

FEE Federation of European Accountants
Fédération des Experts comptables Européens

CNDCEC

Joint FEE and CNDCEC Public Sector Seminar

Roma, Tuesday 11 January 2011

Challenges of Accrual Accounting in the Public Sector

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Standing for trust and integrity

FEE Federation European of Accountants
Fédération des Experts comptables Européens

Federating Member Bodies

THE MEMBERS OF FEE

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- 45 professional institutes of accountants
- 33 European countries, including all 27 EU
- > 500.000 professional accountants

FEE is a Regional Organisation of IFAC, the International Federation of Accountants

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FEE Public Sector Committee

- First Committee created in FEE (1987)
- Chair: Caroline Mawhood
- Strong support by CIPFA
- Excellent relationships with
 - ↪ EC and EP
 - ↪ European Court of Auditors
 - ↪ INTOSAI
 - ↪ IFAC – IPSASB
 - ↪ CIGAR (Comparative International Governmental Accounting Research)

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FEE Public Sector Committee 2010: Another outstanding year

- Accountants driving **sustainable changes** in the Public Sector (Policy Statement, January 2010)
- Accountants in the Public Sector and the **financial crisis** (Policy Statement, March 2010)
- Choosing the Right **Performance Information** (Policy Statement, March 2010)
- Joint FEE/ICPAC **Public Sector Seminar** (Nicosia, March 2010)
- **Public Debt** and Cash Management (Paper, October 2010)

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A topical issue



Deficit and debt for 2009

➤ Largest government deficits in % of GDP:

- ✓ Greece (15%)
- ✓ Ireland (14%)
- ✓ UK (11%)
- ✓ Spain (11%)
- ✓ Latvia (10%)
- ✓ Portugal (9%)

➤ Government debt ratios

❖ 12 Member States had higher than 60% of GDP such as:

- ✓ Greece (127%)
- ✓ Italy (116%)
- ✓ Belgium (96%)
- ✓ Hungary (78%)
- ✓ France (78%)
- ✓ Portugal (76%)

		2008	2009
Euro area (EA16)			
GDP market prices (mp)	(million euro)	9 248 228	8 957 736
Government deficit	(million euro)	186 010	563 419
	(% of GDP)	2	6
Government debt	(million euro)	6 452 348	7 092 408
	(% of GDP)	70	79
EU27			
GDP mp	(million euro)	12 494 932	11 787 182
Government deficit	(million euro)	292 783	800 430
	(% of GDP)	2	7
Government debt	(million euro)	7 726 636	8 720 027
	(% of GDP)	62	74

Source: EUROSTAT - http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-15112010-AP/EN/2-15112010-AP-EN.PDF

Government Transparency and Accountability

- Strong call by G20 leaders to improve global fiscal sustainability
- High quality financial information is essential
- Public finance and government debt require international coordination:
 - ↳ **Accrual based measure** of surplus/deficit, debt and other liabilities (e.g. pension)
 - ↳ Government to take a **longer view** (today's decisions impact tomorrow)
 - ↳ Clear and comprehensive information on real impact of **stimulation packages** and **bailouts**
 - ↳ Full fiscal transparency by adopting **international reporting standards** and comprehensive narrative reporting
 - ↳ Better information on **systemic risks** associated with the operations
 - ↳ **Enhanced Stewardship** of taxpayers money

Accrual Accounting and IPSAS

- Transparency: equally essential in private and public sector
- Crisis shows importance of transparency:
 - ↳ Government support for financial institutions and other measures
 - ↳ Reporting implications: true and fair impact of measures
 - ↳ Importance of accrual accounting and *IPSAS*
- Accounting systems reform is taking place across a number of European countries

Questions and Food for Thought

- Can IPSAS meet the challenge of converging to IFRS in these turbulent times?
- Will IPSAS result in sufficient transparency on government measures in relation to the crisis?
- Will transparency require enhanced governance disclosures for the public sector and would they need to be part of IPSAS?
- Should short term alternatives be considered?

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