



Assessment of the Suitability of IPSAS for the EU Member States

Eurostat - Keith Hayes

1. — State of play - IPSAS assessment

February - November 2012

Completion of report and staff working document by Eurostat

December 2012 – March 2013

Formal procedures within European Commission

March 2013

Publication

2. — Inputs to the assessment



Initial request

Preparation phase

Procedural phase

2.1. — Public consultation – suitability of IPSAS

Are IPSASs suitable for implementation in the EU Member States?

	Yes	No	Partly	Uncertain	Total
Professional Association/Standard Setter	12		3	1	16
Ministry of Finance/Treasury	3	4	3		10
Private individual	3	1	6		10
Regional Audit Office		8	1		9
National Audit Office	1	2	3		6
Firm of Auditors or Accountants	5				5
Statistical Office	2		1	1	4
Regional association or authority		2	1		3
Social security/Pension Fund		1	2		3
International Organisation			1		1
National authority		1			1
TOTAL	26	19	21	2	68
<i>% share</i>	<i>38</i>	<i>28</i>	<i>31</i>	<i>3</i>	

NB: "NO" replies were concentrated - from a small number of MSs (DE, FR, AT, NL, PL)

2.2. — Taskforce IPSAS

- *Participation:*
 - **19 MSs (Ministries of Finance, Statistical Offices, Courts of Auditors, Central Banks, ...), plus Commission Services**
 - **Observers: IPSASB and IMF**
- *Four meetings (Feb., Apr., Jul., Nov. 2012)*
- *Technical discussion of the standards, accruals implementation experiences, costs and benefits, governance, conclusions of assessment.*

2.3. — Survey of public sector accounting and auditing in the MSs

	Central	State	Local	Social funds
Accruals	12	2	14	13
Modified accruals	5	-	4	4
Combination of accruals and cash	5	1	7	4
Cash	4	-	-	1
Not applicable	-	23	-	1
No answer or pending reply	1	1	2	4
<i>Total</i>	<i>27</i>	<i>27</i>	<i>27</i>	<i>27</i>

2.4. — Survey of public sector accounting and auditing in the MS

IPSAS relation	Total
National standard based on or orientated by IPSAS	9
Some IPSAS references	5
IPSAS for some Local Government entities	1
None	12
<i>Total</i>	27

3.1. — Main conclusions of Commission Report

Taking into account the views of Member State authorities and public consultation, the global conclusion are twofold:

- On the one hand, it seems clear that IPSASs cannot be simply implemented in EU Member States in their current status.
- On the other hand, most stakeholders agree that IPSASs represent an indisputable reference framework for potential EU harmonised accruals-based public sector accounts ("**EPSAS**").

3.2. — Other conclusions

Concerns to be addressed:

- *Currently, the IPSAS standards do not describe sufficiently precisely the accounting practices to be followed.*
- *At its current state of development, the suite of standards is not complete in terms of coverage or its practical applicability to some important types of government flows, such as taxes and social benefits, and does not take sufficient account of the specific needs, characteristics and interests of public-sector reporting.*

3.3. — Other conclusions - continued

- *IPSAS can also be regarded as insufficiently stable, since it is expected that some standards will need to be updated once work is completed on the IPSAS conceptual framework.*
- *At present, the governance of IPSAS suffers from insufficient participation from EU public-sector accounting authorities. In addition, the IPSAS Board currently seems to have insufficient resources.*

4.1 — Possible way forward

- *Three stages:*
 - **Preparatory stage**
 - **Practical arrangements**
 - **Implementation stage**

4.2. — Preparatory stage

- *Gather more information and develop a roadmap*
 - **Further consultations**
 - **High-level conference**
 - **Preparation of further more detailed proposals**
- *Need to achieve momentum on both "harmonisation" and "accruals"...*

4.2. — Practical arrangements

- *Adoption of framework regulation*
- *Establish finance*
- *Draw on national experience with implementing accruals*
- *Address concerns about smaller government entities*
- *Utilise synergies within and between Member States*
- *Specify a first core set of EPSAS to be developed*
 - **Which IPSAS to adopt and which to adapt**

4.3. — To adopt or to adapt?

- *Standards that might be implemented with minor or no adaptation*
- *Standards that need adaptation, or for which a selective approach would be needed*
- *Standards that are seen as needing to be amended for implementation*

4.4. — Implementation stage

- *Gradual, possibly phased, to be achieved in all Member States in the medium-term*
- *Strong EU governance*
- *Taking into account the need for:*
 - **Accruals-based accounting**
 - **Double entry book-keeping**
 - **Internationally harmonised financial reporting**
 - **Taking into account consistency with ESA principles**

5. — Next steps

- **During 2013**
 - **EPSAS conference – Brussels, 29-30 May 2013**
 - **Further public consultation on EPSAS**
 - **Establishment of Working Group/Task Force of EU MSs on EPSAS**
 - **Starting in 2013, development of a further road map with more detailed steps to be taken, including legislative initiatives**

Useful links

Assessment Report, Staff Working Document and Inventory of MS accounting and auditing practices:

http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/government_accounting

Public consultation:

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