



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 modules 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 therein 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 (central, regional and local, including for social security funds) 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.' In November 2013 the ECOFIN Council encouraged the European Commission to continue its work on the EPSAS project, while respecting subsidiarity and national competences and the proportionality between potential costs and benefits.

In essence, 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.

Once developed, EPSAS would have a direct impact on the labour market with respect to skills and expertise in public finance, accounting and audit. Finally, EPSAS would be another driver facilitating the mobility of accounting and audit work force between the public and private sectors at the national, subnational and European levels. This would imply an investment in skills. The investment and length of time required for education and training of public-sector accountants and auditors with expertise in EPSAS would be generally high. As a consequence it would be beneficial if higher education would put at an early stage the necessary programmes in place with a view to retraining of existing staff as well as educating new accountants and auditors on accruals-based public sector accounting.

From an EPSAS point of view, it makes good sense if universities in the Union develop academic modules for higher education 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 – all the more so as this is a new topic to many preparers and users of general purpose public sector financial statements. Such academic modules 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 EPSAS.

In line with the EPSAS objectives, accruals-based academic modules 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.

Such academic 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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