

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT **D**
BUDGETARY AFFAIRS

Budgets

Budgetary Control



**EPSAS - EUROPEAN PUBLIC
SECTOR ACCOUNTING
STANDARDS**

**How to achieve more reliable
and transparent accounting
systems: How to design
EPSAS for a better
implementation of the EU
budget in the Member States**

WORKSHOP DOCUMENTATION



DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT D: BUDGETARY AFFAIRS

**How to achieve more reliable and transparent
accounting systems:
How to design European Public Sector
Accounting Standards (EPSAS)
for a better implementation of the EU budget
in the Member States?**

WORKSHOP

Abstract:

On 1 October 2015, at the request of the Committee on Budgetary Control, the Policy Department for Budgetary Affairs organised a half-day workshop on EPSAS project (European Public Sector Accounting Standards) and its implications on the EU budget implementation in the Member States.

Experts from the Commission, ECB, PwC, National Accounting Offices and Ministries presented their views on the state of play and challenges for national administrations related to EPSAS implementation.

The aim of this brochure is to disseminate the information shared among the experts during this half day.

This document can not constitute an authentic record of proceedings. The workshop was public and live webstreamed. The video record can be found under the following link:
<http://www.europarl.europa.eu/ep-live/en/committees/video?event=20151001-0900-COMMITTEE-CONT>

CONTRIBUTING EXPERTS

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Ms Julia Catz, European Central Bank
Mr Óscar Figueiredo, Member of the executive Commission of CNC Accounting standard setter, Portugal
Mr Manuel D. Ortuño Bernabé, Senior Adviser, National Accounting Office, Spain
Ms Danièle Lajoumard, General Inspector of Finance, Ministry of Finance, France
Mr Kees Vendrik, Vice President, Court of Audit, Netherlands
Dr. Karsten Nowak, Audit Director, Court of Auditors, State of Hesse, Germany
Mr Thomas Müller-Marqués Berger, Chair of Public Sector Group, Federation of European Accountants, also partner at Ernest&Young

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ABOUT THE EDITOR

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WORKSHOP



POLICY DEPARTMENT D
BUDGETARY AFFAIRS

EPSAS - EUROPEAN PUBLIC SECTOR ACCOUNTING STANDARDS

How to achieve more reliable and transparent
accounting systems: How to design EPSAS for a better
implementation of the EU budget in the Member States?



DATE

1 October 2015

TIME

09:00-12:30

ROOM

**ALTIERO SPINELLI
BUILDING
5G3**

**Committee on
Budgetary Control**

CHAIR:

Ingeborg GRÄSSLE

Contact and Registration: poldep-budg@ep.europa.eu



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WORKSHOP PROGRAMME

WORKSHOP ON

**"HOW TO ACHIEVE MORE RELIABLE AND TRANSPARENT
ACCOUNTING SYSTEMS:
How to design European Public Sector Accounting
Standards (EPSAS) for a better implementation of the
EU budget in the Member States?"**

Rapporteur: Dr Inge Gräßle (EPP)

Organised by the Policy Department D: Budgetary Affairs

**Thursday, 1 October 2015, from 9:00 to 12:30
Altiero Spinelli Building, Room ASP 5G3
European Parliament, Brussels**

PROGRAMME

9:00 - 09:10: WELCOME AND INTRODUCTION

- **Welcome and Introduction by MEP Dr Inge Gräßle**
Chair of Committee on Budgetary Control

* * *

09:10 - 10:15: PRESENTATION OF EPSAS AND CURRENT STATE OF PLAY

Chair: Mr Igor Šoltes MEP (GREEN/EFA)

- **Ms Silke Stapel-Weber**, Director of National Accounts, prices and key indicators, DG Eurostat, European Commission accompanied by **Mr Alexandre Makaronidis**, Head of Task Force EPSAS – European Public Sector Accounting Standards, European Commission - DG Eurostat
- **Mr Patrice Schumesch**, leading partner on the study to inform the impact assessment of EPSAS implementation, PricewaterhouseCoopers Belgium
- **Ms Julia Catz**, Advisor, Macroeconomic Statistics Division, European Central Bank

Open Discussion

* * *

10:15 - 12:20: PUBLIC SECTOR IN MEMBER STATES, CHALLENGES FOR NATIONAL ADMINISTRATIONS RELATED TO EPSAS IMPLEMENTATION AND ADDED VALUE FOR EUROPE

Chair: Mr Derek Vaughan MEP (S&D)

- **Mr Óscar Figueiredo**, Member of the executive Commission of CNC (Comissão de Normalização Contabilística) - Accounting standard setter, Portugal
- **Mr Manuel D. Ortuño Bernabé**, Senior Adviser, National Accounting Office, Spain
- **Ms Danièle Lajoumard**, General Inspector of Finance, Ministry of Finance, France
- **Mr Kees Vendrik**, Vice President, Court of Audit, Netherlands
- **Dr. Karsten Nowak**, Audit Director, Court of Auditors, State of Hesse, Germany
- **Mr Thomas Müller-Marqués Berger**, Chair of Public Sector Group, Federation of European Accountants, also partner at Ernest&Young Germany

Open Discussion

* * *

12:20 - 12:30: CLOSING

- **Closing remarks by Dr Inge Gräßle MEP (EPP) and Mr Michael Theurer, MEP (ALDE)**

Background information on EPSAS developments

Currently, the EU national governments use diverse public sector financial reporting practices. The 2012 study by Ernest & Young¹ reveals that European government accounting arrangements vary widely, ranging from cash-based accounting systems through a combination of cash and accrual, towards modified accrual to fully accrual-based² accounting systems, often with a large number of different accounting standards per subsector of government. In addition, there is a great diversity of book-keeping systems and very few of the European countries would claim to have a unique accounting system for all subsectors of government.

The Budgetary Framework Directive n° 2011/85/EU recognises the crucial role of EU budgetary surveillance of *complete and reliable fiscal data, comparable across the Member States*, in safeguarding Economic and Monetary Union and in helping Member States avoid excessive government deficits.

EU budgetary surveillance is based on ESA 95³ accruals data which means that data received from Member States that use very diverse accruals or cash-based accounting systems have to be converted into accruals through approximations and adjustments involving macro-based estimates⁴.

Accruals accounting is the only generally accepted information system that provides a complete and reliable picture of the financial and economic position and performance of a government by capturing, in full, the assets and liabilities as well as revenue and expenditure of an entity, over the period covered by the accounts and at the moment they are closed.

¹ Overview and comparison of public sector accounting and auditing practices in the 27 EU Member States, Ernest & Young, December 2012.

² Difference between cash-based and accrual-based accounting systems: under cash-based accounting revenue and expenditure are reported on the income statement when the cash is received or paid. Under the accrual-based accounting revenue and expenditure are reported on the income statement when they are earned and when they arise which often occurs at a different point than when the cash is received or when the payment is made.

³ The former methodological framework (ESA 95) for producing national accounts data was replaced in September 2014 with the new European system of accounts (ESA 2010).

⁴ Report from the Commission to the Council and the European Parliament, Towards implementing harmonised public sector accounting standards in Member States, The suitability of IPSAS for the Member States, COM(2013) 114 final.

For these reasons there was a need for the Commission (Eurostat) to promote a system of harmonised accrual-based accounting standards, supporting the quality of ESA data, for all entities in the government sector with the aim of providing *transparent, comparable and reliable* financial reporting that can be used for *budget surveillance, fiscal monitoring and sound decision-making* within the EU.

On the basis of the requirements of Directive 2011/85/EU, in 2012 the European Commission launched a *public consultation on suitability of IPSAS* (International Public Sector Accounting standards) which is currently the only internationally recognised set of public sector accounting standards. The consultation has shown that the national government accounting standards of some Member States are linked to IPSAS, either as a model or as a reference. The result of the consultation shows that IPSAS standards cannot be easily implemented in EU Member States but they represent an indisputable reference for potential EU harmonised public sector accounts.

According to the Commission, EPSAS could initially be based on the adoption of a set of key IPSAS principles and the use of IPSAS standards that were commonly agreed by Member States. Furthermore, the Commission has warned that additional conditions would have to be met, including strong political support and joint ownership of the project, while for those Member States that currently use only cash accounting, the implementation of EPSAS accrual accounting would be a major reform. It is understandable that the development and adoption of EPSAS standards call for strong EU Governance.

In May 2013, the Commission (Eurostat) organised a conference entitled "Towards implementing EPSAS" which was attended by a large number of public sector stakeholders and decision-makers who confirmed a broad support for the project. The conference discussed the need for EPSAS as well as important practical arrangements such as finance, governance and concerns for smaller entities¹.

In September 2014, Eurostat released a study conducted by PwC on the future implementation of EPSAS by EU Member States². The study analyses the potential costs and benefits of implementing EPSAS in the Member States, the suitability of IPSAS for developing EPSAS, and it provides proposals for implementation. The study confirms the technical suitability of existing IPSAS in general and classifies IPSAS in three categories for the future work on EPSAS. The costs are considered as significant and short term, while the benefits are sustainable and expected in the medium to long term but are difficult to be quantified. Proposals for implementation include a timeline and staged approach, as well as the inherent challenges.

The Commission (Eurostat) is using the PwC study to inform on its staged approach to EPSAS and for planning further steps for EPSAS implementation. The latest, most important actions by the Commission (Eurostat) include:

¹ <http://ec.europa.eu/eurostat/web/conferences/epsas>

² <http://www.pwc.com/gx/en/industries/government-public-services/public-sector-research-centre/publications/implementing-epsas.html>

-
- the completion of the first call for proposals as a pilot, from December 2014, worth of EUR 1.2 million, for Member States public sector standards' setters to carry out a preparatory analysis on the modernisation of their accounting systems on an accruals basis³,
 - a call for tender for the supply of statistical services in the field of public sector accounting was published on 15 September 2015. The objective of this call for tender is to obtain support in the area of public sector accounting and to collect additional and updated information related to the potential impact of implementing accruals accounting in the public sector,
 - the first EPSAS working group was held in Malta on 15-16 September 2015 and gathered EU representatives of all Member States standards' setters. The objective of the Working Group was to provide the Commission (Eurostat) with advice and expertise on the preparation of harmonised European public sector accounting and general purpose financial reporting standards on an accruals basis.
 - Eurostat has also set-up a small Cell of experts from 4 Member States to develop guidance for the first time implementation of accrual-based opening balance sheets, primarily for entities which currently only have cash-based accounts.

In summary, EPSAS aims to bring financial transparency and comparability of government financial accounting and reporting across the EU Member States. National reform efforts so far have not delivered these objectives.

³ <http://ec.europa.eu/eurostat/documents/10186/6389624/A4-call-for-proposals.pdf>

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BIOGRAPHIES OF SPEAKERS



Silke STAPEL-WEBER

Director of National Accounts, prices and key indicators, DG Eurostat, European Commission

Dr. Silke Stapel-Weber's main responsibilities as director at Eurostat since 2014 include the quarterly and annual national accounts, prices and purchasing power parities, balance of payments, use and supply and input-output tables and related key indicators. The responsibilities cover methodology development, regular data production at EU and Euro area level, administrative use of certain data, compliance and quality management as well as respective data dissemination and international cooperation.

Stapel-Weber has over 25 years of experience in official macroeconomic statistics, academia and teaching. Over this period she held various positions at the University of Berlin, in the Central Statistical Office of the former GDR, in the German Federal Statistical Office, at Eurostat and in the publications office of the EU. She represents Eurostat in various professional bodies, including the interagency group and in the G20 context.

Stapel-Weber studied macroeconomic and statistics in Berlin and Novosibirsk. She received her PhD for a study on the long-term effects of neglected maintenance and investment on the capital base and productivity of an economy, using hedonic methods. She is an elected member of the ISI and was nominated co-chair of the ICP technical advisory group at the Worldbank (2002-2007).



Alexandre MAKARONIDIS

Head of Task Force EPSAS European Public Sector Accounting Standards, DG Eurostat, European Commission

Alexandre Makaronidis, Head of Task Force EPSAS – European Public Sector Accounting Standards, European Commission - DG EUROSTAT.

Alexandre is a graduate of the School of Management at the Ludwig-Maximilians University of Munich and holds a Dr.oec.publ. in econometrics from the same University.

Task Force EPSAS is an entity in charge of the EPSAS project that is leading the Commission's work on European Public Sector Accounting Standards.



Patrice SCHUMESCH

Leading partner on the study to inform the impact assessment of EPSAS implementation, PricewaterhouseCoopers, Belgium

Patrice Schumesch is a Brussels-based partner with over 20 years of experience in international accounting. He is a Belgian accredited statutory auditor and chairs the PwC Global IPSAS team. In this capacity, he is driving PwC's global IPSAS activities and acts as an accredited IPSAS technical expert at an international level within the PwC network.

Within PwC Belgium, Patrice is leading a team of professionals fully dedicated to providing IPSAS and IFRS advice to our clients, and has in this context gained extensive practical experience in helping several governments and international organisations, in Europe, Asia and Africa, with their accrual accounting and IPSAS conversion projects or in providing regular IPSAS advice and trainings to them. Patrice's experience includes his advisor role to the European Commission's Advisory Committee on Accounting Standards.

Patrice recently led PwC's team which assisted the European Commission in conducting a study to assess the costs and benefits of EPSAS (European Public Sector Accounting Standards) implementation in the European Union and the adequacy of the IPSAS standards as a basis for developing EPSAS. The project should contribute to improved fiscal monitoring and management of public finances, and enhanced democratic accountability within the EU.

He has been co-driving the recent PwC global survey on accounting and reporting by governments, and led a similar survey for the Asian Development Bank on governments' accounting practices in the Asia-Pacific region. Patrice is the co-author of the IPSAS book "IPSAS in a Nutshell - from Principles to Practice" which explains in a clear and user-friendly way the key accounting and operational implications of IPSAS adoption. He has issued various articles and publications and regularly speaks at conferences on IPSAS and public finance and accounting matters.

Patrice also chairs the IPSAS/EPSAS working group of the Belgian Institute of Accredited Auditors and is an active member of the Public Sector Group of the FEE (Federation of European Accountants).

In addition to his role at PwC, Patrice is an associate professor in the department of finance and law at HEC Management School - University of Liège, where he teaches international accounting and consolidation.



Julia CATZ

***Advisor, Macroeconomic Statistics
Division, European Central Bank***

FIELD OF EXPERTISE

Government finance statistics, national accounts

PROFESSIONAL CAREER

1/10/2011 - present	European Central Bank, Macroeconomic Statistics Division Adviser
1/4/2005 – 30/9/2011	European Central Bank, Macroeconomic Statistics Division Principal Economist Statistician
1/4/2003 – 31/3/2005	European Central Bank, Macroeconomic Statistics Division Senior Economist Statistician
1/1/1998 – 31/3/2003	CPB Netherlands Bureau for Economic Policy Analysis Scientific Researcher
1/6/1996 - 31/12/1997	Statistics Netherlands Statistical Analyst

EDUCATION

M.A., Economics, Erasmus University Rotterdam, 1996



Óscar FIGUEIREDO

***Member of the executive Commission of CNC
(Comissão de Normalização Contabilística),
Accounting standard setter, Portugal***

Oscar is a statutory auditor qualified in 1989 and registered in the Portuguese Statutory Auditors Institute (Ordem dos Revisores Oficiais de Contas - OROC).

Member of the Executive Board of OROC (from January 2009). Previously he was a member of the Scholarship Committee (2006 to 2008) and a Quality Control Reviewer for the Institute (1995 to 2008).

Member of the Executive Committee of the Portuguese Accounting Standards Board (from December 2009) and Coordinator of the Public Sector Accounting Committee (from March 2013).

Member of the audit committee of listed and unlisted entities.

Responsible for the translation into Portuguese of several IFAC technical material for example ISAs, Guide to Quality Control for SMPs and Code of Ethics (2010 and 2011), Handbook of International Public Sector Accounting Pronouncements (2013).

Provided training for OROC and similar organizations of the Portuguese Speaking African Countries on accounting and audit matters (2010 to 2014).

Oscar started his professional career as an auditor in Ernst & Young in 1979 and provided professional services to both national and international clients until 2006. He was a partner within E&Y between 1992 and 2006 and member of the executive board of the Portuguese practice from 1998 to 2006.

Advisor for several consultancy projects in Mozambique and Angola regarding implementation of international accounting and auditing standards and support for the newly formed professional bodies in those countries.

Oscar has a degree in Accounting and Management by the Instituto Superior de Contabilidade e Administração de Coimbra and Advanced Management Course from the Post-Graduation School of Economic and Business Sciences of the Portuguese Catholic University.



Manuel D. ORTUÑO BERNABÉ

***Senior Adviser of the National Accounting Office,
Government Controller's Office, Intervención
General de la Administración del Estado (IGAE),
Spain***

OFFICIAL DEGREES

Member of Public Sector Service in the Superior Public Body of Controllers and Accountants (2008)
Degree in Law. Murcia University (1999)
Degree in Economics. Murcia University (1994)

PROFESSIONAL EXPERIENCE

Senior Advisor in the National Accountancy Bureau, of Ministry of Finances and General Government (since 2014).
Chief of Public Corporations national accounts according to European System of Accounts (ESA): from 2008 to 2014.
Chief accountant in the department of a business (private sector) for seven years (prior 2008).

COMPLEMENTARY TRAINING

Course on "Transmisiones patrimoniales y actos jurídicos documentados". 28 hours. 2014-Instituto de Estudios Fiscales-Madrid.
Course on "Ley General Presupuestaria". 28 hours. 2014-Instituto de Estudios Fiscales-Madrid.
"Curso de Administración Electrónica (on line)". 30 hours. 2013-Instituto de Administración Pública-Madrid.
Course on "Ley General Tributaria". 28 hours. 2011-Instituto de Estudios Fiscales-Madrid.
Course on "Excel 2007 Básico". 30 hours. 2011-Subdirección General de RR.HH. del Minhap-Madrid.
Course on "Contratación del Sector Público". 28 hours. 2011-Instituto de Estudios Fiscales-Madrid.
Course on "Ley General de Subvenciones". 28 hours. 2010-Instituto de Estudios Fiscales-Madrid.
Course on "Análisis práctico del Plan General de Contabilidad. Avanzado". 28 hours. 2010-Instituto de Estudios Fiscales-Madrid.
Course on "Ley Patrimonio de las Administraciones Públicas". 28 hours. 2010-Instituto de Estudios Fiscales-Madrid.
Course on "Presupuestación, ejecución y control de Administraciones Públicas". 30 hours. 2010-Internacional Menéndez Pelayo University-Santander.
Course on "Francés Modalidad Mixta, Nivel I". 150 hours. 2010-Cifasal-Ministerio de Economía y Hacienda-Madrid.



Danièle LAJOURMARD

General Inspector of Finance, Ministry of Finance Inspection Générale des Finances, France

EDUCATION

Master Degree in public law, University of Paris-I (Panthéon-Sorbonne)
Certified in Internal Auditing (CIA) and Certified Government Auditing Professional (CGAP), 2009

CURRENT FUNCTIONS

Appointed General Inspector of Finance in office at the General Inspectorate of Finances (Since 2002)
Head of Internal Audit of the ministries of Economy and Finances (since 2013)
Member of the French Public Accounting Standards Committee (CNOCP) (since 2009),
Chair of the State Accounting Standards Commission of the French Public Accounting Standards Committee (CNOCP) (since 2009),
Member of the Independent Personalities Group giving an opinion on the Combined French Government Financial Statements (since 2014)
Member of the Independent Authority "Commission des participations et des transferts" (since 2015)
Chair of IT project "CHORUS" (State budgetary and accounting IT project) (since 2007)
Member of the "Française des Jeux" Board of Directors (since 2009)
Chair of the "Française des Jeux" Internal audit Committee (since 2009)
Member of the "Pôle emploi" Internal audit Committee (since 2011)
Member of the "Crédit Municipal de Paris" Supervisory Board (since 2013)
Member of the CEA Board of Directors (since 2014)
Chair of the CEA Internal audit Committee (since 2014)

PREVIOUS FUNCTIONS

Member of the French State Accounting Standards Committee (From 2003 to 2009)
Chair of the methodological committee on internal audit of the ministries of Economy and Finances (from 2008 to 2013)
Member of the Interdepartmental Programme Audit Committee (CIAP) (From 2006 to 2012)
Member of OECD's Internal audit Committee (from 2009 to 2014)
Head of Public Policy General Review audit assignment (from 2007 to 2012)
President of the Interministerial Committee for the Coordination of Controls – EAGGF Guarantee Section (2002-2008)
Chair of the ACOFA (Central Agency for Agricultural Intervention Funds) Board of Directors (2003-2006)
Director of Electricité de France Financial Services (2000-2002)
Special Adviser to the Electricité de France Finance Director (1998-1999).
Special Adviser to the Electricité de France Financial Department's Accounts Director (1994-1999).
Appointed Inspector of Finance in office at the General Inspectorate of Finances (1989 -1994).
Public Treasury Controller, then Inspector, then Auditor (1976–1989)

HONOURS AND DECORATIONS

Officer of the French Order Légion d'Honneur
Officer of the French Order Ordre national du Mérite



Kees VENDRIK

***Vice-president of the Netherlands Court of Audit,
The Netherlands***

Mr Kees Vendrik, born in Nijmegen on 30 January 1963, joined the Court of Audit's Board on 15 April 2011.

Before becoming a Member of the Netherlands Court of Audit, he was a Member of the House of Representatives for GroenLinks (the Green Party). From May 1998 until June 2010 he was the spokesman of GroenLinks on issues including government expenditure, health, pensions and the environment. He had previously served from 1993 to 1998 as programme manager/head of political programming at the De Balie political and cultural centre in Amsterdam. Prior to that he had been a financial policy officer at the Ministry of the Environment and a socio-economic policy officer for the PSP/GroenLinks parliamentary party.

Mr Vendrik studied political science at the University of Nijmegen and the University of Amsterdam.



Karsten NOWAK

***Director, Hessian Court of Auditors, Hessischer
Rechnungshof, Germany***

Karsten Nowak is Director and Head of the Policy Department at the Hessian Court of Auditors. He is responsible for the execution of internal and external accounting, controlling tasks as well as profitability analyses. Further, the evaluation and analysis of special economic issues and product budgeting belong to his responsibilities as well as the publication of the observations of the Hessian Court of Auditors and the audit of the consolidated financial statement of the state of Hesse. He is also a member of the working group "budget and policy issues" of the German Federal Court of Auditors and Regional Courts of Auditors.

From 2000 until 2003, Karsten Nowak worked for a listed electric utility as a management consultant. In his position he conceptualized a value-based controlling system, which he later implemented throughout the group. Above that he was responsible for the strategic corporate development. In the years from 1996 to 2000 Karsten Nowak undertook his doctor's degree at Mannheim University. Thereby, he worked as a research associate at the faculty of business administration, particularly auditing and corporate governance. In 2000 he received his doctoral degree in the field of "market-oriented valuation".

At the University of Cooperative Education (IBA) in Darmstadt, Karsten Nowak teaches the subjects "Controlling" and "Accounting". Additionally, he holds lectures at the Goethe University in Frankfurt am Main in the field of "Public Sector Accounting".

He further fosters the ongoing debate on public sector controlling and budgeting as well as the international discussion about the harmonization of European Public Sector Accounting Standards (EPSAS).



Thomas MÜLLER-MARQUÉS BERGER

Chair of Public Sector Group Federation of European Accountants (FEE), partner and Global IPSAS Leader at Ernst & Young, Germany

Thomas Müller-Marqués Berger is with Ernst & Young since more than 20 years. He is a partner at Ernst & Young GmbH and serves as the firm's **Global Head of International Public Sector Accounting**.

Since 2013 he represents EY at the Global Public Sector Leaders (GPSL) Group at IFAC.

Mr. Müller-Marqués Berger has been a member of **the International Public Sector Accounting Standards Board** from January 2009 until December 2014. He has been a member of the IFAC Public Sector Steering Committee on social policy obligations in 2003/2004. He continues to serve as a member of selected IPSASB Task Forces.

Since 2003, he has been a member of **Public Sector Committee of the Fédération des Experts Comptables Européens (FEE)** and has served as Chair since 2011.

He is also a member of the **German Public Sector Committee** with the IDW since 2002.

In 2010/2011, Mr. Müller-Marqués Berger served as one of 3 members globally in the **DAS Think Tank of the European Court of Auditors**. He covered the area "Audit Methodology for the EC IPSAS Accounts".

Since 2013, Mr. Müller-Marqués Berger is a member of the **European Accounting Advisory Board** of the European Commission.

Currently, he is the Representative of the European Accountancy Profession (FEE) at the **European Commission/ EUROSTAT "EPSAS" Task Forces**.

Mr. Müller-Marqués Berger has intensively published on the subject of Public Sector Accounting. He is the author of "**IPSAS explained**" which was published in its 2nd edition in 2012.

Finally, Thomas Müller-Marqués Berger has provided **Presentations, Speeches and Training on International Public Sector Accounting** in numerous countries globally.

PRESENTATIONS

**Presentation by Silke Stapel-Weber
and Alexandre Makaronidis**



Workshop on
**"How to achieve more reliable and transparent accounting systems:
How to design European Public Sector Accounting Standards (EPSAS)
for better implementation of the EU budget in the Member States?"**

European Parliament, Brussels, 1 October 2015

EPSAS AND CURRENT STATE OF PLAY

Silke Stapel-Weber, Director of National Accounts, prices and key indicators, Eurostat
Alexandre Makaronidis, Head of Task Force EPSAS, Eurostat

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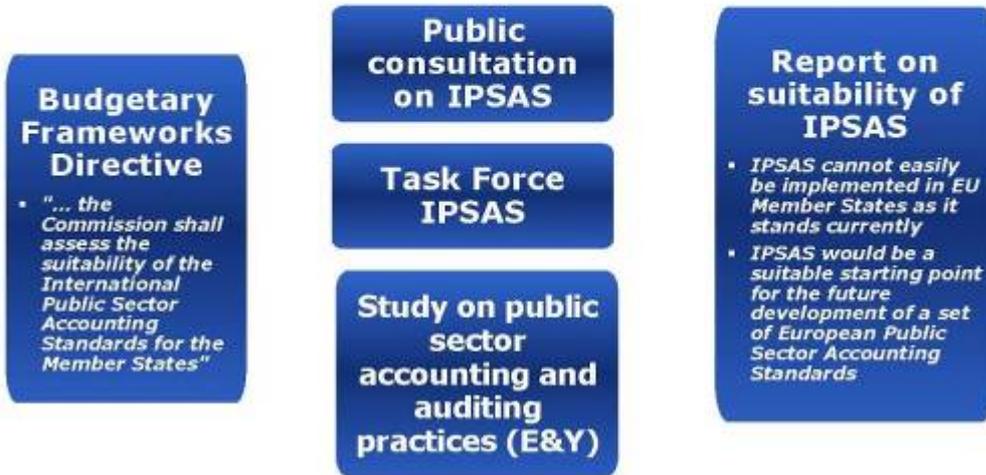


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1. Budgetary Frameworks Directive and IPSAS Report
2. Why accruals? Why harmonised accruals?
3. Key objectives
4. Costs vs Benefits
5. EPSAS Framework and staged implementation
6. Current work



Background: 2012 to spring-2013 Study on the suitability of IPSAS: Retrospective

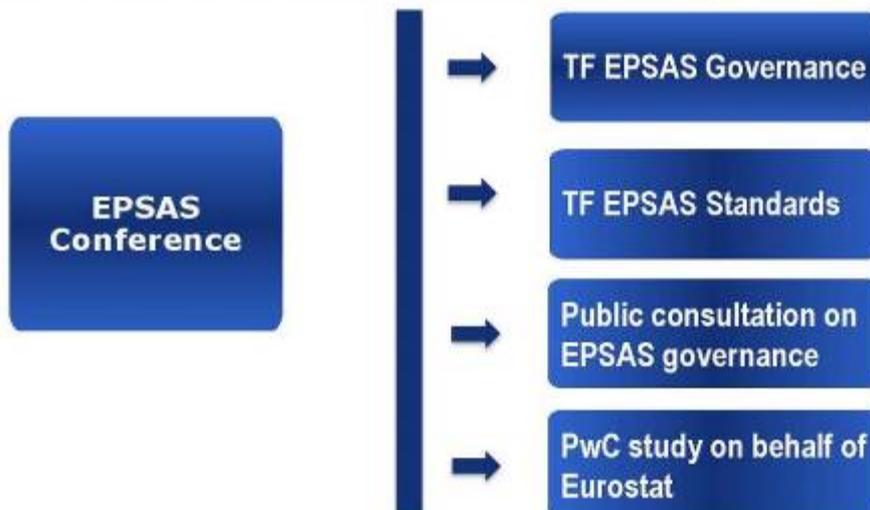


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Background: spring-2013 – mid-2015 Stakeholder communication: raising awareness

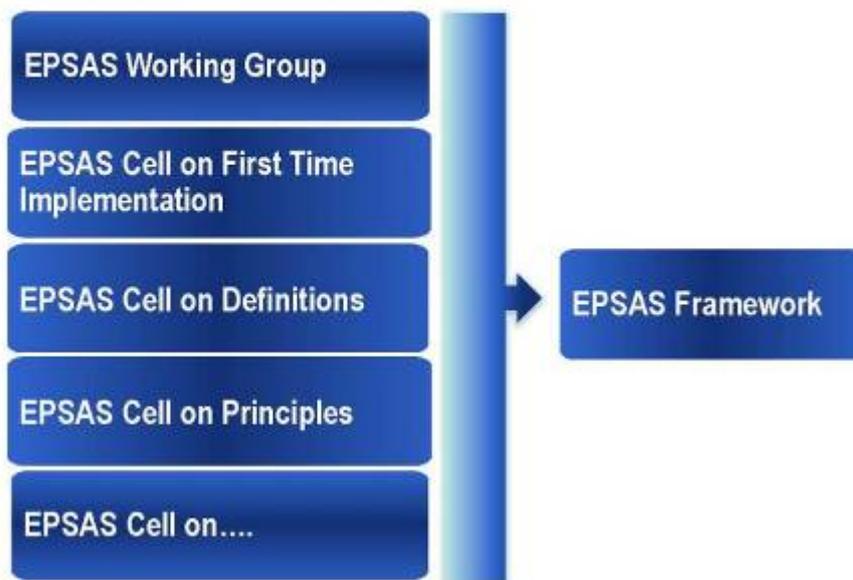


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The way forward: mid-2015 –



5

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Other meetings with EPSAS stakeholders 2014- 2015

- Other than those organised by the Task Force EPSAS itself, Eurostat has participated in some 40 events in 2014 and 35 events so far in 2015.
- In addition to "international" meetings, dedicated meetings with national stakeholders in five Member States. Focus on discussion with stakeholders in Germany.
- From outside the EU, meetings/presentations with experts from Norway, US and Japan and several international organisations.
- Eight further events are currently scheduled for fourth quarter 2015/ early 2016.

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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.

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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 – although significant progress by IPSASB since then
- 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

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Commission report on suitability of IPSAS (2013)

Based on the views of EU Member States authorities and public consultation, the Commission report classified IPSAS in three groups:

- 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 need **reconsideration** before implementation:
 - IPSAS 6, 28, 29, 30

9

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Why accruals? – Why harmonised accruals?

No common reference standards exist in the Union defining how the relevant individual transactions and economic events should be:

- Recorded
- Recognised
- Measured, and
- Consolidated at the source, and
- Reported . . . to the users.

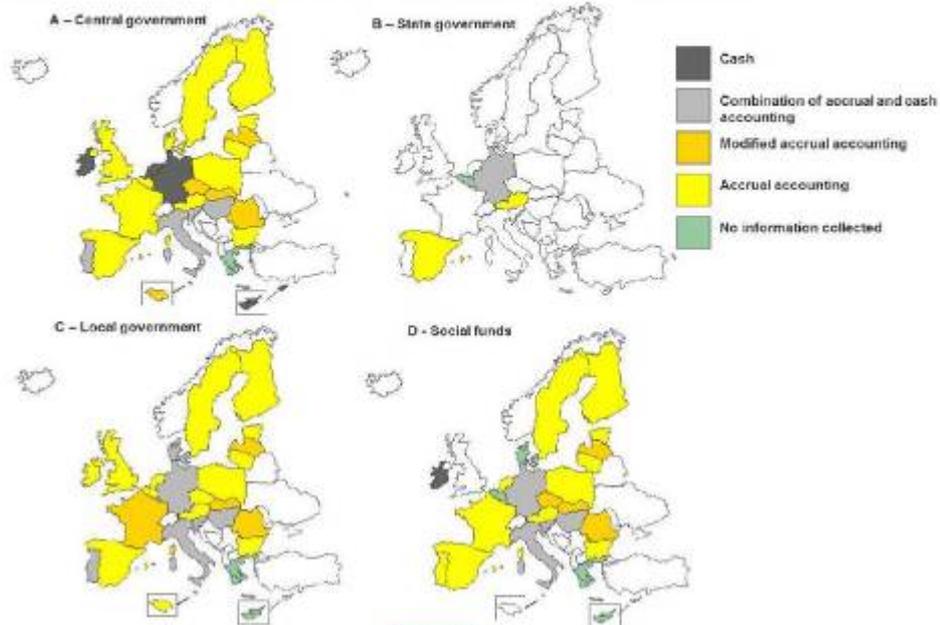
Unilateral modernisation efforts of MSs have not been effective enablers of fiscal transparency and comparability

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EY study (2012) public sector accounting in the EU



11



Accounting Maturity per MS by level of Government

Proximity to IPSAS

Source: PwC Study on behalf of Eurostat, 2013/14

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

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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

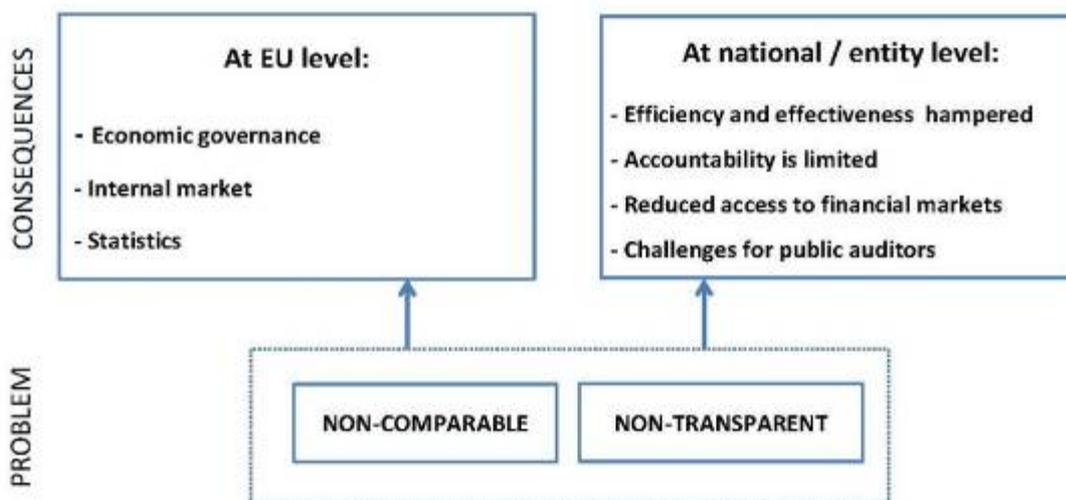
This impacts on both General Purpose Financial Statements and Government Finance Statistics

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Why accruals? – Why harmonised accruals?



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Key objectives

The primary objectives of the proposed initiative are to

- increase **fiscal transparency** and
- achieve **comparability** between and within Member States . . .
- **minimise incoherence** between the micro-level and the ESA macro-level accounting and reporting frameworks

The European Union has a strong interest in both

- sound **financial** reporting and
- sound **statistical** reporting

and both sets of rules should be complied with.

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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

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Benefits vs Costs

Extrapolated costs at EU level spread over the reform period

- Scenario 1 – Adaptation of all existing IT systems
between 1.2 billion and 2.1 billion EUR
- Scenario 2 – New IT systems for all entities with low IT maturity
between 1.8 billion and 6.9 billion EUR

IPSAS report (2013): costs of 0.02 - 0.1% of GDP

PwC Study (2014): costs of 0.01 - 0.05% of GDP

NB: To interpret with due care, taking into account the inherent limitations of such extrapolations.

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The EPSAS framework

The EPSAS framework should comprise:

- **Principles** underlying governance
- Governance **mechanism**
- **Due process**
- Standard-setting **capacity**
- **IPSAS** as first reference base

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Towards EPSAS implementation

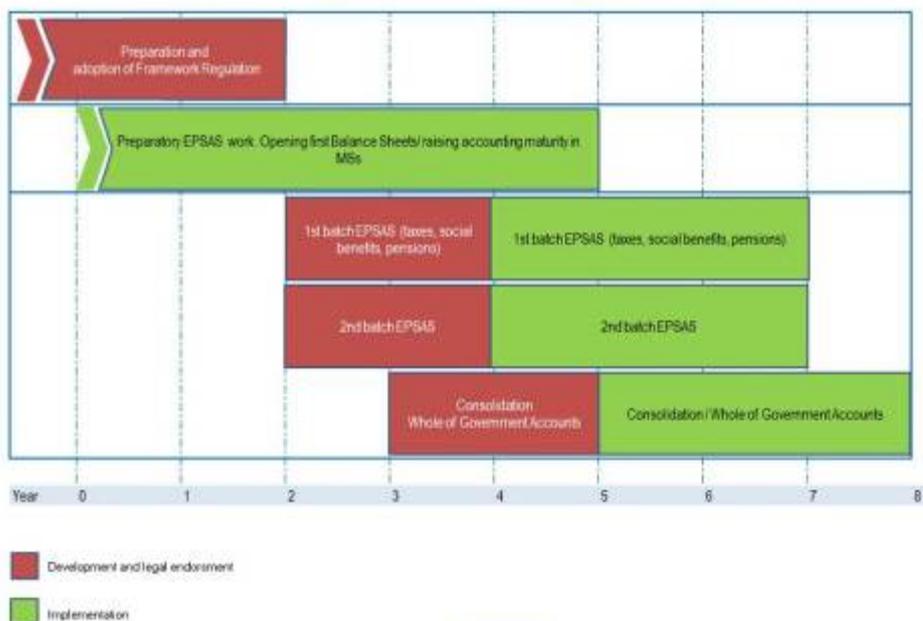
EPSAS will have to:

- be implemented over a **medium-term** perspective
- be a **gradual, stepwise process** – taking into account the existing accounting maturity, of those entities booking on a cash basis only
- have an initial focus on **public-sector-accounting-specific** issues
- represent **no step back** for the most advanced accounting systems
- take into account **materiality** considerations – relief for small and less risky entities, e.g. at local government level

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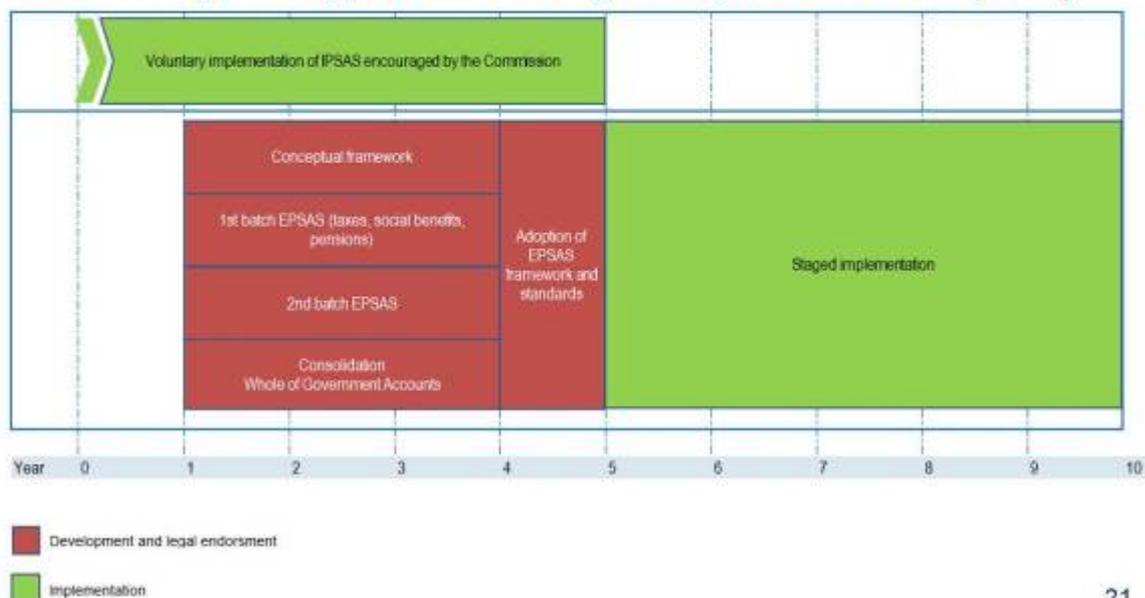
Reworking our approach to staged implementation



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Reworking our approach to staged implementation (cntd)



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Work programme autumn 2015/2016

- First meeting of EPSAS Working Group
- Further support of accruals implementation
- Widening the range of stakeholders
- Drafting the concrete proposal on the EPSAS framework
- Drafting issues papers
- Continuing communication with stakeholders

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EPSAS is a major EU initiative It is an investment in the future

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European Commission (Eurostat) Task Force EPSAS:

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

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Presentation by Patrice Schumesch



Scope

1 Costs and benefits of implementing EPSAS

2 Critical analysis of IPSAS as a basis for developing EPSAS

Country visits, questionnaire and interviews with the 28 EU Member States

3 Proposals for implementation

Most cited benefits

**Accountability
and
transparency**

-Harmonisation, long-term impact of decisions reflected in the financial statements, intergenerational fairness
-Better data quality for fiscal surveillance

**Better
decision-
making**

-Accrual accounting used as a tool to provide better management information and improve decision-making in the context of wider finance reform

Additional benefits

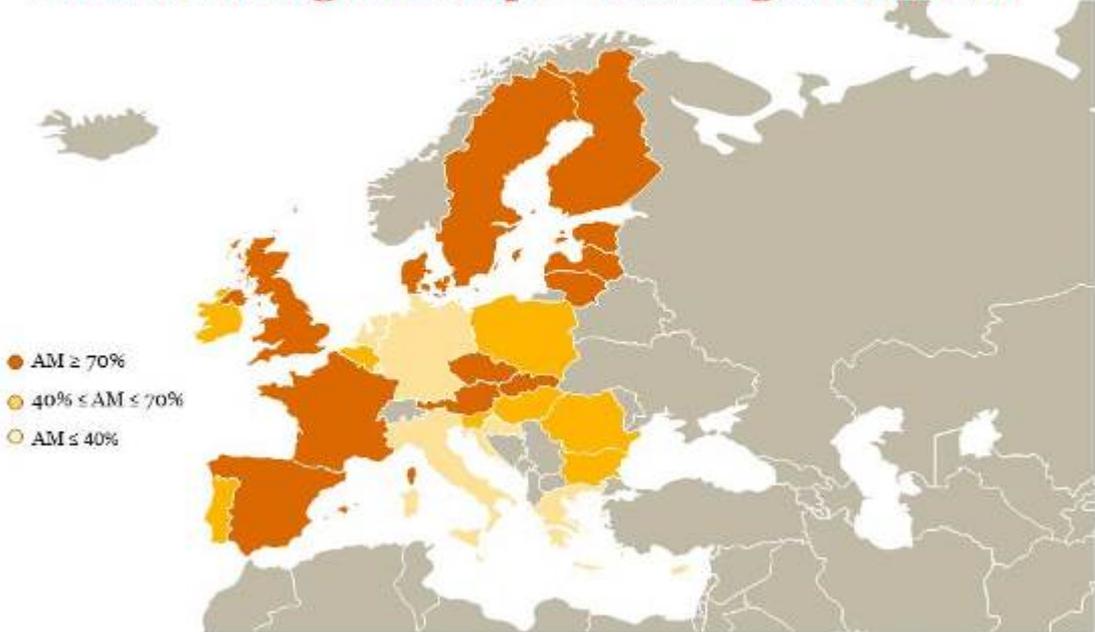
**Controls and
administrative
processes**

-Audit and internal control enhancement
-Efficiency gains following introduction of modern IT systems

**Labour
market**

-More professionalised finance function, higher staff qualifications
-Recruitment and mobility facilitated

Cost assessment - Accounting and IT maturity EU accounting landscape - central governments



Key learnings from the EPSAS study
PwC

1 October 2015
5

Cost assessment - Accounting and IT maturity EU accounting landscape - state governments



Key learnings from the EPSAS study
PwC

1 October 2015
6

Cost assessment - Accounting and IT maturity **EU accounting landscape - social security funds**



Key learnings from the EPSAS study
PwC

1 October 2015

7

Cost assessment - Accounting and IT maturity **EU accounting landscape - local governments**



Key learnings from the EPSAS study
PwC

1 October 2015

8

Cost assessment

Accounting and IT maturity determined for all governments

Cost to gain 1 point of maturity based on benchmarks

Scaling up at EU level

Key learnings from the EPSAS study
PwC

1 October 2015
9

Cost estimated at EU level

Cost to implement EPSAS at the EU level assessed between

1,2 and 6,9 billion

0,009% and 0,053% of the GDP

Decision/need to invest or not in a new IT system has a significant impact

Net cost/benefit assessment needed

Key learnings from the EPSAS study
PwC

1 October 2015
10

Suitability of IPSAS standards

IPSAS already used
as a source of
inspiration by most
governments

Most comments
relate to the cost and
complexity of
implementation

Governments with
advanced accounting
practices do not want
a step back

Governments are
overall rather
positive about IPSAS

Categorisation of IPSAS standards

Topics not yet covered by IPSAS

-Framework, social benefits, non-exchange expenses, first-time
adoption... but the situation is evolving

Topics that may need amendment or implementation guidance

-Limited number of topics (consolidation, employee benefits, revenue,
financial instruments, some disclosures)

All other topics

The way forward

Focus standard-setting on key issues

Diagnostic in each Member State or government, tailored roadmap

Best implementation practices, pragmatic approach

Continuous improvement process

Key learnings from the EPSAS study
PwC

1 October 2015
13

Thank you!

Patrice Schumesch,
Global Public Finance and Accounting partner,
patrice.schumesch@be.pwc.com

EPSAS study

<http://ec.europa.eu/eurostat/documents/1015035/4261806/EPSAS-study-final-PwC-report.pdf>

Presentation by Julia Catz



Julia Catz
Adviser
Macroeconomic Statistics Division
Directorate General Statistics
European Central Bank

Enhancing public sector accounting systems

Brussels, 1 October 2015, EPSAS
Workshop European Parliament

This presentation should not be reported as representing the views of the European Central Bank (ECB).
The views expressed are those of the author and do not necessarily reflect those of the ECB.

Overview

- 1 The importance of accrual accounting
- 2 How to design EPSAS?
- 3 Conclusion

1 The importance of accrual accounting

2 How to design EPSAS?

3 Conclusion

The importance of accrual accounting

Unpaid bills



The importance of accrual accounting

Cash situation



The importance of accrual accounting

Sustainability



The importance of accrual accounting

Accrual recording

transactions are recorded

- when economic value is created, transformed or extinguished
- or when claims and obligations arise, are transformed or cancelled

- Statistics for the excessive deficit procedure: accrual basis - European System of Accounts (ESA) 2010
- but public sector accounts not yet completely on an accrual basis in all Member States

The importance of accrual recording

Table 2A: Provision of the data which explain the transition between the public accounts budget balance and the central government deficit/surplus

Member State: Belgium Data as at: (end of each of annual cycle) Date: 15/04/2013	Year				
	2011	2012	2013	2014	2015
Working balance in central government accounts	-10,569	-6,150	-7,640	-11,744	0
<i>Items of the working balance</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>
Financial transactions included in the working balance	3,491	-1,192	-2,412	-1,193	0
Loans granted (+)	1,899	29	76	156	0
Loans repayments (-)	-127	-184	-272	-23	0
Equities acquisition (+)	4,201	4,349	1,604	872	0
Equities sales (-)	0	-4,019	-4,019	0	0
Other financial transactions (+/-)	-2,279	-989	-929	-1,797	0
of which: transactions in debt liabilities (+/-)	-2,279	-989	-929	-1,797	0
of which: net settlements under swap contracts (+/-)	0	0	0	0	0
Detail 1					
Detail 2					
Non-financial transactions not included in the working balance	0	0	0	0	0
Detail 1					
Detail 2					
Difference between interest paid (+) and accrued (D.21)(-)	0	0	0	0	0
Other accounts receivable (+)	810	-880	140	-1,707	0
Detail 1					
Detail 2					
Other accounts payable (-)	140	157	257	309	0
Detail 1					
Detail 2					
Working balance (+/-) of entities not part of central government	0	0	0	0	0
Net borrowing (-) or net lending (+) of other central government bodies	-200	-302	-44	279	0
Detail 1					
Detail 2					
Other adjustments (+/-) (please detail)	-1,229	-3,714	-291	81	0
Financial transactions re-ruled as non-financial transactions	-160	-2,880	-3	-8	-1
Non-financial transactions re-ruled as financial transactions	-124	-27	87	81	0
Securitisation	79	69	59	24	4
Debt cancellation	-149	-2	-2	0	4
Adjustment for transfers within general government	-1	-2	-29	-22	0
Financial derivatives (swap)	-244	-177	-295	0	0
Consolidation of assets of PPPs	0	0	0	0	0
Statistical adjustment	-101	-41	-41	81	0
Net lending (+) or net borrowing (-) (B.3) of central government (B.12)(1)	-10,019	-5,362	-6,524	-10,262	-6,084
(ESA 2010 accounts)					

The importance of accrual accounting

Tension between cash and accrual recording

- **Targets for programme countries → conditionality based on tight quarterly monitoring**
- **Quarterly accrual data, “only” after t+3 months**
- **Quickest information → cash basis**
- **How to assess?**
- **Needed → public sector accounts on accrual basis**

The importance of accrual accounting

2011 ECB Opinion on the six-pack

- **in favour of more timely and reliable government finance statistics**
- **implementation of public accounting systems**
 - **accrual basis**
 - **interconnected with the ESA**
 - **based on internationally accepted public sector accounting standards**
 - **harmonised recognition and measurement of government transactions**

The importance of accrual accounting

Appealing features of EPSAS for fiscal data users and compilers

- **Accrual basis**
- **Interconnected with the ESA**
- **Harmonised for all government entities in all countries**

→ easier to translate public sector accounts into accrual fiscal statistics

→ increase timeliness of fiscal data

→ increases reliability of fiscal data (especially local and regional governments)

→ easier for Eurostat to check fiscal data

1 The importance of accrual accounting

2 How to design EPSAS?

3 Conclusion

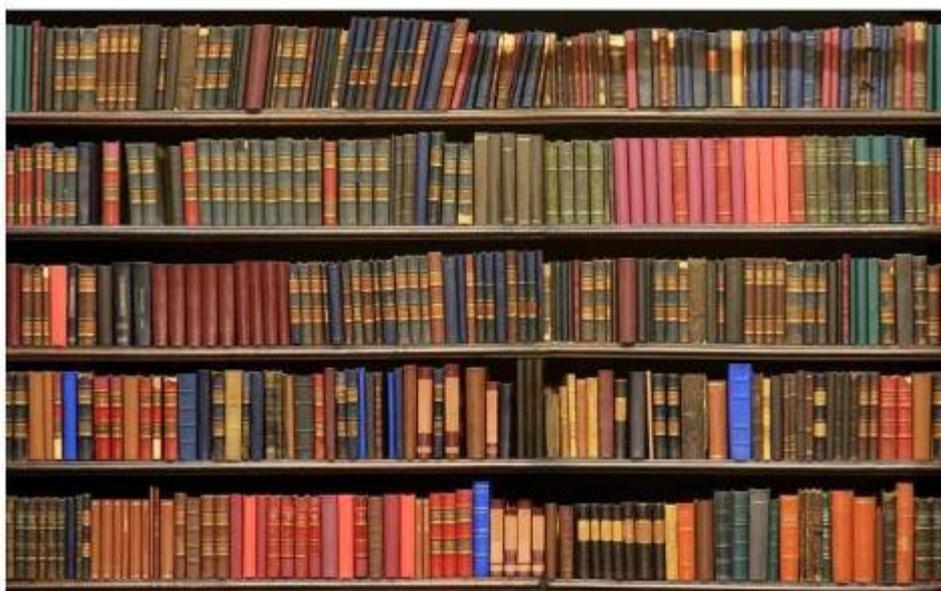
How to design EPSAS?

How to enhance GFS quality?

- **Improve interconnectedness between public sector accounts and statistical recording rules (ESA)**
 - by basing EPSAS as much as possible on the ESA
 - by changing the ESA where needed
- **Two examples**
 - **Public Private Partnerships (PPPs)**
 - **Recording of taxes and social contributions**

How to design EPSAS?

PPP contracts



How to design EPSAS?



PPPs: ESA could align to public sector accounting rules

Enhancing public sector accounting systems

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How to design EPSAS?

Recording of taxes and social contributions

cash		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
↓		50	60	80	90	100	40	30	15	10	80	90	10
accrual		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		50	60	80	90	100	40	30	15	10	80	90	10

- time adjusted cash-method
- avoid amounts unlikely to be collected
- prudent

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How to design EPSAS?

Recording of taxes and social contributions

assessments	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
↓	100	50	60	80	90	100	40	30	20	10	80	90
likely to be collected	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	90	45	54	72	81	90	36	27	18	9	72	81

- **assessment method**
- **percentage of amounts unlikely to be collected changes over time.**
- **easier to overestimate taxes/social contributions**

1	The importance of accrual accounting
2	How to design EPSAS?
3	Conclusion

Conclusion

- **EPSAS**

- **harmonised**
- **interconnected with the ESA**
- **on accrual basis**

- **improve**

- **timeliness and reliability of fiscal statistics**
- **cooperation**

- How to best progress with EPSAS is in the end not up to the ECB, but up to Eurostat, the EU Council and the EP.



Enhancing public sector accounting systems



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Presentation by Óscar Figueiredo



THE PORTUGUESE ACCOUNTING STANDARD SETTER

PROJECT FOR THE PUBLIC SECTOR ACCOUNTING REFORM

24-Sep-15

1



*Project For the Public Sector
Accounting Reform*

- Why change? What is expected to be achieved
- The new budget framework law (LEO) and the new public sector accounting framework law (SNC-AP)
- The implementation issues/challenges
- Work ahead

24-Sep-15

2

- ❑ Why change? – What is expected to be achieved
 - ✓ Deficiencies on accounting practices
 - ✓ Inappropriate financial information leading to potential wrong decisions
 - ✓ Transparency and comparability
 - ✓ Comprehensive state of affairs for all government levels (including state owned business enterprises)
 - ✓ Government will and support

24-Sep-15

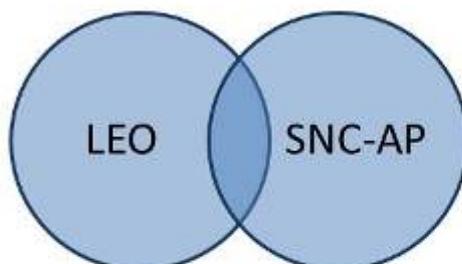
3

- ❑ The new budget framework law (LEO) and the new public sector accounting framework law (SNC-AP)
 - ✓ Approved by government in July 2015 and published September 2015
 - ✓ Foundations for a ongoing accounting reform
 - ✓ Phased implementation

24-Sep-15

4

- ❑ The new budget framework law (LEO) and the new public sector accounting framework law (SNC-AP)



- State as an accounting and reporting entity
- Budgeting, financial and management accounting
- True and fair view
- Audit

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5

- ❑ The new public sector accounting framework (SNC-AP)

- ✓ International and national references
 - IPSAS and other IPSASB pronouncements and projects
 - Current national public sector accounting plan and private sector accounting framework (IFRS based)
 - EU accounting rules
- ✓ Stakeholders involvement
 - Budget Department
 - Statistics Institute and Central Bank
 - Local governments
 - Academia

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6

The new public sector accounting framework (SNC-AP)

✓ Main elements

- Accounting basis
- Conceptual framework
- Set of accounting standards (NCP)
- Multidimensional chart of accounts
- Financial statements and budgeting report models
- General and simplified regimes

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7

The new public sector accounting framework (SNC-AP)

✓ The standards

Number		Source
17	With no or little changes and implementation issues	IPSAS
8	With changes and/or implementation issues	IPSAS Private Sector Acc Framework SNC (Financial Instruments)
2	Developed locally NCP 26 – Budgeting Accounting and Reporting NCP 27 – Management Accounting	Budget Reporting DGO Study 12 IFAC, Current Public Sector Accounting Framework POAL

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8

❑ The new public sector accounting framework (SNC-AP)

✓ The implementation issues/challenges



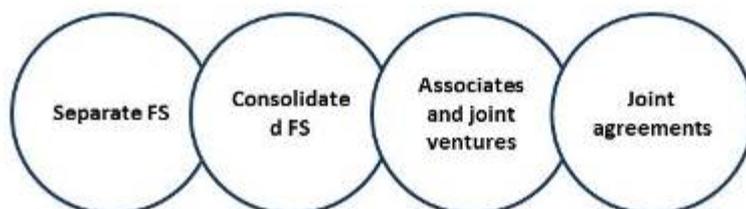
- Recognition and measurement of heritage assets
- Recognition and measurement of public domain assets
- Fair value and revalued amounts
- Impairment

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9

❑ The new public sector accounting framework (SNC-AP)

✓ The implementation issues/challenges



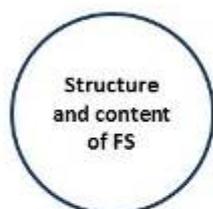
- Determination of consolidation perimeter or perimeters
- Determination of investments based on control and significant influence
- Fair value measurement
- Impairment

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❑ The new public sector accounting framework (SNC-AP)

✓ The implementation issues/challenges



- First year adoption – Recognition and measurement of items
 - Non-exchange transactions
 - Contingent/non-contingent assets and liabilities
- Substance over form

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❑ The new public sector accounting framework (SNC-AP)

✓ Work ahead

- Conclude the implementation manual
- Prepare the accounting rules for SME
- Change management (awareness raising & training)
- IT adjustments
- Run the pilot entities 2016

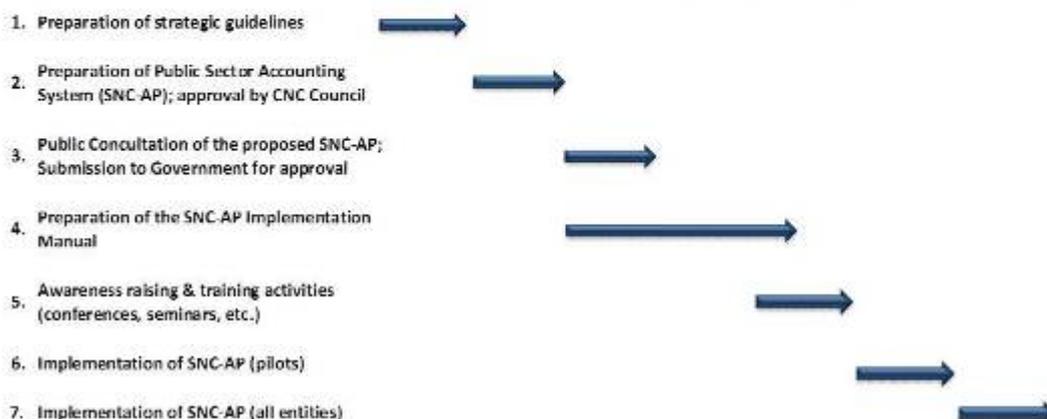
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12

❑ The new public sector accounting framework (SNC-AP)

✓ Implementation phases

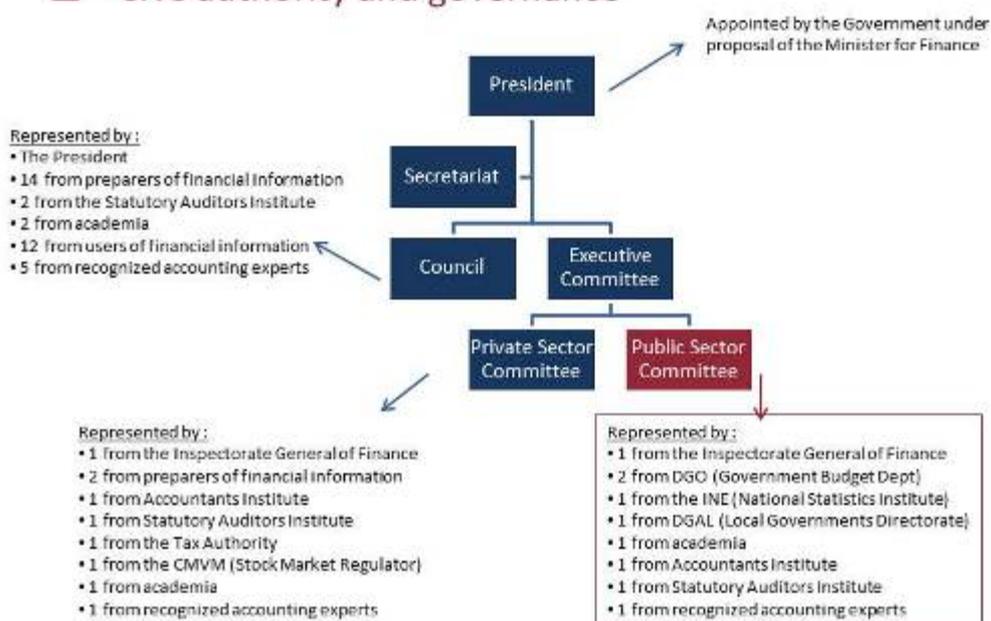
2013-4Q	2014	2015-1Q	2015-2Q	2015-2S	2016	2017
O N D	Year	J F M	A M J	July-Dec	Year	Year



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❑ CNC authority and governance



24-Sep-15

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*Project For the Public Sector
Accounting Reform*

THANK YOU

Presentation by Manuel D. Ortuño Bernabé

EPSAS, CHALLENGES AND ASSESMENT OF SPANISH IMPLEMENTATION

Manuel D. Ortuño Bernabé
Senior Advisor of National Accounting Bureau
Intervención General de la Administración del Estado (IGAE)
Ministerio de Hacienda y Administraciones Públicas



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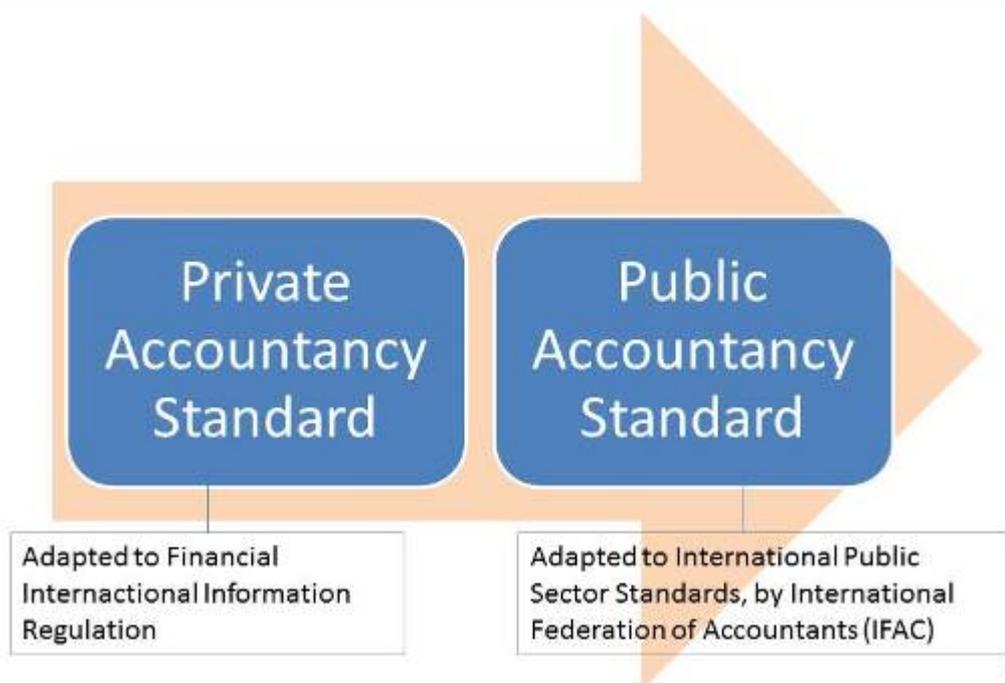
EPSAS, CHALLENGES AND SPANISH IMPLEMENTATION

Index:

1. Reform of Public accounting systems.
2. Different accountancy systems and their connections.
3. Assesment of the EPSAS implementation: challenges and oportunities.

2

THE PRIORITY OF THE PRIVATE ACCOUNTANCY STANDARD



Legislative procedure

Private Accounting Standards	Public Accounting Standards
<ul style="list-style-type: none">• Accountant Law 16/2007• Business Accounting Standards: Royal Decree 2007• Consolidated Accounts: Decree September 2010	<ul style="list-style-type: none">• Budget Law 47/2003: public accountability principles• Public Accounting Standards: Ministry of Finance Regulation EHA/1037/2010• Consolidated Public Accounts: Ministry of Finance Regulation HAP/189/2013

CONCEPTUAL FRAMEWORK (IMPLEMENTATION OF International public sector standard nº 1: FINANCIAL STATEMENTS PRESENTATION):

- **OBJECTIVE:** Fair Image of situation, financial position and economic results of the public entity, to supply useful information for managers and facilitate the accountability.
 - Prevalence of the economic reality over the legal form of the operations.
- Features of accountancy data: clarity/relevance/reliability/comparability

5

- **PUBLIC ACCOUNTANCY PRINCIPLES:**

Type of Public Entity	Accounting System	Accounting Principles
Binding Budget	Budget Accounting	<ul style="list-style-type: none"> • Formal Recognition of rights and liabilities: cash basis recording. • Disaffectation of revenues
Estimated Budget	Accrual accounting	<ul style="list-style-type: none"> • Ongoing management • Accrual: transactions are recorded when the services are rendered, instead of the financial flow. • Uniformity • Caution: revenues recorded when collected, expenses when are assessed • Non compensation revenues/expenses • Materiality

6

OTHER IMPLEMENTATION OF IPSAS STANDARDS:

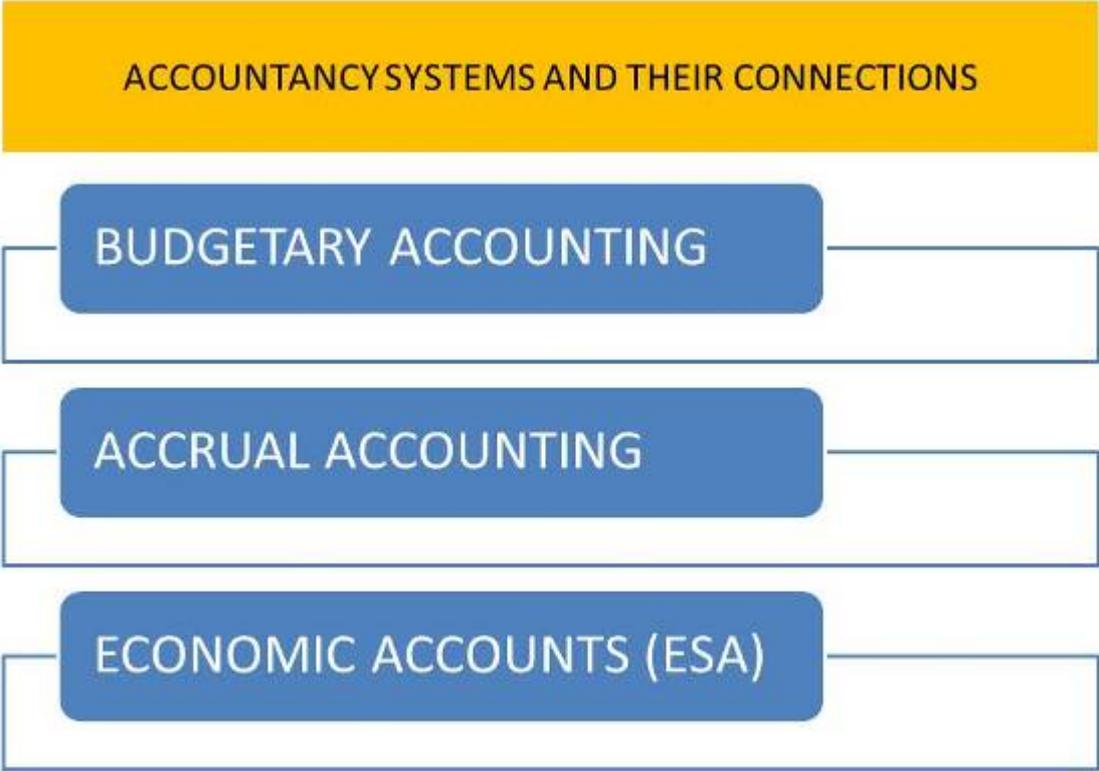
- ASSETS WITH A POTENTIAL SERVICE to register Public Works.
- Assessment criteria:
 - Fair value for assets which can be traded in an active and confiability market.
 - Value in use.
 - Amortized cost for fiancial assets and liabilites.
- Financial Stataments:
 - Balance Sheet
 - Economic-equity result account
 - Cash-flow account, breakdown by kind of activity
 - Budget settlement
- Comments, including new Budgetary, financial and management indicators for measuring of public activity

7

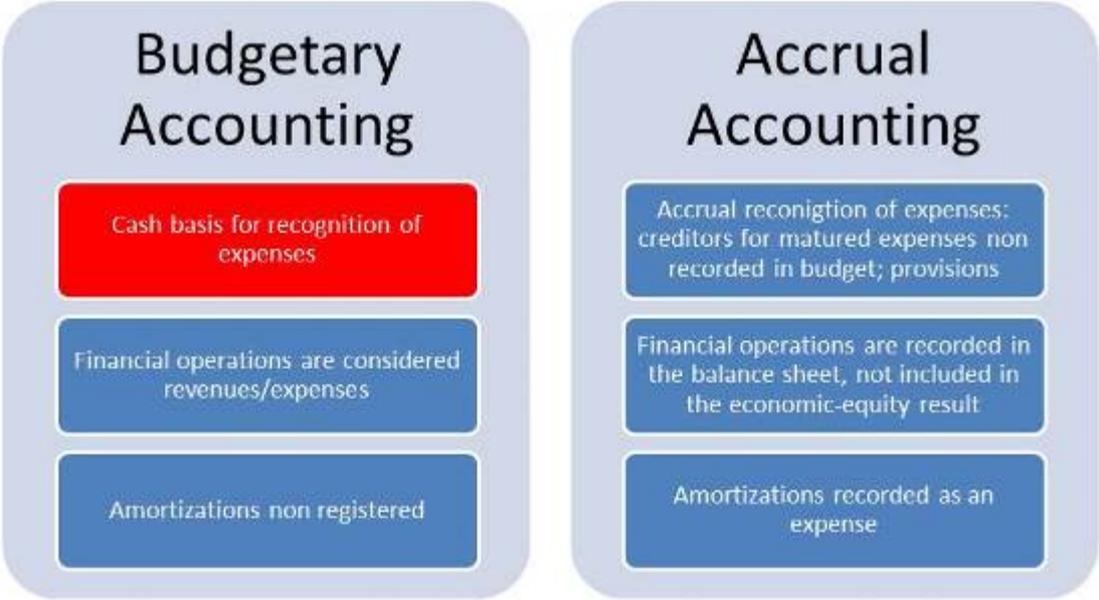
CONSOLIDATED ACCOUNTANCY STANDARDS

- Adapted to International Sector Public Standard-6.
- Into force in 2014 in General Government Subsector.
- Definiton of controlling entity: power of management of financial decisions and over the activity of other entity, for obtaining economic returns or some potential of service.
- Exemption units: subgroups, materiality and low size (local minor entities).
- Scope of consolidatios: controlling entity and its controlled units.
- Associates: upto 20% participation.

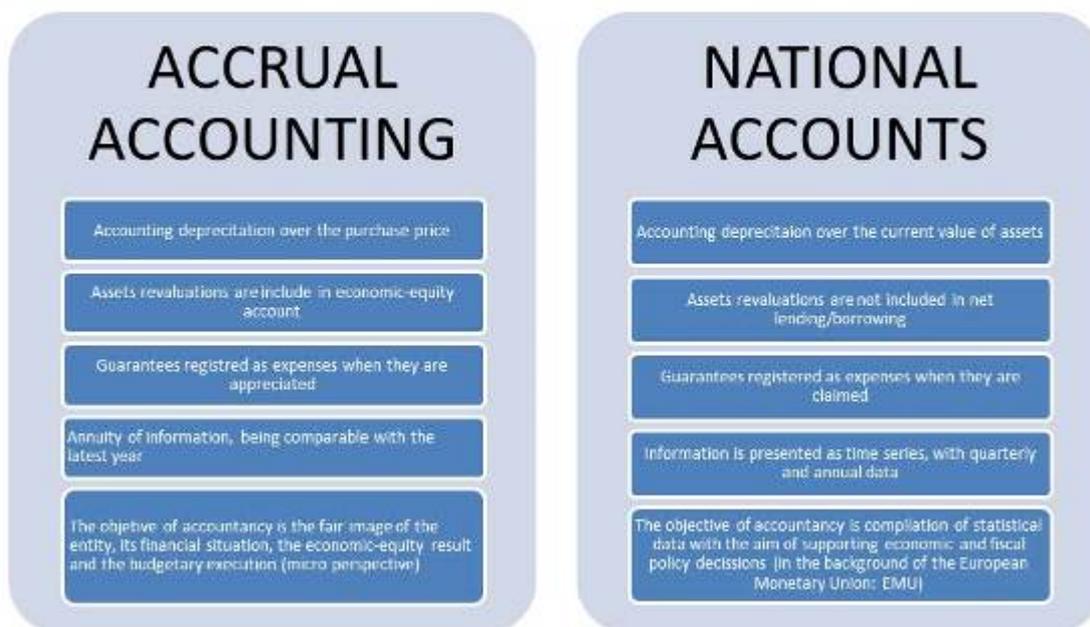
8



DIFFERENCES BETWEEN BUDGETARY AND ACCRUAL ACCOUNTING IN BUDGETARY BINDING UNITS



DIFFERENCES BETWEEN ACCRUAL ACCOUNTING SYSTEM AND EUROPEAN SYSTEM OF ACCOUNTS (ESA)



11

Main adjustments from the budgetary accountancy to the national accounts system in the scope of consolidation

Non financial budgetary outcome	
+/- timely adjustments (accrual principle)	Debt maturity interests Public Works financed by total price payment Investment on account of the Public Entity Creditors for matured expenses non still recorded in the Budget
+/- Adjustments in qualifications	Capital injections in Public Corporations Endorsements Debt assumptions
+/- Adjustments of units with estimated units, considered non-market ones in ESA	Non financial Result (including adjustments in qualifications)
= Net lending/borrowing (European System of Accounts)	

12

ASSESSMENT OF THE IMPLEMENTATION OF EPSAS: CHALLENGES AND OPORTUNITIES

Directive 2011/85/EU over the features of Budgetary Frameworks in Member States dictates:

ACCOUNTING AND STATISTICS

Article 3

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.*

- Nowadays, budgetary binding entities don't accomplish the accrual principle in their accounts, so adjustments are necessary at the end of the year for registration of overdue expenses non recorded in the budget.
- The public units which applied the private Accountancy Standards (public enterprises) accomplish with accrual principle.
- It is annexed to the budget law, an statement with the equivalence between the non-financial budgetary result and the net lending/borrowing of ESA.

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ASSESSMENT OF THE IMPLEMENTATION OF EPSAS: CHALLENGES AND OPORTUNITIES

- The implementation of accrual principle to budget binding entities suppose adapting IT systems in order to register all overdue expenses regardless of the budgetary recording
- Recently a law is passed with the setting-up of the Public Invoice Register, which collects all the invoices of suppliers to the General Government, in order to validate the documents and register the expenses in the accountability system. The registration of the invoices is necessary for their payment.
- The fair value in assets is limited for those which dispose of active trading markets.

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ASSESSMENT OF THE IMPLEMENTATION OF EPSAS: CHALLENGES AND OPORTUNITIES

- A new standard implementing the accrual principle into the budgetary accountancy system is suitable to promote clarity, comparability and confiability to public accounts.
- Spanish harmonization process has implemented some of the IPSAS (international public system accounting standards). The next stage will be the Consolidated Public Sector Account for the General Government Sector of 2014.
- The adoption of the European public system accounting standards (EPSAS) could take account of the specific situtaion of public sectors in Member States, offering alternatives for the registration of operations, implementing the accrual principle in the budgetary accountancy systems, and offering data comparable among the Member States which can be used for take fiscal and economic decissions (in the background of EMU).

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Thank you very much for your attention



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Presentation by Danièle Lajoumard



Workshop on "How to achieve more reliable and transparent accounting systems"
UE Parliament 1.10.2015

The French Experience of accounting in national public sector

*Danièle LAJOURMARD, General Inspector of Finances
Chair of the State Commission of the French Public Accounting Standards Setter
(CNOCP)*



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Ministère de l'Economie et des Finances

Summary



I. The French Public Sector Accounting System

II. The Public Sector Accounting Standards in France



I. The French Public Sector Accounting System

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The French public accounting system : CENTRAL GOVERNMENT (1)



A main reform in 2001

- **Previous system : cash basis/ modified cash basis**
 - accounts of budgetary receipts and expenditures on a cash basis
 - General purpose accounts on a modified cash basis
- **New system : establishment of a true and deep accrual accounting**

Under the Constitutional Bylaw of 1.8.2001, there are two main accounting systems:

 - **Budgetary accounting system with two components :**
 - Budgetary receipts and expenditures are recognised on a cash basis at their date of payment or receipt (article 28)
 - There is also a system of recording and monitoring of budget commitments
 - **General purpose accounts for all transactions on an accrual basis**
 - « *General purpose accounting system is based on the accrual basis principle. Transactions are entered for the financial year to which they apply, regardless of their date of payment or receipt* » (article 30)

The French public accounting system : CENTRAL GOVERNMENT (2)



- For the Central Government, the two accounting systems have a specific purpose and are complementary
 - **Budgetary cash basis accounting is the base of the democratic decision and control (by Parliament and citizens) :**
 - concepts quite simple (receipts and expenditures)
 - and easier view of budgetary balance
 - **Accrual accounting complements and enriches the budgetary cash basis accounting with the presentation of the assets and liabilities**
 - It allows some more information to the Parliament, citizens...
 - It provides national accounts (ESA95) with directly relevant data
 - The identification and valuation of these assets, liabilities and commitments lead to a more active management of these elements and to more informed choices
 - Examples : the identification of non tangible assets (radio frequencies, water power, prestigious names, internet domain name...) lead to a valuation of these assets (trough auctions, concessions...)
 - Accrual accounting provides data to determine full cost (with amortization, provisions...), to identify the real cost of public policies, to make comparison and to allocate the fair amount to each of them

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The French public accounting system : OTHER PUBLIC ENTITIES (1)



- **A long tradition of accrual basis accounting :**
 - The Regulation of December 29,1962 (article 52) stated that the accounting of French public Bodies and Local Authorities was based on the French private sector accounting GAAP (so call "PCG")
- This rule was applied to the budgetary and general accounting statements with different degrees in the use of accrual principles
 - **French public bodies (Public agencies) : a single system based on accrual principles**
 - budgeted statements and general purpose accounting on an accrual basis
 - **Social Security : budget and accounting on an accrual basis**
 - **Local Authorities : a mix system with a reform in 1992 to improve transparency**
 - **Before 1992 :** budget on modified cash basis and general purpose accounting on a modified accrual basis
 - **After the Outline Act of 6 February 1992 (M14) :** budget and general purpose accounting on an accrual basis
 - » a simplified system for municipalities with less than 3,500 inhabitants

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The French public accounting system : OTHER PUBLIC ENTITIES (2)



- **An ongoing reform regarding the French Public Bodies (Public Agencies) to strengthen and expand fiscal discipline :**
 - According to the Decree of November 7, 2012, the budgeting and accounting system of the Public Bodies must be organized as that of the Central Government
 - **Budgetary accounting system with two components :**
 - Budgetary receipts and expenditures are recognised on a cash basis
 - Recording and monitoring of budget commitments
 - **General purpose accounts on an accrual basis**
 - **Effective date of the reform : 1.1.2016**
 - **Target of the reform : to improve the monitoring system of Public Finances**
 - **These Public Bodies are mainly financed by the Central Government Budget, so it seems more effective to align the budgetary concepts**
 - **They can apply to General Purpose Accounts highest and “purest” standards without the link with budgetary concerns**

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The French public accounting system : The quality of the Accrual Accounts



- **The reality of the expected benefits of accrual accounts requires a high level quality of the accounting system and of the financial statements**
- **In line with this concern, two types of approaches are developed :**
 - **The General purpose financial statements of number of Public Entities are submitted to auditors’opinion:**
 - Mandatory for Central Government : According to article 58 of the Constitutional Bylaw of 1.8.2001, the legal auditor for this purpose is the Court of Accounts’ Auditors
 - Mandatory for Social Security (Court of Accounts’ Auditors) and Hospitals (Court of Accounts or private auditors)
 - Mandatory for a large part of Public Bodies (Universities...): private auditors
 - On a voluntary basis for Local Authorities and ongoing experiment to extend this procedure to the largest of them
 - **The management of these Public Entities develops Internal Control and Internal Audit to improve the quality of their accounting system**
 - Regarding the Central Government : each Minister is in charge of organizing Internal Control and Internal Audit (Decree of June 29, 2011)
 - Regarding the Public Bodies : Decree of November 7, 2012
 - Social Security : special Regulation
 - Local Authorities : On a voluntary basis (The main municipalities, the departments and Regions have developed Internal Control and Internal Audit)

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II) The Public Sector Accounting Standards in France

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Legal Framework for the definition of the Accounting Standards



- **The French Constitution enshrines the principle of an accrual basis accounting for the Public Sector**
 - Under article 47.2:
 - “The accounts of public entities are regular et sincere. They give a true and fair view of the results of their management, their net assets and their financial situation”.
- **The Constitutional Bylaw of 1.8.2001 (L.O.L.F) contains some requirements about Central Government Accounting Standards :**
 - According to the Article 30 : « *The rules applicable to general public accounting only differ from those applicable to companies in terms of the specific nature of government action*”.
 - **So, the standards MUST**
 - be based on private accounting principles
 - and in the same time take into account specificities of the Central Government

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The French Public Accounting Standards Setter : The CNOCP



- **The Public Sector Accounting Standards Council (CNOCP) is in charge of setting the accounting standards for all entities with a non-market activity and primarily funded by public funding, including contributions**
- **The CNOCP has a Board, a steering group and three standing commissions for :**
 - **The Central Government and Government Controlled Organisations**
 - **The Local Authorities and Local Public Agencies**
 - **The Social security Organisations**
- **The Members of the Board and Commissions are**
 - **Public sector experts** : members of the National Court of Audit, representatives of the General Directorate of Public Finances, the Budget Directorate, the General Inspectorate of Finances, of the main ministries and Government Offices, members of public committees
 - **Private experts** : legal auditors...
- **The advices of the CNOCP are put in force by Orders of the Minister of Finances**

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The approach of the French Public Accounting Standards Setter



- **The CNOCP elaborates standards with reference to three sets of standards that are converging :**
 - **The French Business Accounting Standards (French GAAP) and the Accounting Regulation Committee Rules, in force in France**
 - **The IASB standards (IAS/IFRS)**
 - **The standards being developed by the IFAC Public Sector Committee (IPSAS)**
- **For each standard, the CNOCP must determine :**
 - **If any accounting rules are directly applicable to Central Government**
 - **If some rules can be adapted to specific nature of the central government's activity**
 - **If specific rules must be defined**
- **Generally, for each Central Government Accounting Standard designed by the Committee, there is a mix of different references. Some Standards are entirely specific**
- **The CNOCP must explain its choices in the introduction of each standard**

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A Design by the CNOCP of the Public Accounting Standards as a consistent system



- The CNOCP has developed for the Central Government and Public Bodies two collections of standards that constitute a complete and consistent system
 - The Central Government Accounting Standards Compendium
 - The Public Bodies Accounting Standards Compendium
- The CNOCP is working on the convergence of the Central Government Standards with other Public Entities Standards
 - Local Authorities
 - Social Security
- The CNOCP bases this convergence on a Conceptual Framework available for all the Public Sector
 - The main point is the distinction between two level :
 - The Sovereign that is not a reporting entity
 - The reporting entities : Central Government, Public Bodies, Local Authorities, Social Security
 - The target of this distinction is to clarify some concepts
 - For the Sovereign: The main concept that applies is not accounting but sustainability
 - Main impact: the clarification between general commitments (Sovereign) and obligations (reporting entities)

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For more details...



- Central Government Accounting Standards
- Public Bodies Accounting Standards
- Advices of the CNOCP
- Conceptual Framework
- Comments to IPSAS Board consultations
- Comments to other international consultations

are directly available in French and in English on CNOCP web site :

www.economie.gouv.fr/cnocp

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Thank you for your attention



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INSPECTION GÉNÉRALE DES FINANCES

Presentation by Kees Vendrik



Algemene Rekenkamer

Chances for EPSAS

In Europe and the EU member states

Kees Vendrik

Vice-president of the Netherlands Court of Audit

European Parliament, 1 October 2015

Algemene Rekenkamer | Postbus 20015 | 2500 EA Den Haag

1



Algemene Rekenkamer

Experience of the NCA

- NCA, as a SAI, is positioned as an observer to the process that, in time, should lead to EPSAS
- **NO** accrual accounting in central government in the Netherlands
- Pilot project Ministry of Agriculture (2007), Evaluation: no central government-wide introduction (2010)
- Implementation of EPSAS would entail introduction of an accrual accounting system in central government

Chances for EPSAS in Europe, Seminar EP 1 October 2015

2



Algemene Rekenkamer

Experience of the NCA

- International perspective outweighs domestic, national perspective in considering implementation of EPSAS
- In recent years risk sharing has increased substantially within the EU and the Eurozone; how to gain better insight into these risks?
- Enhanced fiscal surveillance within EU and Eurozone calls for proper accounting mechanisms
- Statistics are used for accounting purposes; strong efforts headed by EUROSTAT to better secure quality
- Relevance of EPSAS for execution of the EU budget

Chances for EPSAS in Europe, Seminar EP 1 october 2015

3



Algemene Rekenkamer

View of the NCA;

Financial risks to the Netherlands of International guarantees, 2013



- Since the outbreak of the credit crisis in 2008 and the debt crisis in 2012 the Netherlands and other countries have taken a number of measures to alleviate the financial and economic difficulties in the EU.
- The size of Dutch international guarantees has increased more than tenfold since 2008.
- Effective arrangements for external public audit and accountability must be in place as risks can ultimately be passed on to the countries that have given guarantees.

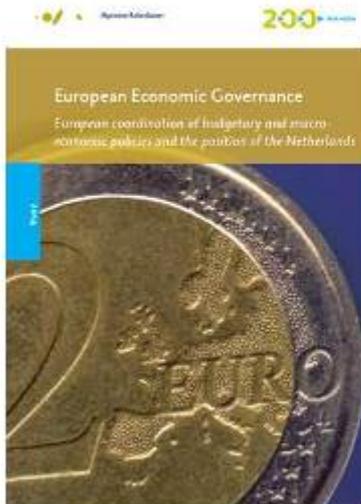
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Algemene Rekenkamer

View of the NCA; European Economic Governance, 2014



- The rules applicable to the EU member states' budgetary and macroeconomic policies have been tightened up and extended since the financial and economic crisis.
- Transparent, reliable and comparable figures are needed to determine the financial situation in each member state. The EU public sector reporting rules must therefore be uniform.
- High priority is being given to strengthening the quality of statistical data used in the EMU accounts.

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Algemene Rekenkamer

View of the NCA; Emergency assistance for eurozone countries during the crisis, 2015



- From 2010 to 2015, more than €440 billion was lent in emergency assistance to euro countries. The loans were granted from the European emergency funds and the IMF.
- It is impossible to know in detail how this money has been spent. After a programme has been completed, post-programme surveillance begins.
- It is important that the European Commission is better able to monitor the quality of the financial data that serve as the basis for an assistance program.

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Council Directive on requirements for budgetary frameworks of Member States (2011/85/EU)

- '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.'

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Algemene Rekenkamer

How can EPSAS help?

- European and financial crisis led to legislation for stronger budgetary control
- Now it's time for the next step: to improve the quality of the underlying data as well as the transparency and comparability in and between member states
- Accrual accounting leads to more transparency about long-term obligations and connected risks
- Harmonization leads to comparability and possibilities for benchmarking

-> EPSAS: uniform standards based on accrual accounting

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What EPSAS might bring the Netherlands...

- More uniformity in a so far miscellaneous mix of budgeting and accounting systems on central, regional and local level
- Possible mitigation of problems that are at least partly related to absence of accrual accounting, like;
 - Maintenance costs for main roads once again budgeted too low; shortfall of €0.7 billion until 2020;
 - Weak control of expenditure at Ministry of Defence; difficulties in accurately estimating defense-expenditures on, inter alia, replacement of the F-16;
 - Only limited insight into volume and value of state property which hampers accurate management

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What's next?

- European Parliament can invite the EC to act and follow-up on the promising council directive of 2011 and the report of 2013 by producing a solid plan for the development and implementation of EPSAS
- SAI's for their part discuss the matter in the Contact Comitee Task Force and can influence the agenda in the respective member states
- The EC, members of the EP, statisticians and auditors and other officials from member states should join forces and work together
- Table the issue again at the ECOFIN

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Presentation by Karsten Nowak



HESSISCHER RECHNUNGSHOF

Workshop on

“How to achieve more reliable and transparent accounting systems:
How to design European Public Sector Accounting Standards (EPSAS)
for better implementation of the EU budget in the Member States?”

Dr. Karsten Nowak

Director at the Hessian Court of Auditors, Head of the Policy Department

**Member of the working group “budget and policy issues“ of the German
Federal Court of Auditors and Regional Courts of Auditors**

**Lecturer at the Goethe University in Frankfurt am Main in the field of
“Public Sector Accounting“**

**Lecturer at the University of Cooperative Education (IBA) in Darmstadt for
the subjects “Accounting“ and “Controlling“**

The debate on EPSAS from the perspective of the Courts of Auditors on the federal and state level

1. The question of “if”

- Are EPSAS able to improve the quality of financial and statistical data?
- Will the adoption of EPSAS lead to defined objectives?
- Could the improvement of the quality of data also be achieved through less intense measures?

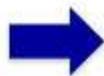
2. The question of “how”

- Taking into consideration the prospective implementation of EPSAS, the presidential conference of the courts of auditors on the federal and state level gives general organizational recommendations:
- “Accounting rules must ensure reliable and comparable numbers. Therefore, they have to apply to the principle of Objectification.”
- Accounting rules must incorporate the “principle of prudence, which supports the objective of intergenerational justice in the public budgetary system.”

EPSAS as the milestone for the harmonization of public sector accounting in Europe?



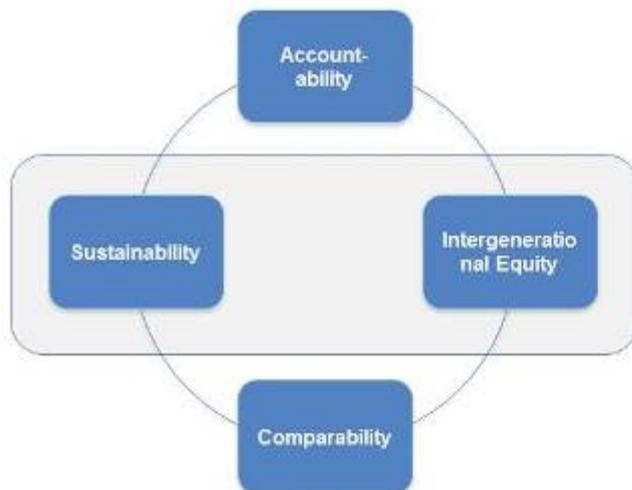
- ✓ The harmonization of European public sector accounting is necessary.
- ✓ Accrual accounting is the appropriate system.
- ? Do IPSAS serve as a suitable reference point for the development of EPSAS?



How should EPSAS be developed?



Accounting purposes: EPSAS in the conflict between intergenerational equity and capital markets information



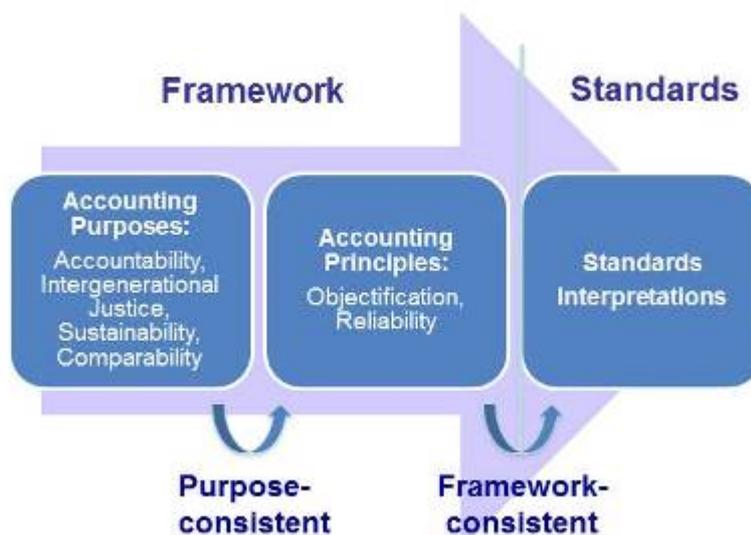
Balance sheet and income statement
Accounting Principles



Notes and Management Report
Principles of Information



Requirements for the development of EPSAS - Framework and Standards -



Requirements for the EPSAS Framework

- The Framework should be ranked higher than the Standards.
- This ensures that the EPSAS framework can serve as basis of deduction for any existing regulatory gaps in standards.
- The Standards must be consistently and reliably based on the Framework.
- Contradictions between the Standards and the Framework must not exist.
- The EPSAS framework should address standard setters and users and be binding on them.
- For the transition from an IPSAS to an EPSAS standard, the IPSAS standard has to meet the requirements of the EPSAS framework to be developed.
- The IPSAS compatibility per se cannot be the primary goal in the development of EPSAS Standards.
- At first the EPSAS Framework, then the EPSAS Standards.



Thank you.

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**Presentation by
Thomas Müller-Marqués Berger**



Fédération des Experts-comptables Européens
Federation of European Accountants

Implementation Experiences

Public sector in Member States, challenges for national administrations related to EPSAS implementation and added value for Europe

Thomas Müller-Marqués Berger
October 1, 2015, European Parliament, Brussels

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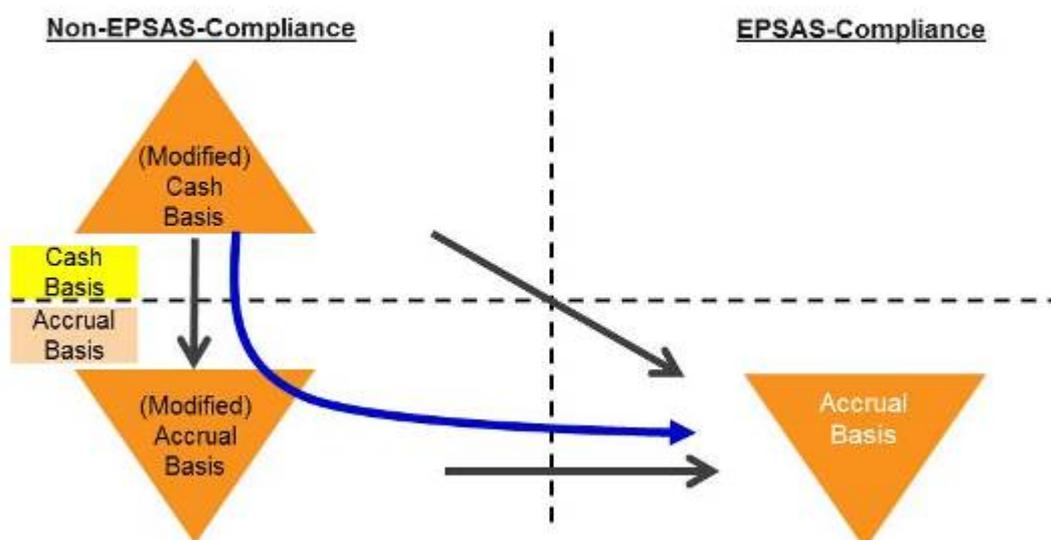
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1

Agenda

- Challenges for national administrations regarding EPSAS implementation
- Added value for Europe
- Lessons learnt

Experiences and challenges of implementing EPSAS depend significantly on the starting position



Challenges for national administrations regarding EPSAS implementation (1) – Main Challenges

Change Management

- Political/Executive commitment
- Mind change
- Avoid "reform fatigue"
- Large project scale – lack of experience

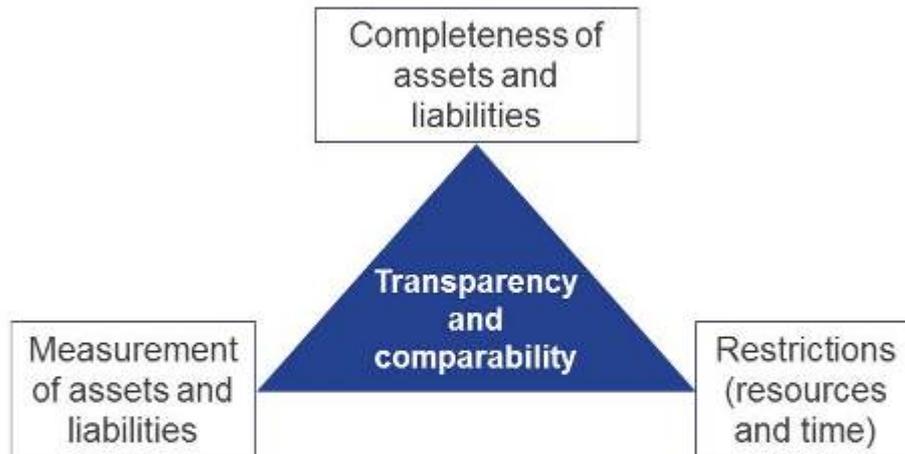
Resources

- Capacity building
- Staff capacities

IT and Enablers

- IT/ERP system implementation
- Preparation of opening balance sheet
- Enablers and guidance missing

Challenges for national administrations regarding EPSAS implementation (2)



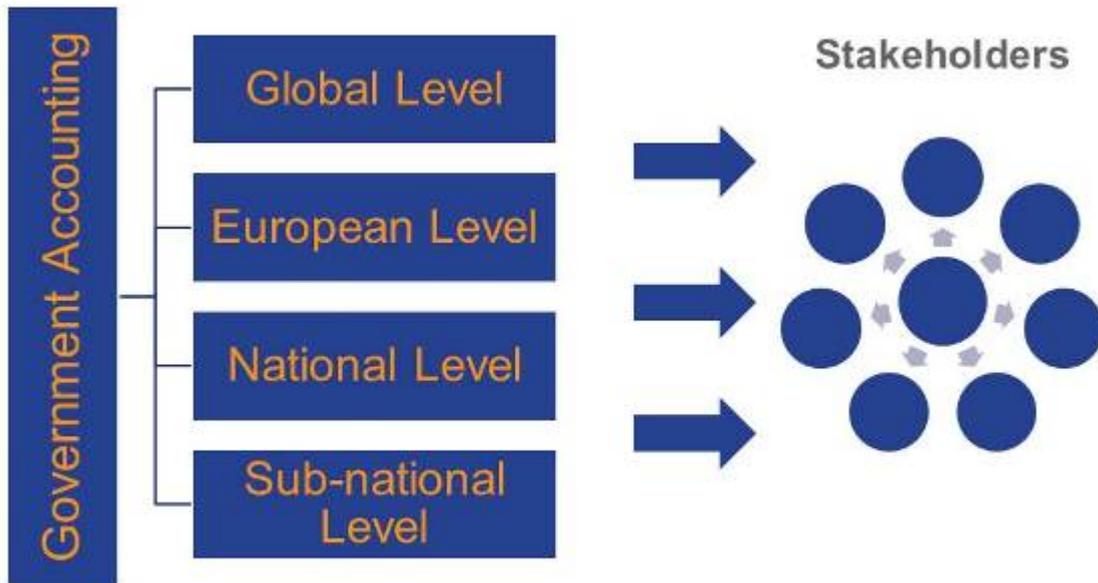
▶ Completeness regarding **significant** assets and liabilities and **practical approaches** for measurement

Challenges for national administrations regarding EPSAS implementation (3)



1. EPSAS conversion will impact processes, technology and organization
2. EPSAS conversions will impact several areas of the entity outside of the accounting function
3. Accounting reform is only a starting point

Added value for Europe – At what level?



Added value for Europe – To whom?



Lessons learnt – What would be helpful for an EPSAS implementation?

- Flexibility of reform paths
- Early involvement of politicians
- “European Project Management Capacity”
- Accounting principles important, but insufficient to achieve comparability
- Even standards (legally binding requirements) need to be operationalized in order to ensure consistency
- Tested enablers and guidelines are needed
- Capacity building and communication to stakeholders as essential elements of the reform

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ANNEX: CONTACT LIST

WORKSHOP on

"HOW TO ACHIEVE MORE RELIABLE AND TRANSPARENT ACCOUNTING SYSTEMS:

How to design European Public Sector Accounting Standards (EPSAS) for a better implementation of the EU budget in the Member States?"

Thursday, 1 October 2015 – Brussels, European Parliament

"List of invited Experts"

Panel I — 09:10 - 10:15: Presentation of EPSAS and current state of play

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WORKSHOP on

"HOW TO ACHIEVE MORE RELIABLE AND TRANSPARENT ACCOUNTING SYSTEMS:

How to design European Public Sector Accounting Standards (EPSAS) for a better implementation of the EU budget in the Member States?"

Thursday, 1 October 2015 – Brussels, European Parliament

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Panel II — 10:15 - 12:20: Public sector in Member States, challenges for national administrations related to EPSAS implementation and added value for Europe

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WORKSHOP on

"HOW TO ACHIEVE MORE RELIABLE AND TRANSPARENT ACCOUNTING SYSTEMS:

How to design European Public Sector Accounting Standards (EPSAS) for a better implementation of the EU budget in the Member States?"

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Panel II — 10:15 - 12:20: Public sector in Member States, challenges for national administrations related to EPSAS implementation and added value for Europe

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DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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