

**Speech**

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**Modernising accounting in the public sector**

**European Commission – FEE**

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Ladies and gentlemen,

Good morning.

I would like to welcome you all to this conference on “Modernising accounting in the public sector” and to thank David Devlin and his colleagues at FEE for helping us organise this conference. Both the Commission and the representatives of accounting professionals see it as an important event which gives the opportunity to take stock of the evolution of accounting in national and international public organisations. It will allow you in particular to focus on the added-value of the accrual-based accounting based notably on the experience gained in the European Commission where it was fully implemented for the first time last year.

I have accepted to introduce this conference so as to stress the high priority given by the Commission to the modernisation of the EU accounts at a moment where this institution is being put under high pressure to deliver more, and better, with fewer resources while further increasing transparency and accountability.

Such an accounting reform is a highly political priority for the Commission as it aims at increasing financial transparency and accountability toward the EU tax payers. Therefore, huge efforts have been deployed to introduce full accrual-based accounting in a very short period of time in order to provide effectively all stakeholders with reliable and accurate data on the financial position of the Communities from year 2005.

Some Member States of the European Union are also implementing accrual-based accounting but are at very different stages, while others are still reflecting about this.

Of course it is not just Europe who is concerned - the importance of this issue is highlighted by the participants from 29 different countries. I think in particular of the United Nations, which is now following a similar course to the EC. I am sure you will hear more about this from their representatives here today.

We all, as part of the public sector in Europe, recognise the benefits of the improved information provided by accruals-based accounting. Those countries which have not yet made the decision to change will no doubt consider it sooner rather than later although implementation, as usual, entails a number of practical issues, such as the application of appropriate accounting standards and IT changes.

The European Commission adopted in December 2002 a detailed plan for the modernisation of its accounts by 2005. This modernisation project consisted of a change from a system of accounts focusing on a cash-based description of budget expenditure and revenue operations to an accrual accounting system. The Court of Auditors and the Commission's Internal Audit Service have followed the project as observers.

The objective was to provide better information to management for their decision making and to improve the transparency and quality of the accounting information presented annually. The new system would ensure that both the internal users of the system and the external readers of the accounts have more reliable and relevant financial information.

The Commission gave this project top priority. In the end, after only two years of intensive preparation, we were able to present the 2005 accounts by the deadline. These accounts, the first ones based on the new system, have been audited by the Court, and sent to the budgetary authority.

The assurance statement of the Court on the reliability of the accounts will be presented at the end of October but from informal contacts with the Court, it is clear already that our external auditor recognises the added-value of this huge and complex achievement.

The added-value of accrual accounting for a public sector body can be summarised as follows:

Firstly, the Commission has been able to present accounts which are understandable, relevant, reliable and comparable, as required by international standards. These characteristics make the information useful to users in making and evaluating decisions and demonstrate the accountability of the European Commission for the resources entrusted to it.

Secondly, the introduction of accrual accounting improves the control over assets and liabilities in any organisation.

Finally, the improvement of the accounting system in terms of efficiency, transparency and accuracy is pivotal to re-enforce the trust of the EU citizens in the capacity of the EU institutions to manage soundly and effectively the EU moneys.

I have no doubt that this conference will be of great interest and relevance to those with an interest in financial and accounting matters and I already thank you for your participation to what promises to be a highly valuable day.