guide, Mr. Parry emphasized that it would be useful to apply such definitions and notions in the wording of the already existing generally acknowledged documents (IPSAS, GFS, etc.). He also outlined the need to indicate the source of the information used in the document. Also, Mr. Parry indicated that he had detailed comments on the contents of the developed draft, but he would present them later in writing.

Presenting the below draft on the structure of consolidation and sub-entities, Mrs. Nadejda Slova said that developed it based on Moldovan experience in financial reporting consolidation and proposed to all the countries-members of the group to make a contribution to drafting of this chapter by describing the corresponding approaches applied in these countries. In particular, due to exclusion of public corporations from the general government sector in Moldova, she invited colleagues to describe the relevant experience in other countries.



Mrs. Slova emphasized that at the current stage the draft chapter looked more like a graphic representation of the consolidation structure, but later it would be complemented by text describing those schemes, including description of interaction between institutions of different levels, as well as various transactions excluded from consolidation (transfers, loans, interests, etc.)

The presentation of the developed drafts was followed by a question and answer session, as well as comments on the part of videoconference participants. All group members thanked Mr. Dubovik and Mrs. Slova for the quality of the prepared material. Mr. Ehtiram Isabalaev (Azerbaijan) indicated the importance of quality description of transactions excluded from consolidation in the Guide. He also proposed to include a chapter on the flows and stocks subject to consolidation in the structure of the Guide. Mr. Davit Gamkrelidze (Georgia) noted the similarity of the consolidation scheme described by Mrs. Slova as applied in Moldova with the one applied in his country. His question was about the standards reporting consolidation in Moldova was based on - IPSAS or GFS. The answer was GFS. Mr. Ismatullo Hakimov (Tajikistan) proposed to allocate some time during the meeting in Montenegro to discuss the cases identified by Mr. Dubovik as difficult in terms of application of requirements according to various standards. He also informed that they were currently working in Tajikistan on development of a methodology describing transactions excluded from consolidation. Mrs. Mimoza Pilkati (Albania) pointed out the need to describe differences in consolidation requirements according to different standards (IPSAS, GFS, ESA). As an EU candidate country, Albania is interested in the practice of ESA standards application. She also mentioned the similarity of the consolidation structure applied in Moldova with the one applied in Albania. Mrs. Liudmila Litvinova (Ukraine) highlighted some differences in the consolidation structure between Ukraine and Moldova and asked a question on the transactions excluded from consolidation. Transfers, inter-budget loans and related interests were mentioned. Also, Mrs. Litvinova proposed the countries that had implemented consolidation schemes different from the one in Moldova to present their examples.

Commenting on the information presented by Mrs. Slova, Mr. Parry emphasized the need to include public corporations in the consolidated general government sector and to describe this process in the Guide correspondingly. To make the perception easier, he proposed to consider the consolidation scheme as a set of concentric circles. In the center - general government sector and consolidation of entities within this sector; the next circle - regional, subnational level; the third circle - agencies that, according to the government's opinion, should be included in consolidation; and the last circle - public companies and corporations with participation of public capital.

After the discussions on the already developed draft chapters of the Guide, videoconference participants discussed issues related to the organization of further work related to development of the Guide on Financial Reporting Consolidation. Based on the just reviewed structure of the Guide, the participants coordinated the plan for document development (embedded below), including all the chapters of the document, countries responsible for development of draft chapters, as well as deadlines for draft presentation.



According to the Plan, draft chapters of the Guide should be presented by their authors by 10[[1]](#footnote-1) and 17 October 2014.

Apart from the issues related to the Guide development, the group also discussed at the videoconference the issues related to preparation of the TCOP thematic group meeting on public accounting and reporting that will take place on 10-12 November in Podgorica, Montenegro. Mrs. Elena Nikulina made a brief presentation of the concept of this event to the videoconference participants. She informed those present that the financial reporting consolidation group was in charge of one of the plenary sessions of the event and thus proposed to consider including in the agenda Mark Silins' presentation on Australia's experience in financial reporting consolidation. The videoconference participants supported this proposal and Mr. Silins was proposed to prepare the corresponding presentation. Also, Mrs. Nikulina proposed to the countries that made presentations at the videoconference (Russia and Moldova) to prepare a brief presentation of the progress made by the group in Guide development for the same plenary session based on the presented information. Representatives of Russia and Moldova will inform about their opinion on this proposal by e-mail correspondence.

Mrs. Nikulina also said that the group would have a separate meeting in Podgorica according to the group's individual agenda. In this context, videoconference participants were proposed to think about the design of this meeting and present their proposals. Mr. Ion Chicu informed that most of the time of this meeting would be dedicated to discussing the drafts developed for the Guide. TCOP Resource Team will prepare a draft agenda for the group's separate meeting in Podgorica and will present it for the group's consideration together with the report on the videoconference held on 25 September.

At the end of discussions on this issue, the participants were informed about the need to register for participation in the Montenegro event as soon as possible, as well as about the need to comply with the indicated deadlines for confirming their participation in videoconferences.

1. All the chapters apart from those developed by Mr. Dubovik. He will present his drafts by 17 October. [↑](#footnote-ref-1)