



EUROPEAN COMMISSION  
EUROSTAT

Directorate C: National accounts, prices and key indicators  
Task Force EPSAS

Luxembourg,  
ESTAT/C/TF EPSAS/AM/IV/mmp

## TO WHOM IT MAY CONCERN

**Subject: Academic research on accruals-based public sector accounting in the EU**

Dear Sir, dear Madam,

The regular reporting by Member States' (MS) governments and public sector entities of comparable, complete, reliable and accurate data is crucial to the proper functioning of the budgetary surveillance framework of the Union and the completion of the single market. Economic and fiscal coordination and surveillance at EU level is based on accruals data, but government accounting practices vary widely both across and within the Member States, and there are also Member States and government entities that still operate on a cash-only basis.

Following the report by the Commission to the Council and the European Parliament, "Towards implementing harmonised public sector accounting standards in Member States: The suitability of IPSAS for the Member States" (COM(2013) 114 final, as requested by Council Directive 211/85/EU, a Commission project was launched in 2013, aimed at harmonising public sector accounting standards in the Union. The primary objective of the European Public Sector Accounting Standards (EPSAS) project is to increase fiscal transparency and achieve the comparability of public sector accounting and reporting, within and across EU Member States, and for all sub-sectors of government by developing and implementing a common set of European standards under strong EU governance and taking the International Public Sector Accounting Standards (IPSAS) as a primary reference.

The above-mentioned Commission report concluded by stating: 'The Commission will further develop the strategy outlined in this report, taking into account resource constraints, in line with its responsibilities under the Treaties.' Moving to accruals accounting and reporting cannot be seen as purely a technical exercise. Accruals accounting embeds a long-term horizon, taking into account stability and sustainability, complementing the short-term focus of cash accounting. It implies not only a change in accounting standards and systems, but also a change in culture and mind-sets.

In addition to a first survey on the public sector accounting and auditing practices and the Commission staff working document which accompanied the IPSAS assessment report, a second analysis was published in September 2014. This analysis describes in a more

comprehensive manner the potential impacts including the costs and benefits of implementing a harmonised accruals-based government accounting standard in the EU Member States. The study also evaluated the IPSAS standards and analysed their application in the EU.

Since the release of the Commission report on IPSAS in 2013, a growing body of research has been produced regarding fiscal transparency and financial accounting and reporting in the public sector. The understanding of the financial reporting issues at stake can only benefit from such research, which can for example explore how to exploit the full potential of information provided from an accrual-based financial reporting system. This calls for widening the scope of academic research in accruals and in particular IPSAS/EPASAS-based accounting as this is expected to have a positive and significant effect on the debate around public sector accounting standards for Europe and the development of EPASAS.

From an EPASAS point of view, it makes good sense if researchers in the Union perform academic research on 'European Public Sector Accounting' with specific focus on accruals-based, and in particular IPSAS-based or IFRS-based, public sector accounting and financial reporting – which can in particular inform preparers and users of general purpose public sector financial statements. Such research would furthermore raise awareness for public sector accounting and financial reporting issues among the academic community and beyond, also with a view to contributing to the scientific discussion around the development of EPASAS.

Academic research on harmonised public sector accounting could open up new perspectives by advancing professional development of students, practitioners and academics, supporting employability and changing cultural attitudes and mind-sets with respect to public sector financial reporting, accountability and the democratic scrutiny of public finances in the Union.

Therefore, TF.EPASAS encourages and welcomes every research initiative aimed at widening and improving the knowledge base of the project also with regard to the collection and analysis of information related to accounting/ financial practices in Union. Such academic research initiatives can render genuine added value to the wide range of addressees of general purpose financial statements – from policy-makers to the tax-payers – and thereby benefit the Union as whole.

*(e-signed)*

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Head of Unit