



Financial Reporting Advisory Board Paper

European Public Sector Accounting Standards

Issue:	In March 2015, the Treasury provided a verbal update to the Board on Eurostat's project to develop European Public Sector Accounting Standards. This paper provides a further update on significant developments since then.
Impact on guidance:	
IAS/IFRS adaptation?	n/a
Impact on WGA?	n/a
IPSAS compliant?	n/a
Interpretation for the public sector context?	n/a
Impact on budgetary regime?	n/a
Alignment with National Accounts	n/a
Impact on Estimates?	n/a
Recommendation:	That the Board note the most recent developments in the EPSAS project.
Timing:	

DETAIL

Background

1. In March 2015, the Treasury provided a verbal update on Eurostat's project to develop European Public Sector Accounting Standards. Since then Eurostat has convened the first Working Group on EPSAS, attended by representatives nominated by the Permanent Representatives of Member States. It was held in Malta in mid-September 2015. The Working Group replaces the Taskforces, previously convened,

with the aim of establishing a more permanent forum concerned with the development, introduction and operation of EPSAS in the mid-to-longer term.

First EPSAS Working Group meeting

2. Eurostat outlined that the objective of the Working Group is to provide the Commission (Eurostat) with advice and expertise in the preparation of harmonised European public sector accounting and general purpose financial reporting standards on an accruals basis (including for central government, state government, local government and social security funds). At a later stage the further objective will be to advise on the introduction and operation of EPSAS.
3. The EPSAS Working Group meeting lasted for two days and items covered included; terms of reference for the group; EPSAS programme priorities for 2015-16; stakeholder engagement activities; First Time Implementation guidance (being developed by an EPSAS 'cell'); and developments in accrual accounting among Member States.
4. The most significant agenda item was a paper tabled by Eurostat at the meeting which outlined the 'current state of play' on EPSAS.

Current State of Play on EPSAS

5. Eurostat's paper summarised that over 2014-15 their approach had been to pursue their twin primary objectives of fiscal transparency and comparability in a stepwise process, in the medium term, by seeking to put in place legally binding EPSAS standards.
6. The new Commission has outlined its 10 priorities and a new mode of working in which important and sensitive initiatives are co-ordinated by high level teams of Cabinets and Directorate-Generals. Eurostat have identified that the objectives of EPSAS are consistent with at least two of those priorities.
7. Eurostat have also identified an alternative approach to EPSAS, which is being considered alongside its original proposal. The two potential approaches are therefore:
 - a. Legally binding EPSAS standards implemented step-by-step in the medium term, achieving both the objectives of fiscal transparency and comparability.
 - b. A more gradual approach seeking to increase fiscal transparency in the short to medium term (by promoting accrual accounting e.g. IPSAS) and to address comparability more fully in the longer term by developing EPSAS (as a European equivalent to IPSAS).

2015-16 priorities

8. Within the work prioritised for 2015-16 Eurostat emphasised further support for voluntary implementation of accruals accounting in Member States and widening stakeholder engagement to include sub-national administrations, auditors and academia. In addition they outlined their approach to developing more concrete proposals for the EPSAS framework, which include increased use of small 'cells' of selected technical experts to develop proposals in specific areas. A 'cell' has already been established on First Time Implementation. Further cells would be created, in the last quarter of 2015, on 'Principles underlying EPSAS governance' and 'Definitions', followed by cells for 'Principles related to EPSAS standards' and 'EPSAS due process'. The latter are due be formed later in 2016.

Eurostat also indicated that 2015-16 would see drafting of 'issues papers' on certain accounting topics in order to help move the development of EPSAS forward.

9. No indicative date was identified for the next EPSAS Working Group meeting, but Eurostat's intention is to make the meetings at least twice yearly. The Treasury will provide further updates to the Board as the project continues to develop.

Recommendation

- 10. That the Board note the most recent developments in the EPSAS project.**

HM Treasury

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