



# **PULSAR FINCOP Workshop**

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## **Update from the EPSAS project**

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# EPSAS approach

A more voluntary and progressive approach:

- **Phase 1:** Increasing fiscal transparency in the Member States in the short to medium term by promoting accruals accounting, e.g. IPSAS, in the period from up16 to 2020, and in parallel developing the EPSAS framework (i.e. EPSAS governance, accounting principles and standards).
- **Phase 2:** Addressing comparability within and between the Member States in the medium to longer term, implementing EPSAS by 2025.

# Current activities

1. Supporting the modernisation of public accounting systems on an accruals basis in the Member States
2. Drafting the concrete technical proposal on EPSAS including the EPSAS conceptual framework
3. Impact assessment and supporting impact studies
4. Communication with stakeholders

# 1. Support for voluntary accruals implementation

The support of voluntary accruals implementation in the EU included:

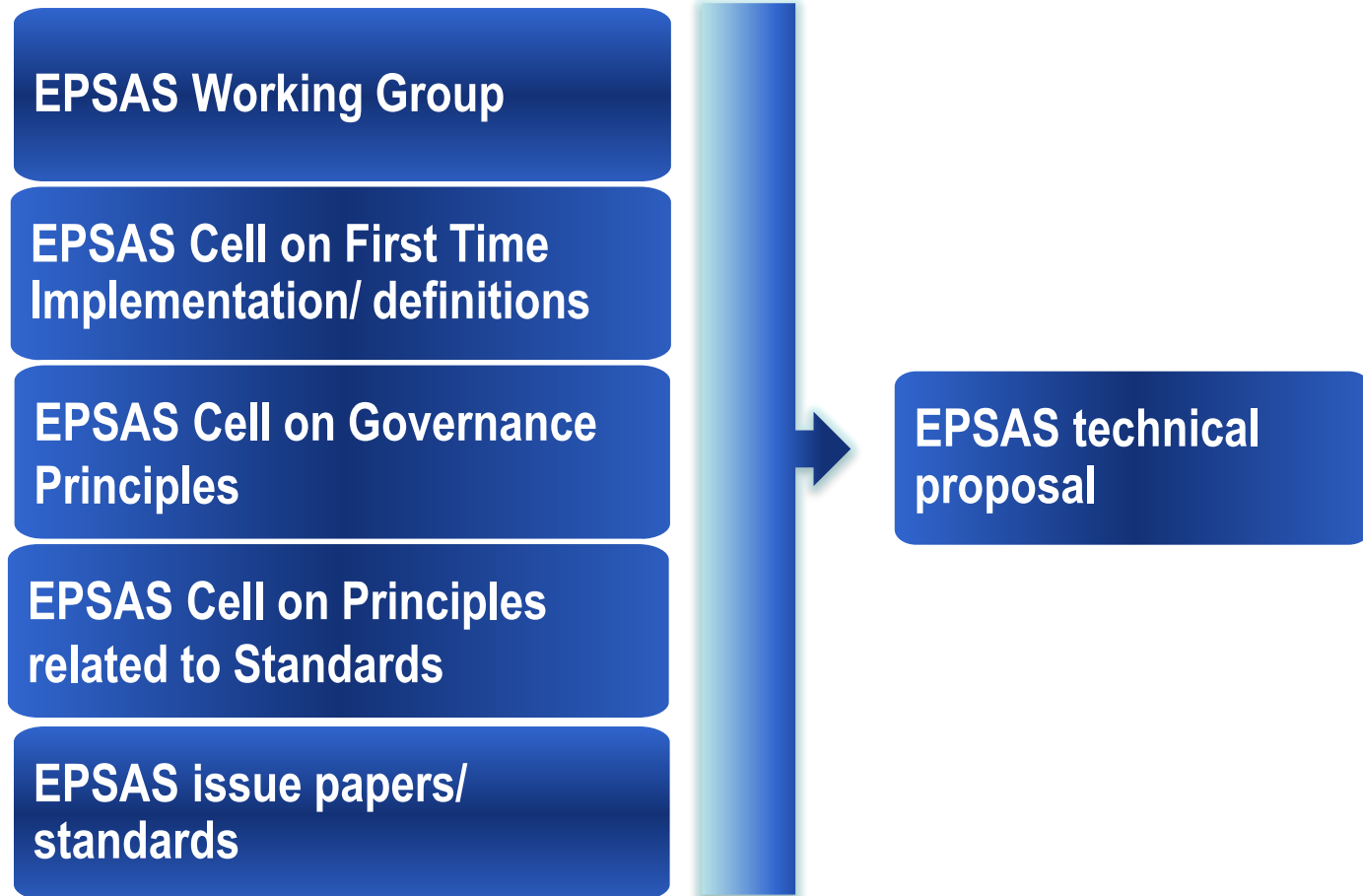
- FTI guidance issued
- 7 grants signed in 2014: Hungary, AT-Burgenland, Cyprus, Malta, DE-Hesse, AT-Salzburg, Portugal
- 3 new grants signed in 2017: Portugal, Malta, AT-Oberösterreich
- Cooperation with Structural Reform Support Service (SRSS) and European Structural and Investment Fund (ESIF)

## 2. Expected scope of the technical proposal

The core elements of the technical proposal may be structured as follows:

- Conceptual Framework
  - purpose, definitions, scope, specificities, requirements
- Process for developing standards
  - governance, role of IPSAS and its limitations
- Considerations and bases for conclusions for the treatment of key public sector specific issues under the proposed EPSAS due-process
- Summary and conclusions on key technical issues

## 2. Development of EPSAS technical proposal



## 2. EPSAS Working Group

- The first EU network of public sector accounting standard-setters consisting of representatives from all EU Member States and some invited observers.
- Recent WG meetings
  - Lisbon hosted by the Portuguese MoF, on 26-27 Apr 2017
  - Luxembourg, 21-22 Nov 2017
- Forthcoming WG meeting
  - Luxembourg, 7-8 May 2018

## 2. Cell on Principles related to EPSAS standards

Three meetings 2017 to early 2018.

Presented an updated interim report to the WG meeting in Nov 2017:

- Possible structure for an EPSAS approach to principles (*qualitative characteristics, constraints and application principles*)
- Definition of elements (including other economic phenomena)
- Recognition/ de-recognition
- Measurement
- OC type statements



## 2. EPSAS issues papers 2016 - 2017

● 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

## 2. EPSAS issues papers 2017 - 2018

<ul style="list-style-type: none"><li>● Intangible assets</li></ul>	<ul style="list-style-type: none"><li>● Discount rates</li></ul>
<ul style="list-style-type: none"><li>● National harmonisation of chart of Accounts</li></ul>	<ul style="list-style-type: none"><li>● Grants and other transfers</li></ul>
<ul style="list-style-type: none"><li>● Disclosures</li></ul>	<ul style="list-style-type: none"><li>● Notion of control</li></ul>
<ul style="list-style-type: none"><li>● Provisions, contingent assets and liabilities, financial guarantees</li></ul>	<ul style="list-style-type: none"><li>● Consolidation of financial statements</li></ul>
<ul style="list-style-type: none"><li>● Loans and borrowings</li></ul>	<ul style="list-style-type: none"><li>● Concession arrangements</li></ul>

### 3. Opinion of the EFC Sub-Committee on Statistics endorsed by the ECOFIN on 7 November 2017

#### The Council:

- Takes note of the work being done on EPSAS
- Underlines that work should respect the principles of subsidiarity and proportionality on a clear legal basis
- Underlines that work on EPSAS should be informed by a detailed Impact assessment
- Acknowledges the inception of Eurostat work on this assessment and
- Underlines that it should provide a comprehensive account of both positive and negative impacts.

# 3. Impact assessment report

The impact assessment report should describe:

- Political and legal **context**
- Identification of the **problem**
- Assessment of the **need for EU-level** intervention
- Definition of **objectives**
- Development of policy **options**
- Analysis of the **impacts** of the options
- Comparison of the **options**
- Outline policy monitoring and **evaluation**

### 3. In Eurostat's view the impact assessment could analyse the following options:

#### 1. Binding European CF and binding EPSAS

- Accompanied by technical and financial support to MSs

#### 2. Binding European CF with recommended EPSAS

- Accompanied by technical and financial support to MSs, and further review after some time of the effectiveness of the approach

#### 3. Recommended European CF with recommended EPSAS

- Accompanied by technical and financial support to MSs, and further review after some time of the effectiveness of the approach

#### 4. Discontinue work completely on EPSAS

# 3. EPSAS impact studies

## ***PwC 2013 – 2014:***

- cost and benefits

## ***EY 2015 - 2017:***

- cost of non-EPSAS
- update on reform projects in MSs
- impact on Commission priorities (CMU, investment, growth, etc.)

## ***PwC 2016 – 2018:***

- lessons learnt from experiences of accruals implementation
- capacity issues in the Member States
- how could EPSAS support financial audit and control in the MS
- methodology for measurement and monitoring of public sector financial reporting transparency in MS.

## 4. Communication with stakeholders

- TF EPSAS participates in more than 40 external and internal events per year and contributes to several conferences with local governments and academia:
  - CIGAR (Comparative International Governmental Accounting Research)
  - EGPA (European Group of Public Administration)
  - CEFG (City Economic and Financial Governance Group)
  - .....

## ***European Commission (Eurostat) Task Force EPSAS:***

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

## ***CIRCABC depository:***

<https://circabc.europa.eu/w/browse/8b9f731d-4826-4708-9069-5f65a9edc9bf>