



Conference "Towards implementing
European Public Sector Accounting Standards"
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Applying IPSAS in the European Commission

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Session overview

1. Basic facts and figures
2. Legal Framework
3. Accounting Framework
4. Main issues encountered

Basic facts and figures

- Commission communication COM(2002)755 of 17/12/2002 => start of the "modernisation" of the accounting system
- Scope: Accounts of the EU bodies – **not** the accounts of EU Member States
- Consolidated financial statements of the EU include accounts of the Commission, European Parliament, Council, Court of Justice, Court of Auditors and other EU bodies (50 entities)
- Opening balance sheet at 1/1/2005 under accruals based EU Accounting Rules
- 2005-2012: inspired by IPSAS
2013 : practically IPSAS compliant

Legal Framework

- Art. 143 Financial Regulation (FR):
"The accounting officer of the Commission shall adopt rules based on internationally accepted accounting standards for the public sector. The accounting officer may diverge from those standards if he or she considers this necessary in order to give a true and fair view of the assets and liabilities, charges, income and cash flow."

Accounting Framework

- Analysis of standard setting process leading to IPSASs
- Commission has status as observer in IPSAS-Board
- Currently 18 EU Accounting Rules adopted

Adoption of EU Accounting Rules

- Basis IPSAS (as required by FR)
- Analysis by Commission staff and preparation of draft accounting rules:
 - Removal of options
 - Focus on actual transactions underlying EU budget and policies
 - Consideration of EU specificities
 - Readability & understandability for practitioners

Adoption of EU Accounting Rules

- EU advisory group of experts on accounting standards:
 - Chaired by Commission's Accounting Officer (AO)
 - Independent professional judgement and advice
 - Representatives from other Commission services, EU institutions & agencies, 4 external experts (incl. DGFIP, IPSASB, academics)
 - European Court of Auditors as observer
- Interservice-consultation with stakeholders
- After comments -> adoption of the accounting rules by the AO

"Non issues"

- Heritage assets
- Social benefits
- Defense budget

Main issues encountered

- **Employee benefits**

- € 35 billion defined benefit obligation remained on balance sheet, but "receivable" from MS was removed
- Amounts to be called from Member States on the basis of future budgets cannot be accrued

→ Negative net assets

- **Pre-financing**

- € 55 billion on balance sheet compared to former sundry debtors € 4 bn

→ Accruals principle

Main issues encountered

- **Consolidation**

- Consolidation criteria in IPSAS focus on voting rights and capital
 - Often difficult to apply in EU environment

- **Financial Engineering Instruments**

- Mis-match between legal framework for cohesion & practice in Member States (cash based) and accounting requirements at Commission level (accruals based)
 - Restatement of 2010 Financial Statements (€ 2.4 billion)

- **Financial Instruments**

- IPSAS 28-30 in substance IFRS
 - Some EU specific transactions are not well reflected



Questions and discussion

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Consolidated accounts:

http://ec.europa.eu/budget/library/biblio/publications/2011/eu_annual_accounts_2011_en.pdf