



# **ECA Workshop on public sector accounting “Better Accounts, Better Budgets, Better Spending?”**

**Luxembourg, 25/26 January 2016**

## **IPSAS and EPSAS: lovers or rivals? Update on the EPSAS project**

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# Budgetary Frameworks Directive (2011/85/EU)

- MSs shall have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government,
- containing the information needed to generate accrual data with a view to preparing data based on the ESA 95 standard
- subject to internal control and independent audits.

The Commission shall assess the suitability of the International Public Sector Accounting Standards (IPSAS) for the Member States.

# Commission report on suitability of IPSAS (2013)

## Key conclusions:

- Strong need for harmonised, accruals based PSA systems
- IPSASs cannot be implemented as they currently are
  - **not in full and not directly**
- There are technical, conceptual and in particular governance issues to be resolved
- IPSAS would be a suitable reference framework for the development of European Public Sector Accounting Standards (EPSAS)
- Harmonisation on the basis of strong EU governance



European  
Commission

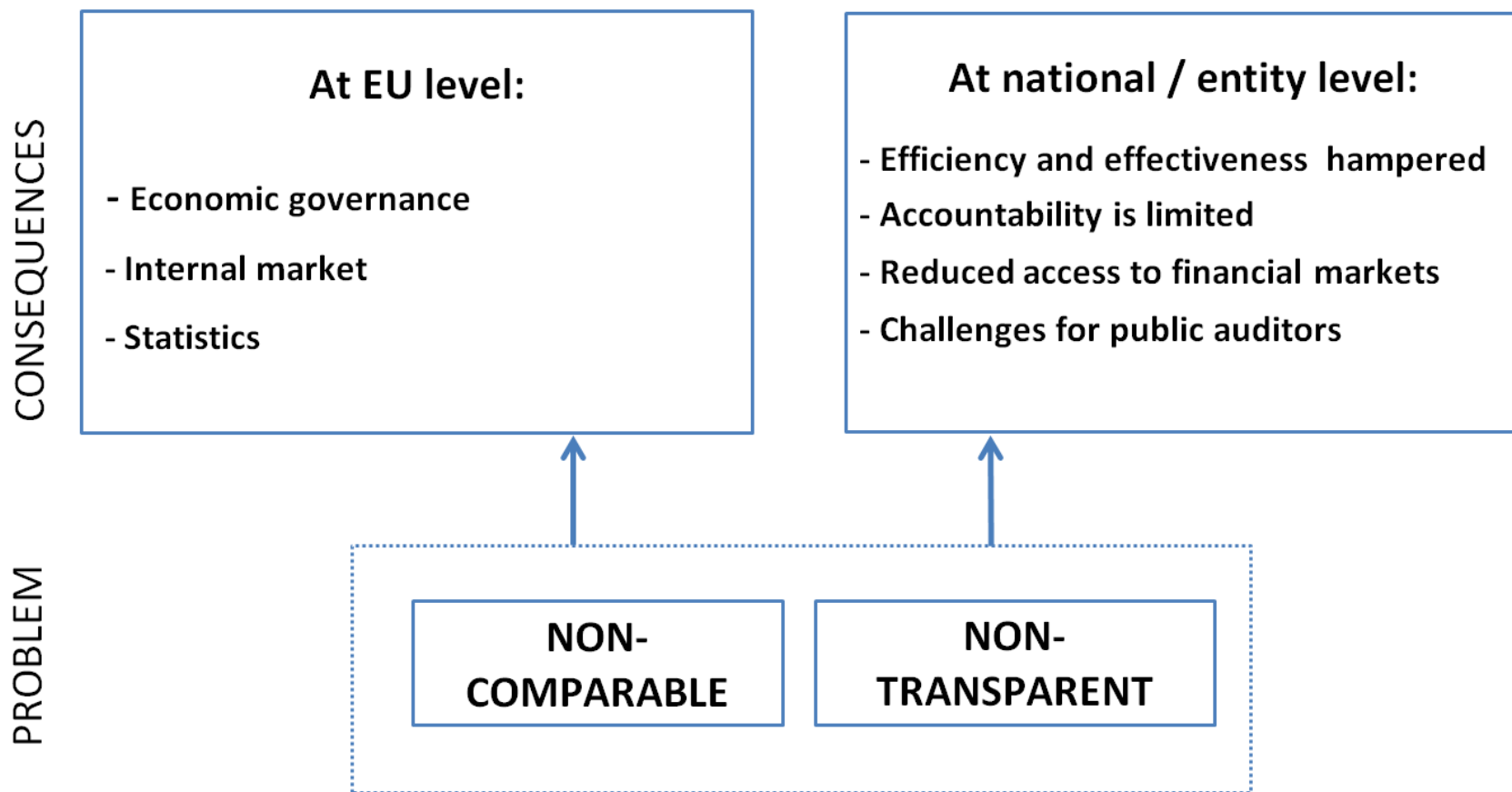
Is there a  
problem at EU  
level?

Accounting  
systems in MS,  
Proximity to  
IPSAS

Source: PwC  
Study 2014

	Central	State	Local	Social Fund
<b>Austria</b>	73%	12%	12%	61%
<b>Belgium</b>	67%	67%	73%	60%
<b>Bulgaria</b>	56%	-	56%	63%
<b>Croatia</b>	34%	-	34%	55%
<b>Cyprus</b>	14%	-	75%	17%
<b>Czech Republic</b>	75%	-	75%	77%
<b>Denmark</b>	72%	-	65%	58%
<b>Estonia</b>	92%	-	92%	86%
<b>Finland</b>	72%	-	90%	92%
<b>France</b>	89%	-	84%	92%
<b>Germany</b>	22%	29%	58%	42%
<b>Greece</b>	12%	-	12%	12%
<b>Hungary</b>	66%	-	66%	55%
<b>Ireland</b>	54%	-	71%	57%
<b>Italy</b>	31%	-	30%	14%
<b>Latvia</b>	73%	-	73%	55%
<b>Lithuania</b>	88%	-	88%	72%
<b>Luxembourg</b>	19%	-	31%	15%
<b>Malta</b>	22%	-	94%	-
<b>Netherlands</b>	31%	-	58%	78%
<b>Poland</b>	66%	-	66%	68%
<b>Portugal</b>	55%	-	80%	70%
<b>Romania</b>	63%	-	63%	38%
<b>Slovakia</b>	75%	-	75%	34%
<b>Slovenia</b>	62%	-	62%	19%
<b>Spain</b>	70%	61%	68%	58%
<b>Sweden</b>	81%	-	81%	71%
<b>UK</b>	96%	-	95%	-

# Nature of the problem and consequences



## Why accruals? – Why harmonised accruals?

From an EU perspective the wide range of public sector accounting standards result in a lack of:

- **Fiscal transparency (= need for accruals), and**
- **Comparability (= need for harmonised accruals)**

due to **non-comparable, incomplete and inconsistent** primary accounting data

This impacts on both General Purpose Financial Statements and ESA based statistics, such as Government Finance Statistics

## Benefits vs Costs

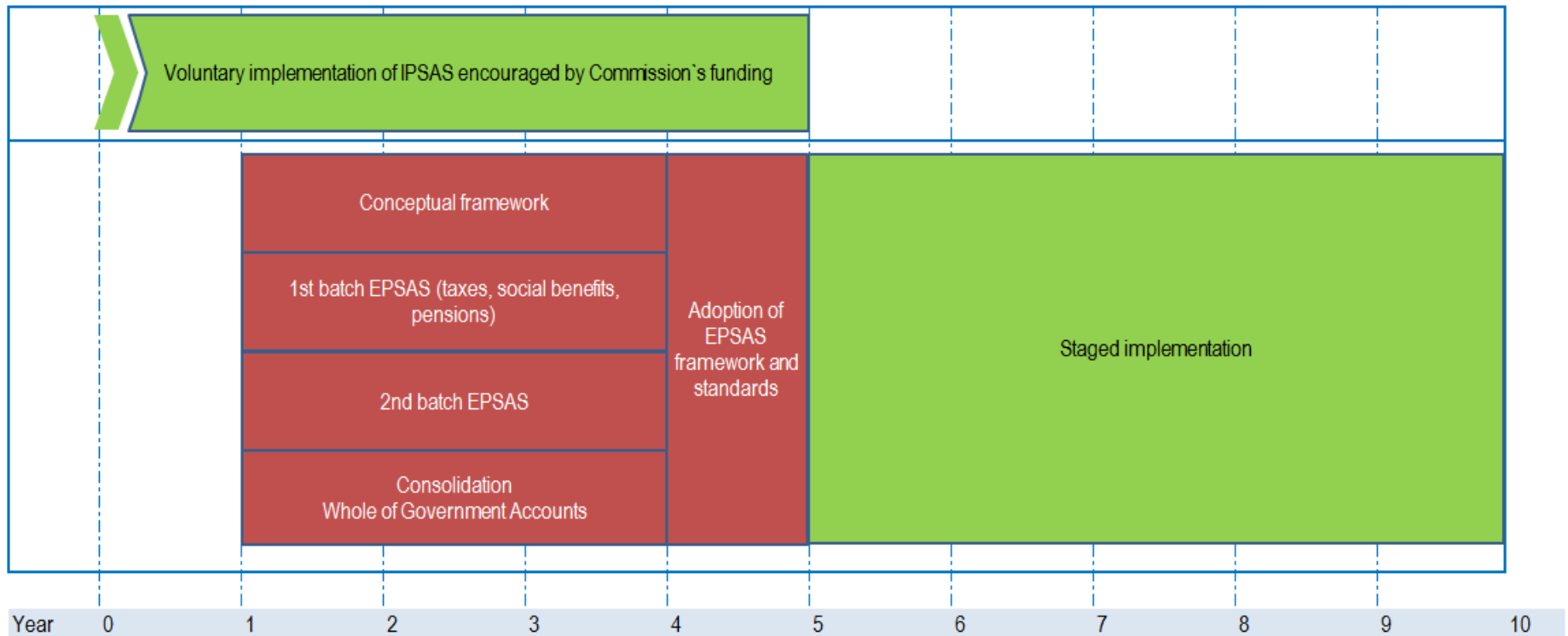
**Costs:** significant, mostly one-off and for the short term


**Benefits:** sustainable and for the medium to long term, but difficult to quantify:


- more fiscal **transparency** on a comparable basis
- more **efficient** public administration
- more **accountability** of public money managers
- more **stable and sustainable** public finances – inter-generation fairness
- better **access** to capital markets

Net-benefits outweigh the costs

# Increasing fiscal transparency first, comparability later



 Development and legal endorsement

 Implementation



## Our priorities - autumn 2015 to 2016

- EPSAS Working Group
- EPSAS Cells – First Time Implementation and Definitions, Governance Principles, Accounting Principles, ...
- Further support of accruals implementation
- Widening the range of stakeholder activities
- Preparing the concrete proposal on the EPSAS framework
- Preparing issues papers

# IPSAS and EPSAS

**lovers**

**or**

**rivals?**

# European Commission (Eurostat) Task Force EPSAS:

<http://ec.europa.eu/eurostat/web/government-finance-statistics/government-accounting>