



Task Force EPSAS Governance Main points from the third meeting

27 March 2014 in Luxembourg

DRAFT

1. Introduction/ approval of the agenda

The agenda was approved with no changes.

2. Main points from the previous meeting

The note of the main points from the TF meeting held on 12 February was approved with no amendments.

3. Public consultation on future EPSAS governance principles and structures: Draft report

The draft summary report of the responses to the public consultation had been circulated to the participants in advance of the meeting. Eurostat presented an overview of the results and outlined some of the key messages. Some contributions were still awaiting translation and the publication of the final report together with the individual contributions was planned for May 2014.

During the discussion it was proposed that even if the principles appeared to be rather well supported, there should be a further analysis of the “partly” supportive responses to better understand the reservations.

The conclusions to be drawn from the provisional results of the public consultation would be presented and discussed under point 5 of the agenda. Task Force participants were invited to send written comments on the document within the two weeks following the meeting.

4. EU Comitology and the legal basis for EPSAS

EU Comitology

Following the presentation made at the previous meeting of the Task Force, Eurostat gave a further detailed presentation on EU law-making procedures under the Lisbon Treaty.

The presentation covered, among other issues, an overview of binding versus non-binding measures that can be adopted; the main actors in the EU legislative procedure - the European Parliament and the Council as co-legislators acting on the basis of a proposal by the Commission made under its right of initiative; the hierarchy of the legal acts; Basic Acts, for example a Framework Regulation, and the powers that can be conferred on the Commission to adopt Implementing or Delegated Acts. Delegated acts are adopted by the Commission after consultations at expert level. After the adoption of the delegated act and before it enters into force the European Parliament and the Council have the right of objection during a scrutiny period of typically 2 months. A similar right of objection does not exist in the case of Implementing Acts, where instead a positive qualified majority of a comitology committee is required before the Commission can adopt the implementing act. After the publication of the Commission Communication on EPSAS a Commission proposal for an EPSAS Framework Regulation will have to be adopted. On average a period of 15 months is needed from adoption of the Commission proposal until final adoption of the Regulation by the EU legislator.

A small number of participants questioned whether a Framework Regulation was needed, or whether a Directive, defining just EPSAS principles, would be sufficient. In the light of the fact that delegated acts can only regulate non-essential elements of the basic act, some participants suggested that it would be necessary, first of all, to discuss what would be the essential and non-essential elements for EPSAS. Other points raised included the process for verifying compliance with the regulation across the Member States; the procedure to amend standards after they had been approved; whether EPSAS needed to apply and be binding at the entity level or only at a consolidated level.

Legal basis for EPSAS

Eurostat presented the potential legal bases for the future EPSAS legislative proposal. Eurostat reiterated that, in its view, the most suitable legal basis seemed to be Article 338 of the Treaty. Eurostat would provide, after the meeting, some extracts from the Treaty provisions concerning the possible legal bases for EPSAS.

One participant asked whether different legal bases could change the roles of the European Parliament and the Council with respect to EPSAS. It was explained that, for the potential legal bases discussed for EPSAS, in most cases the European Parliament and the Council are the co-legislators. However, if the legal basis were to be Article 126, then the Council would be the sole legislator and the role of the European Parliament would be reduced to giving an opinion.

5. Discussion of key issues for the proposed Commission Communication

Problem definition

Eurostat presented a paper outlining the problem definition for EPSAS.

In the discussion several participants considered that the tone of the paper was overall too negative. It was proposed that the problem statement should be further clarified and the paper should be more nuanced, making clear that each Member State is different and faces different challenges and that the problems described do not apply to all Member States.

Eurostat responded that it was not the intention to give an overall negative impression and that the views expressed by participants would be considered carefully in drafting the communication.

IMF asserted that having different accounting frameworks in different countries across the EU is indeed a problem, and the Commission should go ahead with the project to introduce accrual standards complying with international standards. The problem definition could be more nuanced but harmonisation is necessary with the adoption of accruals accounting.

Task Force participants were invited to send further written comments on the document within the two weeks following the meeting.

Relationship of EPSAS to IPSAS

Eurostat proposed that IPSAS must be the first reference base for developing EPSAS. Moreover the proposed approach to setting future EPSASs provides for an appropriate consideration of national public accounting standards (GAAPs), IFRS, ESA and other relevant accounting standards, such as national GAAPs for private sector entities, which altogether should be considered secondary reference bases. In practice the number and extent of the eventual differences between EPSAS and IPSAS, whether they take the form of the removal of options within IPSAS standards, additions to IPSAS standards, changes to IPSAS standards, the development of EPSAS standards where no IPSAS standard exists, or possibly other forms, would only be determined case-by-case during the EPSAS standard-setting process.

During the discussion the following main points were made: The closeness of EPSAS to IPSAS in practice would be determined when EPSAS standards are set. But the closeness or not of the two sets of standards to some extent would have implications for the timetable for developing EPSAS standards. One participant suggested that if IPSAS is the starting point then why not see EPSAS as an interpretation board for IPSASs? The IPSASB observers recommended developing “rules of the road” for considering and assessing the different reference bases. They also confirmed that for IPSAS they now have in place a formal policy of considering GFS treatments when formulating standards, where they are consistent with the IPSAS framework.

Task Force participants were invited to send written comments on the document within the two weeks following the meeting.

Scope of EPSAS

The main objective of EPSAS was to implement harmonised public sector accounting and general purpose financial reporting standards on an accruals basis for all public entities, other than public corporations, belonging to the different subsectors of General Government. Eurostat reiterated that budgeting was not covered by EPSAS. The need for simplified requirement for small and less risky public entities should be taken into account.

Staged approach to EPSAS

Eurostat outlined for discussion a possible staged approach to EPSAS, which foresaw an agreed core of basic European Public Sector Accounting Principles (EPSAP) being developed, with a view to incorporating them in the proposed framework legislation. After adoption of the framework legislation, Member States entities which do not have accrual based financial statements of their financial position and performance should begin to build their opening balance sheets and income statements consistent with EPSAP. Those entities which already largely or completely comply with these principles in their financial statements due to earlier public accounting reforms would perhaps not need to change their accounting at this stage. In parallel with this, the standard-setting work could immediately start by focusing at first on the accounting

issues where harmonisation of public sector accounting standards is most important, i.e. some large transaction groups which are most relevant for the public sector

A small number of participants considered that if only principles were available to set the requirements for the opening balance sheet then entities would be obliged in practice to use other standards, such as those of IPSAS or national accounting standards. Others stressed that very considerable resources would be needed to meet the proposal timings, and thought that a longer timescale should be envisaged. Some participants thought that a Directive would be more appropriate than a Regulation, and that moreover it would be sufficient to harmonise only at the level of principles. One participant suggested first developing an EPSAS conceptual framework, while some others proposed using the IPSAS conceptual framework as the basis for EPSAS. One observer did not consider the information provided in the accompanying document concerning principles to be sufficient for this meeting. One observer advised not to start the standard-setting by initially focusing on social benefits and taxes but to implement standards in groups and classes of transactions.

Task Force participants were invited to send written comments on the document within the two weeks following the meeting.

EPSAS Governance public consultation – Conclusions on the governance principles and the roles of stakeholders

Eurostat outlined for discussion some preliminary conclusions on governance principles and the roles of stakeholders in the EPSAS governance structure as reflected in the contributions to the public consultation. The proposed governance principles were widely supported by the respondents. With reference to the presentation on the EU law-making procedures, Eurostat reiterated the distinct roles of different stakeholders: For setting legally binding standards, only Member States' representatives would have voting rights in the standard setting process. The roles of other stakeholders, especially the Courts of Auditors, needed to be further clarified at a later stage.

The IPSASB observer remarked that the results of the public consultation on the oversight function needed some further reflection, taking into account the criticisms of IPSASB concerning the current lack of an oversight function.

EPSAS contract PwC

PwC gave an update on the state of play of their study on the costs and benefits of EPSAS implementation and the technical issues with individual IPSAS standards to the Task Force.

6. Other Business

The next task force meeting on EPSAS was provisionally scheduled to be a meeting of Task Force Standards to be held on 12-13 June 2014.

Action Points of Task Force EPSAS Governance 27 March 2014

Task-Force participants were invited to send further written comments within the two weeks following the meeting on the documents regarding the key issues for the proposed Commission Communication:

- Problem definition
- Relationship of EPSAS to IPSAS
- Staged approach to EPSAS

TF EPSAS Governance, 27 March 2014, Participants List

- Austria: Bernhard Schatz (Ministry of Finance)
- Belgium: Marc De Spiegeleire (Ministry of Finance)
- Czech Republic: Michal Svoboda (Ministry of Finance)
- Croatia: Ivana Jakir Bajo (Ministry of Finance)
- Cyprus: Demetris Mavrommatis (Treasury of the Republic of Cyprus)
- Denmark: Erik Hammer (Agency for the Modernisation of Public Administration)
- Finland: Juha Halonen (Ministry of Finance), Niko IJÄS (Ministry of Finance), Nina Alatalo (Court of Auditors)
- France: Danièle Lajoumard (Ministry of Finance), Fabienne Colignon (Ministry of Finance), Isabelle Collignon-Joffre (Ministry of Finance)
- Germany: Martin Korczak (Ministry of Finance), Jürgen Wixforth (Ministry of Finance), Christian Meissmer (Ministry of Finance), Frank Holzhauser (Ministry of Finance), Jens Hamer (Court of Auditors), Achim Wörsdörfer (Court of Auditors)
- Hesse (German Federal State): Dr. Anja Ranscht-Ostwald (Hessian Court of Auditors), Andreas Glöckner (Hessian Court of Auditors)
- Italy: Marcello Bessone (Ministry of Economy and Finance), Giovanna Dabbicco (ISTAT)
- Latvia: Gunta Medne (Ministry of Finance)
- Lithuania: Ingrida Mukute (Ministry of Finance)
- Malta: Noel Camilleri (Ministry of Finance)
- The Netherlands: Mark Hendrix (Court of Auditors)
- Poland: Michał Bareja (Ministry of Finance)
- Portugal: Óscar Figueiredo (Ministry of Finance - Comissão de Normalização Contabilística), Telmo Mendes (Court of Auditors)
- Slovak Republic: Peter Ivanek (Ministry of Finance);
- Sweden: Anne-Marie Ögren (Swedish National Financial Management Authority), Alexandra Popovic (Court of Auditors), Kurt Gutberg (Ministry of Finance)
- United Kingdom: Michael Sunderland (HM Treasury), Steve Milton (ONS)

IPSAS Board (observers): Andreas Bergmann, Ian Carruthers, Thomas Müller-Marqués Berger

IMF (observers): Delphine Moretti

European Court of Auditors (observers): Peter Welch, Ralph Otte

European Central Bank (observers): Celestino Giron

PwC: Patrice Schumesch, Anton De Greef

European Commission, Eurostat: Alexandre Makaronidis, Keith Hayes, Norbert Gaspar, Anabela Rodrigues, Graham Lock, Istvan Varjas, Per Christensen