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# Consolidated Financial Statements



September 27 – 28, 2013



# Deficiencies of the Financial Statement Consolidation System (1)

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- ✓ Inconsistent implementation of the prescribed accounting methodology,
- ✓ No unified methodology for implementation of the consolidation process,
- ✓ Lack of education for all participants in the consolidation process,
- ✓ By default, consolidation process is conducted manually,
- ✓ Unaudited financial statements are being used for the purposes of consolidation process, which assumes a risk of unrealistic reporting of consolidated data,
- ✓ Incompleteness of data in consolidated financial statements at the level of central budget and central government, due to lack of data on the balance sheet positions regarding records of financial and non-financial assets (fixed assets, accounts receivable for government budget revenues, etc),



# Deficiencies of the Financial Statement Consolidation System (2)

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- ✓ Inconsistent implementation of the prescribed scope of consolidation subjects, which is most pronounced in local and regional self-government units,
- ✓ Insufficiently specified and defined rules for difference between consolidated and non-consolidated budget,
- ✓ Insufficient use of data from financial statements, as a basis for decision making at all levels of government,
- ✓ Lack of human resources.



# Advantages of the Financial Statement Consolidation System

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- ✓ Uniquely prescribed accounting methodology, which provides for implementation of the same accounting rules for all consolidation subjects,
- ✓ The same Chart of Accounts for all consolidation subjects,
- ✓ Unified content of financial statements,
- ✓ Mathematical and logical controls incorporated in financial statement templates,
- ✓ Prescribed scope of consolidation subjects through the register of budgetary and extra-budgetary users,
- ✓ Availability of information (laws and by-laws, directives, etc.),
- ✓ Treasury operations (as a rule, state budget and a few bigger cities and counties),
- ✓ Generally good mutual communication between a competent budget authorities and budget users.

