

# World Bank CFRR PULSAR meeting

17 March 2025

## European Public Sector Accounting Standards (EPSAS) initiative

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# Budgetary Frameworks Directive (2011/85/EU)

Following the financial crisis the Commission responded with the so-called Six-Pack including a Directive which does not require to have accrual public accounting systems according to the letter of the law. In fact it is technically possible but cumbersome to fulfil the aim of the law with having only cash based public accounting systems in place.

MSs shall have in place public accounting systems according to Art.3(1):

- 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

# Current EPSAS approach since 2015

A voluntary and progressive approach:

- **Phase 1 (*ongoing*):** Increase fiscal transparency in the Member States in the short to medium term by promoting accruals accounting and, in parallel, develop the EPSAS framework (covering governance, accounting principles and standards).
- **Phase 2 (*future, no specific timetable yet*):** Address comparability within and between Member States by implementing EPSAS.

SWD Progress report 2019 => [link](#)

SWD Progress report 2024 => [link](#)

# Four EPSAS work streams

- Systematic communication with stakeholders
  - **EPSAS Expert Group. Policymakers, governments, auditors, accountancy experts, academia, international organisations**
- Technical work contributing to preparation of EPSAS
  - **EPSAS issue papers, screening of IPSASs, First Time Implementation guidance, EPSAS Conceptual Framework (revised version February 2024), EPSAS Structure**
- Work on cost-benefit considerations
  - **Various studies, draft impact assessment**
- Technical and financial support for accrual-based public sector accounting in the Member States
  - **Technical: sharing of best practices etc.; financial: EPSAS grants, RRF, SRSP/TSI**

# Amendment of Budgetary Frameworks Directive and EU Economic Governance Review

Council Directive (EU) 2024/1265 of 29.04.2024 amending the budgetary frameworks Directive (2011/85/EU) invites the

- **European Commission to report, by end-2025 and every five years thereafter, on the state of play of public accounting by the general government in the Union, taking into account the progress made since its 2013 assessment of the suitability of the International Public Sector Accounting Standards for the Member States.**

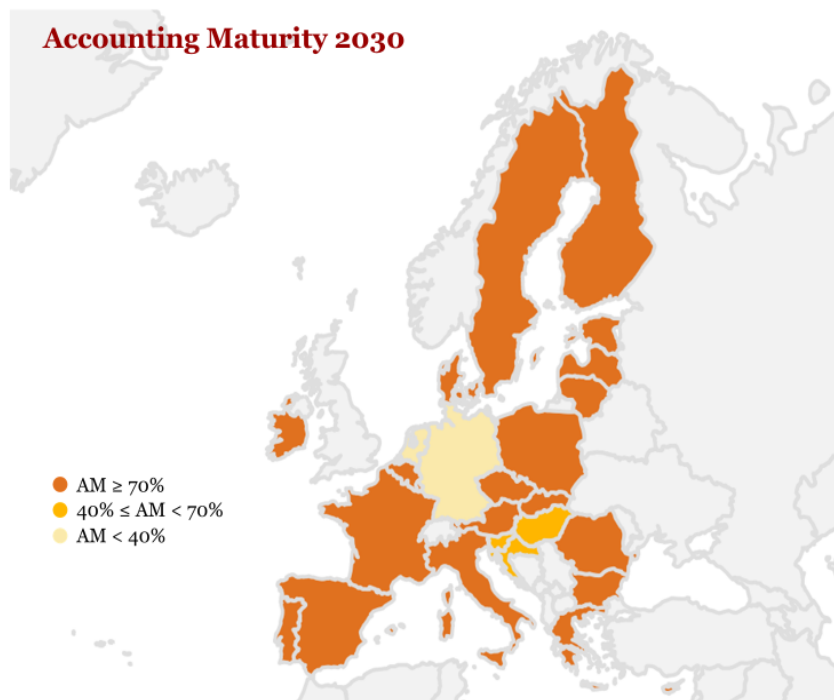
[Link to Council Directive \(EU\) 2024/1265](#)

# Expert Group meetings on EPSAS

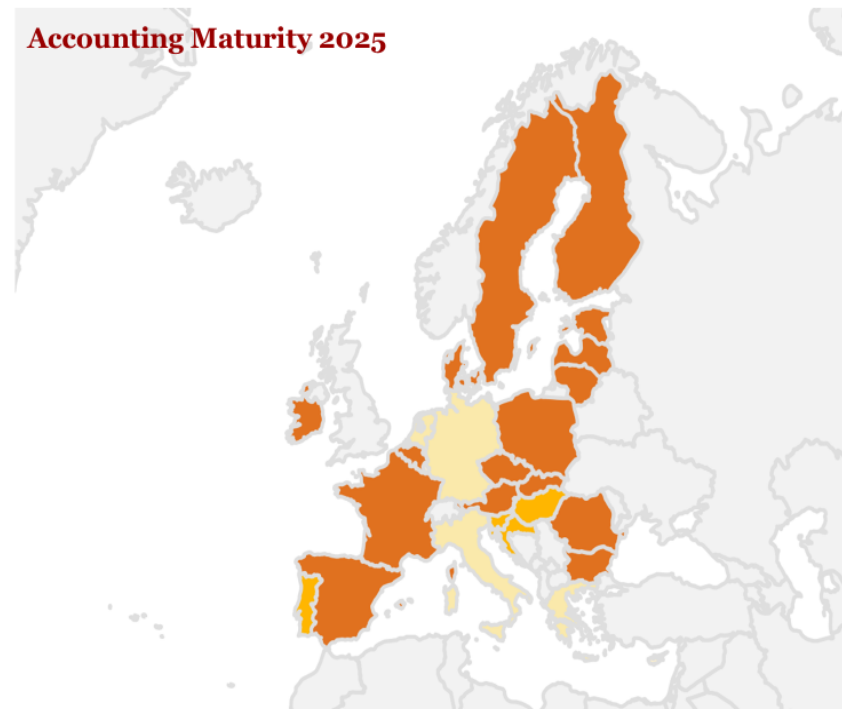
- Expert Group meeting 7 May 2024 virtual
  - **Economic Governance Review**
  - **Potential future EPSAS structure revised**
- Expert Group meeting 12/13 November 2024 in Dublin
  - **Commission report 2025 on public accounting in the Union**
  - **EPSAS issue papers on revenue and transfer expenses**
- Expert Group meeting 11 February 2025 virtual
  - **Report on accounting maturities and implementation costs**
  - **Results of information collection with IPSAS suitability questionnaire**

# Accounting maturity 2025 and 2030 (forecast)

## AM update - Central governments



The average accounting maturity (unweighted) is expected to further increase to 77% in 2030



The average accounting maturity (unweighted) has increased from 64% in 2020 to 66% in 2025

# Estimate of total EU EPSAS implementation costs as of 2025

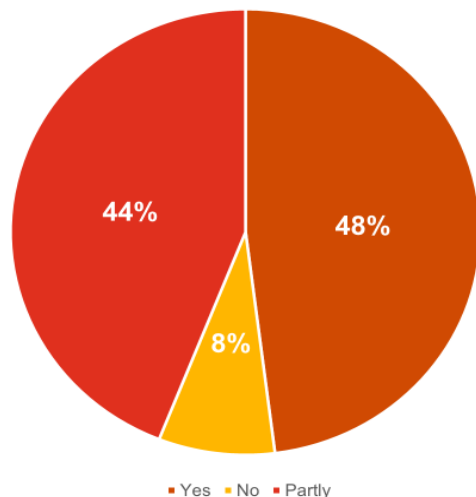
Cost estimates as of 2025 (and comparison to 2014 restated without the UK)

	Benchmark	<b>Scenario 1</b> Adaptation of IT system	<b>Scenario 2</b> Implementation of new IT system
Cost in billion EUR	A	1,1 (1,2)	2,2 (1,8)
	B	2,4 (2,1)	9,2 (6,9)
Cost as a % of the GDP	A	0,01% (0,01%)	0,01% (0,02%)
	B	0,01% (0,02%)	0,05% (0,06%)



# Survey results on suitability of IPSAS as a common reference for MSs, Question 1

Question 1<sup>1</sup> - Do you consider that **IPSAS** constitute a **suitable reporting framework** for the Member States, in particular from a viewpoint of its completeness and relevance for the public sector (Yes/No/Partly)? What specific areas would require additional changes ?



## “Partly” narrative explanation:

- High perceived implementation cost (notes, consolidation, tax revenue)
- More detailed implementation guidance and practical rules needed
- Differential reporting
- Improved alignment with ESA
- IPSASB should focus more in budget implementation and spending deficit
- IPSAS as a basis for national accounting reforms and as a solid foundation than can be adapted to meet specific national requirements

## “No” narrative explanation:

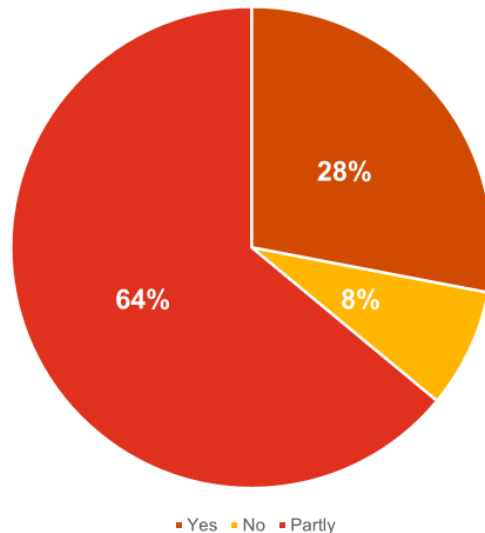
- IPSAS are complex and detailed, less details support use and acceptance
- High perceived cost of implementation
- Application of Fair-Value principle
- Critical points omitted in screening process require further examination

## “Yes” narrative explanation:

- High technical quality, complete set of standards which includes reasoning (basis of conclusions)
- International background, sound governance
- Enhances standardisation and comparability

# Survey results on suitability of IPSAS as a common reference for MSs, Question 2

Question 2 - Do you consider that the **governance around IPSAS** make it a **suitable** reporting framework for the Member States (Yes/No/Partly)? What governance adjustments would be necessary?



## “Partly” narrative explanation:

- Users of financial statements should be better integrated into governance
- Convergence with IFRS prioritized over convergence with ESA
- Formal EU representation in governance system / alignment with EU institutions (ESA requirements)
- Internal EU Governance and technical assistance needed
- Some special accounting practices might not be compatible with IPSAS
- Strengthen IPSASBs independence of funding
- International recognition and credible framework

## “No” narrative explanation:

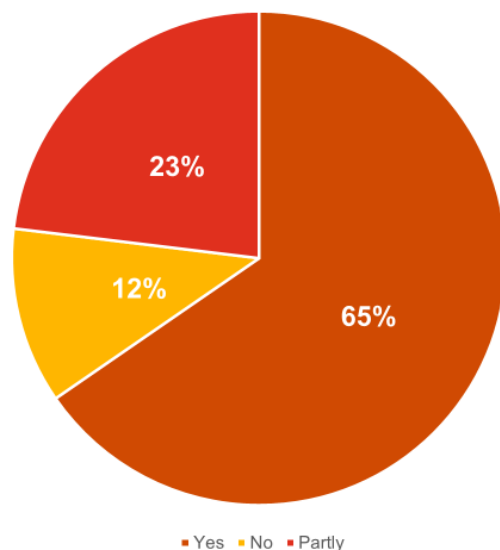
- Consider circumstances and conditions in individual MS
- Private institution setting public sector standards
- More public members in the IPSASB, more expertise in future areas of application

## “Yes” narrative explanation:

- Sufficient public sector expertise
- Thorough due process, IPSASB facilitates alignment with worldwide topics
- Independent (strong oversight, multiple and diverse stakeholders), jurisdictions can take their own decisions

# Survey results on suitability of IPSAS as a common reference for MSs, Question 3

Question 3 - Taking into account relevant considerations from this questionnaire, do you consider that **IPSAS constitute a suitable reference framework for developing EPSAS** (Yes/No/Partly)? What modifications would be required?



## “Partly” narrative explanation:

- Integration of ESA methodology
- Assess user supply (maturity) and demand (users) side
- What degree of unification is necessary? Where will EPSAS need to depart? Focus on ESA requirements?
- Concern of information duplication if data is already published elsewhere
- IPSAS promotes equal treatment of Member States and harmonization
- IPSAS acknowledged as a strong starting point for EPSAS development

## “No” narrative explanation:

- IPSAS are complex and details, Options may inhibit comparability and uniformity
- Legal frameworks in MS might prevent possibility of implementation
- Political support is vital, perception of lack of support currently
- Appropriate cost-benefit ratio has to be ensured
- IPSAS are fully developed EPSAS are not needed, only endorsement mechanism

## “Yes” narrative explanation:

- IPSAS is already used as a reference by many MS
- Neutrality enhances transparency and comparability
- Would allow a cost-efficient EPSAS implementation (only change what needs to be changed), avoid duplication
- Plan for transitional periods or phased implementation
- What about Sustainability reporting?
- Governance structure comparable to ARC (political), EFRAG (technical) needed

Preliminary survey results on suitability of IPSAS

PwC

<sup>1</sup> Responses have been recorded as literal as possible and are presented in the category they have been made.

11th February 2025 – EPSAS Expert  
Group Meeting

# Communication

European Commission – Eurostat – EPSAS:

<https://ec.europa.eu/eurostat/web/epsas/>

CIRCABC depository:

<https://circabc.europa.eu/w/browse/18db61bc-6649-44b3-af14-17fcd1c1216c>

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# Thank you



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