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Chapter 13
The accounting harmonization challenge in the European Union and the EPSAS

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Summary
The European Commission decided in 2013 that a new set of accrual-based standards named European Public Sector Accounting Standards (EPSAS), which would have International Public Sector Accounting Standards (IPSAS) as a reference, should be developed for the EU Member States (MS). This signalled the beginning of the public sector harmonization journey in the European Union that is still in progress despite the long time that has already elapsed. In this chapter, we present the process that the development of

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EPSAS has followed so far, and we discuss the structures created to deal with EPSAS development, the content of the EPSAS conceptual framework and the EPSAS governance issues. Moreover, we analyze the issue papers and the screening reports developed during the process. Finally, the EPSAS implementation challenges are addressed, concentrating on the cost of implementation and the ambiguous relation between IPSAS and EPSAS.

Keywords:

European Public Sector Accounting Standards (EPSAS), EPSAS Conceptual Framework, EPSAS Governance, EPSAS Working Group

1. Introduction to the EU harmonization challenge and EPSAS

The financial crisis of 2008 underlined the relevance of public sector accounting and the need for comparable financial reporting in the European Union (EU) Member States (MS), which could lead to high-quality government finance statistics (GFS) data and make it easier to compare deficit and debt indicators among the countries. The situation was characterized by heterogeneity among accounting systems in place in EU MS. However, heterogeneity existed even within the same country at different levels of government and different types of public sector entities.[1]

In this context, the Council of EU adopted in 2011 a set of five regulations and the Council Directive 2011/85/EU on requirements for budgetary frameworks with the intention to reinforce economic governance and stability (commonly called the "Six Pack"). The Directive calls for the MS to have accounting systems that cover all sub-sectors of general government and produce the information

[1] See Ernst and Young (2012) and European Commission (2013b).

needed to generate accrual data to prepare the National Accounts. Comparable data could help to ensure high-quality government financial statistics. At the same time, the Directive asked the European Commission (EC) to assess the suitability of the International Public Sector Accounting Standards (IPSAS) for the MS.[2]

On behalf of the EC, Eurostat launched a public consultation in 2012 to assess the suitability of implementing IPSAS in the MS. The public consultation was a tool to allow stakeholders to give their opinion about the advantages and disadvantages of the potential adoption of IPSAS. Considering the responses to the public consultation as well as the report prepared by Ernst and Young (EY) in 2012 (EY, 2012), the Commission announced that the harmonization policy should be based on the development of a new set of European Public Sector Accounting Standards (EPSAS) that would have IPSAS as a reference point and they would be, of course, accrual accounting based.

In this realm, it was proposed that accrual IPSAS could be classified into three categories[3] in relation to EPSAS

- Standards that might be implemented with minor or no adaptation;
- Standards that need adaptation or for which a selective approach would be needed; and
- Standards that are seen as needing to be amended for implementation.

The assessment of IPSAS as a relevant framework for public sector accounting in the EU marked the origin of the harmonization process to deal with the heterogeneity of public sector accounting systems in EU MS.

The reason why Europe decided to move on with the development of a European set of standards, the EPSAS, has been justified

[2] European Commission (2012).

[3] European Commission (2013a).

as an appropriate alternative that permits the EU to create its own conceptual framework, developed for the European context, and maintain sovereignty for issuing accounting standards.[4] The development of the EPSAS based on the IPSAS allows the advantages of *glocalization*[5], that is, the adoption of global standards but with local adaptations, maintaining the local identity and at the same time gaining legitimacy and prestige for the acceptance of the global standards. The key objective of EPSAS is to achieve the necessary minimum level of financial transparency and comparability of financial reporting between and within the EU MS.

The process for EPSAS development is still in progress as there are no EPSAS created yet. While the benefits of EPSAS have been adequately advocated, EPSAS are also encountering challenges.

In this chapter, we present the process that the development of EPSAS has followed so far (as of October 2022). In the next section, we discuss the structures created to deal with EPSAS development, examining the different documents issued, such as the EPSAS first-time implementation guidelines, the conceptual framework (CF), the governance issues, the issue papers and the screening reports. We analyze the EPSAS implementation challenges and possible next steps in the third section. Finally, the conclusions of this chapter are presented in the fourth section.

2. The process

The economic and financial crisis that started in 2008 highlighted the importance of controlling the deficit and debt in the EU, where budgetary stability is fundamental. One of the aims of the European

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[4] Caruana et al. (2019).

[5] Baskerville and Grossi (2019).

Union was to reinforce the Stability and Growth Pact (SGP), initiating a process of negotiation with MS that led to the called "Six Pack", which contains a set of rules for economic and fiscal surveillance (five regulations and one Directive).

In this context, accounting data was considered very relevant to achieve this objective. The EU realized that countries need adequate accounting systems that allow the control of debt and deficit. Also, harmonized accounting could provide a solution to the problems that resulted from the lack of data comparability among the different MS. Debt and deficit are calculated with reference to the European System of Accounts (ESA), but the data for all sub-sectors of the general government are compiled from individual financial reports that, in many countries, correspond to the budgetary reports that are the initial input to obtain macro-economic data. Because of this, in the negotiations of the Six Pack, the reform of the accounting systems was included, particularly in the form of a Directive on Requirements for Budgetary Frameworks of the MS.

During the development of the Directive, in a report issued by the European Parliament on the Proposal of the Directive in May 2011, it was stated that[6] "The Member States' provisions of the budgetary surveillance framework established by the Treaty on the Functioning of the European Union (TFEU) and in particular the Stability and Growth Pact should be updated to International Public Sector Accounting Standards". In line with this, the European Parliament introduced the following amendment to the EC's proposal for the Council directive regarding the requirements for the budgetary frameworks of the MS[7]: "Member States shall move to adopt International Public Sector Accounting Standards within three years of this Directive coming into force".

[6] European Parliament (2011, p.16).

[7] European Parliament (2011, Art. 3).

EU Economic governance "Six-Pack" (2011)	**CONTRACTS WITH EXPERTS AND CONSULTANTS**
Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States. It calls the Commission to assess the suitability of the	
Public Consultation on IPSAS suitability (2012)	EY Study about practices in Member countries (2012)
2013 Report from the Commission to the Council and the European Parliament. *Towards implementing harmonised public sector accounting standards in Member States.*	
2013 Eurostat conference in Brussels on the implementation of EPSAS 2013 (Oct) Task Force EPSAS governance principles and structures 2013 (Nov) Public consultation on future EPSAS governance principles and structures	
2013-2015 . Task Force EPSAS governance principles and structures	PwC Study about EPSAS impact assessment (2014)
2015 (Sept)-October 2022. EPSAS Working Group (12 meetings) EPSAS Cell First Time Implementation EPSAS Cell on Governance Principles EPSAS Cell on Principles related to EPSAS Standards	EY Study about potential impacts of implementing accruals accounting in the public sector (2016)
Final Report of Cell on First Time Implementation (2016)	EY Study regarding the collection of additional and updated information related to the potential impacts of EPSAS
Final Report of Cell on Governance: Principles underlying EPSAS governance (2017)	PwC Issues Papers for developing and implementing EPSAS (2017-2018)
Guidance for the First Time Implementation of Accrual Accounting (2017)	PwC Study on potential impacts of accruals implementation (2018)
Final Report of Cell Principles related to EPSAS standards (2018)	PwC-Eurostat EPSAS Screening reports (2019-2022)
EPSAS Conceptual Framework (2018)	PwC Study: Updated accounting maturities of EU governments and EPSAS implementation cost (2020)

Figure 13.1: The process in the EPSAS project

However, this requirement was removed in the final text approved.[8] Article 3 of the Directive requires MS to "have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government and containing the information needed to generate accrual data with a view to preparing data based on the ESA 95 standard. Those public accounting systems shall be subject to internal control and independent audits".

As a consequence, accrual accounting systems were considered necessary for public administrations but there was not a final decision about whether IPSAS were the best way to achieve data comparability. Instead, the Directive requires the Commission to assess the suitability of the IPSAS for the MS. To this end, the Commission opened a Public Consultation on the suitability of the IPSAS for EU MS, followed by another public consultation about EPSAS governance. These facts are presented in Figure 13.1, which summarizes all the processes of the EPSAS project.

Eurostat has been in charge of leading the EPSAS project on behalf of the European Commission since the beginning, with the specific mandate to comply with the requirements of the Council Directive 2011/85. Eurostat is the statistical office of the European Union and coordinates all the statistical activities at EU level, including National Accounting. For example, it produces national accounts with data from the EU MS, which provides aggregated information about the country' s economy, such as Gross Domestic Product (GDP) aggregates. In particular, Eurostat elaborates the national accounts, which include the information necessary for fiscal control, such as debt and deficit, essential for the SGP. Although statistical information is produced using the European System of National and Regional Accounts (ESA)[9], the information used by

[8] Council Directive 2011/85/EU, 8 November 2011.

[9] Eurostat (2013).

the MS is based on financial and budgetary accounting. Thus, as Eurostat is responsible for coordinating all the financial information of the MS, it has assumed this leading role in the EPSAS project.

The first step in the process was a public consultation about the suitability of IPSAS, aiming at collecting the opinions of the relevant stakeholders within the EU on the advantages and disadvantages of a potential adoption of IPSAS. The public consultation process (between February and May 2012) received 68 contributions, showing a limited interest of potential stakeholders on the matter. 82% of responses were received from EU countries and 18% from non-EU countries and international institutions and organizations[10]. German stakeholders represented a majority, and their responses disagreed with the implementation of IPSAS[11]. The position of respondents about the suitability of the IPSAS was as follows[12]:

- 38% of the total responses considered IPSAS to be suitable for implementation. They argued mainly for the need to improve public sector accounts' accountability, transparency and comparability, especially in light of the sovereign debt crisis.
- 31% of the total responses considered that IPSASs were partly suitable. They agreed on the need for a set of accrual-based public sector accounting standards for the EU, but had reservations as to whether IPSAS was entirely suitable. For example, they argued that the IPSAS were based on private sector accounting standards and they were insufficiently adapted to public sector requirements.
- 28% of the total answered that IPSAS was unsuitable. The majority also agreed about the need for a set of accrual-based

[10] European Commission (2012).

[11] Aggestam and Brusca (2016).

[12] European Commission (2012).

public sector accounting standards, but they were against IPSAS. They argued about its incompleteness with respect to public sector accounting requirements, such as taxation or social benefits, its complexity, its strong link to IFRS or their governance arrangements. Of the 19 "No" responses, 10 were received from Germany, 4 from France, 3 from Austria and 1 each from the Netherlands and Poland.

To sum up, the opinions gathered revealed different positions about the IPSAS adoption. However, the views in favour of introducing a set of accrual-based standards triggered the decision of the EPSAS development. The official position of the Eurostat and the EC was that harmonized public sector accounting standards were needed for the EU MS. In the report entitled[13] "Towards implementing harmonized public sector accounting standards in the Member States. The suitability of IPSAS for the Member States", the EC recognizes that "IPSAS is currently the only internationally recognized set of public sector accounting standards. As a consequence, the IPSAS standards represent an indisputable reference for potential EU harmonized public sector accounts", however, "it seems that IPSASs cannot easily be implemented in the EU Member States as they currently stand".

The reasons given at that moment (2013) for moving towards a European set of standards were the following[14]:

- The IPSAS standards did not describe sufficiently precisely the accounting practices to be followed, considering that some of them offer the possibility of choosing between alternative accounting treatments, which would limit harmonization in practice;

[13] European Commission (2013a, p. 8).

[14] European Commission (2013a).

- The suite of standards was not complete in terms of coverage or its practical applicability to some important types of government flows, such as taxes and social benefits. A major issue was the capacity of IPSAS to resolve the problem of consolidating accounts on the basis of the definition used for general government, which is a core concept of fiscal monitoring in the EU;
- IPSAS were also regarded as insufficiently stable since they were expected to be occasionally updated;
- The governance of IPSAS suffered from insufficient participation from EU public sector accounting authorities.

EPSAS would initially be based on the IPSAS principles but EU would have the capacity to develop its own standards to meet its own requirements. This process would offer a set of harmonized accrual-based public sector accounting standards adapted to the specific requirements of the EU MS. As stated before, the adoption of global standards but with local adaptations *or "glocalization"*[15] allows for maintaining the local identity while gaining the legitimacy and prestige for the acceptance of the global standard.

It was proposed that the IPSAS standards would be classified into three categories: standards that might be implemented with minor or no adaptation; standards that need adaptation, or for which a selective approach would be needed; and standards that are seen as needing to be amended for implementation.

After the first consultation, the EC organized a conference in Brussels in May 2013 to address the issues of the suitable governance structure, the definition of the EPSAS framework, the specification of a first set of core EPSAS and the planning of the implementation.

[15] Baskerville and Grossi (2019).

A second public consultation on the EPSAS governance was launched in November 2013 by Eurostat following the conference in Brussels. Eurostat prepared a summary draft report[16] based on the 203 responses received during this second public consultation. The responses to the public consultation revealed some disappointment with the proposals about the principles for the EPSAS governance and structure, so no consensus was achieved. Consequently, rather than continuing a public consultation process, two task forces (TFs) supported the process: the TF on EPSAS Governance and the TF EPSAS standards.

The TF on EPSAS Governance (set in October 2013) started working on the development of a suitable model for the EPSAS governance structure, while the TF EPSAS standards (set in February 2014) had the role of providing an arena where representatives of MS could discuss technical aspects of the standards both by adapting existing IPSAS and developing new standards suitable for the European context.

One of the issues that emerged at that point was about the governance of the EPSAS and the necessary tools to introduce EPSAS in the European regulatory space. Options such as a Directive or a Regulation for MS were initially considered. However, one of the questions that arose was about the sovereignty power of MS on the matter, as public sector accounting systems form part of the administrative organization of MS. In this realm, the capacity of EC to act as a regulator in public sector accounting is restricted[17] and the support of all MS would be needed, which seemed to be difficult considering the position of some countries, as the case of Germany as evidenced in both public consultations.

In September 2015, the TFs were substituted by the newly developed EPSAS Working Group (WG). Experts from the member countries were selected to support the EC in elaborating and implementing

[16] European Commission (2014).

[17] Helldorff and Christiaens (2021).

the new set of standards. Each MS was invited, in consultation with the national standard-setting authorities for public sector accounting, to nominate up to three delegates to the WG. It was expected that the delegates would represent the views of their MS within the WG and present their national experience and viewpoints, introducing proposals and contributing to the debate. The WG maintained the option to invite other experts and institutions to support the process, which has been the case during the meetings of the WG.

Intending to simplify the preparation of the EPSAS, in September 2015 – during the first meeting of the WG – Eurostat decided to split the project between different 'cells', a small group of experts with the duty of making some preparatory work on specific topics, to facilitate the work of the WG. The cells created were the following: the EPSAS Cell First Time Implementation, the EPSAS Cell on Governance Principles, and the EPSAS Cell on Principles related to the EPSAS Standards.

As for the process for introducing the EPSAS, in the first meeting of the EPSAS WG, Eurostat proposed two possible approaches: (a) legally binding EPSAS implemented step-by-step and (b) a more gradual approach developing EPSAS in the medium to long term. The EPSAS Cell on First Time Implementation prepared a Guidance for the First Time Implementation of Accrual Accounting in 2017, where Eurostat highlighted[18] that "the Commission is convinced that a progressive and voluntary approach seems appropriate to begin with in order to first achieve increased fiscal transparency in the short to medium term and then ensure comparability in the medium to the longer term".

In the fifth EPSAS WG meeting (November 2017), Eurostat outlined four options to move forward: a) Discontinuing EPSAS, b) Recommended Conceptual Framework and EPSAS, c) Binding

[18] Eurostat (2017, p. 2).

Conceptual Framework and recommended EPSAS, and d) Binding both Conceptual Framework and EPSAS. At the moment (October 2022), the controversy about how to implement the EPSAS continues and the options considered are still the same: from entirely voluntary to partly or fully mandatory.

The EPSAS Cell on Principles was in charge of preparing a draft regarding the accounting principles that would serve as a basis to guide the formulation of EPSAS and their interpretation. Considering these materials, Eurostat prepared a draft of the *EPSAS Conceptual Framework* that was presented at the sixth EPSAS WG in May 2018.

Up to October 2022, the EPSAS WG has convened thirteen meetings (the first meeting in September 2015 - the thirteenth meeting in May 2022)[19].

In parallel to the above actions, the EC opened several calls for tenders for developing some studies and documents useful for the preparatory works for EPSAS. For example, in 2014, PricewaterhouseCoopers (PwC) developed a study about the Potential Impact, Including Costs, of Implementing Accrual Accounting in the Public Sector and Technical Analysis of the Suitability of Individual IPSAS Standards. The study contains an evaluation of the accounting maturity of EU MS. The study was updated in 2020.

In 2016 the EC requested a set of (topical) issue papers commissioned to EY and PwC, two of the Big Four auditing companies, in which a selection of specific accounting topics is analyzed with reference mainly to the provisions of the IPSAS (see more about the issue papers in the dedicated section).

In 2019 the EC commissioned PwC to elaborate the EPSAS screening reports on IPSAS, aiming at assessing the consistency of individual

[19] European Commission (2022a).

IPSAS standards against the draft EPSAS CF and the principle of European Public Good to inform future EPSAS standard setting.

In the following paragraphs, we analyzed the main documents issued by Eurostat related to the preparation of the EPSAS framework: Guidance for the First Time Implementation of Accrual Accounting, Draft EPSAS Conceptual Framework, the issue papers and the EPSAS screening reports.

2.1 Guidance for the First Time Implementation of Accrual Accounting

The EPSAS Cell on *First Time Implementation* was in charge of preparing a draft report about the First Time Implementation of Accrual Accounting, which was then discussed in the three first EPSAS WGs meetings, and a final version was presented by Eurostat in April 2017. The guidance contains the EC's opinion as for the EPSAS implementation. The EC was in favour of a progressive and voluntary approach to achieve increased fiscal transparency in the short to medium term and ensure comparability, as a later step, in the medium to the longer term. For this purpose, it suggested a dual phase approach[20].

Phase 1: Increasing fiscal transparency in the EU MS in the short to medium term by promoting accrual accounting, e.g. IPSAS, in the period 2016 to 2020, and in parallel developing the EPSAS framework (i.e. EPSAS governance, accounting principles and standards).

Phase 2: Addressing comparability within and between the EU MS in the medium to longer term, by implementing EPSAS by 2025.

In the first phase, MS would implement accrual accounting for example by adopting or adapting IPSAS while EPSAS would be un-

[20] European Commission (2017).

der development. In order to support MS with the process, Eurostat provided financial support for MS to carry out preparatory analyses on the modernization of their public sector accounting systems on an accrual basis. In this line, two calls for proposals were open for the MS[21]. One of them in 2017 for Co-financing of preparatory work for the modernization of public sector accounting systems on an accrual basis of accounting, and another in 2018 for Modernization of public sector accounting on an accrual basis in support of EPSAS.

In the second phase the goal of comparability could be achieved by the EPSAS adoption. Under this planning the move to EPSAS was scheduled for 2025 (the initial plan was for 2020 but it has been postponed). The process and governance about how to implement the EPSAS is strongly debated and up to now has not been decided.

In this context, the character of the EPSAS being either binding or non-binding standards was (and still is) another issue begging for a decision in the process of EPSAS, as we mentioned before. Furthermore, taking into account that a regulatory procedure of the EU requires an impact assessment to justify the decision, in the fifth meeting of the EPSAS WG, Eurostat presented the EPSAS impact assessment considerations, following a request of the Council and endorsed by ECOFIN in November 2017[22]. Impact assessments are prepared for Commission initiatives expected to have significant economic, social or environmental impacts. Imact assessment is a tool to analyze the potential advantages and disadvantages of different available solutions for a particular problem.

In line with the options presented in the fifth EPSAS WG (November 2017), Eurostat outlined that the impact assessment would analyze four options under discussion in EU in relation to EPSAS:

[21] https://ec.europa.eu/eurostat/web/epsas/grants

[22] Eurostat (2017).

- Option 1: Binding European Conceptual Framework (CF) and binding EPSAS, accompanied by technical and financial support to MS.
- Option 2: Binding European CF with recommended but voluntary EPSAS, accompanied by technical and financial support to MS, and with a further review based on an assessment after some time of the effectiveness of the approach.
- Option 3: Recommended but voluntary European CF with recommended but voluntary EPSAS, accompanied by technical and financial support to MS and a further review based on an assessment after some time of the effectiveness of the approach.
- Option 4: Discontinue work completely on EPSAS.

Considering the implications of these different options on the objective of comparability of accounting information between EU MS, it can be envisaged that:

Option 1): the objective of harmonization could be achieved but requires more changes to achieve the objectives of EPSAS project with also more efforts and costs necessary.

Option 2): as the EPSAS would be voluntary, MS could adapt their standards to EPSAS and then different national variants would come up, that would diverge from the original ones, which would end up with a questionable comparability in accounting reporting.

Option 3): in this case, MS could decide whether to follow the recommended framework and EPSAS and then heterogeneity would persist across EU.

Option 4): countries would continue with their national standards, but probably most of them would already have implemented accrual accounting, in many cases adapted to IPSAS, but not necessarily harmonized among EU MS and the problems of comparability would not be solved.

The guidance for the first time implementation of accrual-based financial statements intended to support accounting reforms toward accrual accounting and IPSAS adoption in order to improve fiscal transparency, as the first step. As clarified by Eurostat, it is not meant to implement EPSAS as such but to support improvements to fiscal transparency while preparing the ground for implementing EPSAS at a later point in time. As the aim is supporting the preparation of general purpose financial statements under the accrual basis, the guidance is focused on first accrual-based opening balance sheet. Its preparation is based primarily on the experiences of the countries that participated in the EPSAS Cell on *First Time Implementation,* considering also the IPSAS 33 (First time adoption of accrual basis IPSAS).

The guidance contains recommendations for first time recognition of assets and liabilities.

The recommendations of the guidance intend to achieve the most comprehensive coverage possible of assets and liabilities and significant events and transactions in the accrual financial statements, also considering cost effectiveness. Then, a main issue is the recognition of assets and liabilities, for example property, plant and equipment, accepting that problems of initial and subsequent measurement could be dealt with progressively.

2.2 EPSAS Conceptual framework

The work of the EPSAS Cell on Principles related to EPSAS lead to a first draft of the EPSAS CF, which was presented at the sixth EPSAS working group in May 2018. The report defines the general purpose and objectives of financial reports under the EPSAS, their users, qualitative characteristics, application principles and constraints as well as the elements of the financial statements and recognition and measurement criteria. The CF of the EPSAS tries to keep a balance among all existing forces affecting public sector accounting in the realm of EPSAS development. The document proposes that the EPSAS should take into account the standards applied in the EC, the private sector, the nationally developed General Accepted Accounting Principles (GAAP) for the public sector, and the rules of the statistical accounting framework adopted under ESA. Moreover, continuing with the decision adopted in 2013,

> *The EPSAS should be aligned with internationally accepted accounting standards for the public sector where such standards exist.*[23]

The draft EPSAS CF, therefore, provides a set of concepts and definitions for the development, adoption, and publication of EPSAS, and provides guidance for the preparation and the presentation of financial accounting information by public sector entities under the EPSAS basis of accounting.

The structure and elements of the CF are the following (Figure 2)[24]:

➢ **General Purpose Financial Reports (GPFR) under the EPSAS**

- GPFR: comprise General Purpose Financial Statements (GPFSs) and other reports presenting financial and non-financial information.
- Objectives of GPFR: to provide financial information for accountability and decision making. These are the objectives traditionally defined for accounting systems, both in the private and in the business sector, with some exceptions[25]. In particular, the IPSASB conceptual framework defines the objectives of financial reporting in this line.

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[23] European Commission (2018, p. 13).

[24] European Commission (2018).

[25] For example, in Germany, the accounting system is focused mainly on accountability purposes (See Mann et al., 2019).

- Objectives of GPFS: to provide a true and fair view of the financial position, financial performance and cash-flows for accountability and decision making purposes, and under the accrual basis of accounting, in the context of sustainability and inter-generational equity.
- Accrual basis of accounting: transactions and other events are recognized in financial statements when they occur and not when cash or its equivalent is received or paid.
- True and fair view: In order to provide a true and fair view GPFRs should conform with the qualitative characteristics, the application principles and the resulting EPSAS deriving therefrom, subject to the constraints.
- Users of GPFR: Resource providers and their representatives as well as service recipients and their representatives – ultimately the citizens.

➢ **Qualitative Characteristics, Application Principles, Constraints**

- Qualitative characteristics: Relevance, Faithful representation/ Reliability, Completeness, Prudence[26], Neutrality, Verifiability, Substance over form, Understandability, Timeliness, Comparability.
- Application principles: Going concern, Consistency, Offsetting/ Aggregation, Presentational sensitivity, Reporting period, Compliance.
- Constraints: Materiality, Cost-benefit, Balance between the individual qualitative characteristics and application principles objectives of financial reporting.

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[26] The EPSAS CF defines prudence "the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated while liabilities or expenses are not understated". This means that expenses and revenues must be considered with neutrality, while in some jurisdictions prudence has a conservativism orientation, that means that possible future losses are recognized but not future gains (this is the case for example of Germany, see Mann et al., 2019).

It has to be mentioned that the order of the qualitative characteristics, the application principles and the constraints does not imply a hierarchy.

➢ Definition of Elements

- Assets: An asset is a resource, an item with service potential or the ability to generate economic benefits,- presently controlled by the entity as a result of past events or transactions.
- Liabilities: A liability is a present obligation of the entity for an outflow of resources that results from past events or transactions.
- Expenses: An expense is a decrease in the net financial position of the entity, other than a decrease arising from ownership distribution.
- Revenues: A revenue is an increase in the net financial position, other than an increase arising from ownership contribution.
- Ownership contributions: Ownership contributions are inflows of resources to an entity, contributed by external parties in their capacity as owners, which establish or increase an interest in the net financial position of the entity.
- Ownership distributions: Ownership distributions are outflows of resources from the entity, distributed to external parties in their capacity as owners, which return or reduce an interest in the net financial position of the entity.

➢ Recognition and Derecognition of Elements

- Recognition: process of incorporating and including an item on the face of the appropriate financial statement.
- Recognition criteria: An item should be recognized when it satisfies the definition of an element; and can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs.

- Derecognition: Process of evaluating whether changes have occurred since the previous reporting date that would warrant removing an element that had been previously recognized from the financial statements

- **Measurement**
- It should reflect the objectives of financial reporting under the EPSAS basis of accounting, as well as comply with qualitative characteristics, application principles and constraints of information in financial reports.
- Measurement concepts for assets: historical costs and current value.
- Measurement concepts for liabilities: historical costs and current value.
- Measurement bases: The selection of a measurement basis for assets and liabilities in order to meet the objectives of financial reporting would be provided in EPSAS.

- **GPFS**. A complete set of GPFS should comprise: A statement of financial position, a statement of financial performance, a statement of changes in net assets/ equity, a cash flow statement, Notes to the financial statements and *Other comprehensive statements*[27].
- **Public Sector Reporting Entity**. GPFS under the EPSAS basis of accounting should serve *the public interest and be conducive to the European public good*. This implies that every entity which is held accountable for receiving resources, and for the use it makes of them for delivering public goods, public services or public programmes, is considered as a public sector entity.

[27] As for other comprehensive statements, the body of the text of the EPSAS CF does not provide any examples. It just mentions this type of statements in italics and brackets in the original text, i.e. [*other comprehensive statements*]. However the topic has been discussed with the use of examples in the WG meetings.

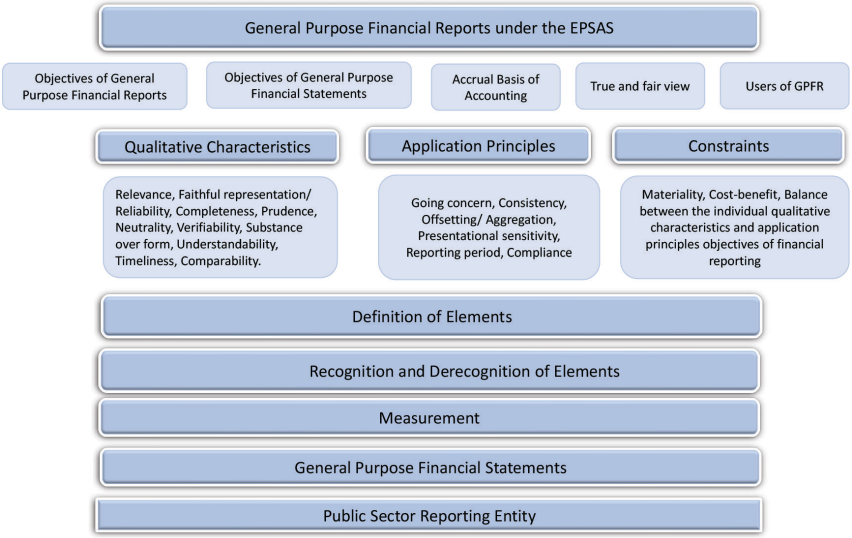

Figure 13.2: Elements of the Draft EPSAS Conceptual Framework

The CF is structured in a less expected way as the elements of the financial statements are defined before the GPFS. Moreover, the objectives of the GPFR should consider the users of financial reports and their needs that should be at the core of the CF.

2.3 EPSAS Governance

The issue of the governance for the future EPSAS was identified as a priority since the beginning of the project and a TF on EPSAS Governance (set in October 2013) worked on the development of a suitable model for the EPSAS governance structure. Considering the discussion of the TF, Eurostat decided to launch a second public consultation on EPSAS governance in order to ensure that views are collected from the widest possible range of stakeholders. Figure 13.3 contains the proposed structured of EPSAS Governance in the public consultation, which included a high-level Committee- supervised by European Institutions-and two WGs and TFs, as well as a technical advisory group.

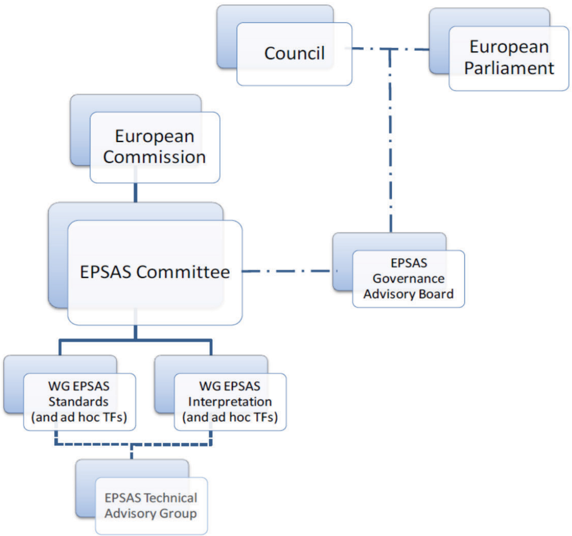

Figure 13.3: Proposed EPSAS governance structure in the Public Consultation[28]

In total, 203 responses were received in this consultation, with a high percentage of contributions coming from Germany. The main conclusion after analyzing the responses was that the proposed model was not considered suitable enough and many comments reaised concerns about it, forcing in this sense the EC to continue working on it.

In 2015, the EPSAS Cell on Governance Principles assumed this task. In the fourth EPSAS WG meeting (April 2017), Eurostat presented the report of the Cell, dealing with the objectives as well as the users of the EPSAS and the GPFRs, *Other comprehensive*

[28] European Commission (2014).

statements, the governance principles and the functional analysis (e.g., functions for oversight/monitoring and technical advice). As for the objectives of GPFRs and the users, as analyzed before, they have been included in the Draft CF.

With respect to the governance principles, the report identified the following characteristics necessary for EPSAS governance: professional independence and integrity, transparency and openness of procedures, legitimacy, competence and capacity, efficiency and effectiveness and accountability. For the moment, there is not a final decision regarding the bodies that would assume the standard-setting function, oversight and technical advisory, and it seems that they have to be agreed upon in the context of the EPSAS due process where legitimacy issues should be taken into consideration[29]. In this respect, it can be useful to look at the IPSASB experience, where the due process for standards includes consultation with stakeholders through public consultations and transparency. The communication about the EPSAS project has been already established through two public consultations, the TFs and the WGs, where MS and different observers have participated. Nevertheless, the high implications and impact of the EPSAS can require to open the discussion to all stakeholders, and in particular to academics[30]. In parallel, it would be important to clarify what will be the regulatory tool to be used as well as the character of the EPSAS for MS, considering potential legal issues that emerge as fas as the EU capacity to establish compulsory accounting standards is concerned.

It can be also mentioned that the EPSAS governance influenced the governance of the IPSAS, as some of the comments to the first public consultation shown concerns about the governance and oversight of the IPSASB, arguing that the IPSASB governance was

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[29] Dabbicco and Steccolini (2021).

[30] Manes-Rossi et al. (2021).

not totally suitable for the EU. In 2014, it was created an IPSASB Governance Review Group to recommend future governance and oversight arrangements for the international standards for the public sector, in which Eurostat participated as an observer.[31]. This initiative carried out by the IPSASB about the governance and monitoring of the standard setting process could also be useful for defining the EPSAS governance.

2.4 EPSAS issue papers

The EC requested a set of *issue papers* commissioned to EY and PwC, two of the Big Four auditing companies, on issues that have been raised as particularly important by experts and stakeholders participating in the WGs and cells.

In the issue papers, the topics are analyzed with reference mainly to the provisions of the IPSAS (both specific IPSAS and the IPSAS CF), the ESA including the Manual on Government Deficit and Debt (MGDD) when applicable, the IFRS, the Government Finance Statistics Manual (GFSM), the EC accounting rules and selected MS accounting standards. The national accounting standards considered are not the same in all issue paper. The examples mainly come from countries with accrual accounting standards or countries that have adapted to IPSAS, such as Austria, Belgium, Estonia, Finland, France, Latvia, Slovak Republic or United Kingdom. For each of

[31] After a public consultation to gather views from stakeholders and the public, the Governance Review Group made some recommendations intended at ensuring neutrality in the process. In particular, the Review Group proposed the establishment of the Public Interest Committee, in order to ensure that the public interest is served by the standard setting activities of the IPSASB. The Committee oversights the IFAC and IPSASB activities and nominations around three pillars: rigorous due process, qualified and inclusive appointments and relevant and timely standards; https://www.oecd.org/gov/budgeting/oecd-public-interest-committee.htm

the topics, the issue paper analyses the problems with regards to definition, recognition, measurement and disclosure, the advantages and disadvantages of the existing approaches and possible ways forward for EPSAS.

The list of the papers prepared by the two consulting firms is provided in Table 13.1. The full list of EPSAS issue papers is available at https://ec.europa.eu/eurostat/web/epsas/key-documents/technical-developments

N.	**EPSAS Issue paper**	**Producer**	**Date**
1	Approach for narrowing down of options within IPSAS	EY	June 2016
2	Relief for smaller and less risky entities from financial reporting requirements under the future EPSAS	EY	June 2016
3	Accounting treatment of taxes with a view to financial reporting requirements under the future EPSAS	EY	Oct. 2016
4	Accounting treatment of employee benefits (pensions) with a view to financial reporting requirements under the future EPSAS	EY	Nov. 2016
5	Accounting treatment of social benefits with a view to financial reporting requirements under the future EPSAS	EY	Nov.2016
6	Accounting treatment of infrastructure assets with a view to financial reporting requirements under the future EPSAS	EY	Feb. 2017
7	Segment reporting under the future EPSAS	EY	March 2017
8	Accounting treatment of heritage assets with a view to financial reporting requirements under the future EPSAS	EY	March 2017
9	Accounting treatment of military assets with a view to financial reporting requirements under the future EPSAS	EY	April 2017

N.	EPSAS Issue paper	Producer	Date
10	Member States' approaches to harmonizing charts of accounts formational purposes with a view to financial reporting requirements under the future EPSAS	PwC	Sept. 2017
11	Accounting treatment of social contributions with a view to financial reporting requirements under the future EPSAS (After Comments of WG)	EY	Oct. 2017
12	Accounting treatment of intangible assets with a view to financial reporting requirements under the future EPSAS	PwC	Jan.2018
13	Applying discount rates under the future EPSAS	PwC	March 2018
14	Accounting treatment of grants and other transfers with a view to financial reporting requirements under the future EPSAS	PwC	March 2018
15	Principal approach to disclosures with a view to financial reporting requirements under the future EPSAS	PwC	March 2018
16	Accounting treatment of provisions, contingent assets, contingent liabilities and financial guarantees with a view to financial reporting requirements under the future EPSAS	PwC	August 2018
17	Accounting treatment of loans and borrowings with a view to financial reporting requirements under the future EPSAS	PwC	Sept. 2018
18	The notion of control and its implications for financial reporting requirements under the future EPSAS	PwC	Sept. 2018
19	Consolidation of financial statements with a view to financial reporting requirements under the future European Public Sector Accounting Standards (EPSAS)	PwC	Oct.2018
20	Accounting treatment of service concession arrangements with a view to financial reporting requirements under the future EPSAS	PwC	Oct. 2018

Table 13.1: EPSAS Issue papers

For example, Table 13.2 shows the table of contents of the EPSAS issue paper on the accounting treatment of infrastructure assets, prepared by EY.

Table of contents
1. Objectives of the Issue Paper
2. Background
3. Description of accounting guidance available
3.1 IPSAS
3.2 European Union Accounting Rules
3.3 IFRS
3.4 National accounts/statistical reporting (ESA 2010 and GFS)
3.5 National public sector accounting frameworks
4. Discussion of matters relevant for a European harmonization
4.1 Taking stock of infrastructure assets
4.2 What are the problematic points/issues with regards to definition, recognition, measurement and disclosure of infrastructure assets?
4.3 Financing of infrastructure assets
4.4 Impairment of infrastructure assets
4.5 Service concession arrangements
4.6 What are the advantages and disadvantages of the existing approaches to recognition and measurement?
4.7 Need for supplementary guidance to what is currently foreseen under IPSAS and format of that guidance
4.8 What are the consequences for a possible convergence between IPSAS and GFS/ESA?
5. Develop an approach for organizing the future discussion on infrastructure assets with the EPSAS stakeholders
Annex 1: Summary accounting treatment National public sector accounting frameworks versus the IPSAS 17 treatment.

Table 13.2: Table of Contents of an Issue Paper[32]

In this case, the issue paper took into consideration the materials of IPSASB and IPSAS, the EU Accounting Rules, IFRS and ESA 2010 and the accounting standards of France, Austria and the City of Essen (Germany).

The issue paper analyses the most important categories of infrastructure assets and problematic aspects about their definition, recognition and measurement as well as the different approaches of the existing standards. The last section of the issue paper contains some recommendations about how to organize future discussions on accounting for infrastructure assets with

[32] Source: EPSAS issue paper on the accounting treatment of infrastructure assets (European Commission, 2022b).

the EPSAS stakeholders. For example, in order to reduce the options offered by IPSAS 17 for the measurement of these assets, the issue paper recommends to explore the application of the revaluation model in order to evaluate if it can be removed from a practical point of view.

Finally, the appendix compares the accounting treatment of infrastructure assets in IPSAS 17 with the accounting standards applied in France, Austria and the City of Essen.

2.5 EPSAS screening reports on IPSAS

One of the issues that emerged during the EPSAS project was about the impact that EPSAS could have in MS. This led the Council and ECOFIN to ask the EC to work on the impact assessment of the EPSAS in November 2017 in order to provide a comprehensive account of both positive and negative impacts. With a view to analyze the impact considerations, Eurostat contracted two studies:

– In 2017 contracted with EY the report *Collection of additional and updated information related to the potential impacts of EPSAS*.
– *In 2018,* contracted with PwC the report *Collection of further and updated information related to the potential impact of implementing accrual accounting in the public sector*

With these two reports underlying the benefits of accrual accounting in general and EPSAS in particular, and the issue papers supporting the implementation of the EPSAS, the Commission started in 2019 to evaluate the suitability of the IPSAS for the European context. It was in the ninth EPSAS WG meeting (November 2019) that Eurostat announced a process reviewing individual IPSAS to assess their consistency with the draft EPSAS CF with a view to informing future EPSAS standard-setting.

In the tenth, eleventh and twelfth meeting of the EPSAS WG (November 2020, April 2021 and November 2021)[33], Eurostat presented a number of screening reports on IPSAS. The list of EPSAS screening reports published up to October 2022 is provided in Table 13.3. The screening reports are available at https://ec.europa.eu/eurostat/web/epsas/key-documents/technical-developments. Table 13.4 contains the EPSAS screening reports under preparation.

Screening report IPSAS 2 – Cash flow statements
Screening report IPSAS 4 – The effects of changes in foreign exchange rates
Screening report IPSAS 5 – Borrowing costs
Screening report IPSAS 12 – Inventories
Screening report IPSAS 13 - IFRS 16 – Leases
Screening report IPSAS 16 – Investment Property
Screening report IPSAS 17 – Property, plant and equipment
Screening report IPSAS 18 – Segment Reporting
Screening report IPSAS 19 – Provisions, contingent liabilities and contingent assets
Screening report IPSAS 21 – Impairment of non-cash-generating assets
Screening report IPSAS 22 – Disclosure of financial information about the General Government Sector
Screening report IPSAS 26 – Impairment of cash-generating assets
Screening report IPSAS 27 – Agriculture
Screening report IPSAS 28 – Financial instruments: presentation
Screening report IPSAS 30 – Financial instruments: disclosures
Screening report IPSAS 31 – Intangible assets
Screening report IPSAS 32 – Service Concession Arrangements: Grantor
Screening report IPSAS 35 – Consolidated financial statements
Screening report IPSAS 36 – Investment in associates and joint ventures
Screening report IPSAS 37 – Joint arrangements
Screening report IPSAS 38 – Disclosure of interests in other entities
Screening report IPSAS 39 – Employee benefits
Screening report IPSAS 41 – Financial instruments
Screening report IPSAS 42 – Social benefits

Table 13.3: EPSAS Screening reports published

[33] European Commission (2022a).

Screening report IPSAS 1 – Presentation of Financial Statements
Screening report IPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors
Screening report IPSAS 9 – Revenue from Exchange Transactions
Screening report IPSAS 10 – Financial Reporting in Hyperinflationary Economies
Screening report IPSAS 11 – Construction Contracts
Screening report IPSAS 14 – Events after the Reporting Date
Screening report IPSAS 20 – Related Party Disclosure
Screening report IPSAS 23 – Revenue from Non-Exchange Transactions
Screening report IPSAS 24 – Presentation of Budget Information in Financial Statements
Screening report IPSAS 33 – First-time Adoption of Accrual Basis IPSAS
Screening report IPSAS 34 – Separate Financial Statements
Screening report IPSAS 40 – Public Sector Combinations

Table 13.4: EPSAS Screening reports under preparation (October 2022)

The purpose of the screening reports is to assess the consistency of individual IPSAS standards with the draft EPSAS CF and the principle of European Public Good, in order to inform future EPSAS standard setting. The analysis reflects whether the criteria of the draft EPSAS CF are met by taking into account the IPSAS authoritative text, together with non-authoritative guidance where this is necessary[34].

The screening reports assess individual IPSAS standards against the criteria listed in the draft EPSAS CF, in particular whether the IPSAS are [35]:

- conducive to the European Public Good,
- conducive to the objectives of the GPFRs, and
- conforming to the qualitative characteristics and the application principles; taking into consideration the constraints, and other concepts defined in the draft EPSAS CF.

[34] European Commission (2020).

[35] European Commission (2020).

In order to assess whether an IPSAS would be conducive to the European Public Good, the EPSAS screening reports analyze: a) whether the IPSAS standard would improve financial reporting; b) the costs and benefits associated with the implementation of the standard in the MS; and c) whether the standard could have an adverse effect to the European economy, including financial stability and economic growth. For example, the Screening report IPSAS 2 – Cash flow statements, prepared by PwC, uses the following procedure (Table 13.5):

First, the paper addresses whether IPSAS 2 would meet the qualitative characteristics of the EPSAS framework, i.e. whether it would provide relevant, reliable, complete, prudent, neutral, verifiable, economically substantive, understandable, timely and comparable information and would not be contrary to the true and fair view principle. *This report then considers recognition, classification, measurement, presentation and disclosure requirements applicable to the cash flows each of the qualitative characteristics of the EPSAS framework.* *Further, this paper includes a high-level comparison between the requirements of IPSAS 2 and other international accounting and financial reporting frameworks applied by the public sector entities in various jurisdictions, such as IFRS, ESA 2010 and EU Accounting Rules (AR), bearing in mind the objective of alignment, reduction of cost of implementation and compliance cost.*

Table 13.5: Procedure followed in the Screening report IPSAS 2 – Cash flow statements[36]

The paper concludes that the IPSAS 2 is consistent with the EPSAS CF and that is conductive to the European Public Good (Table 13.6):

[36] Screening report IPSAS-2 (European Commission, 2022b).

Assessing IPSAS 2 against the criteria formulated in the EPSAS CF The analysis has not revealed major conceptual issues with IPSAS 2 'Cash flow statements' and has not identified any inconsistency between IPSAS 2 and the EPSAS CF. • IPSAS 2 'Cash flow statements' provides relevant, reliable, complete, prudent, neutral, verifiable, economically substantive, understandable, timely and comparable information needed for making economic decisions and achieving the necessary level of financial transparency and comparability of financial reporting in the European Union; • the information resulting from the application of IPSAS 2 would not be contrary to the true and fair view principle Assessing whether IPSAS 2 is conducive to the European public good The analysis revealed no reasons why IPSAS 2 would not be conducive to the European public good: • Transparent presentation of cash flows generated by the public sector entities in the cash flow statement prepared in accordance with IPSAS 2 will provide useful information to the users of the GPFSs and will improve the overall quality of financial reporting in the public sector. • Implementation of the standard should result in moderate one-off costs and should be relatively cost-neutral on an ongoing basis for preparers. Any one-off costs are expected to be limited to updating internal processes and systems in order to generate the required cash flow information. The requirements of IPSAS 2 only deal with presentation and disclosure and as such do not change existing recognition or measurement requirements in other standards. Cash flow information can be useful to support better budgetary decisions and accountability of the public sector entities. • The standard will bring improved financial reporting when compared to the heterogeneous reporting requirements currently applied in the EU. As such, its endorsement is conducive to the European public good in that improved financial reporting improves transparency and assists in the assessment of management stewardship. The analysis has not identified any adverse effect of the standard to the European economy, including financial stability and economic growth, or any other factors that would mean the standard is not conducive to the European public good.

Table 13.6: Conclusions in the Screening report IPSAS 2 – Cash flow statements[37]

In the majority of the IPSAS analyzed in the screening reports, no major conceptual issues were revealed, and no inconsistencies were identified with the draft EPSAS CF, while the IPSAS were considered conductive to the European Public Good. However, in many cases, the analysis concluded that for the IPSAS to achieve consistent application within the EU context and better address the

[37] Screening report IPSAS-2 (European Commission, 2022b).

comparability objective of the EPSAS GPFS, additional guidance and improvements in certain areas might be desirable.

3. Challenging issues

EPSAS are expected to bring public sector entities and governments at different levels, all the benefits that are related to accrual accounting[38]. Apart from the benefits that relate to accrual accounting information for both internal and external users in terms of decision-making and accountability[39], EPSAS are expected to offer comparability and transparency in the EU that will, among others, facilitate the production of comparable data to ensure high-quality input for statistical purposes that are important for monitoring and following up the requirements of the EU policies and obligations. This is especially relevant considering the recent inflation in the Euro zone (relevant to the energy crisis and the war in Ukraine), problems of the Euro exchange rate (in relation to its parity with the dollar*)*, and the deterioration of public finances in EU MS due to the COVID pandemic of 2020-2021 which has resulted in the introduction of changes in the fiscal rules.

However, the EPSAS project also faces some challenges. The most prevailing ones are: a) the cost related to EPSAS implementation; b) the closeness of EPSAS to IPSAS and c) the unclear competences of the EU to establish compulsory accounting standards for MS and the suitable legal approach to be used for EPSAS.

The cost of EPSAS implementation is a challenging issue. The cost of accrual accounting adoption (EPSAS included) is expected

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[38] Brusca et al. (2015).

[39] World Bank (2022).

to be significant for several MS based on the analysis of PwC[40]. The EPSAS-related costs largely depend on the accounting maturity of the public sector accounting in the country, at the different government levels and types of public sector entities, the availability of IT systems, and the size of the public sector to be applied. However, the estimated cost of EPSAS implementation is expected to be spread over several years and therefore the total cost will burden several yearly government budgets. The cost of EPSAS, that in essence related to accrual accounting implementation, corresponds to the renewal or upgrading of IT systems, the training for existing and newly employed personnel, the fees for consulting and expert assistance, among others[41].

The difference between IPSAS and EPSAS is also another issue that deserves attention. The initial idea was that EPSAS would stay as close to IPSAS as possible. Hence, some IPSAS might be implemented with minor or no adaptation, while for some other adaptation or amendment would be necessary. Furthermore, it could be convenient to develop some additional standards for issues that the IPSAS do not deal with yet, such as standards governing differential reporting and simplified standards for less risky entities. The recent screening reports reveal that IPSAS standards are consistent with the EPSAS CF and the European Public Good. Since the EU initiated the idea for EPSAS development, several EU MS have moved on by adopting IPSAS or IPSAS-like public sector accounting standards, sometimes with financial support of the EU.[42] Changing the newly implemented standards to a new set

[40] PwC (2014; 2020).

[41] World Bank (2022).

[42] Brusca et al. (2021).

of standards especially if the differences are not material might cause resistance or reluctance.[43,44]

The third challenge the EPSAS face and that can affect the progress of the project is the doubts about the competence of the EU to set compulsory accounting standards for MS, considering that public sector accounting forms part of the administrative organization of the MS and therefore sovereignty issues can emerge. The option of binding EPSAS could need the support of all EU MS[45] and for the moment there are some countries that show some resistance towards the development of a set of common standards for EU. In this context, uncertainty also appears about the legal approach to be used for developing the standards, being a Directive, a Regulation or any other option. In fact, at the moment the options considered at the beginning of the project about the binding versus voluntary character of the EPSAS and the conceptual framework are all still on the table.

4. Conclusions

The EPSAS project was initiated in 2013 and it is still in progress. The process has gone through different phases that included two public consultations, Task Forces, EPSAS Cells and the EPSAS WG. Several documents produced by Eurostat as a result of the work of these groups and several studies and papers commissioned to accounting firms (EY and PwC) will serve as a preparatory work for

[43] A similar case fostering this concen is analysed by Mann and Lorson (2021).

[44] Cohen et al. (2022).

[45] Helldorff and Christiaens (2021) analyzed what are the possibilities for the EU to regulate a common set of accounting standards for MS.

the EPSAS. The draft of the EPSAS CF already prepared is expected to support the standard setting process.

In parallel during these almost ten years, the EU MS move steadily towards adopting accrual accounting (and even IPSAS) at different levels of government, while waiting for the EPSAS project to conclude. Still, it has not been decided yet what is going to be the binding level of the EPSAS for the public sector in the EU and the legal form that will be used for this purpose. Whether the EPSAS CF or the EPSAS standards *per se* or both are going to be binging for the MS is something still to be decided. Whether the EU is able to enforce a set of European accounting standards has still to be clarified.

Moreover, the recent COVID-19 crisis has put additional strain on public sector finances and it has also affected public sector accounting. Maybe this could provide a good opportunity for the EU to start moving faster to develop EPSAS[46] and conclude with the harmonization process in public sector accounting in the MS. The crises that the governments face seem to be continuous (e.g. war in Ukraine, energy crisis) and it is for the benefit of the MS to fortify their public financial systems the soonest possible both for their own good at the micro-level and for being able to cooperate with transparency, comparability and solidarity with the other MS in the EU.

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Discussion Topics

– What was the initial objective of developing EPSAS and why IPSAS were not considered suitable for the EU countries?

– What reasons can be argued for the process of EPSAS development taking so long?

- What options can be adopted for EPSAS implementation and what implications do they have on the accounting harmonization among the EU MS?
- What advantages and disadvantages could be pointed out in the impact assessment of the EPSAS options maintained so far?
- What is the difference between EPSAS issue papers and EPSAS screening reports?
- Which are the basic cost categories that are related to EPSAS implementation and what parameters influence EPSAS implementation cost?

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