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**Federation of European Accountants  
Fédération des Experts comptables Européens**

## **European Standard-Setting Trends in the Public Sector (EPSAS)**

**Thomas Müller-Marqués Berger**

**International Conference: The Accounting Profession's Commitment  
to Improve the Quality of Financial Reporting in the Public Sector**

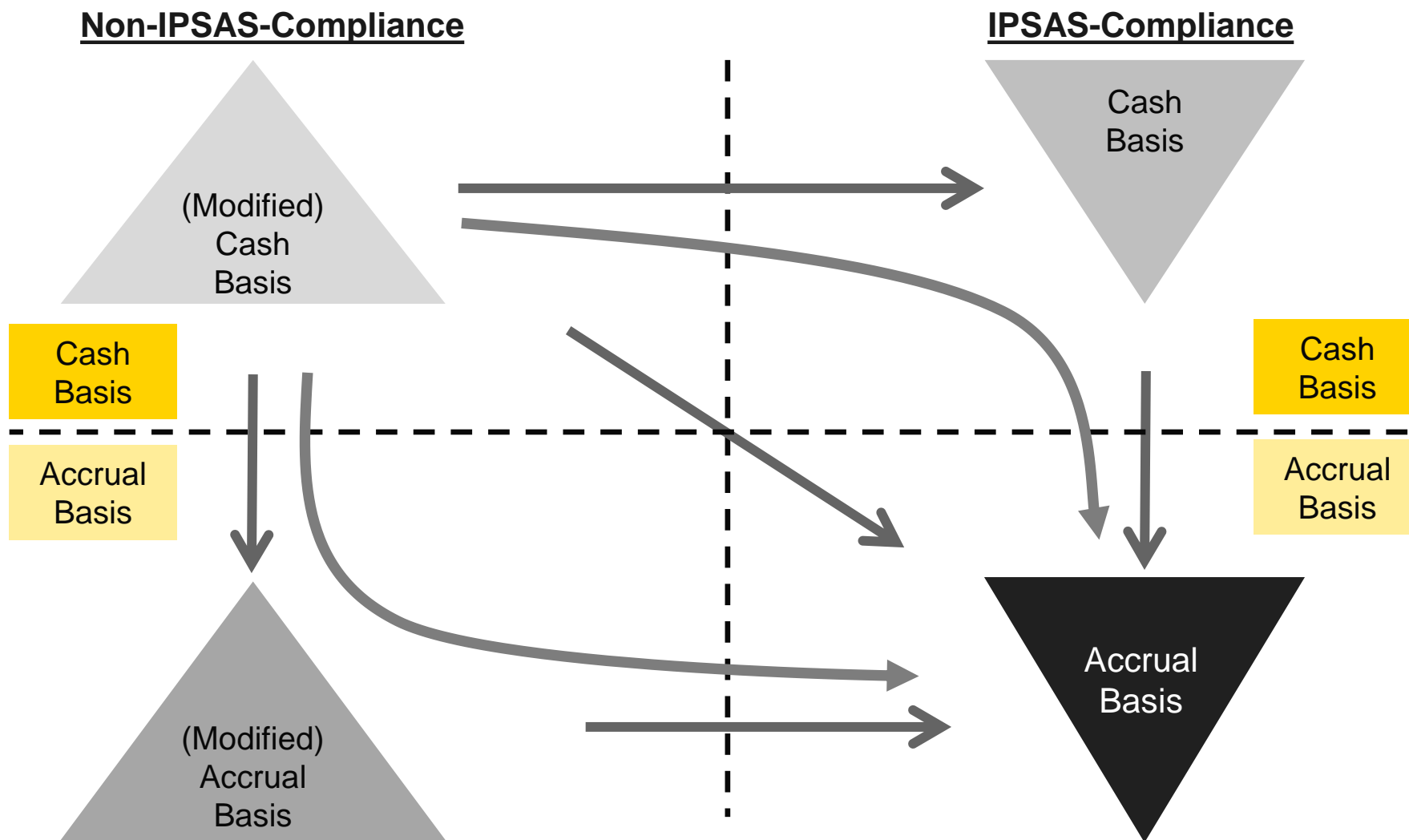
**Bucharest, November 8, 2013**

*Standing for trust and integrity*

## Motivations and major challenges

- Motivations of the European Commission
  - ↳ Sovereign debt crisis (Greece)
  - ↳ Complete and reliable fiscal data comparable across Member States for EU budgetary surveillance
  - ↳ Non-harmonised micro-level public-sector accounting data
  - ↳ Fiscal transparency as a necessary prerequisite for macroeconomic stability, surveillance and policy advice
- Major challenges
  - ↳ Different starting positions and therefore different reform motivations by Member States
  - ↳ Cost/benefits of the reform

# Different starting points of Member States need to be taken into account



## Status quo of EPSAS development

- ↪ Council Directive 2011/85/EU of 8 November 2011 on *Requirements for budgetary frameworks of the Member States*
- ↪ Public consultation on „*Suitability of IPSAS for EU Member States*“ performed by Eurostat in 2012
- ↪ Survey on “*Overview and comparison of public accounting and auditing practices in the 27 EU Member States*” performed by EY on behalf of the European Commission (EC)
- ↪ Report on „*Towards implementing harmonised public sector accounting standards in Member States*” by the EC published in March 2013
- ↪ Conference „*Towards implementing European Public Sector Accounting Standards*” in Brussels, May 29/30, 2013
- ↪ Tender on “*Collection of information related to the potential impact, including costs, of implementing accruals accounting in the public sector and technical analysis of the suitability of individual IPSAS standards*” in June/July 2013

## Main findings of Commission's report (March 2013)

- ↪ Report recommends a single set of harmonized accruals-based accounting standards at all levels of government throughout the EU
- ↪ IPSASs in their current status cannot be simply implemented in EU Member States
- ↪ However, IPSASs represent an indisputable reference framework for potential EU harmonised accruals-based public sector accounts (so-called European Public Sector Accounting Standards, „EPSAS“)
- ↪ Implementation costs of EPSAS as well as an appropriate EU governance model are considered as major issues

# Eurostat's current thoughts on IPSAS adoption vs adaptation

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
<ul style="list-style-type: none"> <li>• IPSAS 1</li> <li>• IPSAS 2</li> <li>• IPSAS 3</li> <li>• IPSAS 4</li> <li>• IPSAS 5</li> <li>• IPSAS 9</li> <li>• IPSAS 10</li> <li>• IPSAS 11</li> <li>• IPSAS 12</li> <li>• IPSAS 14</li> <li>• IPSAS 16</li> <li>• IPSAS 19</li> <li>• IPSAS 27</li> <li>• IPSAS 32</li> </ul>	<ul style="list-style-type: none"> <li>• IPSAS 7</li> <li>• IPSAS 8</li> <li>• IPSAS 13</li> <li>• IPSAS 17</li> <li>• IPSAS 18</li> <li>• IPSAS 20</li> <li>• IPSAS 21</li> <li>• IPSAS 22</li> <li>• IPSAS 23</li> <li>• IPSAS 24</li> <li>• IPSAS 25</li> <li>• IPSAS 26</li> <li>• IPSAS 31</li> </ul>	<ul style="list-style-type: none"> <li>• IPSAS 6</li> <li>• IPSAS 28</li> <li>• IPSAS 29</li> <li>• IPSAS 30</li> </ul>

# Way forward envisaged by European Commission/ Eurostat

**1st stage (Mid 2013 – mid 2014):** Establishment of Task Force “EPSAS Governance” and launch of a public consultation reg. EPSAS governance. Further support from Commissioners and Member States (MS) needed. Collection of information for an impact assessment of EPSAS. In January 2014: Establishment of task force/working group to work on technical issues.

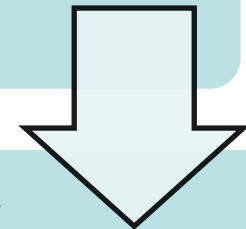
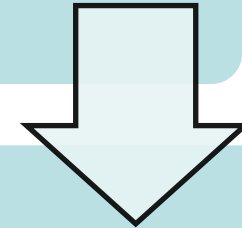
► **Main goal:** Commission Communication in first half of 2014

**2nd stage (Mid 2014 – end of 2015):** Preparation and adoption of a Framework Regulation, setting-up of the governance structures and standard setting procedures for EPSAS. Definition of the core principles of EPSAS. Eurostat aims to also put in place oversight and enforcement mechanisms.

► **Main goals:** Adoption of Framework Regulation and setting-up of governance structures and procedures

**3rd stage (2015 - 2020):** Adoption of the further necessary legislative acts in order to implement the EPSAS standards. Endorsement of EPSAS by MS government accounting authorities. Implementation of EPSAS by MS (all levels of government, possibly with some exemptions for smaller entities).

► **Main goals:** EPSAS endorsement and stepwise implementation



## Implementation approach envisaged by Eurostat

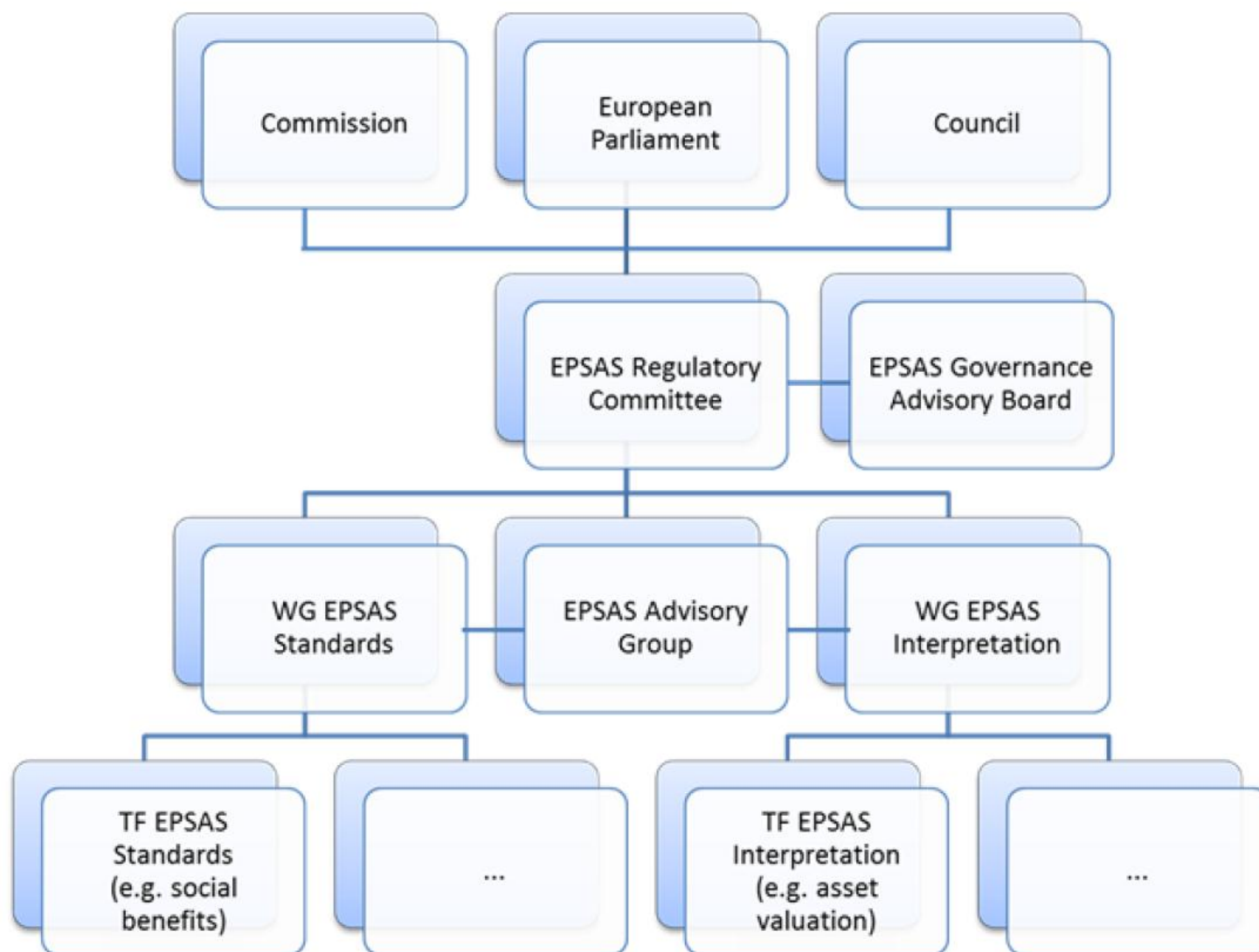
- Development of a roadmap
- Staged approach
  - ↳ Allow more time where a Member State's existing accounting standards differ greatly from EPSAS
- “EPSAS light”
  - ↳ Possibly exemptions for smaller public sector entities
- Implementation of EPSAS envisaged to be achieved in all Member States in the medium term



## Legal foundations for EPSAS

- ↪ European Parliament (EP) and Council of the European Union (Cnc) act as “co-legislators” on the basis of a proposal by the European Commission (EC)
- ↪ Eurostat is a Directorate General (DG) with the EC and has the right of initiative and the power to execute
- ↪ Framework Regulation (as a basic act) will likely be based on Art. 288 in combination with Art. 338 of the Treaty on the Functioning of the European Union (TFEU)
  - Involved: EC, EP, Cnc
- ↪ EPSAS themselves envisaged as implementing acts
  - Implementing acts of the European Union operationalize the basic act (here: Framework Regulation) and/or harmonize its implementation
  - Involved: EC and EPSAS Regulatory Committee

# Envisaged governance structure by Eurostat (by analogy to the model for EU statistics)



## EPSAS Regulatory Committee

- “EPSAS Regulatory Committee” as governing body for EPSAS
- Comprised of high-level representatives of the MS
- Oversees the development of EPSAS following established legislative procedures of the EU
- Chaired and represented by European Commission/Eurostat
- Provides opinions on the specific EPSAS to be endorsed by the EC
- Responsible for providing opinions on the specific EPSAS to be endorsed by the European Commission

## Further bodies of the EPSAS governance

- ↪ Two EPSAS Working Groups:
  - Taskforce EPSAS Standards
    - Technical working group which prepares proposals for EPSASs
  - Taskforce EPSAS Interpretation (similarly to the IFRIC)
    - Technical working group which provides interpretations to EPSASs
- ↪ EPSAS Governance Advisory Group (by analogy to the European Statistical Governance Advisory Board (ESGAB))
  - Independent governance advisory body entrusted with oversight tasks
- ↪ EPSAS Advisory Group (by analogy to the European Statistical Advisory Committee (ESAC))
  - Ensures a wide and representative range of stakeholders (national accounting standard setters, accountancy/audit profession, IPSASB, preparers, statisticians, academia etc.)
  - Nominates delegates to the two EPSAS expert groups

# Conclusions

- No doubt that harmonized accruals-based public sector accounting standards at all government levels throughout the EU will be the way forward
- IPSAS as “indisputable reference framework” for EPSAS, but exact role of IPSAS in the standard-setting process still need to be defined
- Different starting points of Member States for the reforms will likely have an impact on the EPSAS framework as well as on the EPSAS implementation approach

# Thank you for your attention.



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