



# TOWARDS EPSAS SESSION 4

## Accrual standards: governance and the way forward

# Issues for governance

- Current governance of IPSAS deemed inappropriate by many MSs
  - **Public accounting authorities under-represented**
  - **EU actors under-represented**
- Three specificities of EPSAS
  - **EPSAS = EU regulations = Binding = no problematic options**
  - **Necessity of high comparability as in EDP**
    - Harmonisation of financial statements
    - Minimal aggregated coding system
    - Interpretation committee
- **Comparability within the EU more important than comparability between EU and non EU**

# Two principles for EPSAS governance

1. EPSAS governance should be based on an EU mechanism, independent from IPSAS Board
2. This mechanism should be organised starting on the basis of existing IPSASs
  - **IPSAS recognised as international, but non-binding, reference**
  - **No need to reinvent the wheel**
  - **Three categories of IPSASs (see Commission assessment)**

# EPSAS governance: general characteristics

- **Relevance:** Involvement of a wide range of stakeholders: national standard setters, IPSASB, preparers, statisticians, courts of audit, public and private experts, academics, ...
- **Competence:** MSs' national public sector accounting authorities = national standard setters as backbone of the governance

# EPSAS governance: general characteristics

- **Credibility:** effectiveness, independence, transparency and accountability
- **Capacity:** employing appropriate binding instruments, sufficient staffing and financing.

# EPSAS governance: organisation

*Inspired by experience of management of EU statistical standard setting*

1. EPSAS based on Treaty for the EU = article 338 on statistics = benefit from an effective and efficient ordinary legislative procedure of the Union

# EPSAS governance: organisation

2. Framework Regulation adopted by Council and Parliament:
- **Sets the principles (accrual, double entry,...)**
  - **Confirms the reference to IPSAS as starting point**
  - **Defines the governance**
  - **Sets process of adoption of EPSASs**

# EPSAS governance: possible bodies

## 3. Core body: EPSAS Committee

- **Composed of one representative per MS, representing public sector accounting authorities (with observers)**
- **Adopts, under qualified majority, EPSASs proposed by the Commission**

**Oversight: European Parliament and Council, European Court of Auditors, Internal Audit Service of the Commission.**



# EPSAS governance: two supporting bodies

- **Takes advice from two Working Groups:**
  - Expert group on standards
  - Expert group on interpretation
- **Composition of WG's extended to experts from**
  - Different types of bodies (central and local government, social security, public companies)
  - Statistical authorities, SAIs, public and private auditors, academics, ...

# TWO QUESTIONS

- Do you agree on the "two-legs" principle?
  - **Strong EU governance, independent from IPSASB**
  - **IPSAS as the starting point, but non-binding, for EPSAS**
- What do you think of the concrete governance as proposed by Eurostat?
  - **An organisation inspired by EU legislative process**
  - **A core body composed of one representative by MS**
  - **Two expert working groups**