



Towards implementing European Public Sector Accounting Standards

Opening remarks

EPSAS conference, 29 May 2013

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Luca Pacioli, attributed to Jacopo de' Barbari, around 1496 - Wikipedia
In 1494 described double-entry accounting in *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*

Introduction

- Commission's and Eurostat's interest in, and promotion of harmonised public sector accounting standards;
- Set the stage for the debate of the coming one and a half days;
- Summary of our work on IPSAS in the course of 2012 and the conclusions of Commission's assessment:
 - **move towards EPSAS**
- Proposals on how the conference can move forward this debate.

The role of Eurostat in EDP

- Development, production, verification and dissemination of high-quality European Statistics is Eurostat's key contribution to...
- ... enhancing transparency and effective public accountability in the design, management, implementation and enforcement of the Union policies at both Union and national levels.
- At the EU level, Eurostat is the standard setter for macro-economic accounting and statistics – i.e. the data used for the Excessive Deficit Procedure and for policy-making and surveillance purposes – and the guardian of these standards.

Eurostat's interest in public-sector accounting

- Need for improving the basis for statistical information and further improving its quality . . .
- . . . for economic coordination and fiscal surveillance purposes
- Reconciling non-harmonised micro-level public-sector accounting data for EDP purposes is probably reaching its limits;
- Also: benefits for the management of the entities themselves, and also in the context of the single market.

Budgetary control and accounting

- EU budgetary discipline was introduced with the Stability and Growth Pact;
- Six Pack: Five Regulations + One Directive;
- It provides a new framework that seeks to extend and improve surveillance of fiscal policies (Excessive Deficit Procedure), avoid macroeconomic imbalances (Excessive Imbalances Procedure) and implement harmonised budgetary frameworks (Directive).

Council Directive on budgetary frameworks

- Directive 2011/85/EU defines requirements concerning the budgetary frameworks of MS;
- Requirements cover the system of public sector accounting;
- Requirements for internal control and independent audit, forecasts, fiscal rules specific to each MS, and the transparency of public finances;
- Commission (Eurostat) shall assess the suitability of International Public Sector Accounting Standards for MS.

Consultations on IPSAS

- Important input from Public Consultation;
- Task Force of MS experts. Representatives from the IPSAS Board and the IMF also assisted in some of the meetings;
- Survey of public sector accounting and auditing practices across the EU MS.

The Commission assessment of the suitability of IPSAS for the EU MSs

The Commission issued its report, together with a Staff Working Document, which was communicated to the European Parliament and the Council earlier this year.

Main conclusion:

- Although IPSAS, as it stands currently, could not easily be implemented in EU Member States, the IPSAS standards would be suitable as a reference framework for the possible future development of a set of European Public Sector Accounting Standards, or 'EPSAS'.

Further conclusions of the Commission report on the suitability of IPSAS

- Some IPSASs would benefit from further reflection, in particular for the main specific transactions of governments: taxes and social benefits;
- Consistency with IFRS should not mask that public sector has specific objectives and characteristics, which are different from private companies;
- The current governance of the IPSAS is unsatisfactory from a European perspective: it suffers from insufficient participation of EU public sector accounting authorities;
- However, IPSAS constitute an indisputable reference for future public sector accounting standards in the EU.

Further conclusions of the Commission report on the suitability of IPSAS

- It would be advisable to create a set of EPSASs, which would ally strong EU governance with standards adapted to the context of the EU and its Member States;
- The assessment includes some estimates of the costs of implementing EPSASs. Costs depend on the degree of advancement of each MS in the implementation of accrual accounting as well as on the robustness of their control systems;
- EPSAS should seek to reduce implementation costs in particular
- Standards for small and systemically less risky public entities should be very simplified.

Some proposals on how the conference can move forward this debate

- Discuss main questions and conditions related to a single set of accounting standards across the public sector in all Member States;
- Develop a shared understanding of the need to move forward, the lessons we can learn from experience, and the directions we should take next;
- Develop further our ideas on issues such as:
 - Costs and benefits of EPSAS;
 - The future governance for EPSAS;
 - Whether particular IPSAS standards are suitable for the EU.
- Following the conference, develop a road map for EPSAS, both for the short and the longer terms.

Thank you for your attention!

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