

12th ANNUAL OECD PUBLIC SECTOR ACCRUALS SYMPOSIUM

Assessment of the suitability of IPSAS for EU Member States

OECD, 8-9 March 2012

Keith Hayes

Eurostat D4

GFS Quality management and government accounting

Structure of this presentation

Background to the assessment

Road map/ Current state of play

1.1 Background

Revision of regulation 479/2009

Communication COM (2011)211

Eurostat will support the implementation of public accounting standards for all sub-sectors of general government.

Six-pack on EU economic governance

Council Directive 2011/85 on budgetary frameworks

Revised Code of Practice

1.2 Council Directive - Art 3

MS shall have in place public accounting systems covering all sub-sectors of GG, that provide accrual data for ESA95.

Public accounting systems shall be subject to internal control and independent audits.

In particular MS shall publish both:

cash-based fiscal data (or the equivalent figure from public accounting if cash-based data are not available);

a detailed reconciliation table showing the methodology of transition between public accounting data and data translated into ESA95 standards.

1.3 Council Directive - Art 16

Moreover the Directive states that:

By 31 December 2012, the Commission shall **assess the suitability of IPSAS (International Public Sector Accounting Standards) for the MS.**

In line with the Communication COM(2011) 211

1.4 Accrual-based public accounting

Accrual-based public accounting can:

improve governance, transparency, accountability and comparability in public sector accounting.

facilitate harmonisation and improve efficiency and effectiveness of public sector audit.

Harmonised accounting standards are a precondition for the production of high quality statistics.

Implementation of harmonised accrual based standards in MS would be a challenging and potentially high cost project that would need time.

1.5 Accruals accounting

Main requirements for accruals accounting...

- Accounting standards
- Chart of accounts
- Bookkeeping systems (invoicing, asset register, etc)
- Integrated accounting system (IT systems)
- Trained staff (accounting, audit...)

Accruals budgeting?

1.6 Coverage of the assessment report - 1

Background and rationale for the study

Directive requirements. GFS/EDP requirements.

Description of IPSAS standards

Development of a broad description of: the suite of standards, their relation to International Financial Reporting Standards (IFRS), the process for standard-setting, the role and governance arrangement of IPSAS.

The current state of play in public accounting and auditing practises in the EU Member States

Overview of existing IPSAS practises in MSs and planned reforms. Partial or Full adoption of Accruals/IPSAS?

1.6 Coverage of the assessment report - 2

Overview of the linkage between IPSAS and GFS/EDP statistics

Summary of results IPSAS/GFS reconciliation project and next steps. Advantages and disadvantages of IPSAS for EDP statistics.

The process of potential Accruals/IPSAS adoption

Adopting IPSAS in Europe. Inputs from the IPSASB (First Time Adoption project). IT issues. Problematic areas, e.g. “pension liabilities”.

1.8 Coverage of the assessment report - 3

Available information on the benefits, obstacles and costs experienced by countries from IPSAS adoption

Conclusions, proposals and timetable

Overview of benefits and summary of available information on costs and obstacles. Legal vs other approaches. EU governance issues based on experience of adopting IFRS in the EU. Realistic timetable for accruals and/or IPSAS adoption.

2.1 Road map for the project – 2012 1st half

Communication with stakeholders (Nov 2011 – May 2012)

Review of existing information and documentation (Jan-June 2012)

Collection of information on accruals/ IPSAS implementation within the EU (by May 2012)

IPSAS Board project on First Time Adoption

IPSAS Board project on IPSAS/GFS (interim results by June 2012)

Eurostat project on IPSAS/GFS/ESA (by Sept 2012)

Task Force IPSAS (Feb-June 2012)

2.2 Road map for the project – 2012 2nd half

Analysis and summarising information collected, filling the gaps

Drafting of assessment report

Final consultations, with stakeholders, Member States and within the Commission

Release of assessment report, December 2012

2.3 Communication with stakeholders

Workshop GFS Quality Management (8-9 Nov 2011)

Commission inter-services cooperation (DG BUDG, MARKT, ECFIN)

Cooperation with European Court of Auditors

Presentations concerning this assessment (Hessen, IDW, OECD, etc)

Public consultation (launched 17 February 2012)

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

Task Force IPSAS (Feb–June 2012)

Working Group GFS Quality Management (May 2012)

2.4 Collection of information on accruals/ IPSAS implementation within the EU

Review existing studies and documents concerning national experiences

Comparison of accounting and auditing systems in the 27 EU Member States

Overview of the existing arrangements in the 27 EU MS and of their future plans for reform of accounting and auditing systems, due by May 2012

Visit one or more countries where accruals/ IPSAS is being implemented?

2.5 IPSAS Board projects

Two projects underway:

First Time Adoption

IPSAS/GFS

First Time Adoption – Develop a standard for the adoption of accruals IPSASs. Work at an early stage. Discussion at IPSAS Board, March 2012.

IPSAS/GFS - review convergence since 2005, promote reconciliation and harmonization of IPSAS and statistical reporting. Consultation paper by June 2012.

2.6 Eurostat project on IPSAS/GFS

Project on a “Framework of principles regarding the preparation and presentation of General Government Sector Accounts in National Accounts”.

Includes chapter about reconciliation between IFRS/IPSAS accounting and ESA approach, in particular:

- Consolidation of units;
- Accrual accounting;
- Recognition and measurement of assets and liabilities;

Output should be available by the end Q3 2012.

Overview

Council Directive on budgetary framework: Eurostat will undertake an assessment of suitability of IPSAS in EU Member States by the end of 2012

Inputs from:

- Communication with stakeholders
- Review of existing information and documentation
- Collection of additional information on IPSAS implementation within the EU
- IPSAS Board projects: First Time Adoption and IPSAS/GFS
- Eurostat project on IPSAS/GFS
- Task Force IPSAS is to inform Eurostat first-hand of the experiences, analyses and perspectives of the MS.