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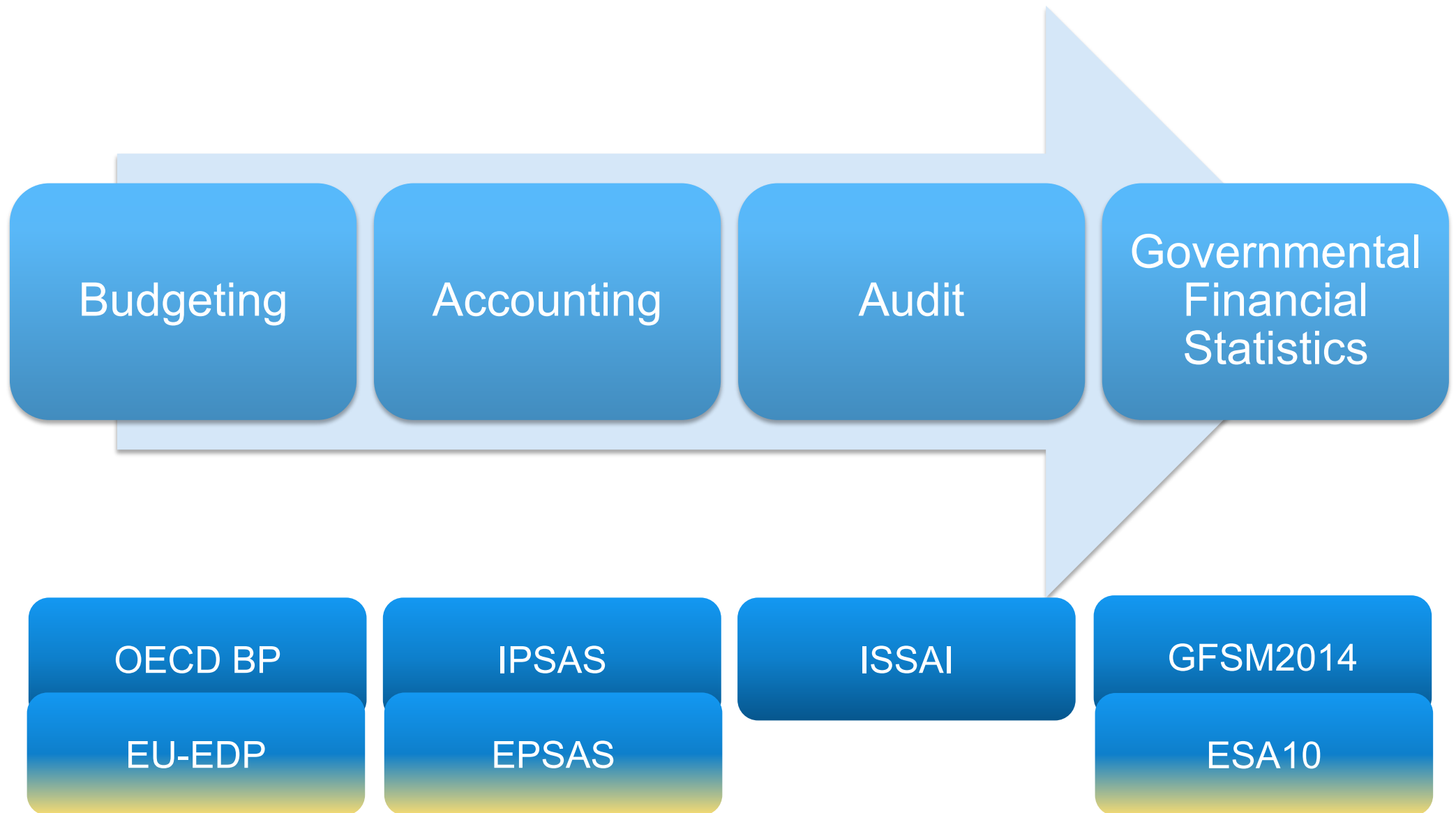
IPSAS and EPSAS



Building Competence. Crossing Borders.

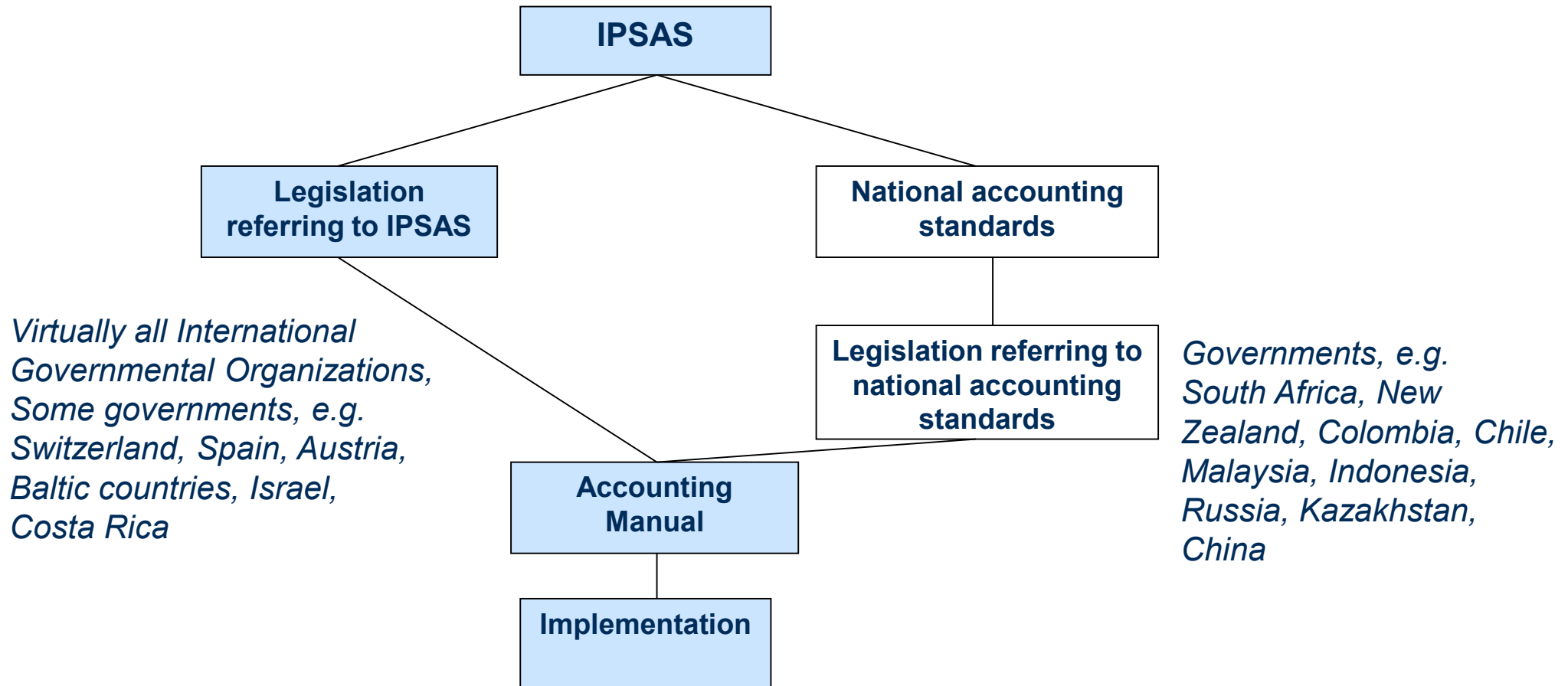
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Internationally recognized PFM Standard Frameworks



Implementation of IPSAS

Implementation mechanism: Direct or indirect?

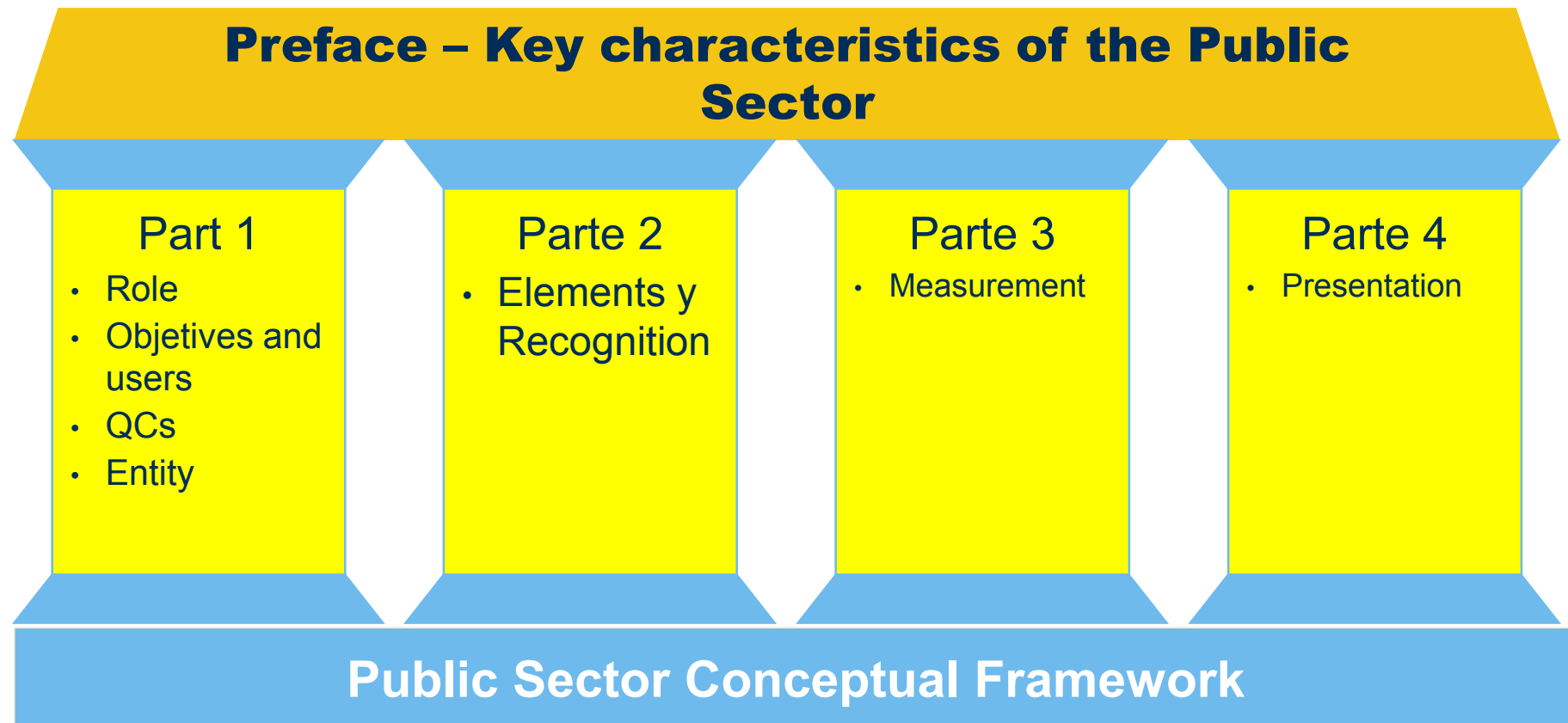


... and some take IPSAS only as a reference, e.g. US, Canada, Australia, UK, Sweden

IPSAS

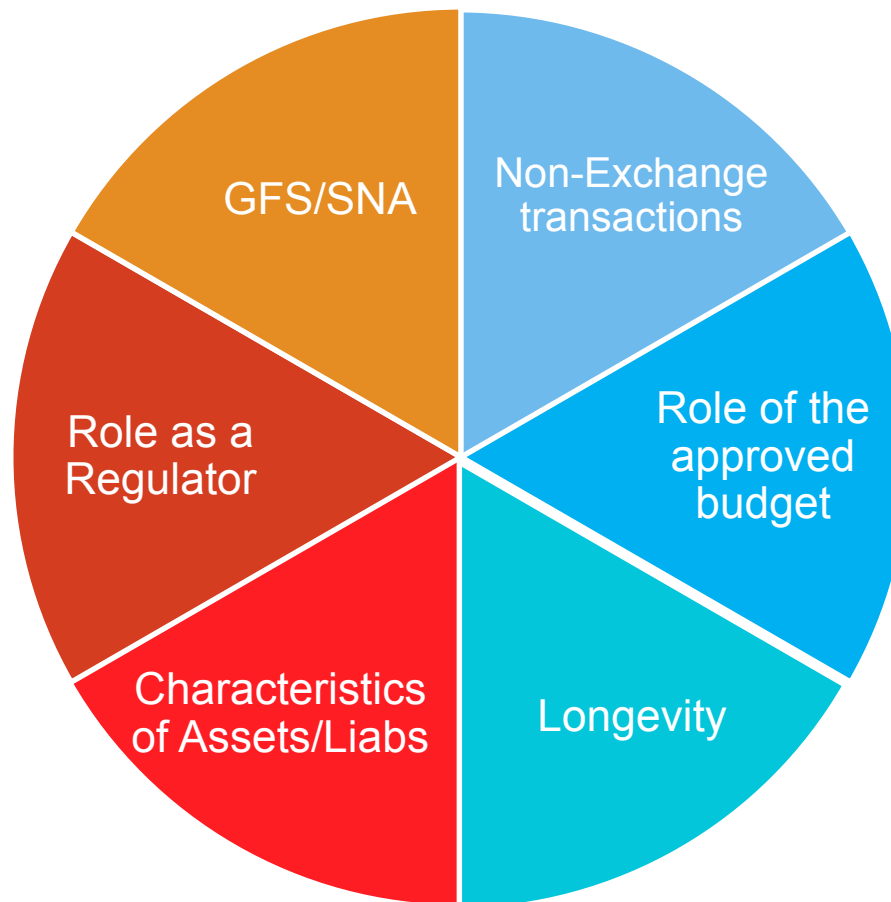
- International Public Sector Accounting Standards
- 40 accrual basis standards, thereof 5 withdrawn/replaced → 35 accrual basis standards, plus 1 cash basis standard as a temporary solution only, when implementing accrual IPSAS
- Conceptual framework since 2014: solid and stable basis for the future
- Issued since 2001

Conceptual Framework

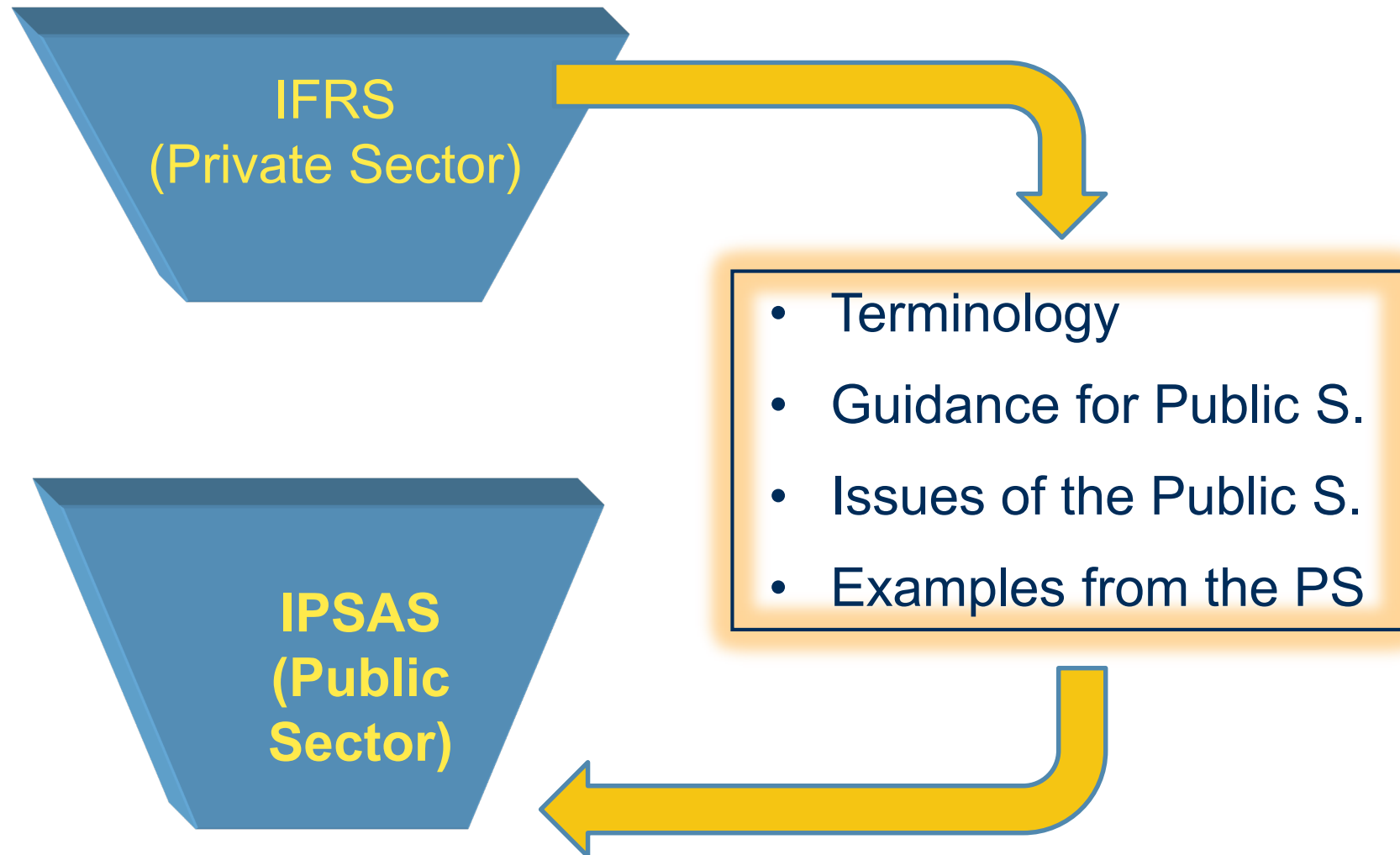


Conceptual Framework

Characteristics of the Public Sector which influence Public Sector Accounting



Transaction neutrality: Convergence of IFRS and IPSAS



IPSAS: Structure of Accrual Basis Standards

- Recognition
- Measurement
- Disclosure



IPSASB

- International Public Sector Accounting Standards Board
- Independent Board of 18 members
- 8 (from 2018: 9) international staff, all in Toronto/Canada
- Under the roof the International Federation of Accountants (IFAC) – but independent in standard setting
- Since 2015 under oversight of the Public Interest Committee (IMF, Worldbank, OECD, Intosai) – in order to strengthen public interest



IPSAS

IPSASB Strategy and Workplan 2015+

First strategy based on public consultation, second workplan based on public consultation

Strategic Objective

Strengthen Public Financial Management and Knowledge about Public Finances through the increased use of accrual basis IPSAS

Current IPSASB work programme: Key projects 2016 - 2018

Project	Public sector specific	IFRS convergence
Social Benefits	✓	
Revenue & Non-Exchange Expenditure	✓	✓
Financial Instruments	✓	✓
Leases	✓	✓
Public Sector Measurement	✓	
Heritage	✓	
Infrastructure Assets (starting September 2017)	✓	
Cash Basis IPSAS (limited-scope update)	✓	

Current IPSASB work programme: Key projects 2016 - 2018

Final pronouncements approved:

- Applicability of IPSASs
 - Update of IPSAS 25 Employee Benefits – IPSAS 39
 - Public Sector Combinations - IPSAS 40
 - Impairment of Revalued Assets
 - Minor Improvements
-
- Revised Cash Basis Standard (as a stepping stone only)

Staff Papers issued:

- Emissions Trading Schemes
- Q&A's:
 - State owned enterprises
 - Materiality

Current IPSASB work programme: Key projects 2016 - 2018

Consultation Papers (CPs) and Exposure Drafts (EDs) issued for comment:

- Public Sector Financial Instruments – monetary authority issues
- Heritage

Current consultations

- CP Revenues
- ED 62 Financial Instruments
- ED 63 Social Benefits

IPSASB work programme: The vision

Majority of central governments on accrual

- IPSASB as key advocate and facilitator
- Strong global and regional adoption coordination

Accrual information seen as essential for strong PFM

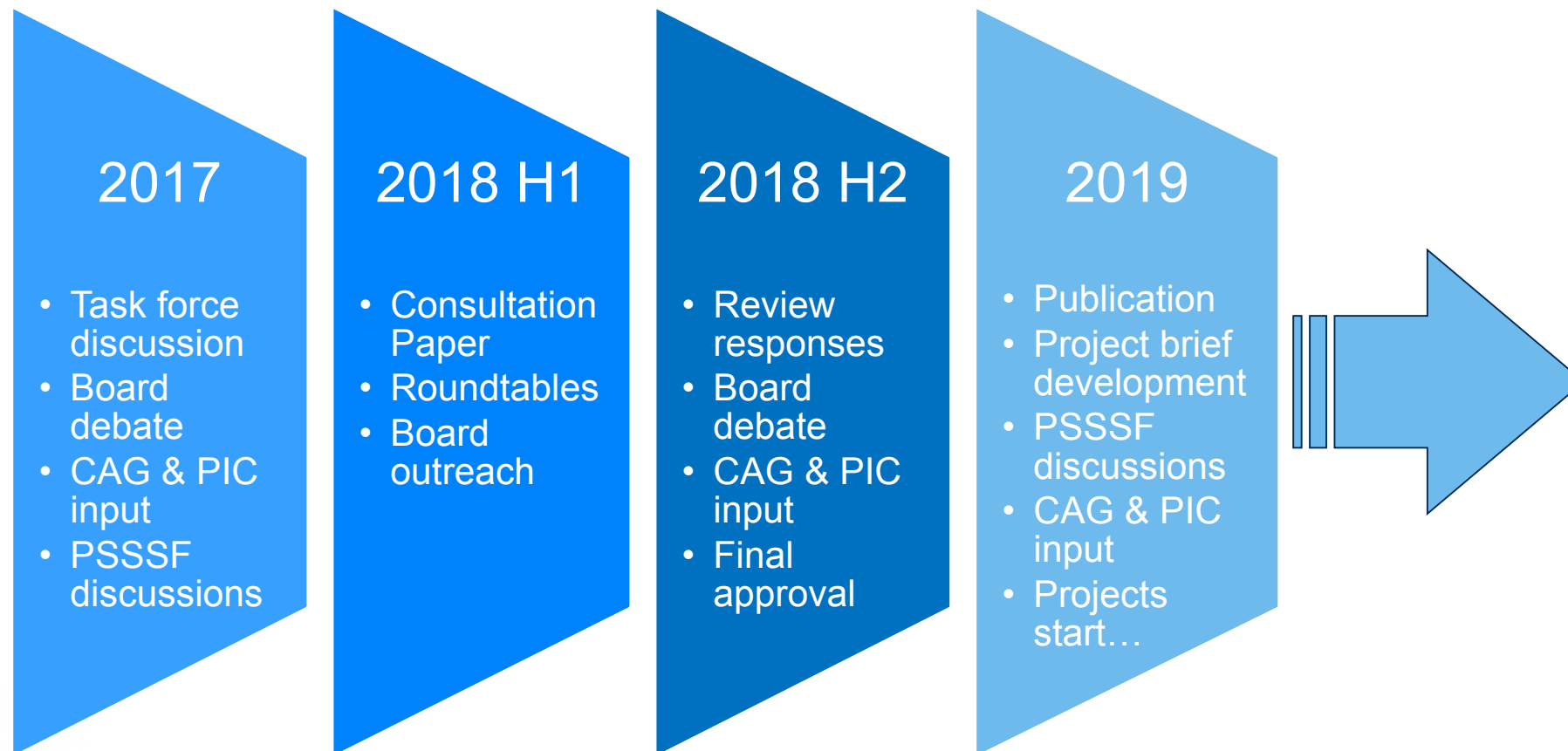
- International organisations promoting IPSAS – guidance on usage
- Ratings agencies increasingly demanding IPSAS-based information

‘Complete’, up-to-date and relevant IPSASs suite

- Major public sector gaps filled
 - Fully converged with latest relevant IFRSs
 - Effective stakeholder communication tool



Current IPSASB work programme: New Strategy and Workplan from 2019 onwards



EPSAS: The basis

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 standard
- subject to internal control and independent audits.

The Commission shall assess the suitability of IPSAS.

Source: Eurostat, 2017

EPSAS: The plan

Flexible, stepwise approach in two phases

Phase 1

- Increasing fiscal transparency in the short to medium term by promoting accruals accounting, e.g. IPSAS, till 2020:
 - Financial support to investments in the modernisation of public sector accounting systems
 - Technical guidance on first time implementation of accruals
 - . . .

Source: Eurostat, 2017

EPSAS: The plan

Flexible, stepwise approach in two phases

Phase 1 (. . .)

➤ Developing a conceptual framework and standards:

- Governance principles and due process
- Accounting principles and standards
- Technical work on standards with focus on public sector specificities
- . . .

Source: Eurostat, 2017

EPSAS: The plan

Flexible, stepwise approach in two phases

- **Phase 1 (. . .)**

- Review and Impact Assessment
 - EPSAS costs and benefits
 - impact of EPSAS on EU policies

- **Phase 2**

- Addressing comparability within and between the Member States in the medium to longer term by stepwise implementation of EPSAS e.g. by 2025

Source: Eurostat, 2017

EPSAS: So far issued

Focus on public sector specificities

Eurostat commissioned **10 issues papers** on key public sector accounting topics in 2016:

• Small and less risky entities	• Social benefits
• Options in IPSAS	• Infrastructure assets
• Taxes	• Segment reporting
• Heritage	• Military assets
• Employee benefits (<i>pensions</i>)	• Social contributions

Source: Eurostat, 2017

EPSAS: Current work

Focus on public sector specificities

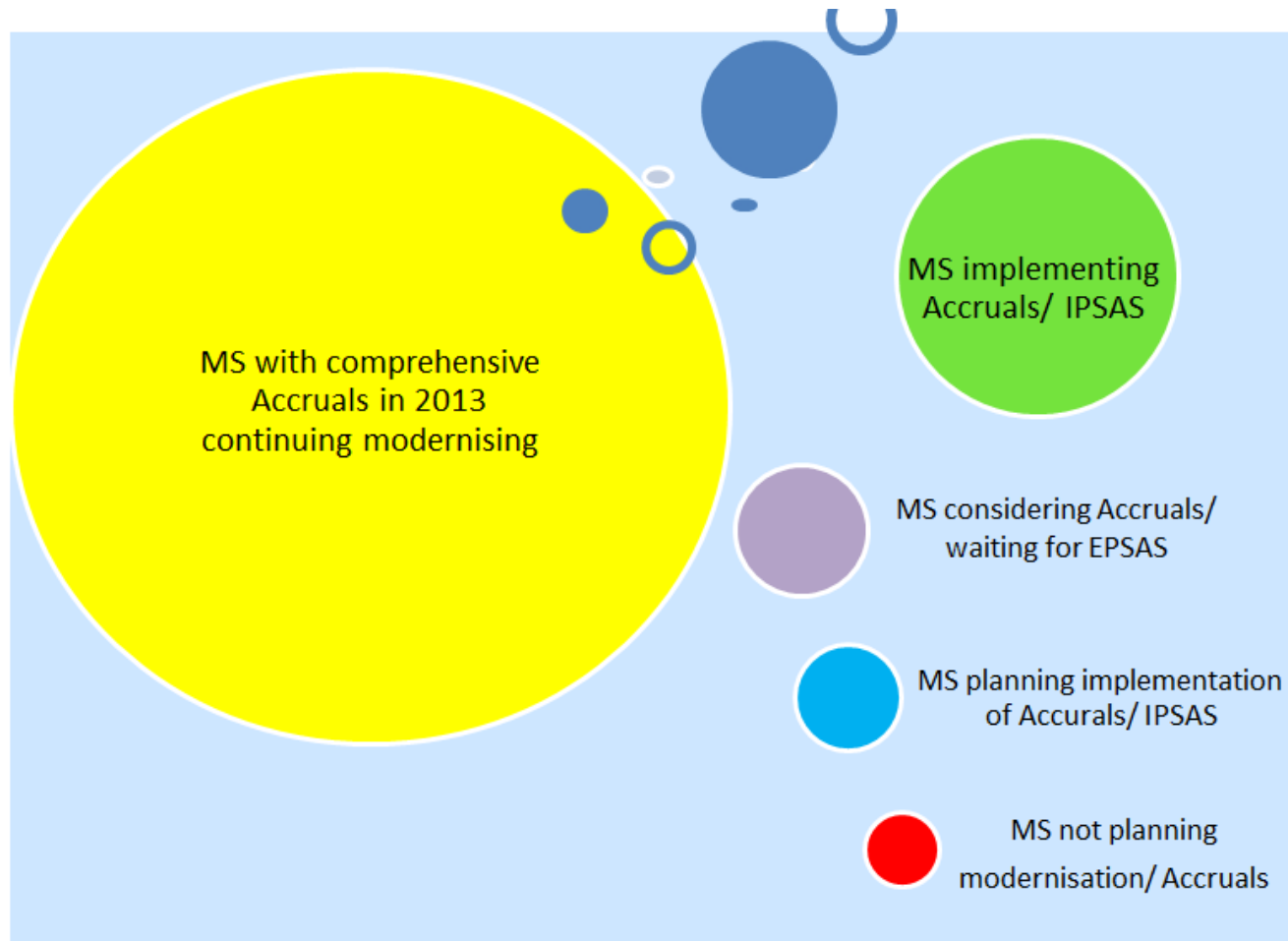
10 more issues papers commissioned in 2017:

• Intangible assets	• Discount rates
• National harmonisation of chart of Accounts	• Grants and other transfers
• Disclosures	• Notion of control
• Provisions, contingent assets and liabilities, financial guarantees	• Consolidation of financial statements
• Loans and borrowings	• Concession arrangements

Source: Eurostat, 2017

EPSAS: Current work

Where do the Member States stand?



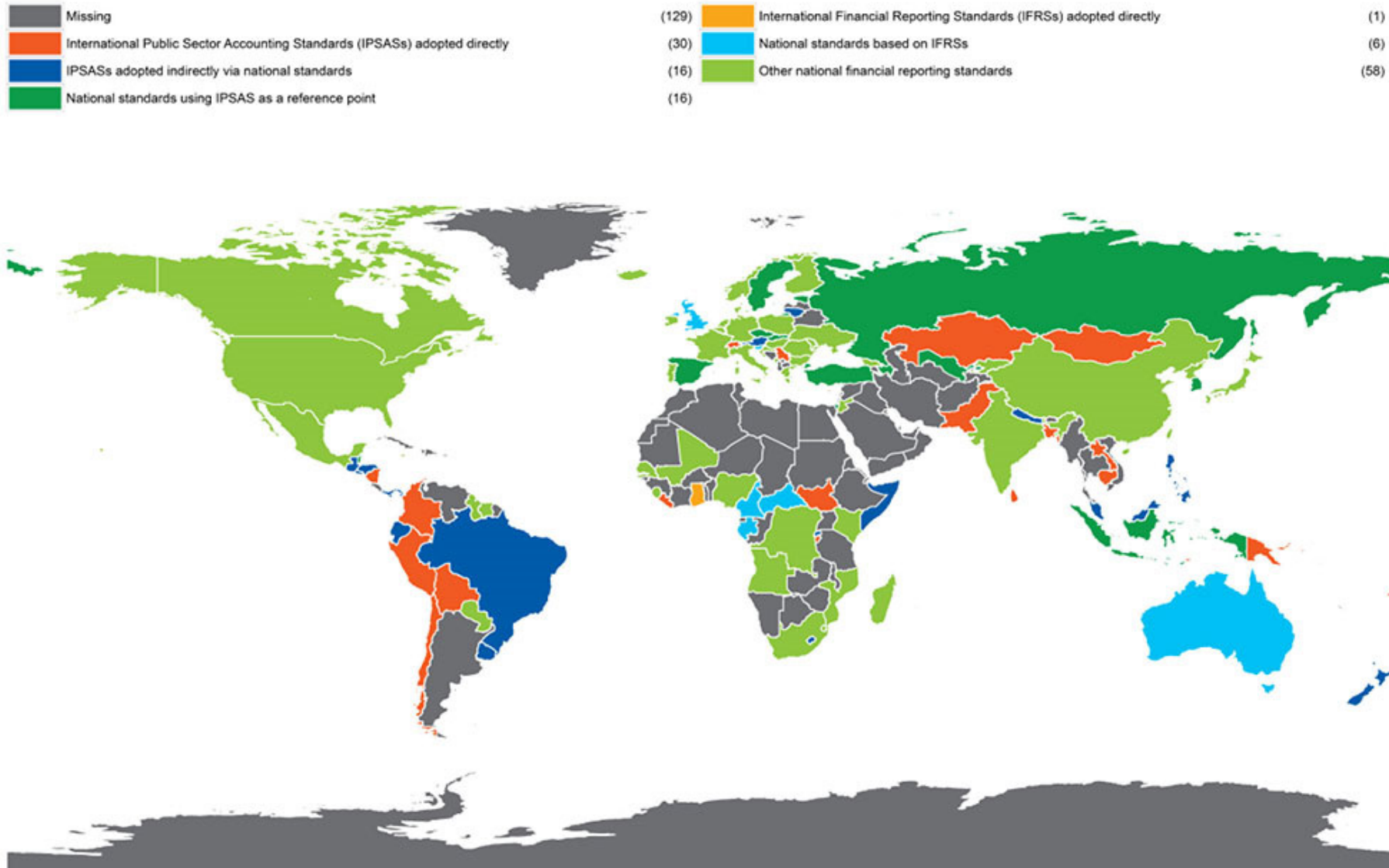
Source: Eurostat, 2017

EPSAS: Are EPSAS «IPSAS-compatible»?

- **No EPSAS have been issued**
 - Compatibility cannot be assessed
- **Issues papers**
 - All discuss IPSAS requirements
 - Statistical requirements are also important
 - Generally come to similar conclusions like IPSAS

Accrual IPSAS are implemented worldwide

Which financial reporting standards?



Source: IFAC/CIPFA/
ZHAW
AccountabilityIndex