Accounting maturity update 2019 preliminary results

EPSAS WG meeting
18-19 November 2019

pwc

Agenda

Scope and objective

- Update the results of the PwC study of 2014.
- Update the accounting maturity (or IT) scoring for all subsectors of general government: central, state (where applicable), local and social security funds.
- Projected accounting maturity in 2025 (or any later date) taking into account any ongoing or planned reform.
- Scale up EPSAS implementation cost up at EU level.
  - ✓ Based on remaining accounting and IT maturity gap, government budget and using a wider sample for federal countries.

- Status of analysis: accounting maturity update nearly completed (some last checks, especially for SSF). Projected accounting maturity in 2025 and costing to finalise.

Methodology

- Questionnaire sent to the Member States early September 2019.
- Updates to the 2014 questionnaire to reflect evolution in IPSAS standards (e.g. financial instruments, social benefits).
- 10 accounting areas: reporting, consolidation, property, plant & equipment, intangible assets, inventory, revenue, accruals and expenses, provisions, employee benefits, financial instruments.
- Each accounting area receives a weight based on the expected effort required to achieve full IPSAS compliance (same weight as in 2014).
- Total maximum score for each accounting area takes into account the nature of the government activities.

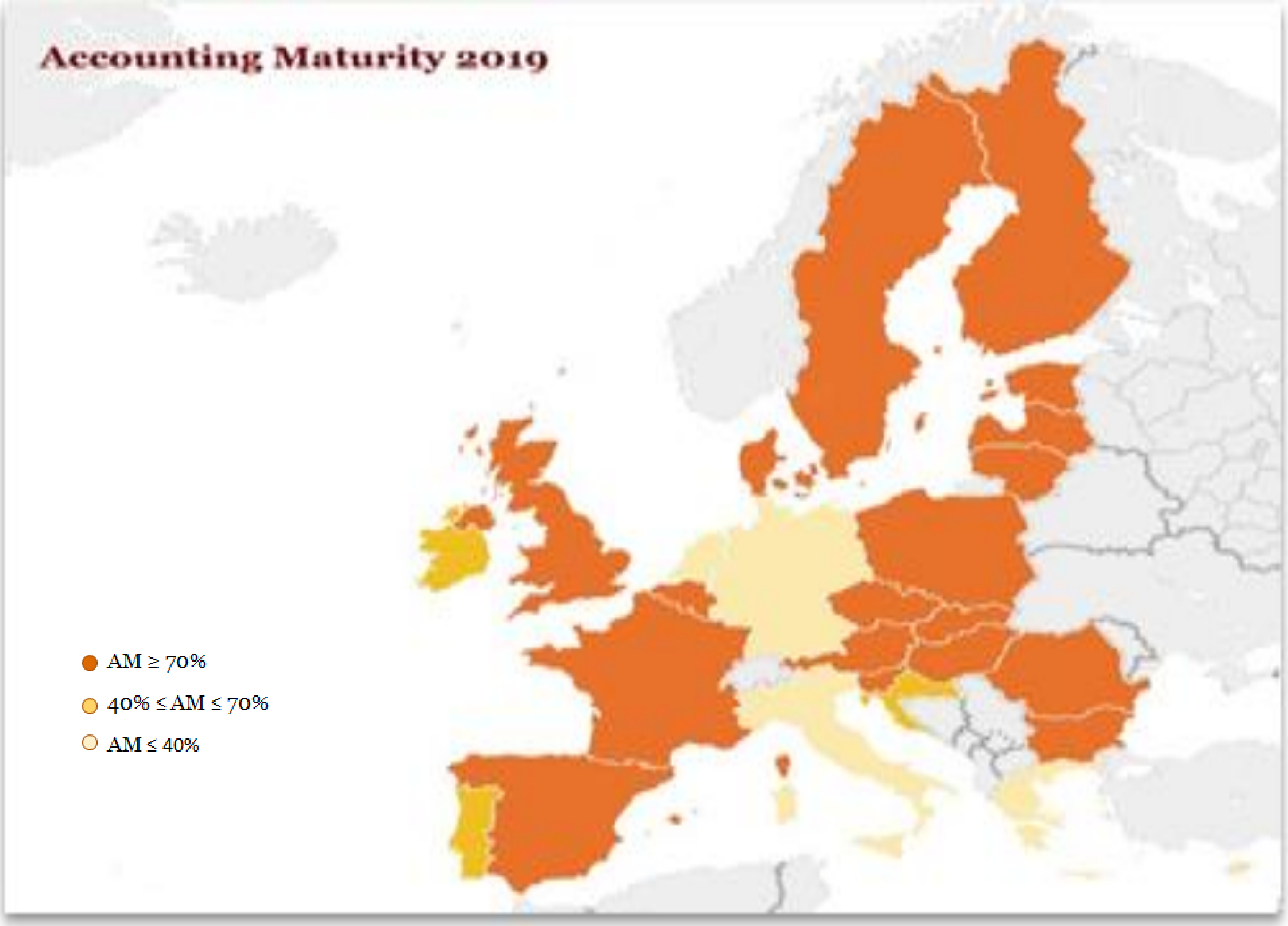
Limitations

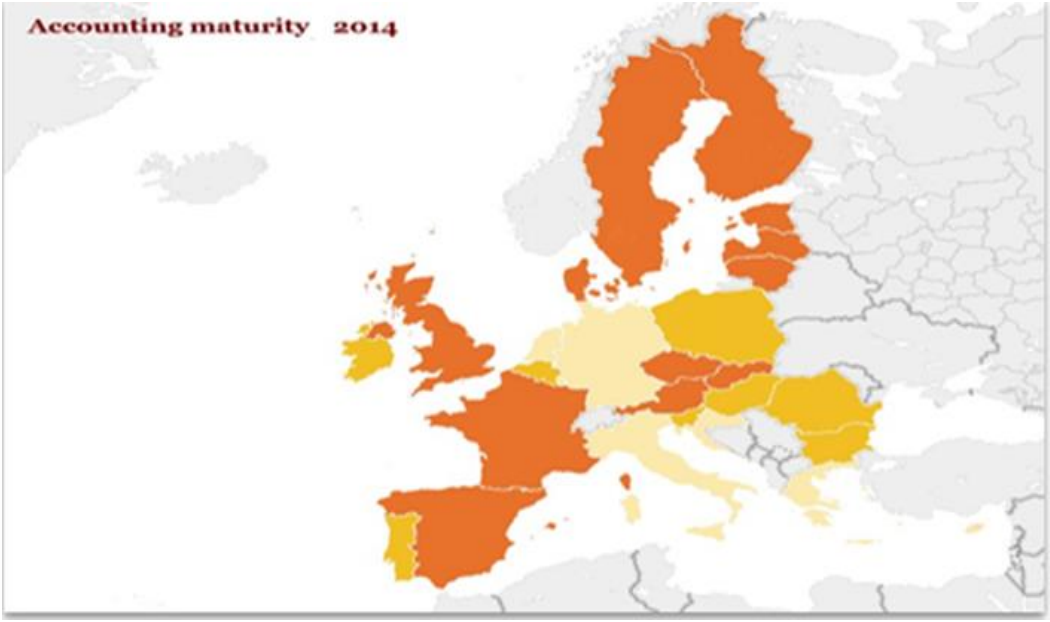
- Data quality: the answers received have not been audited and, although some reasonability checks have been performed, no assurance can be provided.
- Response bias: responses provided by governments are inevitably somewhat judgmental, which may lead to slight inconsistencies in the responses.
- IT-infrastructure: information obtained on IT-infrastructure is limited, so an adapted accounting maturity is used as a proxy for IT maturity.
- Response rate: excellent for central and state governments, lower for local governments and SSF. If no questionnaire was received, the same accounting maturity as in 2014 was taken.

Accounting and IT maturity weighting

Accounting area	**Accounting (IT) maturity central, state, local**	**Accounting (IT) maturity social security funds**
Reporting	12 (12)	4 (4)
Consolidation	7 (7)	
Fixed assets	33 (33)	
Intangible assets	2 (2)	
Inventories	3 (3)	
Revenue	14 (7)	3 (1,5)
Accrual and expenses	18 (18)	18 (18)
Employee benefits	5 (5)	5 (5)
Provisions	2 (0)	
Financial instruments	4 (2)	3 (1,5)
Total	100 (89)	33 (30)

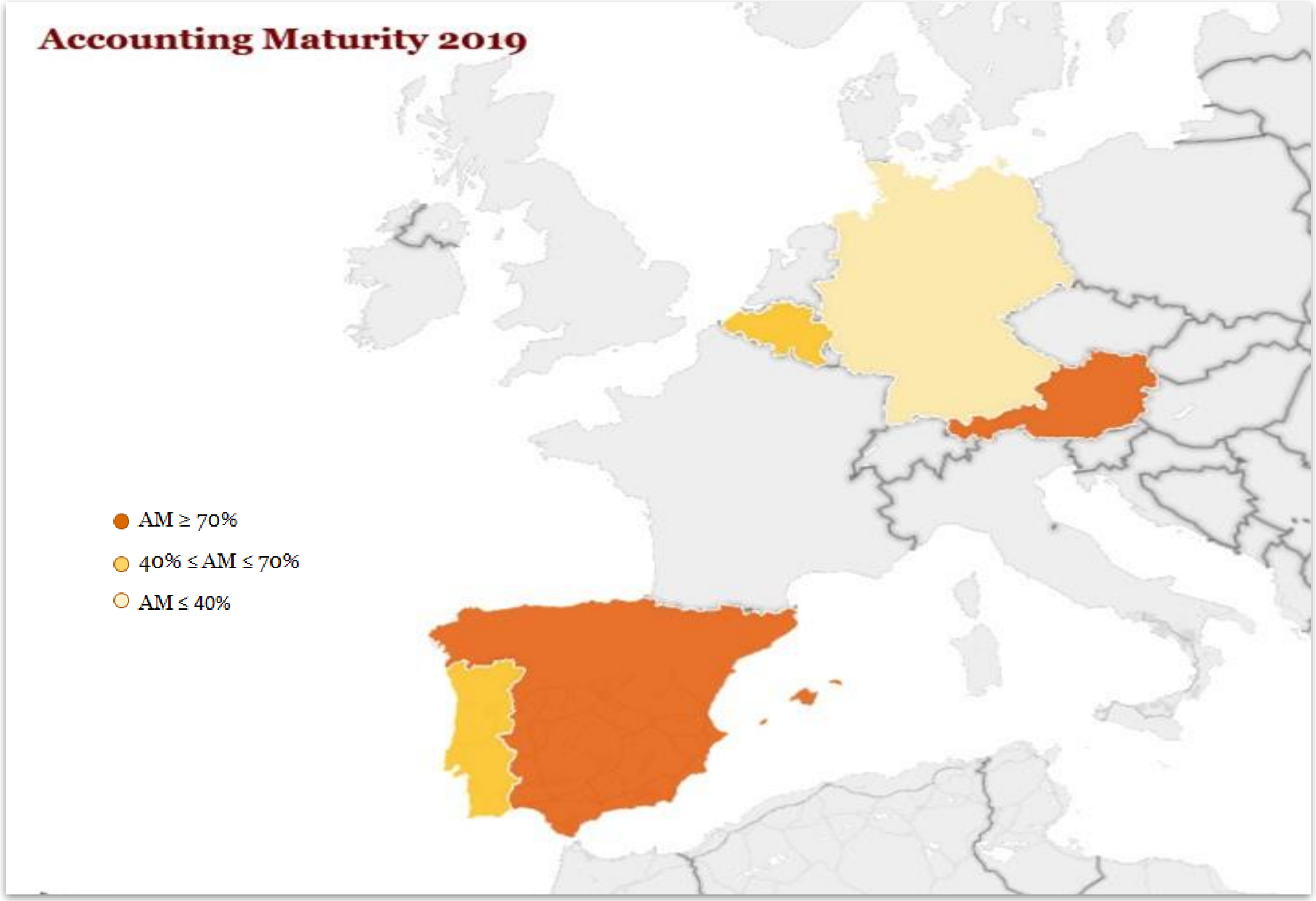
Accounting maturity update - central governments

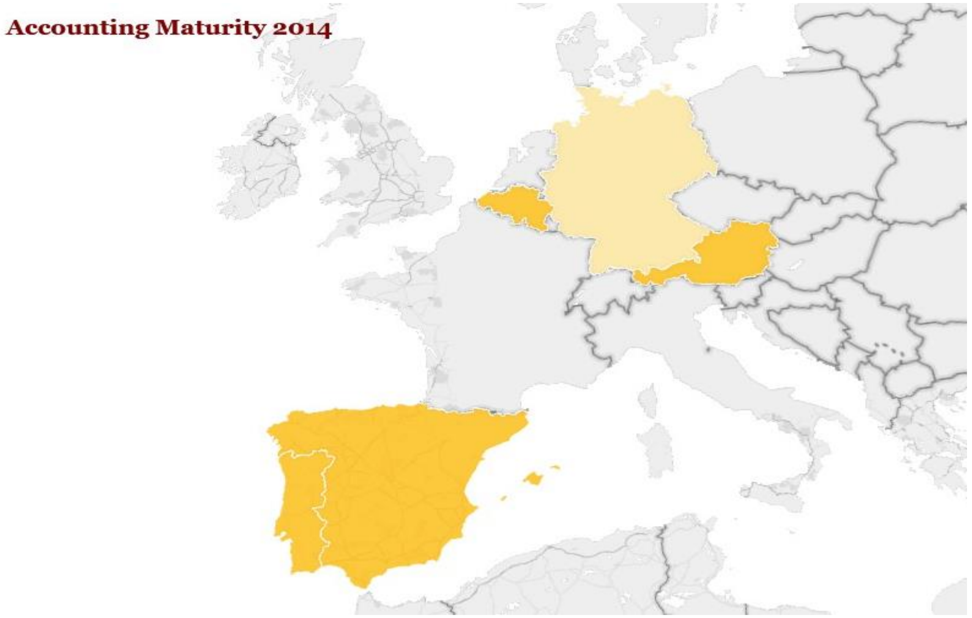




The average accounting maturity (unweighted) has increased from 51% up to 65%.

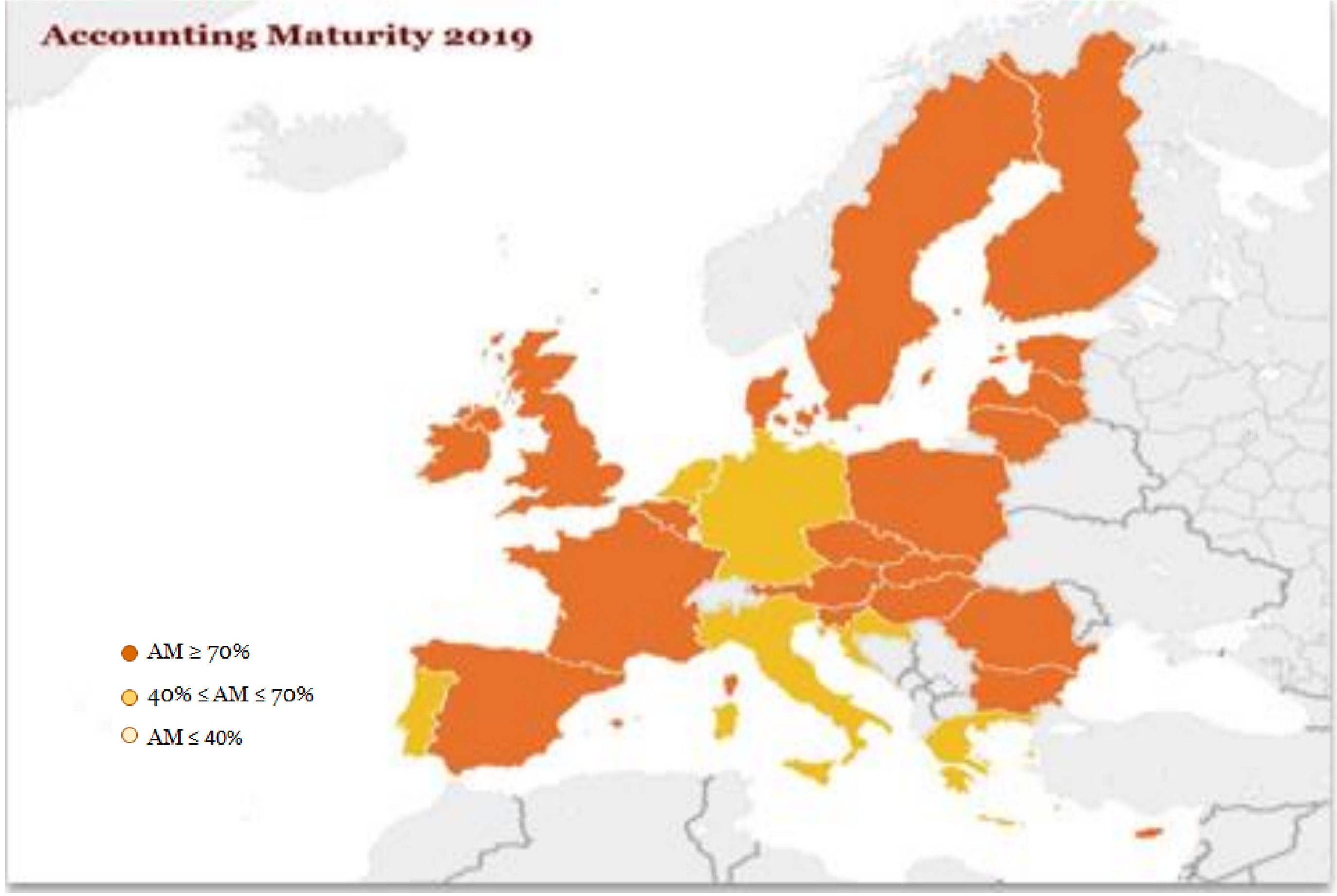
Accounting maturity update - state governments

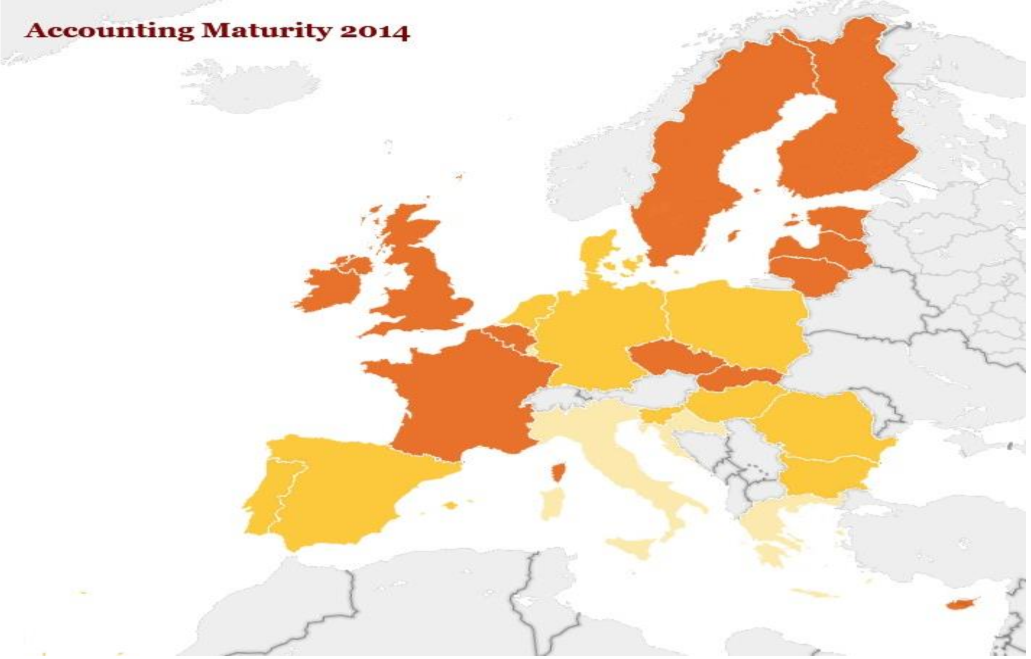




The average accounting maturity (unweighted) has increased from 41% up to 60%.

Accounting maturity update - local governments





The average accounting maturity (unweighted) has increased from 64% up to 74%.

Average accounting maturity per accounting area *2019 (versus 2014)*

Accounting area	Average maturity	Accounting area	Average maturity
Fixed assets	80% (67%)	Accrual and expenses	61% (55%)
Inventories	68% (76%)	Consolidation	58% (54%)
Intangible assets	67% (60%)	Financial instruments	56% (59%)
Reporting	66% (58%)	Revenue	54% (50%)
Provisions	61% (48%)	Employee benefits	34% (25%)

Thank you!

www.pwc.be