



FEE Roundtable
Harmonising European Public Sector Accounting
Brussels, Tuesday 1 April 2014

Taking stock on EPSAS developments

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EPSAS: Where do we stand?

- I – The "E" in EPSAS
- II – Taking forward the EPSAS project
- III – EPSAS governance proposal
- IV – Public consultation on EPSAS governance
- V – Public consultation – tentative conclusions
- VI – Relationship of EPSAS to IPSAS
- VII – Staged approach to EPSAS
- VIII – EPSAP (first ideas)
- IX – Fundamental accounting definitions

I - The "E" in EPSAS

- Primary EU law (Treaties, Protocols, etc.)
- Secondary EU law (Basic acts, e.g. EU Regulations)
- Commission: exclusive right to make proposals (right of initiative)
- Council and Parliament: adopt secondary law
- Basic act: legislator may confer the power on to the Commission to adopt delegated or implementing acts

I - The "E" in EPSAS

- On proposal by the Commission (legal basis: primary law, e.g. 338 TFEU)
- Council and Parliament adopt EPSAS Framework Regulation
- Framework Regulation defines governance and key principles
- Confers standard-setting powers on to Commission
- Commission consults MS, and
- Adopts EPSASs as binding acts

II – Taking forward the EPSAS project

- **Stage 1** (mid-2013–mid-2014): Commission Communication
- **Stage 2** (mid-2014 – end-2015): Framework Regulation:
 - Governance structures and procedures
 - Impact Assessment
 - Mid-term Work Programme
- **Stage 3** (end-2015 – 2020): endorsement and stepwise implementation

II – Taking forward the EPSAS project

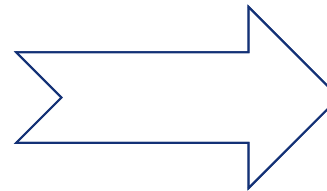
Outputs from:

- TF EPSAS Governance

- TF EPSAS Standards

- Public consultation on
EPSAS governance

- External study (PwC)



Commission
Communication

Framework
Regulation

III – EPSAS Governance – proposed principles

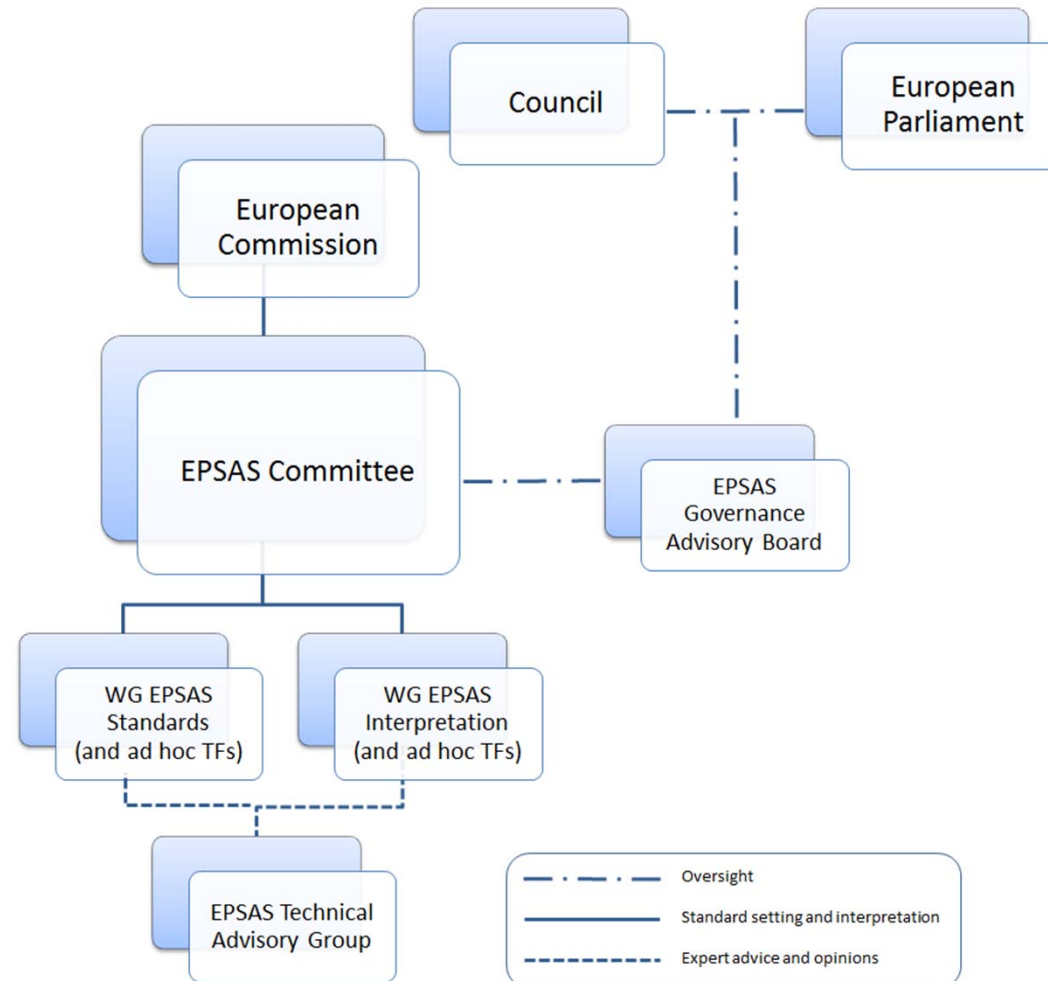
EPSAS governance structure:

- Professional independence
- Impartiality
- Legitimacy
- Transparency
- Competence and capacity
- Cost effectiveness
- Accountability

EPSAS standards:

- Reliability
- Relevance
- Coherence and comparability
- Accessibility and clarity

III – EPSAS Governance – possible structure





IV – Public consultation: a snapshot (27 Mar 2014)

- Translations in progress
- Publication of final report and all individual contributions by early May 2014



European
Commission

Country	Number	Percentage
Austria	2	1.0%
Belgium	2	1.0%
Bulgaria	2	1.0%
Croatia	1	0.5%
Czech Republic	3	1.5%
Denmark	1	0.5%
Finland	4	2.0%
Germany	141	69.5%
France	6	3.0%
Hungary	1	0.5%
Italy	3	1.5%
Ireland	1	0.5%
Latvia	1	0.5%
Malta	1	0.5%
Netherlands	2	1.0%
Poland	5	2.5%
Portugal	2	1.0%
Romania	3	1.5%
Slovakia	1	0.5%
Slovenia	1	0.5%
Spain	2	1.0%
Sweden	4	2.0%
United Kingdom	7	3.4%
Brazil	1	0.5%
Other	6	3.0%
Total	203	100%

Responses by country of origin

Responses by type of respondent

Type of respondent	Number	Percentage
Public accounting authority/standard setter	31	15.3%
Public audit authority	11	5.4%
National Statistical Institute	5	2.5%
Local or regional authority (Germany)	110	54.2%
Other national public institution	6	3.0%
Private financial (accounting/audit/consulting) company	5	2.5%
Private other	2	1.0%
Professional association	14	6.9%
Academic	7	3.4%
Individual	12	5.9%
Total	203	100%

V – Public consultation - tentative conclusions

(1) Governance Principles:

- substance is basically covered, up to potential rewordings;
- suggestion to group them into subgroups;
- further clarify the distinction between Governance principles for the standard setting and core accounting principles for EPSAS development (EPSASP).

V – Public consultation - tentative conclusions

- (2) **Optional Governance Advisory Board (GAB):** public consultation did not support the idea and hence likely to be abandoned
- (3) **Role of CoA:** We will reflect further on their role. We would like to listen to them.
- (4) **Interpretation function:** Overall support, remains to be seen whether it should be organised in one or two WGs

V – Public consultation - tentative conclusions

(5) **Technical Advisory Group (TAG):** widely supported by public consultation. Potential involvement:

- Contribution to technical development in the TFs and WGs
- Observer status with speaking right at the WG (which we assume will reflect the common position of the TAG)
- WG will report to the Committee the view of the TAG

VI – Relationship of EPSAS to IPSAS

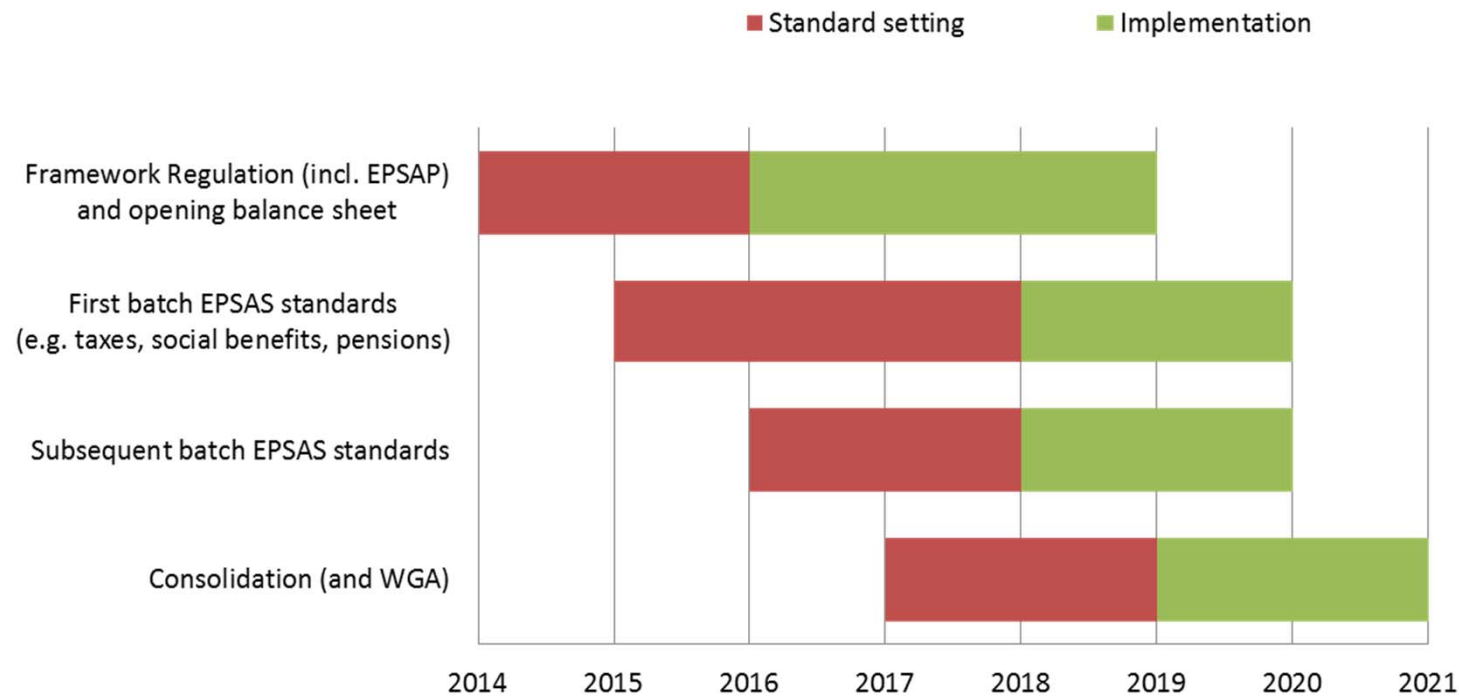
Commission Report on the suitability of IPSAS: Most stakeholders agree that IPSAS would be suitable as a reference framework for EPSAS, although

- EPSAS standards may need to differ from IPSAS
- However, no unnecessary divergence between
 - EPSAS and IPSAS
 - EPSAS and IFRS
 - EPSAS and ESA

VI – Relationship of EPSAS to IPSAS

- First reference base: IPSAS
 - Internationally recognised
 - Reference in over half the Member States
- Secondary reference bases:
 - National public accounting standards (GAAPs)
 - IFRS
 - ESA
 - Other relevant accounting standards, such as national GAAPs for private sector entities

VII- Staged approach to EPSAS standard setting



VIII –EPSAP (first ideas)

Agreed core set of basic European Public Sector Accounting Principles (EPSAP):

- Accruals-based accounting
- Double entry book-keeping
- Harmonised financial reporting
- Consistency with ESA principles

VIII –EPSAP (first ideas)

2002 EU Financial Regulation

- Going-concern basis
- Prudence
- Consistent accounting methods
- Comparability of information
- Materiality
- No netting
- Reality over appearance
- Accrual-based accounting

2013 EU Financial Regulation

- Relevance
- Reliability
- Comparability
- Understandability
 - Plus other rules governing the accounts

IX – Fundamental accounting definitions

- Necessary basic definitions, for example for assets, liabilities, net assets, expenses and revenue
- Recognition, measurement and valuation methods
- Requirements for the structure of financial statements

Useful links

Assessment Report, Staff Working Document and Inventory of MS accounting and auditing practices:

http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/government_accounting

Conference webpage:

<http://epp.eurostat.ec.europa.eu/portal/page/portal/conferences/introduction/2013/epsas>

Public Consultation on future EPSAS governance:

http://epp.eurostat.ec.europa.eu/portal/page/portal/public_consultations/consultations/epsas