



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics
Unit D4: GFS Quality Management and Government Accounting



15 February 2012

PUBLIC CONSULTATION PAPER

*Document accompanying the public consultation
on the suitability of the international Public Sector Accounting Standards
for EU Member States*

This document is a working document of Eurostat for discussion and consultation purposes. It does not represent or pre-judge the position of the Commission.

1. Background and purpose

This document gives background to the public consultation on the assessment of the suitability of the International Public Sector Accounting Standards (IPSASs) for EU Member States.

The assessment is required from the Commission by the Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States¹. The assessment report is necessary for informing policy makers of the advantages and disadvantages of adopting International Public Sector Accounting Standards (IPSASs). Article 16 of the Council Directive states:

"By 31 December 2012, the Commission shall assess the suitability of the International Public Sector Accounting Standards for the Member States".

Eurostat will carry out this assessment, in association with other Commission Directorates-General.

Budgetary surveillance in the EU is based on the European System of Accounts (ESA). ESA is a macro-economic accounting framework based on accruals principles, which is not designed for entity-level accounting. ESA based statistics are in practice a transformation of "primary" accounts, established on the basis of Member States' national accounting standards. Member States' national public sector accounting standards are, in the majority, not accrual based. In line with the Commission communication COM (2011)211² to the European Parliament and the Council, the Commission supports the implementation of public sector accounting standards providing the information needed to compile ESA-based data for all sub-sectors of general government.

The need to assess a new approach to government accounting arises because high quality government finance statistics GFS data is needed to ensure a proper functioning of EU fiscal surveillance, particularly given recent economic developments. The implementation of uniform and comparable accruals-based accounting practices for all the sectors of General Government, that is, Central Government, State Government, Local Government and Social Security, can help ensure high quality statistics.

In this context it should be noted that the Council Directive on requirements for budgetary frameworks also requires that both cash based fiscal data and the information needed to generate accrual data with a view to preparing data based on the ESA 95 standard will in future be required from all Member States. Article 3 of the Council Directive states that:

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

¹ Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of Member States, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:306:0041:0047:EN:PDF>

² Communication from the Commission of 15 July 2011 to the European Parliament and the Council: Towards robust quality management for European Statistics – COM (2011) 211 final. http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/COM-2011-211_Communication_Quality_Management_EN.pdf

2. Member States shall ensure timely and regular public availability of fiscal data for all sub-sectors of general government as defined by Regulation (EC) No 2223/96. In particular Member States shall publish:

(a) cash-based fiscal data (or the equivalent figure from public accounting if cash-based data are not available) at the following frequencies:

Monthly for central government, state government and social security sub-sectors, before the end of the following month, and

Quarterly, for the local government sub-sector, before the end of the following quarter;

(b) a detailed reconciliation table showing the methodology of transition between cash-based data (or the equivalent figures from public accounting if cash-based data are not available) and data based on the ESA 95 standard.

2. IPSAS

International Public Sector Accounting Standards are developed and overseen by the IPSAS Board³, which is an independent standard-setting body. A key part of the IPSAS Board's strategy is to converge the IPSASs with the International Financial Reporting Standards (IFRSs) issued by the IASB. To facilitate this strategy, the IPSASB has developed guidelines or rules for modifying IFRSs for application by public sector entities.

The IPSAS Board aims to enhance the quality and transparency of public sector financial reporting by:

Establishing high-quality standards for use by public sector entities;

Promoting the acceptance, and the international convergence to, IPSASs;

Providing comprehensive information for public sector financial management and decision making; and

Providing guidance on issues and experiences in financial reporting in the public sector.

A summary of existing IPSAS standards can be found here:

http://www.ipsas.org/en/ipsas_standards.htm

3. The assessment report

The report will assess the suitability of implementing IPSAS based standards in the Member States. It could be expected that there may be substantial advantages expected from implementation for the comparability, transparency and reliability of accounting for EDP data.

³ <http://www.ifac.org/public-sector>

Implementation could improve the proper functioning of the budgetary surveillance framework of the EU, improving governance by providing accounting information in a clear, concise, consistent, and comparable format. IPSAS-based standards may also provide a valuable input for future developments in the domain of public sector auditing.

However the objective assessment prepared by Eurostat will also cover the possible disadvantages of specific IPSAS features. One key obstacle is that the implementation of harmonised accrual based standards in Member States would be a challenging and potentially high cost project that would need several years. Depending on the proximity of Member States' existing accounting standards to IPSAS, implementation might require reforming some or public accounting systems, across many or all government entities, with in particular major changes required to many underlying IT systems and for the training of staff.

The consultation aims to support and inform the Commission's assessment. On behalf of the Commission, Eurostat invites comments on the advantages/disadvantages, challenges and opportunities of implementing IPSAS for the EU Member States.

The contents of the assessment report are expected to include:

- A description of IPSAS standards
- The current state of play in public accounting and auditing practises in the EU Member States
- Links between IPSAS and GFS/EDP statistics
- Available information on the benefits, obstacles and costs experienced by countries from IPSAS adoption
- The process of IPSAS adoption



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Assessment of the suitability of the International Public Sector Accounting Standards for the Member States – Public consultation

You are invited to read the public consultation paper available on

http://epp.eurostat.ec.europa.eu/portal/page/portal/lang-en/public_consultations/consultations/ipsas

All replies should be sent to: ESTAT-IPSASconsultation@ec.europa.eu

Deadline for replies: 11 May 2012

Identification of the respondent:

Name:

Job title (if applicable):

Address:

Country:

Email:

Name of Institution/Organization (if applicable):

Interest Representative Register ID (if applicable):

Type of respondent:

- ☐ Individual
- ☐ Business/Company
- ☐ Association/Organisation
- ☐ Professional body
- ☐ Public Accountant
- ☐ Public Auditor
- ☐ Public authority
- ☐ Other (please indicate)

Respondent active at:

- ☐ Regional level
- ☐ National level
- ☐ European level

The Commission is hereby inviting interested parties to reply all or any of the questions below against the backdrop of the consultation.

1. *Please state the main motivations for your interest in this public consultation?*
2. *Do you consider that International Public Sector Accounting Standards (IPSASs) are suitable for implementation in the EU Member States? (Yes/No/Partly)*

Please explain the main reasons for your answer, and provide any available supporting information for your answer. If you answered "partly" or "no", do you consider that accruals accounting standards would nevertheless be suitable for implementation in the EU Member States?

3. *What do you consider would be the main advantages, opportunities and benefits from any future implementation of IPSAS in EU Member States?*
4. *What do you consider would be the main obstacles and disadvantages concerning any future implementation of IPSAS in EU Member States?*
5. *If you have any observations concerning the connections or links between possible future IPSAS implementation and financial reporting for the Excessive Deficit Procedure, please provide them here.*
6. *Please give any views or comments concerning the process and timetable for any future implementation of IPSAS in EU Member States.*
7. *Please provide any other observations or information you would like to make available which are not covered by your earlier answers.*