



FEE Roundtable
Harmonising European Public Sector Accounting
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Taking stock of EPSAS developments

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EPSAS: Where do we stand?

- I – Taking forward the EPSAS project
- II – Issues to be addressed in the Commission Communication and IA
- III – Problem definition
- IV – The right of EU to act
- V – Objectives
- VI – Options
- VII – Impacts, costs and benefits
- VIII – Elements of EPSAS
- IX – Steps towards EPSAS implementation
- X – EPSAP the conceptual framework "light"
- XI – Task Force EPSAS Standards

I – Taking forward the EPSAS project

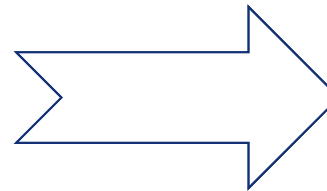
Outputs from:

- TF EPSAS Governance

- TF EPSAS Standards

- Public consultation on
EPSAS governance

- External study (PwC)



Commission
Communication

Framework
Regulation

II – Issues for Communication and I.A.

- Problem definition
- The right of EU to act
- Objectives
- Options
- Impacts, costs and benefits
- Elements of EPSAS
- EPSAS implementation

III – Problem definition

- Financial accounting is key for the functioning of economies and their markets, for the private as well as the public sector
- Policies of one MS affect the markets and economies of the others.
- Fiscal surveillance at EU level is based on accruals data
- Regular reporting by MS of complete, reliable and accurate fiscal data, comparable within and across Member States, is a crucial element of the single market, multilateral and fiscal surveillance
- Accounting practices vary and are expected to vary widely across and within MSs

III – Problem definition – *[cont.]*

- Many public sector accounting and financial reporting systems may be seen as advanced and mature systems and completely adequate for the national purposes they have been designed to serve
- From an EU perspective the wide range of public sector accounting and financial reporting practices that exist across the EU result in financial statements and upstream data that:
 - *lack transparency , and*
 - *are non-comparable, incomplete and inconsistent*

IV – The right of EU to act

- The current approach of reconciling non-harmonised micro-level public-sector accounting data for EDP purposes is reaching its limits
- The diversity of public sector accounting practices in the MSs and the slow pace and lack of coordination of reforms justifies EU action
- Transparency and comparability of public sector accounting and financial reporting cannot be sufficiently achieved by the MSs and can therefore only be achieved at the level of the Union
- National and sub-national budgetary aspects are left to the discretionary powers of the Member States

V – Objectives

The primary objective of the proposed initiative is to increase **fiscal transparency** and achieve **comparability** within and across Member States . . .

To address the underlying problem drivers and their consequences by:

- *improving the comparability of the reporting of the financial position and performance across and within the Member States*
- *producing more relevant, reliable and timely financial and fiscal data*
- *supporting access to financial markets to secure liquidity*
- *further strengthening macroeconomic stability, coordination, surveillance and policy advice at EU level*

V – Objectives – [cont.]

- *minimising the incoherence between the micro-level and the ESA macro-level accounting and reporting framework*
- *enabling improvements to the efficiency, effectiveness of public sector management*
- *increasing the accountability of policy makers and public sector managers*
- *facilitating the efficiency and effectiveness of the work of the public auditors*
- *reducing the asymmetric treatment of private compared to public sector entities with respect to financial transparency requirements*

VI – Options

- **Option 1:** EPSAS standards, with mandatory implementation via binding legislative instruments. A Framework Regulation would define the necessary governance structure, the endorsement procedures for the standards
- **Option 2:** EPSAS standards without legal enforcement but provide various incentives for implementing them
- **Option 3:** No EU action

VII – Costs and benefits

- Only Option 1 would bring the required improvements: transparent and comparable financial reporting across and within MSs
- It would involve higher positive and negative impacts than the other options
- It would cause the highest administrative costs and burden on preparers
- It would generate by far the most significant beneficial economic impacts for all stakeholders

VII – Costs and benefits [cont.]

- It is a genuine cultural change project which is expected to mark a new era with respect to fiscal transparency, public sector management and accountability
- It would have significantly higher impact in terms of training costs for users and preparers
- It would foster mobility of resources and expertise in the single market
- It would offer new opportunities for education programmes and research in public sector accounting

VIII – Elements of EPSAS

- Framework Regulation
- Governance
- European Public Sector Accounting Principles (EPSAP)
- Relationship between EPSAS and IPSAS
- Scope
- Compliance
- Monitoring

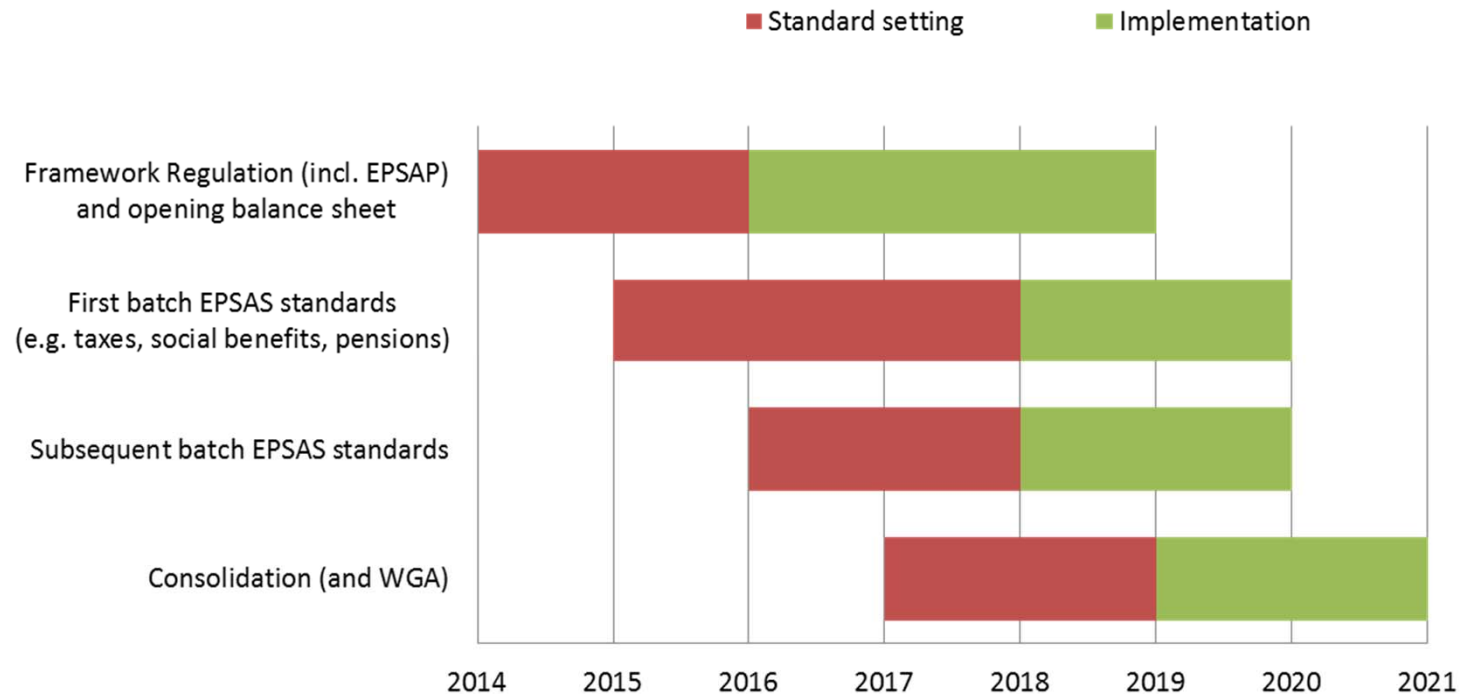
IX – Steps towards EPSAS implementation

The development, endorsement and implementation of EPSAS will have to be:

- Implemented over a medium-term perspective
- Gradual, stepwise process
- Initial focus on specific public sector accounting issues
- Should not represent a step back for the most advanced accounting and reporting systems

IX – Steps towards EPSAS implementation

– Possible timeline



X – EPSAP: conceptual framework "light"

Core set of European Public Sector Accounting Principles (EPSAP):

- Accruals-based accounting
- Double entry book-keeping
- Harmonised financial reporting with IPSAS as first reference base
- Consistency with ESA principles

X – EPSAP: conceptual framework "light" – [cont.]

2002 EU Financial Regulation

- Going-concern basis
- Prudence
- Consistent accounting methods
- Comparability of information
- Materiality
- No netting
- Reality over appearance
- Accrual-based accounting

2013 EU Financial Regulation

- Relevance
- Reliability
- Comparability
- Understandability
- Plus other rules governing the accounts

X – EPSAP: conceptual framework "light" – [cont.]

- Necessary basic definitions, for example for assets, liabilities, net assets, expenses and revenue
- Recognition, measurement and valuation methods
- Requirements for structure and elements of financial statements

XI – Task Force EPSAS Standards

- State of play on EPSAS – work in progress
 - *Communication*
 - *Impact Assessment*
- Analysis of IPSAS standards, costs and benefits by PwC
 - *Confirms and enhances earlier analysis*
 - *Will inform the follow-up of technical work*
 - *Will also help to design the staged approach*

XI – Task Force EPSAS Standards – [cont.]

- EPSAS costs and benefits
 - *Limitations to be taken into account*
 - *Calculations available at EU and country level*
 - *Unique exercise, intention to publish as much as possible*
- Staged approach to EPSAS
 - *Still an outline, further reflection needed*
 - *Contributions from stakeholders to be taken into consideration in further reflection (Member States, sub-national authorities, FEE, auditors etc.)*

XI – Task Force EPSAS Standards – *[cont.]*

- IPSAS conceptual framework
 - *EPSAP is considered as CF "light"*
 - *CF 'light' as the minimum necessary set of core principles*
 - *Support to use IPSAS CF as a reference for developing EPSAP*
- Next meetings (provisional)
 - *EPSAS TF Governance, 25-26 September 2014*
 - *EPSAS Working Group, 20-21 November 2014*

Useful links

Assessment Report, Staff Working Document and Inventory of MS accounting and auditing practices:

http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/government_accounting

Conference webpage:

<http://epp.eurostat.ec.europa.eu/portal/page/portal/conferences/introduction/2013/epsas>

Public Consultation on future EPSAS governance:

http://epp.eurostat.ec.europa.eu/portal/page/portal/public_consultations/consultations/epsas