

European accountants support move to accrual accounting in the public sector, recognising public interest

FEE survey finds partial or full adoption of accrual accounting principles in 80% of countries surveyed

Tuesday 30 January 2007 – BRUSSELS – The Paper published today by the European Federation of Accountants (FEE) monitors the progress made by European countries concerning the implementation of accrual accounting in the public sector. The three major findings are:

1. The FEE survey found approximately 80 per cent of countries who responded on behalf of their public sectors have adopted some form of accrual accounting across the full range and size of public bodies.
2. A number of countries have made rapid progress in the development and implementation of accrual accounting, but there is also a group that is currently in transition and a smaller group which is still using cash accounting.
3. Data suggests that a more common approach to implementing accrual accounting is to make the transition first at local level and only later transfer the implementation of accrual accounting to the national government.

FEE supports the move from cash to accrual accounting and this Paper is the most recent in the series of FEE published papers on topics in connection with accrual accounting. The decision to produce this Paper reflects the trend for accounting in the public sector in Europe to move away from the traditional cash based accounts and towards the adoption of accruals based accounts. It is also of interest given the European Commission's publication last year of its first accruals based financial statements for 2005.

FEE President Jacques Potdevin encouraged with this trend stresses also the important role that the accountancy profession has to play in the move to accrual accounting in the public sector adding that: "the profession brings to the table its wealth of experience of the private sector to assist the implementation of accrual accounting in the public sector. Accrual accounting facilitates better planning, financial management and decision making in government as well as a robust and accepted way of measuring the efficiency and effectiveness of public bodies and their policies - this is why FEE is so supportive".

In view of the significant scope under the accruals principles for interpretation, implementation may be a lengthy process. Countries must adapt those principles to their own circumstances. FEE takes the view that it is important to have a common set of standards employed by all and supports principles based accounting allowing for application taking into account the specific national circumstances.

There has been much recent debate about the need for a public sector Conceptual Framework. It is undeniable that such a framework could assist preparers of accounts, in particular for situations where no defined accounting standards exist and therefore assist public sector administrations in preparing their financial statements.

Improved consistency would also enhance one of the main objectives of any financial statements – that accounts are comparable over time and between organisations enabling an assessment of the performance of the public sector to be made. FEE therefore supports the initiative adopted by the International Public Sector Accounting Standards Board (IPSASB) for a Conceptual Framework which takes into account the specific needs of the public sector.

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Notes for Editors:

1. The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 44 professional institutes of accountants from 32 countries. FEE member bodies are present in all 25 member states of the European Union and three member countries of EFTA. FEE member bodies represent more than 500,000 accountants in Europe.
2. The FEE Paper – Accrual Accounting In The Public Sector – can be downloaded from the FEE website: www.fee.be.