Collection of information related to the potential impact, including costs, of implementing accrual accounting in the public sector and technical analysis of the suitability of individual IPSAS standards

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At a glance

The present study analyses the potential costs and benefits of implementing European Public Sector Accounting Standards (EPSAS) in the Member States and the suitability of IPSAS (International Public Sector Accounting Standards) for developing EPSAS. It aims to inform the EPSAS Communication, the related impact assessment and the EPSAS legislative proposal planned by the Commission.

The study has been conducted through interviews within a sample of selected Member States and other key stakeholders, the use of survey questionnaires with Member States and various other sources of information, such as public debates and literature review.

Benefit and cost assessment

The recent financial crisis has brought to light shortcomings in government accounting practices. The primary objective of the EPSAS project is to implement robust accrual accounting systems in all Member States for all sub-sectors of general government that will generate comprehensive and reliable data that can be used for budget surveillance and fiscal monitoring in the EU. Harmonised accounting principles will enhance comparability and transparency of financial statements and enable sound decision-making at the macro level within the EU. It will also enhance comparability between levels of governments within each Member State as accounting practices currently often diverge from one government level to another. By producing transparent accrual-based EPSAS financial statements, governments will reflect the long-term impact of their decisions and can be held accountable for the good use of public funds towards citizens who elect them through the democratic process and other stakeholders, such as fund providers.

The study highlights that the benefits captured from the reform are difficult to quantify, but it illustrates that significant additional benefits can be expected if governments go beyond strict compliance with the accounting rules. Member States that implemented accrual accounting reforms reported that the main driver for the reform was the need to build up management information systems that enable sound and well-informed decision-making. To do this, implementing good accrual accounting practices is a necessary precondition. Robust accrual accounting data can be used to develop results-based management practices, cost accounting, asset management programmes and other key performance indicators that enable assessment of the costs of policies and programmes and evaluation of the outcomes against policy objectives. A number of governments also developed, to their satisfaction, accrual-based budgeting systems as management tools that support decision-making. The feedback received from governments on the benefits derived from these wider finance reforms is very positive.

Governments that have conducted an accounting modernisation project have also in a number of cases taken the opportunity to invest in modern IT/ERP systems and streamline their internal processes, with a consequential positive impact on the efficiency and hence the cost of their operations.

While there is no direct evidence to isolate the impact of accrual accounting on the potential cost of borrowing, it is interesting to note that 1 basis point hypothetical decrease in borrowing rate calculated based on EU-28 general government gross debt could generate savings of up to €1 billion.

To estimate the total cost of EPSAS implementation, the study takes an approach that allows some trends at EU level to be established, based on a number of working assumptions and with clear limitations.

Each government level (central, State where applicable, local and social security fund) has been given a score (expressed on a maximum total of 100 points) to reflect its degree of maturity with the future EPSAS standards (with IPSAS being taken as a proxy for EPSAS as EPSAS does not yet exist). The cost of the efforts that remain to be made to achieve 100% EPSAS compliance has been assessed based on a standard cost (cost to gain one point of maturity) calculated with reference to limited benchmarking cost information of Member States' prior accounting reforms and considering the government budget to apprehend the scale of the reform. Various scenarios have been considered taking into account the estimated capacity of the IT systems to support an accrual accounting implementation. Where the IT maturity is low, two scenarios have been considered, one building on the existing infrastructure, and one assuming the implementation of a new IT/ERP system. The costs obtained from each Member State have all been added to assess the cost of implementing EPSAS at EU level.

Depending on the scenario and the reform cost taken as a benchmark, the cost estimate scaled up at EU level so determined ranges between € 1,2 billion and € 6,9 billion, which represents an average cost ranging from 0,009% to 0,053% of the GDP. The average cost per inhabitant within the EU ranges from €2,35 to €13,58. This estimated cost is indicative only. To estimate reliably the cost of EPSAS implementation for the EU as a whole or for a specific government, an in-depth assessment should be carried out at the level of each government within each Member State taking into account its particular situation and characteristics.

The cost that has been calculated is the cost that needs to be incurred to implement accrual accounting and to comply with EPSAS. It does not include the cost of implementing a wider finance reform. The expected costs of moving to EPSAS should not be considered in isolation but a net cost/benefit assessment should be considered. The costs of EPSAS implementation are mainly one-off costs, while the benefits are for the long term. Spreading the cost over the duration of the project (five years may be a good indication) gives a lower impact on the yearly government budget.

Assessment of the suitability of the IPSAS standards for developing EPSAS

The majority of governments already use IPSAS as a source of inspiration for developing their own accounting rules, de facto making IPSAS a natural benchmark for Member States. Most governments are relatively positive about using IPSAS as a primary reference for developing EPSAS. The standards exist and are of an overall good quality, and adopting accounting principles that are recognised on the international level will give greater credibility to the government financial statements in the eyes of investors in bonds and other fund providers.

The study analyses the concerns that Member States have with the existing IPSAS standards, both from a conceptual and a technical viewpoint and in terms of practical difficulties. The project will impact all dimensions of the government: policies will need to be developed, systems and processes will need to be adapted to capture the information that is needed to produce EPSAS data, staff will need to be trained, and a full change management programme must be put in place to embed the new rules and working practices into the organisation.

The majority of the comments relate to the expected cost and complexity of implementation. These are mainly expressed by governments that still apply cash-based accounting practices and need to make the biggest efforts.

Comments that are more technical in nature mainly relate to a limited number of topics: the scope of EPSAS reporting (what entities should be included in the scope of the EPSAS project), topics for which no IPSAS standard exists yet (social benefits, expenses from non-exchange transactions) or topics for which some practical guidance is needed upon transition (first-time adoption of EPSAS) and to ensure consistent application across Member States (revenue from non-exchange transactions, employee benefits).

Governments with well-established accounting practices also expressed their wish to keep these as they have developed accounting practices and management information that suit their needs.

Proposals for implementation

2020 has already been discussed at various EPSAS task force meetings and public events as the tentative target date for the publication of the first EPSAS financial statements. This timeline is challenging but can be achieved under the following conditions:

- the EPSAS standard setting takes IPSAS as a primary reference for developing EPSAS, and discussions are focused on those accounting areas that are considered as key for governments,
- the project receives full political support at the level of each government, and sufficient and adequate resources are allocated to it,
- pragmatic solutions are adopted in implementing the new standards. The upcoming IPSAS standard on first-time adoption can provide a useful framework for this. The study includes best practice examples drawn from Member States' prior reform experience. Governments can also develop plans to seek continual improvement in the quality of the accounting data and financial statements.

The way forward should consider the current state of play of the different governments and the diversity that exists in terms of accounting practices and IT landscape. Member States that currently apply cash-based practices may need an additional transitional period to implement those standards that require the biggest implementation efforts (e.g. fixed assets). Member States with an advanced maturity may start their efforts later or spread them over a longer period. Simplified rules may also be adopted for smaller and less risky entities, considering their specific characteristics and based on materiality considerations.

Preparation of whole-of-government accounts, which would provide a comprehensive picture of governments' assets, liabilities, revenue and expenses in one country, could be envisaged as a last step.

A crucial step towards successful completion is to have the governments prepare for the transition to EPSAS as soon as possible and conduct diagnostics/gap analyses to better assess the impact of EPSAS implementation on their particular case in order to put their EPSAS project on the right track. The European Commission/Eurostat should track progress towards implementation. The study also suggests examples of accompanying measures that the Commission may take to facilitate implementation by the Member States.

The dynamic for better government accounting and reporting in Europe has been created. The EPSAS project provides a unique opportunity for governments to implement harmonised and robust accounting solutions that will result in high-quality, transparent, credible and comparable financial statements, therefore enhancing accountability and decision-making, both at the macro level and at the entity level. This aims to ensure that financial and other resources are used to deliver value-for-money in the pursuit of policy objectives in the public sector. It will also help strengthen the sustainability of our public finances and thus create a positive legacy for the next generation.

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1. Executive summary

Setting the scene

The sovereign debt crisis has highlighted the need for governments to reinforce their fiscal sustainability and demonstrate this through more robust and transparent reporting. In this context, the Council of the European Union adopted Directive 2011/85/EU (the Budgetary Framework Directive) on 8 November 2011. The objective is to reinforce fiscal discipline by Member States and strengthen EU budgetary surveillance to ensure compliance with the obligation under article 126 of the Treaty on the Functioning of the European Union (TFEU) to avoid excessive government deficits.

Article 3 of Directive 2011/85/EU requires Member States 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'. Article 16 (3) of the same Directive requires that an assessment of the suitability of IPSAS (International Public Sector Accounting Standards) for the Member States be made by the Commission.

In application of this, the Commission undertook a first study and issued a report to the Council and the European Parliament in March 2013 (COM(2013) 114). The report highlights the need to have high-quality harmonised accounting standards in the EU; it concludes that although IPSAS, as it currently stands, could not easily be implemented in EU Member States, the IPSAS standards would be suitable as a reference framework for the possible future development, by the Member States, of their own set of standards (EPSAS - European Public Sector Accounting Standards).

The report also highlights the potential high costs of EPSAS implementation and the need to assess these costs as well as the benefits associated with such a project. It also stresses the need to take into account the administrative burden that the project would have for smaller and less risky entities.

A conference organised in May 2013 by the Commission and attended by a large number of public sector stakeholders confirmed broad support for the project.

Scope of the study

The Commission contracted a study with a view to informing its impact assessment of EPSAS implementation by the Member States and the related Communication, and the legislative process that will lead to adoption of the EPSAS Framework Regulation in the European Union.

The present report analyses the results of this study. It is organised around the three tasks covered by the study:

Task 1:

- assess the costs and benefits of EPSAS implementation at EU level, capitalising on cost information and experiences of Member States that have already made the transition to harmonised accrual-based standards;
- provide proposals to minimise implementation costs.

Task 2:

- understand and assess the comments made by the Member States on the IPSAS standards, and provide proposals to address them;
- analyse application of IPSAS by the Member States.

Task 3:

- summarise the costs and benefits of EPSAS implementation;
- provide recommendations on the way forward.

Data collection and analysis

Information used in the present study has been gathered through:

- interviews conducted during country visits with a selected sample of eight EU Member States (Austria, Estonia, France, Germany, Lithuania, Sweden, the Netherlands and the United Kingdom) and one non-EU country (Switzerland);
- questionnaires sent to each level of government in each of the 28 Member States, covering information on the government size and complexity, IT landscape and accounting practices per accounting area and, where applicable, information regarding their accounting reform experiences, including on the costs and benefits of accrual accounting implementation;
- various other sources, including academic literature and public debates.

Source data has been validated and used in the analyses to meet the project objectives set out under tasks 1 to 3 above.

Benefit assessment

Driver for the EPSAS project

Ensuring uniform and comparable accrual-based accounting practices for all sectors of general government within the EU enhances the quality of the data on which ESA reporting is based, and consequently improves budget surveillance and fiscal monitoring at macro level to enable sound fiscal policy decision-making. Comparability will be improved across Member States, government levels and individual government entities. This element is crucial to meet the objectives of fiscal stability and deeper economic and financial integration within the EU.

Transparency and comparability are viewed by the Member State respondents as the greatest benefits of EPSAS implementation.

Furthermore high-quality and transparent EPSAS financial statements increase the credibility of government financial statements towards its citizens and other stakeholders, including investors in government bonds. While there is no direct evidence to isolate the impact of accrual accounting on the potential cost of borrowing, it is interesting to note that 1 basis point hypothetical decrease in borrowing rate calculated based on EU-28 general government gross debt could generate savings of up to €1 billion.

More transparent financial reporting also serves to enhance democratic accountability as accrual-based financial statements provide a basis to enrich parliamentary debate and public scrutiny. Progress has been demonstrated to this end in several of the Member States' governments investigated as part of this study where such benefits are now being achieved as a result of prior accrual reforms.

Sound and transparent financial information and reporting also contribute to the long-term sustainability of public finances and are therefore an important element of intergenerational fairness.

Driver for government accrual accounting reforms

If harmonisation of high-quality accrual accounting principles and transparency and accountability stand out as clear benefits of EPSAS implementation, the main driver of accounting reforms as reported by the Member States is the use of accrual accounting as a tool to enhance management reporting and decision-making, and the opportunity created by the reform to streamline administrative processes.

Based on information gathered during country visits, governments that implemented an accrual accounting reform indeed mainly put forward the benefits derived from the efficiency gains linked to the implementation of new IT and administrative processes and from better management information, which allows them to take informed management decisions, with a consequential positive impact on the use of public resources.

Enhanced management information systems include implementation of results-based management practices and cost accounting, which allows governments to assess the cost of operations and programmes and link it to fiscal or social policy outcomes. Although it is clearly not in the scope of the EPSAS project launched by the Commission/Eurostat, accrual-based budgeting has been cited by those governments that use it as a key positive element that brings greater alignment in the way budgets are made, government operations are managed, decisions are made and reporting is done as well as in evaluating actual results, which eventually informs the next budgeting cycle.

To achieve this, accrual accounting is a necessary precondition. Implementation of accrual accounting is thus in practice in the vast majority of the cases part of a wider finance reform that aims to achieve the benefits above.

The benefits associated with accrual accounting may be viewed following various dimensions that interconnect with each other. Transparent and high-quality financial information, once available, may be used to strengthen accountability and inform decision-making by both external and internal users. Greater accountability and better decisions should stand, in turn, to contribute to improved policy outcomes for the benefit of all.

Cost assessment

Only limited information on the cost of accrual accounting reforms could be gathered from Member States that have previously implemented such reforms. Furthermore information could not always be obtained in a consistent format and in many cases the lack of granularity of information obtained does not allow for in-depth analyses and comparisons.

Due to these limitations, it was not possible to develop a detailed cost model but rather to establish some trend at EU level based on limited benchmarking information and high-level assumptions that were considered reasonable in the circumstances.

The cost assessment approach consisted of four main steps:

1. Collect data and determine benchmark information

Only those reform costs that are directly attributable to accrual accounting implementation have been selected as benchmark for the purpose of this cost assessment. Where the total reform cost could not be separated between the accrual accounting implementation cost and the additional cost of a wider finance reform, it has been excluded from the benchmark. This is because the EPSAS project is about introducing harmonised accrual accounting for governments but does not require implementation of other components of a finance reform.

Cost information gathered in relation to accrual accounting reforms has been analysed following two dimensions: IT costs and non-IT costs.

2. Identify the cost drivers

The main factors influencing the cost of government accounting reforms are linked to the size and complexity of the government sector, the accounting maturity gap of the government as well as the sophistication of the existing IT systems and the decision on whether to invest in a new IT system or not.

Government budget has been taken as a proxy to assess government size. Complexity has been addressed by adopting an approach specific to each level of government in respect of its accounting and IT maturity. The accounting maturity has been assessed based on a scoring derived from responses to a questionnaire reflecting the estimated efforts needed to achieve 100% EPSAS compliance (taking IPSAS as a proxy for EPSAS in the absence of any existing EPSAS framework). IT maturity is based on accounting maturity, with limited adaptations to reflect reduced IT implementation costs (in relative terms) in relation to certain accounting areas.

3. Calculate standard cost coefficients

Standard cost coefficients have been derived from sample countries' reform costs, both for IT and non-IT costs. The bigger IT costs have been incurred by governments that have implemented a new ERP system (often as part of a wider finance reform), while the cost is on average significantly lower where governments have made their reform by adapting their existing IT systems.

Non-IT costs include the cost of developing new policies, of implementing new processes to collect new data both for the preparation of the opening balance sheet and the first EPSAS financial statements and to produce EPSAS-compliant data on a recurring basis, as well as training and change management costs in the broad sense.

Calculation of standard cost coefficients consists in determining baseline costs to comply with EPSAS, derived from country reform experiences (cost to gain one maturity point/100), considering two scenarios:

- scenario 1: adaptation of the current IT systems for all governments (under this scenario, the existence of both a sufficiently mature IT system and compliance with the existing accounting laws and regulations is considered as a pre-requisite for EPSAS implementation);
- scenario 2: implementation of a new IT system for governments with both a low accounting and IT maturity, and adaptation of the current IT systems for all other governments.

4. Scale up the costs at EU level

The total EPSAS implementation cost for the EU has been estimated with reference to the above standard cost coefficients, the government budget and the remaining accounting and IT maturity gap, respectively.

Based on information obtained and considering the limitations described above, scaling up the cost of accrual accounting at EU level to achieve EPSAS compliance would range from €1,2 billion to €2,1 billion (depending on the reform cost taken as a benchmark for the scaling-up) (scenario 1).

An alternative scenario (scenario 2) has been considered to reflect - for those governments applying cash-based accounting - the potential need to implement a new IT system that would be enable to support the accrual accounting reform. This scenario gives a scaled up cost for the EU ranging from €1,8 billion to €6,9 billion (depending on the reform cost taken as a benchmark for the scaling-up).

The potential costs of EPSAS implementation have been estimated based on the characteristics and current practices in the Member States to produce an aggregate cost estimate for all EU Member States and sectors of the general government. A breakdown of the cost estimate at the level of individual Member States is provided as part of the overall calculation; however, it must be stressed that the actual costs to be incurred by a specific country or government sector may vary significantly from the above estimate given the inherent limitations of the approach taken to produce an aggregate figure. Governments are thus advised to conduct an individual impact assessment to estimate the cost of EPSAS implementation in light of their unique needs and characteristics. No investment or non-investment decision should be taken on the basis of the high-level cost assessment included in the present study as the intention is to provide an aggregate estimate only; the approach taken may, however, provide a useful starting point to inform subsequent assessment carried out for individual governments and/or sectors in the Member States.

In each of the scenarios, Germany and Italy represent more than one half of the total EPSAS implementation cost at EU level. This is explained by the size of governments in those countries and the degree of maturity of their accounting systems. Germany is applying cash-based accounting practices at the central government level and in most of the state governments, and the accounting maturity is rather low across all levels of government in Italy.

The cost as a percentage of the GDP measures the capacity of the economy to finance the reform. At EU level, this ratio ranges from 0,009% to 0,053% depending on the scenarios and benchmark information selected. The impact is the highest for Greece, followed by Italy, Malta, Luxembourg, Croatia and Cyprus.

The cost per inhabitant in each country measures the financial impact on the citizen in its capacity of taxpayer. The European average amounts to €2,35 (scenario corresponding to an adaptation of systems with the cheapest benchmark cost) or €13,58 (scenario corresponding to the implementation of a new IT system with the most expensive benchmark cost). The impact is the highest for Luxembourg, followed by Italy, the Netherlands, Greece, Austria and Germany.

Net cost/benefit assessment

The costs may be significant for certain governments, especially for those that will need to invest in new IT capacity or adapt significantly their systems in order to be able to support the EPSAS reform.

The expected costs of moving to EPSAS should however not be considered in isolation but a net cost/benefit assessment should be considered. The costs of EPSAS implementation are mainly one-off costs whose budgetary impact can be spread over the duration of the EPSAS project (five years may be a good indication), while the benefits are for the long term. Even if it is difficult to quantify them, the benefits of EPSAS will be significant.

Better accounting based on high-quality harmonised financial information will support stronger fiscal monitoring at macro level and sound fiscal policy decision-making within the EU.

Preparing and publishing accrual-based information about their financial position and performance, debts and deficits will also demonstrate governments' commitment to improve the use and management of public resources as well as to promote enhanced financial reporting, greater transparency and accountability, and intergenerational fairness.

While sound and transparent government accounting does not alone ensure high-quality public finance management, it is a necessary component of it. Better accounting leads to better reporting, which provides the information necessary for better decision-making, which in turn should lead to better use of public resources.

Experiences drawn from governments that have undertaken an accounting reform show that these governments generally widen the scope of the accounting reform by introducing results-based management, cost accounting and even in some cases accrual budgeting as management tools that support decision-making. The feedback received from these governments on the benefits derived from these wider finance reforms is very positive.

The report also includes deeper insight on the analysis of benefits per category of stakeholders, classified between preparers, auditors, internal users (such as government officials and civil servants) and external users (such as citizens, investors and other stakeholders, including EU Institutions, national statistical offices, accountants, academics, media, etc.).

Analysis of the IPSAS standards and their application by EU Member States

Application of IPSAS by EU Member States

An analysis of the state of play of government accounting within the EU shows a great diversity of both accounting legislations and accounting practices. These differences do not only stem from the comparison between Member States but also often from the comparison of the various governments within one country.

Next to the national and local accounting legislation, IPSAS appears to be the most common source of reference for the Member States, at least at central government level. 17 out of 28 central governments use IPSAS for developing their own accounting standards, the degree of inspiration varying from using IPSAS as the primary source of reference (in some cases by even referring to IPSAS in their accounting legislation) to using it as one of the various references. Two additional governments are planning an accrual accounting implementation taking IPSAS as a reference point.

Analysis of Member States' comments about the IPSAS standards

147 comments have been received from Member States. For the purpose of the analysis, they have been classified under two categories: general comments (50) (relating either to the IPSAS standards or to the EPSAS reform) and comments relating to specific standards or accounting areas (97). In each of these categories, comments may either relate to the cost and complexity of implementation, or to the technical aspects of the IPSAS standards. The study provides an assessment of each comment, aiming to put it into perspective.

Member States' comments are quite diversified. Most of them relate to the cost and complexity of implementation.

Member States put forward the challenges associated with the required change in mindset and culture for stakeholders at all levels (politicians, top management and staff), the lack of skilled resources to conduct the transition, and the need to address this with appropriate training and change management programs. Some are concerned by the potential burden that would be created by dual reporting (EPSAS versus ESA reporting) (in terms of boundary of reporting and accounting policies), whilst respecting the different conceptual bases of the two systems.

The 2020 deadline that has tentatively been envisaged by the Commission/Eurostat is seen as overly ambitious, and the need to consider the impact on smaller and less risky entities is stressed again.

The accounting areas that are identified as representing the biggest challenges in terms of cost and complexity of implementation are accounting for fixed assets (both for the data collection and valuation of assets), coping with IPSAS disclosure requirements, the consolidation process for all government entities, accounting for financial instruments, accounting for tax revenue, accounting for employee benefits, and accounting for long-term provisions (regarding data collection and measurement).

Other comments raised by Member States relate to the extent to which IPSAS should be used. Member States with advanced accounting practices do not want EPSAS to interfere with these as they have developed accounting practices and management information systems that suit their needs. A number of Member States believe that EPSAS should be based on IPSAS as it would be more efficient not to re-invent the wheel and to capitalise on accounting standards that are of an overall good quality and are credible on international financial markets, some of these Member States having already aligned their accounting reforms on IPSAS. One fears that governments with established practices might hinder the development of EPSAS.

Comments that are more of a conceptual/technical nature mainly relate to a limited number of topics, which are, however, key for governments.

- The most cited concern relates to the scope of EPSAS reporting. The key question is to determine whether one should apply the control concept included in the IPSAS framework or rather the scope of ESA reporting that brings into the scope all entities that are part of the general government sector. If IPSAS control principles are applied, the boundary of EPSAS reporting would probably be different. This question should be clarified from the start of the standard-setting process as this will determine the scope of entities that are impacted by the EPSAS project. Some relaxation can be provided to smaller and less risky entities.

  To ensure full transparency, the principles that will be decided should in any case bring into the scope of the EPSAS financial statements those entities or transactions that significantly impact or could potentially significantly impact government public finances and government metrics, such as debt and net surplus/deficit.

- Other types of comments relate to the fact that the IPSAS framework does currently not address all accounting topics that are significant for governments. The IPSASB plans to publish its Conceptual Framework soon (by the end of 2014), but some other important topics such as social benefits and expenses from non-exchange transactions are currently not dealt with in any IPSAS standard. Those accounting topics should be covered by EPSAS.
- The next series of comments highlight the need to discuss and probably confirm some basic accounting principles in relation to specific standards and/or to have further guidance on certain topics whose application proves to be more complex. The standard on employee benefits and that on revenue from non-exchange transactions (mainly for the accounting for tax revenue) fall into this category, as well as to a lesser extent the standard on financial instruments.
- Finally, a number of specific comments were raised in respect of certain disclosure standards or other disclosure requirements, and about the difficulty to apply principles-based standards (and the concern about differences in interpretations).

Proposed classification of the IPSAS standards

Based on the above analysis, and considering stakeholders' needs in terms of accounting and financial reporting, a revised classification of the IPSAS standards can be proposed, distinguishing between:

- topics for which no standard exists yet, but for which a standard or implementation guidance is needed;
- standards that (may) need (some) amendments or for which implementation guidance is (may be) needed;
- standards that might be implemented with minor or no adaptation.

The above analysis and proposed classification of the IPSAS standards can provide useful input to the EPSAS standard-setting process.

Proposals for implementation

Implementation timeline

The Commission report of March 2013 on the suitability of the IPSAS standards for Member States envisaged that implementation should be achieved in all Member States in the medium term. The tentative target date of 2020 for the presentation of the first EPSAS financial statements has been discussed at various EPSAS Task Force meetings and other public events.

Referring to government prior reform experiences and experiences of the change to IFRS in the private sector some 10 years ago, this timeline is very challenging, especially for those governments that use cash-based accounting practices and that do not have IT systems that are robust enough to support accrual accounting implementation.

The overall timeline of the EPSAS project includes the time that is needed for the standard setting, i.e. to finalise the suite of EPSAS standards that will be used for the preparation of the first set of EPSAS financial statements, and the time needed for implementing the EPSAS standards.

The length of the standard-setting process will be impacted by the approach taken and the extent to which IPSAS will be used as a starting point to develop EPSAS. A strategic decision needs to be taken in this respect, taking into account stakeholders' needs in terms of high-quality standards and the sense of urgency in having transparent and harmonised accrual accounting standards to enhance comparability of financial information and improve budget surveillance and fiscal monitoring within the EU.

Assuming that IPSAS will constitute the primary reference for the development of EPSAS, conclusions of the present study on the analysis of these standards could be leveraged and the EPSAS standard-setting process could focus on those areas that are considered most critical for government accounts. The following priority areas could be envisaged in the standard-setting process:

Priority 1:

- definition of EPSAS core principles, including the objectives of EPSAS financial statements, the qualitative characteristics of EPSAS financial information, and the definition of the elements of the financial statements and their measurement bases;
- definition of the principles relating to the scope of EPSAS reporting.

Priority 2:

- EPSAS standards for those key accounting topics not currently covered by IPSAS (social benefits and expenses from non-exchange transactions);
- IPSAS standards that cover the other most significant balance sheet items or classes of transactions for governments (revenue from non-exchange transactions and employee benefits);
- practical guidance in terms of the rules applicable to the first-time EPSAS financial statements.

Other areas of discussion including disclosures may come next, while it would not be necessary to spend a lot of time on the majority of those standards for which no or minor issues have been identified.

In order to make it possible (although still challenging) to meet the 2020 deadline, the set of EPSAS standards that will be used upon first-time adoption needs to be defined as early as possible in the process, probably by the end of 2017. The two blocks of activities (standard setting and implementation) should not be seen as strictly sequential as part of the work linked to EPSAS implementation can already start before the EPSAS standard setting is finalised.

For entities that use cash-based accounting practices and/or do not have sophisticated IT systems and processes in place, a longer transition period may be needed to accommodate adaptations or investments in new systems to be made, especially in areas such as fixed assets, which require the biggest implementation efforts. Those governments are encouraged to start preparing the transition as early as possible.

Governments with an advanced stage of accounting maturity may start the process a bit later, although it is recommended to be pro-active to smooth the impact of the transition over several years.

Best implementation practices include:

- a step-by-step approach to implementation starting with an EPSAS diagnostic that would identify the challenges linked to implementation for all government entities in the scope of the project and establish a roadmap for successful conversion;
- the use of dry-run financial statements and their review by auditors, in order to identify areas for improvement and set a remediation plan based on lessons learnt.

Preparation of whole-of-government accounts, which would provide a comprehensive picture of governments' assets, liabilities, revenue and expenses in one country, could be envisaged as a last step.

Proposals to minimise costs and monitor achievement of implementation objectives

A differentiated approach can be adopted for smaller and less risky entities, for example by granting them scope exclusion or relaxation of certain rules (e.g. regarding certain disclosure requirements) on the basis of materiality thresholds that would depend on the size and characteristics of the entities for which relaxation rules are proposed. Any decision in this area should consider the specific characteristics of government entities in each country, the Commission/Eurostat's overall fiscal monitoring objective, as well as the need to implement sound and good accounting practices at all levels of the general government sector.

The report presents best implementation examples drawn from Member States experiences in terms of pragmatic application of the accrual-basis principles, project organisation and approach, communication and change management, training as well as processes and systems adaptations.

The report also suggests accompanying measures that the Commission could take to facilitate implementation by Member States. These could be particularly helpful for those governments that have not yet developed advanced accounting practices. Such accompanying measures could for example include provision of guidance on certain accounting topics, creation of an EPSAS Implementation Task Force and sharing of best implementation practices, organisation of central EPSAS training, design of a standard accounting manual and of a format of EPSAS financial statements/chart of accounts, whose use would be optional for Member States/governments, creation of an EPSAS helpdesk managed by the relevant service(s) of the Commission, and funding of diagnostics/gap analyses to be conducted by the Member States/governments to put their EPSAS project on the right track.

Finally, in order to track progress towards implementation, the European Commission/Eurostat could request Member States to report the results of the EPSAS diagnostic and provide, in each of the following years, an update on the status of the implementation project, including any difficulty encountered and remediation action planned, as well as the expected impact on the overall EPSAS timeline.

2. Introduction

To reinforce economic governance in the European Union (EU) and strengthen budgetary frameworks in the Member States, the Council of the European Union adopted Directive 2011/85 as part of the 'six-pack' fiscal framework on 8 November 2011. As part of this legislative package, Member States are expected to have public sector accounting systems in place that provide accrual data for ESA (European System of Accounts) reporting, covering all sub-sectors of general government.

Directive 2011/85 required that the Commission assess the suitability of the International Public Sector Accounting Standards (IPSAS) as a basis of financial reporting in Member States. Eurostat was charged with carrying out this assessment on behalf of the Commission and in line with COM (2011)211, which states that Eurostat will support the implementation of public sector accounting standards for all sub-sectors of general government. Following broad consultation in the Member States and with other interested parties, the Commission/Eurostat's preliminary assessment was released in March 2013. It concludes that, even if IPSAS cannot be implemented in EU Member States as it currently stands, IPSAS represents an indisputable reference for potential development of European public sector accounting standards (EPSAS), based on a strong EU governance system.

Following the release of the Commission's assessment report, decision-makers from public sector accounting, auditing and statistics came together at a conference organised by Eurostat in May 2013 to discuss the future development of harmonised government accounting standards in Europe and consider some further preparatory steps related to the EPSAS governance structure, standard-setting and implementation.

Before the European Commission makes proposals to implement harmonised public sector accrual accounting principles for all tiers of governments within the EU, it is of utmost importance to assess the potential economic, social and political consequences that this initiative may have. The present study considers the impact of a move towards EPSAS based on IPSAS. It thus represents a further preparatory step to inform the legislative process toward implementation of harmonised accrual accounting standards in the EU Member States.

The principle objective of the present study is to conduct a thorough analysis of the potential impact, including costs and benefits, of implementing accrual accounting in the government sector and of the suitability of individual IPSAS standards, considering different sensitivities that may exist among European stakeholders.

2.1 Scope of the assignment

The scope of the study comprises the three core tasks detailed in the Commission's *Invitation to tender for the supply of statistical services in the field of accounting (government finance statistics) (2013/S 107-182395).*

Task 1: Potential costs and benefits of implementing accrual accounting in the Member States

The aim of this task is to collect reliable information on the costs to be incurred for the transition to harmonised accrual-based standards in the Member States. Based on experience from prior accrual-based reform projects in the Member States, the cost information collected is analysed by type and used to estimate the potential cost of EPSAS implementation by scaling up the costs to the EU level. This task includes:

- Collecting data on the costs experienced or to be expected for the transition to accrual-based standards.
- Scaling up costs to EU level.
- Making proposals to minimise implementation costs.

Task 2: Evaluation of IPSAS standards and analysis of their application in the EU

Drawing on the analysis of the IPSAS standards provided in the Commission's 2013 Staff Working Document, this task aims to understand the Member States' concerns with respect to IPSAS, and to provide an independent assessment of these, both in terms of conceptual and implementation issues. Finally, this task includes an assessment of how the IPSAS standards have been transposed into national public accounting frameworks or used as a reference for this purpose. This task will:

- Identify possible implementation issues for each IPSAS accrual standard.
- Assess the concerns raised by Member States' experts for each standard, and provide proposals to address them.
- Describe the Member States' different approaches to transposing IPSAS standards into national legislation.

Task 3: Summary of costs and benefits of EPSAS implementation

The final task includes in its scope a summary of the analyses carried out in tasks 1 and 2, with a particular focus on implementation issues, and sets out a series of proposals for EPSAS implementation stages. This task will:

- Provide a summary of economic and social impacts.
- Summarise proposals for implementation stages.

The scope of the project does not include any recommendation regarding the drafting of the EPSAS standards, and does not address EPSAS governance.

2.2 Structure of the report

This report is structured according to the tasks and deliverables of the present EPSAS impact assessment study. The first three chapters provide an overall introduction to the project and summarise the study's objectives, key findings and methodology applied. Each task is then addressed in the following chapters, with additional relevant information provided in appendix for reference purposes.

Task 1

Task 1 consists of three chapters focusing on the potential costs and benefits of implementing accrual accounting in the EU Member States. A current view toward public sector accounting in the Member States is provided in chapter 4 to first describe prior reforms implemented in a selection of Member States and establish the current level of accounting maturity based on practices reported by the Member States' governments. Taking the assessment of current practices as a baseline, the benefits realised and expected are presented in chapter 5 and costs of EPSAS implementation estimated in chapter 6.

Task 2

Task 2 includes two chapters which present an evaluation of the IPSAS standards and an analysis of their application in the EU Member States. Chapter 7 makes a link between the Member States' current accounting practices and the IPSAS, and provides a deeper analysis of the current practices considered in the accounting maturity assessment. Chapter 8 provides a forward-looking assessment of Member States' comments with respect to the IPSAS standards and their suitability as a reference for setting EPSAS.

Task 3

Task 3 includes two chapters which build on the analyses and findings detailed under Task 1 and Task 2 to present a summary of costs and benefits and proposals for implementation of the EPSAS standards. Chapter 9 summarises both the positive and negative impacts of EPSAS implementation, indicating separately the stakeholder groups affected. Chapter 10 presents a series of proposals for EPSAS standard-setting and implementation, including good practices for implementation with a view toward minimising the associated costs.

Appendices

Additional relevant information is provided in appendix for reference purposes.

3. Methodology

3.1 Approach

The present study was carried out between 21 October 2013 and 30 June 2014 (submission of the draft final report) in accordance with the tender specifications and following the approach outlined in the PwC proposal submitted on 1 August 2013.

The study was conducted following a sequential approach to produce the deliverables requested for each task included in the project scope. This approach consisted of the following key activities:

- research design;
- data collection and validation;
- analysis;
- findings and recommendations.

3.2 Research design

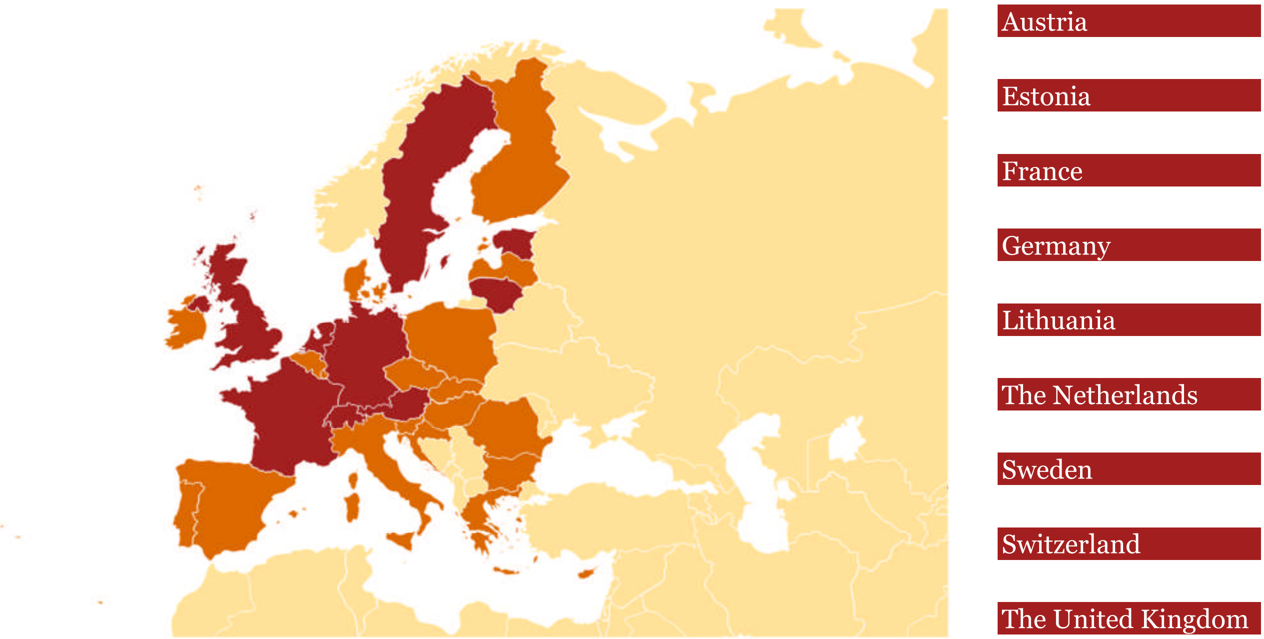
The study has been carried out by a team of public finance and accounting experts from across Europe who have been involved in accrual accounting implementation projects and are actively involved in the public accounting debate. Members of the research team are listed in Appendix G comprising:

- the PwC core team which consists of a selected team of PwC partners, directors and staff who have developed a distinctive expertise in the field of public sector finance transformation projects and IPSAS;
- PwC local experts who were mobilised in each EU Member State to liaise with local government officials in the data collection phase and to assist the core team to interpret responses and understand the local context and perspectives in the Member States;
- an Academic Sounding Board composed of well-known professors of accounting and finance from Germany, Italy and Spain. It was established to act as a sounding board, providing independent input to the core team, in particular as input to the literature review and desk research.

Selection of sample countries

A sample of nine (9) countries was selected for in-depth analysis in the context of the EPSAS impact assessment study. These countries were chosen largely due to their prior reform experiences, which provide a basis for assessing the potential impact of EPSAS implementation and developing implementation recommendations for consideration in this process.

Figure 1 - Selection of sample countries



The sample countries include eight (8) Member States: Austria, Estonia, France, Germany, Lithuania, the Netherlands, Sweden, and the United Kingdom, and one non-EU country: Switzerland. The Member States included in the study sample cover over 60% of the total expenditure of the EU-28 general government sector.

Prior accrual accounting reforms have been implemented across all levels of government in four of the sample countries: Estonia, Lithuania, Sweden, and the United Kingdom. In addition, accrual reforms have been implemented at the central government level in Austria and France, and at the state and local level in Germany. The Netherlands was included in the study sample given a prior analysis of the potential cost of implementing such a reform. Switzerland was also included in the study sample as a non-EU country having implemented an accrual account reform across multiple levels of government.

3.3 Data collection and validation

The study brings together a large volume of information related to public sector accounting as collected through primary and secondary sources. The primary sources constitute data collection activities carried out in the context of the current study, and consist mainly of data collected from Member State officials through standardised questionnaires and interviews held with Member State officials (in person during country visits or by telephone or email correspondence). This data received directly from the Member States was supplemented with information available in existing literature and other secondary sources.

Table 1 - Data sources considered

Primary sources:	***Secondary sources:***
Member State questionnaires and surveys	Desk research
Country visit interviews	Literature review
Correspondence with Member State officials	Public dialogue
Interviews with other stakeholders	

Desk research and literature review

Preliminary research was conducted to gain an in-depth understanding of topics relevant to the research tasks and to support the primary data collection activities. This desk research included:

- Review of Commission publications including the Commission's IPSAS Suitability Assessment[1] of March 2013 and accompany Staff Working Document, as well as the "*Overview and comparison of public accounting and auditing practices in the 27 EU Member States*" (2012) prepared for Eurostat in the context of this suitability assessment.
- PwC global survey[2] on accounting and reporting by central governments: *Towards a new era in government accounting and reporting*.
- Country-specific research on the current accounting practices and prior reform experience for all sample countries in preparation for the country visit interviews.
- In-depth literature review on the benefits of accrual accounting to guide in the analysis of benefits reported by the Member States.

Member States questionnaires and surveys

Research questionnaires were developed for distribution to the Member States. The questionnaires were designed to capture an in-depth view of the current accounting practices for all tiers of government in Europe, to share reform experiences (where applicable) and provide an opportunity for governments to express their views on the future direction of the EPSAS standards and the use of IPSAS as a basis to develop EPSAS. In order to capture the views at all levels of government, Member States were asked to return a completed questionnaire for each level of government in the Member States (central, State, local and social security funds).

Two separate questionnaires were developed with questions grouped to gather information on key topics including government size and complexity, IT systems, current accounting practices, and reform experience (or expectations). A standard questionnaire was distributed to all Member States, while an extended questionnaire was used for the sample countries to gather more detailed information on their prior reform experiences. The questionnaire used for sample countries is included in Appendix A and the one used for non-sample countries is provided in Appendix B. Questions were grouped in the following sections:

- Government size and complexity: information on the government including government size and structure, and applicable accounting laws/regulations.
- Government IT systems: information on the IT systems in place to support the government finance functions (e.g. accounting for fixed assets, treasury management, budgeting, etc.).
- Accounting maturity: detailed information on current accounting, taking IPSAS requirements as a basis for comparison. Questions were grouped according to 10 key accounting areas including: reporting, consolidation, fixed assets, intangible assets, inventories, revenue, accruals and expenses, employee benefits, provisions and financial instruments.
- Public finance and accounting reform experience: description of the general nature and context of the reform, key challenges, benefits, and lessons learned, as well as comments relating to the individual accounting areas in terms of the impact on (i) accounting policies, (ii) process reengineering, (iii) systems implementation and (iv) people and change management activities. Note that this section of the questionnaire was applicable only for those governments that had previously implemented accrual-based accounting reform. Governments in the non-sample countries which had not previously implemented an accounting reform were instead asked to comment on the expected benefits and key concerns associated with the move toward EPSAS.

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[1] Report from 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*, Eurostat, 2013

[2] PwC global survey on accounting and reporting by central governments, *Towards a new era in government accounting and reporting*, PwC, April 2013

An online survey tool was also used to gather information from the Member States, particularly in respect of their transposition of IPSAS standards in national legislation.

Country visit interviews

Sample countries were visited by the PwC core team and Eurostat officials between December 2013 and March 2014 with the purpose of gathering information on the current state of accounting practices in the EU Member States and learning from their prior public finance and accounting reform experiences and hearing their concerns.

A first visit to Sweden (December 2013) was treated as a pilot case and used to test the questionnaires and visit agendas in a practical setting. Based on this experience, both the questionnaires and agendas were further refined and adjusted before launching the questionnaires and conducting further visits to the sample countries between January and March 2014.

Meetings were requested with representatives from each level of government and key government financial reporting stakeholder groups, including public auditors. Each level of government and stakeholder group was invited to share experience and information in the areas covered by the impact assessment questionnaire, with a focus on current accounting practices, cost of the reform, challenges encountered and benefits realised, and concerns with respect to the IPSAS standards and future EPSAS developments. A complete list of interviews held in the sample countries is provided in Appendix E.

Interviews were also organised by PwC local teams with government officials in the non-sample Member States. Key contact persons for non-sample countries are listed in Appendix F.

Public dialogue and interviews with other stakeholders

As part of this study, the PwC team has participated in and observed a variety of public events in relation to the proposed EPSAS initiative, including meetings of the EPSAS Task Force(s) and other public sector accounting forums and conferences.

- Task Force EPSAS: meetings organised by Eurostat with participation of the Member States and other stakeholders on the subject of EPSAS governance (February and March 2014) and EPSAS standards (February and June 2014).
- Federation of European Accountants (FEE): roundtable series on public sector accounting on the subject 'Going for Governance: EU standard-setting for public sector accounting' (January 2014) and 'Harmonising European Public Sector Accounting' (April 2014).
- Organisation for Economic Cooperation and Development: 14th annual OECD Public Sector Accruals Symposium (March 2014).

In addition, a working session was held with Andreas Bergmann, chair of the International Public Sector Accounting Standards Board, to discuss the concerns expressed by Member States on the IPSAS standards and the expected future developments of IPSAS (March 2014).

Response rate

A total of 56 questionnaires were collected for this study from governments in the Member States. In some cases, the respondents indicated that the accounting laws and practices in place at the central level apply equally to other levels of government. Central government questionnaires could thus be considered applicable (i.e. central applies) for an additional 13 local governments and 13 social funds. In total, the questionnaires received and validated by the Member States cover approximately 80% of total EU-28 government expenditure.

A small number of questionnaires have been completed by PwC local experts but were not validated by the Member States by the time of publication of this report (i.e. Luxembourg local government and the Netherlands local government and social funds). PwC assessments were also made to interpret information reported by the

Member States in questionnaires and country visit interviews to capture the diversity of practices within and/or across government sectors for selected Member States (i.e. Austria, Belgium, and Germany).

Where government accounting practices were neither reported directly in the Member State questionnaires nor assessed individually by PwC experts, central government practices were taken as a proxy (i.e. central proxy) for other government sectors in the same country.

Table 2 - Member State responses by country and government sector

	Central	State	Local	Social Fund
Austria	Questionnaire	PwC assessment	PwC assessment	Central proxy
Belgium	Questionnaire	Questionnaire (3) PwC assessment	Questionnaire (3)	Central proxy
Bulgaria	Questionnaire	n/a	Central applies	Central applies
Croatia	Questionnaire	n/a	Central applies	Questionnaire
Cyprus	Questionnaire	n/a	Questionnaire	Questionnaire
Czech Republic	Questionnaire	n/a	Central applies	Central applies
Denmark	Questionnaire	n/a	Questionnaire	Central proxy
Estonia	Questionnaire	n/a	Central applies	Central applies
Finland	Questionnaire	n/a	Questionnaire	Questionnaire
France	Questionnaire	n/a	Questionnaire	Central proxy
Germany	Questionnaire	Questionnaire PwC assessment	Questionnaire PwC assessment	Central proxy
Greece	Questionnaire	n/a	Central applies	Central applies
Hungary	Questionnaire	n/a	Central applies	Central applies
Ireland	Questionnaire	n/a	Questionnaire	Central applies
Italy	Questionnaire	n/a	Questionnaire	Questionnaire
Latvia	Questionnaire	n/a	Central applies	Central applies
Lithuania	Questionnaire	n/a	Central applies	Central applies
Luxembourg	Questionnaire	n/a	PwC assessment	Central proxy
Malta	Questionnaire	n/a	PwC assessment	Central proxy
Netherlands	Questionnaire	n/a	PwC assessment	PwC assessment
Poland	Questionnaire	n/a	Central applies	Central applies
Portugal	Questionnaire	Questionnaire (2)	Questionnaire	Questionnaire
Romania	Questionnaire	n/a	Central applies	Central applies
Slovakia	Questionnaire	n/a	Central applies	Questionnaire
Slovenia	Questionnaire	n/a	Central applies	Central applies
Spain	Questionnaire	Questionnaire	Questionnaire	Questionnaire
Sweden	Questionnaire	n/a	Questionnaire	Central applies
United Kingdom	Questionnaire	n/a	Questionnaire	Central applies

3.4 Analysis

The analysis phase consisted of a detailed review of all data collected through desk research, research questionnaires, country visit interviews, and other primary and secondary sources of information.

Following the initial analysis of data collected, follow-up was carried out for several countries to obtain further clarification, for example on the scope or coverage of the questionnaires or to clarify the responses contained therein.

A deeper investigation was also carried out on several non-sample countries for which interesting reform experiences were identified during the course of our research. This additional research was largely focused on the cost of the reform and sought to identify additional cost references to incorporate in the calculation of the estimated EPSAS cost. Further investigation was conducted for Belgium, the Czech Republic, Slovakia and Denmark, and produced sufficiently detailed cost data for Denmark, which could be added as a reference in the EPSAS cost estimate (see section 6.3).

Separate analyses were conducted in respect of the core tasks within the scope of the study (see section 2.2), in particular:

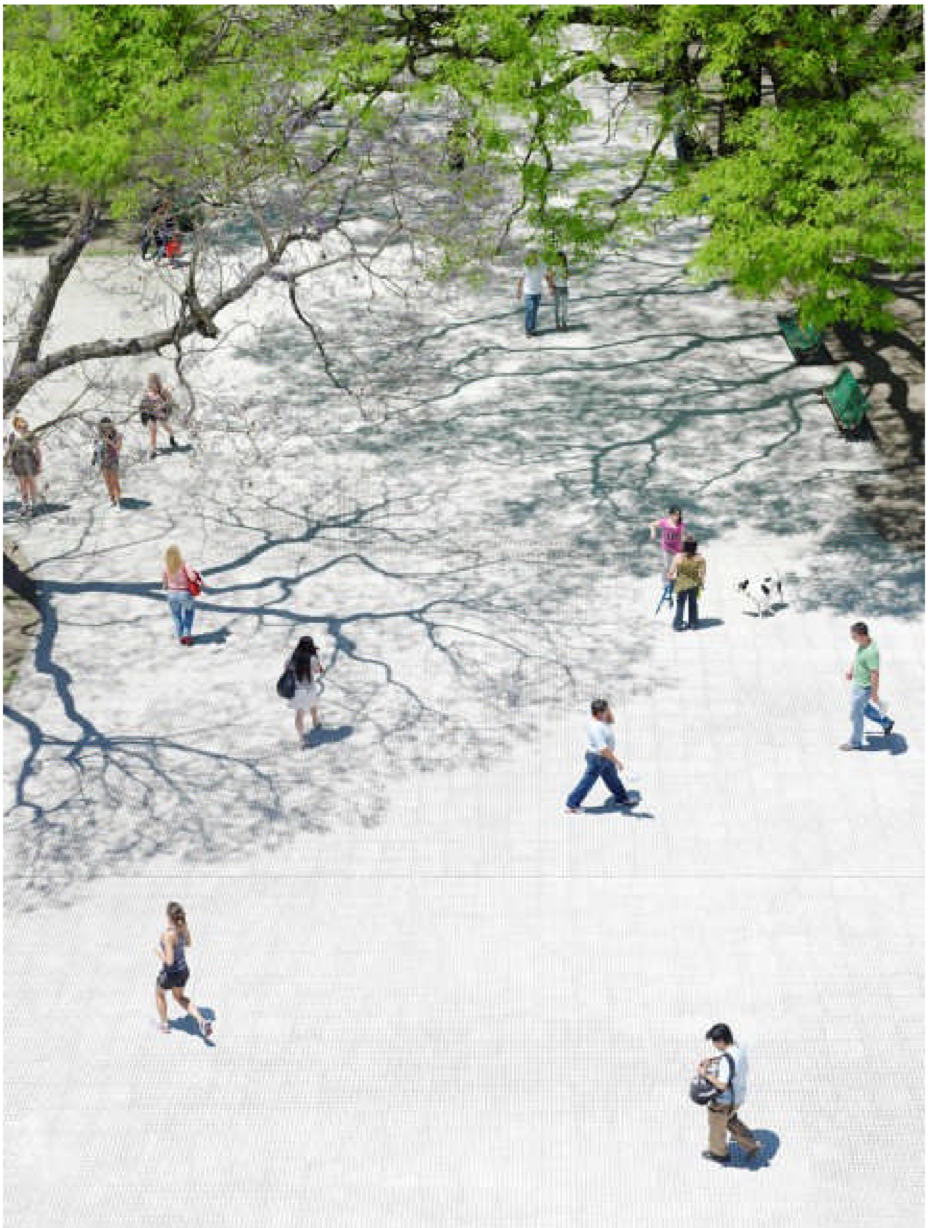
- Accounting maturity: accounting practices were analysed to establish the current level of accounting maturity in the Member States (chapter 4).
- Benefits: benefits of accrual accounting reported by the Member States were analysed to present a summary of the positive economic and social impacts to be derived as an expected consequence of EPSAS (chapters 5 and 9).
- Costs: cost data collected from selected Member States was analysed and relevant costs taken as a benchmark to estimate the potential cost of EPSAS implementation at the EU level (chapters 6 and 9).
- IPSAS transposition and application: the use of IPSAS by the Member States as a reference for developing government accounting standards was considered along with a detailed assessment of current practices as compared to the IPSAS benchmark (chapter 7).
- IPSAS standards: views from the Member States and other stakeholders were assessed to produce a classification of the IPSAS standards for the purpose of EPSAS standard-setting (chapter 8).
- Implementation: prior accrual accounting implementation projects were analysed in view of the EPSAS objectives and proposed timelines to develop proposals for EPSAS standard-setting and implementation by the Member States (chapters 4 and 10).

3.5 Findings and recommendations

A quality review process has been organised. Our draft final report has been discussed with the Eurostat EPSAS Task Force team, the Academic Sounding Board and a selected number of PwC local experts. Their comments have been considered as additional input in forming our view on the findings and recommendations and finalising our report.

Drawing from the analysis carried out for each task and the input from the quality review process, our findings and recommendations have been documented in this report for consideration by policy-makers and other stakeholders in the Member States and at the EU level.

Task 1 - Potential costs and benefits of implementing EPSAS in the EU Member States



4. Government accounting in the EU Member States

In this chapter, a general description is provided of the accrual accounting and, where applicable, wider public finance reform experiences from the respective sampled governments. In addition, other government reform experiences with relevant project cost information have been added in order to extend the data set on costs.

Secondly, this chapter describes the current degree of compliance of EU Member States' accounting framework with an IPSAS-based benchmark, as a basis for determining the effort estimates and related costs in the case of an EPSAS reform.

4.1 Description of accrual accounting and public financial management (PFM) reforms in the sample countries

Prior reform experiences of the nine sample countries were studied in detail with a thorough analysis of desk research, questionnaires and interviews. Further investigation was also conducted for a number of additional governments (Flemish local government in Belgium, Denmark, the Czech Republic and Slovakia) identified during the course of the research for further analysis, particularly in respect of the cost of prior accounting reforms.

These country experiences are central to the analysis of potential costs and benefits of EPSAS implementation. The benefits realised and costs incurred will vary along with the scope of the PFM reforms undertaken. An overview of the key features of the reform projects undertaken in the sample countries as well as in Denmark and in Belgium (local government in Flanders) is presented here to provide the general context for the more detailed discussion of benefits and costs presented in chapters 5 and 6 respectively. All sample countries are included in the discussion of EPSAS benefits (chapter 5), however, only those governments for which sufficiently detailed information was available on prior reform costs have been retained for the purposes of the EPSAS cost estimate (chapter 6).

Austria

Austria's federal budget reform took place in two stages following unanimous decisions in the parliament in 2007 and 2009. In the first stage (2009-2012), the Medium-Term Expenditure Framework Act (BFRG [Bundesfinanzrahmen-gesetz]) puts a clear focus on ex ante expenditure controls by setting binding statutory expenditure ceilings under five 'headings': law and security; labour, social affairs, health and family; education, research and culture; economy, infrastructure and environment; and cash and interest. This was accompanied by a strategy report, providing additional information on the BFRG, and budgetary and economic policy objectives. Accrual budgeting and accounting as well as performance budgeting were introduced in the second reform stage with the passage of the Federal Organic Budget Act 2013 (BHG 2013 [Bundeshaushaltsgesetz]).

Austria implemented an ERP based on SAP's EAP-Software in an earlier reform and had a comprehensive and well-developed cash management system in place. The subsequent accrual reform involved an upgrade of the existing SAP system to acquire new modules and 'add-on' accrual elements. The legal technical implementation of accrual systems started in 2009 and the 'old' and 'new' systems were run in parallel during 2012. The total implementation period covered five years and the new integrated budgeting and accounting system was fully operational by 2013.

The Austrian accrual budgeting and accounting reform was implemented with limited involvement of external assistance, instead relying heavily on internal expertise from the central Ministry of Finance. In terms of personnel time spent in the project implementation, 98% of total time spent (in terms of man-days) was by internal resources. External resources were engaged mainly on selected accrual topics and in IT implementation.

Belgium (Flemish region - local governments)

In 2010, the Flemish government (State) approved the decision regarding the implementation of the Policy and Management Cycle (BBC) reforming the financial reporting of the local government entities (the municipalities and their local bodies for social welfare ('OCMW')). Initially, a total of 621 entities were in the scope of this reform (308 municipalities, 308 local bodies for social welfare and 5 provinces). As from 2012, the reform was extended to a total of 830 local government entities.

The objective of this reform encompassed the introduction of a framework for service performance reporting. This framework makes the link between the government's objectives, the results obtained (effectiveness) and the resources used to achieve the results (efficiency). Through this reform, the oversight authority (State of Flanders) sought not only to increase the harmonisation of the financial information but also to allow a better management of government programs in line with the objectives. This should ultimately lead to an increased accountability for public sector managers as for political decision-makers, as the achievement of objectives can be better assessed against the outputs and the use of resources.

Denmark

Implementation of accrual accounting in the Danish Central Government was organised in three steps: the first seven pilot entities moved to accruals in 2003, six additional entities followed in 2004; and the remaining entities (approximately 150) followed in 2005.

The accrual reform was introduced following an ERP implementation project which saw the introduction of a Navision IT system between 2000 and 2002. Given the prior ERP implementation, only minor systems adaptations were required as part of the accrual accounting reform, which helped keep costs low.

The ERP system is a Microsoft Dynamics-based system with amendments to support specific tasks. It is implemented in the central government as a whole, except for five large entities (Defence, Tax authority, Danish Rails, Danish Road works and the National Institute for Health Data and Disease Control), that by special exemption have been allowed to implement an SAP-based accounting system whose accounting reporting is collected through the reconciliation application.

Estonia

Estonia's accrual reform took place along with the country's transition to a market economy. A new Accounting Act was passed in 2003 for application to all public entities which, at that time, included 430 central authorities (ministries and agencies), with independent financial and personnel accounting; 241 local governments (which represented 900 independent accounting entities) and 500 other public sector entities with independent accounting. As a result, financial statements are now produced based on IPSAS and made publicly available.

Given the decentralised manner in which the reform was implemented by individual entities at each government level and the time that has lapsed since the reform, it was not possible to obtain detailed information on the aggregate reform costs.

France

Prior to its accrual accounting reform, the Central Government accounting was carried out in accordance with a modified cash-based system, mostly to describe budgetary execution.

The accounting reform to full accrual accounting started in 2001 when Parliament voted the Constitutional bylaw on budget acts dated 1st August 2001 (hereinafter referred to as LOLF [Loi organique relative aux lois de finances]). This Act introduced full accrual accounting. It also made the external financial audit of the Central government's accounts conducted by the Court of Auditors ('Cour des Comptes') compulsory.

The accounting reform took place in the more global environment of the modernisation of public action (budget based on programs with objectives and performance indicators, accountability of public managers, transparency, etc.). The implementation period covered five years and took place in three stages (2001-2006):

2001-2004: the accounting reform was mainly devoted to the development of new accounting standards by the Central Government Standard-setting Committee of public accounts (created by the LOLF) and the preparation of the opening balance sheet as at 1 January 2006;

2004-2006: that period supported a very intense workload with the development of accounting instructions, the follow-up of the preparation of the opening balance sheet, the reliability of the control environment, process reengineering, adaptation of the IT systems and deployment of internal control and audit;

2006-Q1 2007: government services achieved the first closing in a very short time in accordance with the new accounting standards.

In parallel, the IT systems were overhauled through the Chorus project, a major IT system project for the implementation of an SAP-based integrated information system (ERP) shared by all the ministries of the Central Government for accounting, budgeting and financial management purposes. Chorus was implemented in six waves between 2008 and 2011.

Public entities

French public entities are legal entities set up by law with administrative autonomy and an independent budget funded by Central Government subsidies. Those public entities are devoted to providing public services. In accordance with article 52 of the Decree of 29 December 1962, accounting principles for French public entities were based on French GAAP (General Accounting Plan (PCG [Plan Comptable Général] in use in the private sector)). As a consequence, French public entities have applied accrual accounting for more than 30 years.

Today, the GBCP (Gestion budgétaire et comptable publique [Budget Management and Public Accounting]) Decree of 7 November 2012 defines rules for budget and accounting management for public entities, more specifically in its title III (articles 174 onwards).

Germany (City of Essen)

The public accounting reform at the local level in Germany was based on considerations of the Interior Ministers' Conference from 1999 and a decision followed in 2003. The reform mainly involved the move from cash to accrual accounting. As the first of the federal States in Germany, North-Rhine Westphalia passed an Act in 2004 to create the basis for the local governments to move to accrual accounting. By1 January 2009, all local governments in North-Rhine Westphalia were obliged to apply accrual accounting.

City of Essen was one of the pilot administrations to make the move to accrual accounting. The reform and internal project work started in mid- 2004, aiming to go live with accrual accounting at the beginning of 2007. The first accrual-based financial statements were produced for the year ended 31 December 2007. Key success factor for the City of Essen was the support of a powerful promoter for the complete project.

Germany (State of Hessen)

In contrast to the local government level in North-Rhine Westphalia, the federal States in Germany have the free choice of whether to continue using cash accounting or to move to accrual accounting. Actual reform activities on the federal (i.e. State) level enhance traditional 'cameralistic' accounting (i.e. cash accounting) with additional components such as cost and performance accounting, product-based budgeting or controlling (extended 'cameralistic'). State of Hessen made a voluntary move to full accrual accounting. The reform period lasted approximately 10 years and also included the move to accrual budgeting. The reform took place in two stages, starting first with the conversion of Hessian universities in 2002 and 2003 before moving to the state-wide conversion from 2004 onwards. The reform involved a stepwise expansion across the different accounting areas and departments in a 6-month rhythm.

The first accrual-based consolidated financial statements were produced for the year ended 31 December 2009.

Lithuania

The Lithuanian accounting reform took place from 2005 to 2013 covering central and local governments, social security funds and controlled government agencies. In the first stage of the reform (2005-2008), a concept paper was written and approved by the Government, after which the accounting law was passed in Parliament. Along with the accounting reform, Lithuania also recommended to the entities to reorganise their finance function. Accounting manuals were developed and communicated to all entities groups to guide the implementation; however the project was carried out by individual entities in a highly decentralised manner which makes aggregate cost information difficult to obtain.

Sweden

Changes were implemented in Sweden during the late 1980s and 1990s that led to the production of accrual-based financial statements for central government, including agencies. The key driver of the reform was a fiscal reform, which created the need for a better measurement of costs in order to improve decision-making linked with results-based management.

The reform was coordinated by the Swedish National Financial Management Authority (ESV, Ekonomistyrningsverket), the Swedish national standard setter for the public sector. A contact organisation was set up by the ESV, to guide the central government agencies through the reform. The contact group consisted of 22 FTEs (12 from the National Audit Office, seven from the Agencies and three private consultants). The central support function also provided training and material.

The Swedish central government consists of the ministries and 230 agencies (285 at the time of the reform). The core operational activities of the central government are centralised with the agencies. The project has been executed in three years with further improvements in later years.

Switzerland

The accounting standards for the Confederation are based on the new accounting model (NAM), which stems from IPSAS.

Before the reform, the Confederation's accounting was mainly based on cash accounting. The reform introduced the accrual principle according to IPSAS (the causal event) and managed to combine two needs, the need for a good knowledge of cash flows (to comply with the constitutional requirements of the debt brake) and the need for an extensive view of assets and liabilities. The accrual principle has been applied to both the budgetary organisation and the financial accounting. The overhaul of the accounting model of the Confederation implies a clear reconciliation towards the harmonised accounting model (HAM) of the cantons.

United Kingdom

UK central government reporting has been through three major processes of reform over the past 20 years, starting with the Resource Accounting and Budgeting project. Launched in 1993, this reform was aimed at bringing together central government planning, budgeting, estimates and reporting on a resource (i.e. accrual) basis by 2001. The reform responded to Parliaments' demands for greater accountability, by permitting greater scrutiny in areas that were largely hidden under the cash accounting system, such as asset accounting. The accrual-based approach was deemed essential for identifying the cost of departmental objectives, reporting on outputs, outcomes and performance and for strategic policy-making.

A second stage of the UK's accounting reform involved a move from UK GAAP to International Financial Reporting Standards (IFRS), such that the UK government accounts would remain closely aligned with private sector best practice. HM Treasury, which was ultimately responsible for IFRS implementation across government, set a number of Trigger Point dates to help departments make the transition and departmental accounts were produced based on IFRS from 2009-10 onwards. This reform led to publication of consolidated Whole of Government Accounts (WGA) in 2009-2010, presenting for the first time a comprehensive accounts-based picture of the financial position and performance of the UK public sector.

The third reform stage involved the Clear Line of Sight (Alignment) project which was introduced in 2011-12. Its objective was to ensure consistency in the treatment of transactions and other economic events between the different systems used for the approval, management and presentation of Government expenditure. Prior to the project there was significant misalignment between the different bases on which financial information was presented to Parliament for approval, used by HM Treasury to manage overall public spending, and then publicly reported via entity level annual accounts. These financial documents were published in different formats, on a number of different occasions during the year, making it difficult to understand the links and inter-relationships between the bases on which the financial information was presented. A simpler system, with a single set of numbers, which is more transparent, more comprehensible and easier to use, and which improves public debate and understanding through enhanced scrutiny of government spending, was introduced through Clear Line of Sight.

Having successfully implemented accrual accounting over the last 20 years, the focus of financial reporting in the UK is now on using this information to support fiscal consolidation, wider public finance management and to drive value-for-money in the delivery of public services.

4.2 Accounting maturity

A key element in order to determine the cost of a future EPSAS reform within the EU is the current accounting maturity of the governments in the scope of this reform. The accounting maturity, as determined below, reflects the estimated current degree of compliance of the government's accounting rules with an IPSAS-based benchmark. Given that EPSAS do not exist yet, IPSAS have been taken as a proxy for EPSAS.

To assess the accounting maturity, section D of the questionnaire submitted to the EU countries for the purpose of this study (see chapter 3 Methodology) has been sub-divided in 10 key accounting areas. An overview of the different accounting areas is provided in the table below. The different accounting areas each are a cluster of a number of IPSAS standards which are naturally related in terms of the type of transactions they cover.

Table 3 - Accounting maturity scoring by accounting area and government sector

Accounting area	IPSAS Standards	Central State Local		Social Funds	
		Scoring points	*Weight*	*Scoring points*	*Weight*
Reporting	IPSAS 1, IPSAS 2, IPSAS 3, IPSAS 18, IPSAS 20, IPSAS 22, IPSAS 24	12	12%	4	12%
Consolidation	IPSAS 6, IPSAS 7, IPSAS 8	7	7%	-	0%
Fixed assets	IPSAS 5, IPSAS 13, IPSAS 17, IPSAS 21, IPSAS 23, IPSAS 26, IPSAS 32	33	33%	-	0%
Intangible assets	IPSAS 31	2	2%	-	0%
Inventories	IPSAS 12	3	3%	-	0%
Revenue	IPSAS 9, IPSAS 23	14	14%	3	9%
Accruals and expenses	IPSAS 1	18	18%	18	55%
Employee benefits	IPSAS 25	5	5%	5	15%
Provisions	IPSAS 19	2	2%	-	0%
Financial instruments	IPSAS 28, IPSAS 29, IPSAS 30	4	4%	3	9%
Total		**100**	**100%**	**33**	**100%**

Source: PwC assessment

The percentage attributed to the different accounting areas is a weighting factor, which indicates the relative effort required for that specific area to move from a cash-based accounting environment to an IPSAS-based accounting environment. The score a government obtains in this questionnaire is an effort-based score rather than an accounting technical score. The current accounting maturity score that a government obtains indicates its starting point in respect of a future EPSAS reform.

For each accounting area, the weighing of the estimated efforts to achieve full compliance with reference to IPSAS, is based on both prior accrual accounting reform experiences and an assessment of the respective standards in terms of the need for data collection, process design and accounting complexity. 77 % of the estimated efforts relate to the areas fixed assets, accruals and expenses, revenue and reporting.

No reference has been made to a limited number of IPSAS standards (IPSAS 4, IPSAS 10, IPSAS 11, IPSAS 14, IPSAS 16 and IPSAS 27) as these have no significant impact for governments. The list of IPSAS standards is included in Appendix H.

A single standard questionnaire has been elaborated to determine the accounting maturity for the sub-sectors central, State and local government. In respect of the sub-sector social funds, the questionnaire has been limited to reporting, accruals and expenses, revenue, employee benefits and financial instruments as only these accounting areas have been considered to be relevant to this level of government.

The questions which have been included for each accounting area cover those aspects/dimensions/specificities that are considered important in the context of an IPSAS-based accrual accounting implementation. The questions relate to the accounting technical aspects (recognition, measurement and disclosure requirements), the maturity of the data collection environment, as well as the availability of the relevant accounting data. Also the existence of procedures required to produce reliable and timely accounting information has been addressed where relevant (see detailed scoring in Appendix C).

The score attributed to a specific question is a measure of the estimated efforts required in respect of the aspects covered by that question. Respondents have been asked to make their best judgment in selecting the single option from a list of possible answers provided to best reflect the situation in their own government.

Further explanation is provided below on the expected efforts in relation to each of the accounting areas.

- Reporting: includes the design of the new financial statements (statement of financial position, statement of financial performance, cash flow statement, statement of changes in equity, segment reporting, presentation of budgetary information and other disclosures) and the set-up of the general accounting environment (chart of accounts, system environment). Significant efforts can be expected in the field of the design of the financial statements, development of the general accrual accounting environment (general ledger and accounting flows) and data collection for the respective disclosure requirements.
- Consolidation: the exercise whereby all entities in the consolidation scope present a single set of financial statements. Consolidation can be a complex exercise for governments, as both the definition of the scope of consolidation and the number of entities to be included can be an important challenge. The entire set-up of the consolidation process, including the elimination procedures of intra-group balances and transactions, has an important impact on both the processes and the IT systems.
- Property, plant and equipment: these are not the most technically complex accounting areas. However, fixed assets require a significant amount of effort to move from a cash-based accounting environment given the number of assets managed by governments and the data required to report these in accordance with accrual-based principles (creating a complete and detailed fixed asset register and individual asset valuation of all existing assets, embedding the fixed asset accounting lifecycle in the administrative flows, implementing sufficient IT infrastructure). The acquisition and management of property, plant and equipment represent material flows, which occur across the entire government entity and involve interactions with many of both non-finance (procurement, asset managers) and finance staff to account for the entire asset cycle appropriately.
- Intangible assets: intangible assets have similar characteristics to property, plant and equipment, but the asset population and underlying efforts are much more limited. The accounting for internally developed assets such as internally developed IT systems may require adaptation to systems and processes but the overall impact is limited as compared to property, plant and equipment.
- Inventory: inventory requires particular attention with respect to the completeness and valuation of the inventory records. Although inventory items exist across the different government entities, this area is expected to be of limited importance to governments.
- Revenue: revenue is a key element within the government financial reporting that may require extensive and detailed information in accordance with the complexity and variety of the tax regimes. A significant effort can be expected to achieve IPSAS compliance. The characteristics of the taxpayers (private persons, companies) need to be considered in respect of the various applicable tax regimes (personal income tax, corporate tax, VAT, death duties, property taxes, etc.) in order to determine the taxable event and corresponding tax revenue in accordance with IPSAS. Given the size of the different groups of taxpayers, this requires the gathering of an extensive set of data. Depending on the applicable tax regime, a high degree of complexity may be involved in the calculation/estimation. Prior accounting reform experiences reveal that implementation of revenue has often been deferred by governments which have adopted accrual accounting.

- Accruals and expenses: with revenue, accruals and expenses are the most important flows within the government. IPSAS requires that expenses be recognised at the time the economic transaction takes place, not at the time the budgetary commitment is raised or invoice is received. An accurate recognition and measurement of the major classes of transactions require effective procedures to manage the respective transaction cycles. The new or updated procedures need to be system embedded in order to organise the purchase cycle (e.g. receipt of goods and services should be identified) and the lifecycle of the social benefits. For instance, year-end cut-off procedures should be embedded to allow a timely and accurate year-end closure process. This will also require an important training effort given the number of both non-finance and finance staff, which are involved with these transaction flows. Altogether, as both all exchange and non exchange (social benefits, grants) government expenditure flows are affected by this accounting area, it is expected to have an important impact on reform cost for governments starting from a cash-based environment.
- Provisions: completeness of provisions is a particular point of attention, especially for entities starting from a cash-based environment. The existence of significant present obligations needs to be identified and a reliable estimate of the costs to be incurred needs to be made. This may be difficult especially for long-term environmental obligations. However, the volume of material transactions is not expected to be very significant and no major impact on the IT systems is anticipated.
- Employee benefits and financial instruments: employee benefits and financial instruments usually represent large amounts and are considered as complex areas. The identification of pension obligations and the measurement of the related liabilities are the biggest challenge in accounting for employee benefits. For financial instruments, the main focus is on the accounting treatment of government debts and other financial arrangements, as well as of derivatives and financial guarantees. Although complex, these transactions are often managed centrally, involving a limited number of specialists (actuaries, treasurers, etc.).

The score obtained by a government indicates its effort-based compliance with reference to a hypothetical IPSAS-based benchmark. It should be noted that most of the questions asked are valid under any accrual accounting framework. Thus, governments that already apply good accrual accounting practices should obtain a high accounting maturity score. The accounting maturity gap then is the gap between full compliance with reference to an IPSAS-based accounting framework and the current accounting maturity.

The current level of accounting maturity has been determined for each sector of the general government (central, State, local and social fund) in each Member State, based on responses provided in section D of the Member State questionnaires (see Appendices A and B).

For each Member State that has a State level government (Austria, Belgium, Germany, Spain and Portugal), a deeper analysis was made to assess the degree of diversity in the accounting maturity within this sector.

Particular attention was paid to the German Bundesländer (State level) given the large size of this government sector. The 16 State governments have been grouped in three categories: four governments with basic cash accounting systems are classified as 'Cameralistic', nine as 'extended Cameralistic' where some accrual-based practices have been introduced, and three as 'accrual' where accrual accounting practices are well established. Maturity scores have been determined separately for each of these categories based on the Member State questionnaires submitted with input from PwC local experts and a weighted average for the sector determined based on the population of the individual States (23% cameralistic, 67% extended cameralistic, 10% accrual). A distinction was also made to group German local governments as either accrual (70%) or cameralistic (30%) for the purposes of determining the average accounting maturity for this sector.

The results of the accounting maturity assessment are provided below in Table 4. Detailed accounting and IT maturity scores per Member State, government level and accounting area are presented in Appendix D.

Table 4 - Accounting maturity by country and government sector

	Central	*State*	*Local*	*Social Fund*
Austria	73%	12%	12%	61%
Belgium	67%	67%	73%	60%
Bulgaria	56%	-	56%	63%
Croatia	34%	-	34%	55%
Cyprus	14%	-	75%	17%
Czech Republic	75%	-	75%	77%
Denmark	72%	-	65%	58%
Estonia	92%	-	92%	86%
Finland	72%	-	90%	92%
France	89%	-	84%	92%
Germany	22%	29%	58%	42%
Greece	12%	-	12%	12%
Hungary	66%	-	66%	55%
Ireland	54%	-	71%	57%
Italy	31%	-	30%	14%
Latvia	73%	-	73%	55%
Lithuania	88%	-	88%	72%
Luxembourg	19%	-	31%	15%
Malta	22%	-	94%	-
Netherlands	31%	-	58%	78%
Poland	66%	-	66%	68%
Portugal	55%	-	80%	70%
Romania	63%	-	63%	38%
Slovakia	75%	-	75%	34%
Slovenia	62%	-	62%	19%
Spain	70%	61%	68%	58%
Sweden	81%	-	81%	71%
United Kingdom	96%	-	95%	-

Source: PwC assessment following methodology described under 4.2.

A more in-depth analysis of the state of play per country, government level and accounting area is provided in Chapter 7.

4.3 IT maturity

The IT maturity reflects the degree of maturity of the IT systems and infrastructure of a government with respect to their capacity in supporting a full accrual accounting implementation with IPSAS being taken as a proxy for EPSAS.

The IT landscape across the government entities is very fragmented and as such no detailed IT questionnaire could be developed similar to the accounting questionnaire. Only via section C of the questionnaire limited general information has been obtained on the IT infrastructure (see chapter 3 Methodology). Therefore high-level assumptions have been used to assess IT maturity.

The same maturity points have been considered as for the accounting questionnaire, except for those areas where the IT impact is less important, in relative terms: financial instruments, provisions and revenue (see detailed scoring in Appendix C). The effort-based weight of the different accounting areas is displayed in the table below.

Table 5 - IT maturity scoring by accounting area and government sector

Accounting area	IPSAS Standards	Central, State, Local		Social Funds	
		Scoring points	*Weight*	*Scoring points*	*Weight*
Reporting	IPSAS 1, IPSAS 2, IPSAS 3, IPSAS 18, IPSAS 20, IPSAS 22, IPSAS 24	12	13%	4	13%
Consolidation	IPSAS 6, IPSAS 7, IPSAS 8	7	8%	-	0%
Fixed assets	IPSAS 5, IPSAS 13, IPSAS 17, IPSAS 21, IPSAS 23, IPSAS 26, IPSAS 32	33	37%	-	0%
Intangible assets	IPSAS 31	2	2%	-	0%
Inventories	IPSAS 12	3	3%	-	0%
Revenue	IPSAS 9, IPSAS 23	7	8%	1,5	5%
Accruals and expenses	IPSAS 1	18	20%	18	60%
Employee benefits	IPSAS 25	5	6%	5	17%
Provisions	IPSAS 19	-	0%	-	0%
Financial instruments	IPSAS 28, IPSAS 29, IPSAS 30	2	2%	1,5	5%
Total		**89**	**100%**	**30**	**100%**

Source: PwC assessment

Table 6 - IT maturity by country and government sector

Country	*Central*	*State*	*Local*	*Social Fund*
Austria	74%	11%	11%	63%
Belgium	69%	69%	74%	60%
Bulgaria	57%	-	57%	65%
Croatia	34%	-	34%	58%
Cyprus	12%	-	76%	14%
Czech Republic	77%	-	77%	81%
Denmark	74%	-	65%	59%
Estonia	93%	-	93%	87%
Finland	76%	-	92%	92%
France	90%	-	84%	94%
Germany	18%	28%	58%	42%
Greece	11%	-	11%	12%
Hungary	68%	-	68%	57%
Ireland	55%	-	73%	60%
Italy	31%	-	30%	11%
Latvia	76%	-	76%	57%
Lithuania	88%	-	88%	70%
Luxembourg	18%	-	32%	13%
Malta	21%	-	94%	-
Netherlands	31%	-	59%	81%
Poland	70%	-	70%	74%
Portugal	59%	-	84%	71%
Romania	64%	-	64%	38%
Slovakia	77%	-	77%	36%
Slovenia	65%	-	65%	16%
Spain	68%	59%	66%	57%
Sweden	81%	-	81%	72%
United Kingdom	96%	-	95%	-

Source: PwC assessment following methodology described under 4.3.

The results obtained for the IT maturity are very closely related to the results obtained for the accounting maturity.

In chapter 6 ‘Costs’, the effort estimates of a future EPSAS reform start at the current level of accounting and IT maturity respectively, determined for each government by applying the scoring methodology described above, and are measured through the remaining accounting maturity gap and IT maturity gap respectively, which need to be bridged to achieve 100% compliance.

5. Benefits

5.1 Overview

The use of accrual accounting based on consistent application of high-quality standards is an important element of a modern public financial management (PFM) system.

Harmonised accrual-based accounting systems enable production of comparable financial information that provides a comprehensive and accurate view of government financial performance, financial position and cash flows. This information in turn stands to inform decisions, build investor confidence and demonstrate public accountability. Further, at the EU level, accrual-based accounting information provides a basis for effective surveillance of fiscal policies, producing reliable data for the production of national accounts in accordance with the requirements of Council Directive 2011/85/EU of 8 November 2011.

We have conducted a further analysis of the benefits associated with the transition to harmonised accrual-based standards as part of the current study.

All Member State governments were asked to comment on the benefits associated with accrual accounting, whether realised as a result of prior reforms or expected as a result of future EPSAS implementation. All benefits reported by the Member States in the impact assessment questionnaires have been collated and analysed by type, according to the classification of economic and social benefits set out in the Commission's impact assessment guidelines (2009). With the purposes of identifying and analysing the positive impacts (i.e. benefits) of implementing accrual accounting in the Member States, we have considered the following types of social and economic impacts:

Table 7 - Economic and social impacts of EPSAS implementation

Economic impacts	
• Accountability and transparency	• Transparency and comparability • Harmonisation and fiscal surveillance • Long-term fiscal view • Accountability
• Better decision-making	• Decision-making • Cost accounting and performance measurement • Best practice reform driver
• Impacts on control and administrative processes	• Audit and internal control enhancement • Reduction of administrative cost and burden
Social impacts	
• Labour market impacts	• Qualifications • Recruitment and mobility

The most common types of benefits reported by the Member States relate to the transparency and comparability of financial information produced by governments, closely followed by harmonisation and fiscal surveillance. These two types of benefits are very closely linked as the harmonisation of policies at the EU level will ensure consistency at the Member State level, leading to comparability of the financial information produced by individual reporting entities. These are indeed key objectives of the EPSAS initiative.

However, it is interesting to note that the benefits most commonly reported and discussed in detail by the Member States visited as part of the study sample, place more emphasis on the value of the accrual-based financial information for accountability and decision-making purposes. Having already implemented an accrual-based reform, the sample countries (and other non-sample Member States having already implemented similar reforms) discussed the value of the accrual-based financial information, particularly in respect of assets and liabilities and on the full cost of government activities, to better understand their financial position and performance and use this information to drive value-for-money through improved decision-making in the public sector. The availability of reliable cost information and the possibility to link the outputs with the costs of the resources used allow managers to optimise decision-making through service performance measurement. This information is also useful to hold public managers and the government itself accountable for their use of public funds.

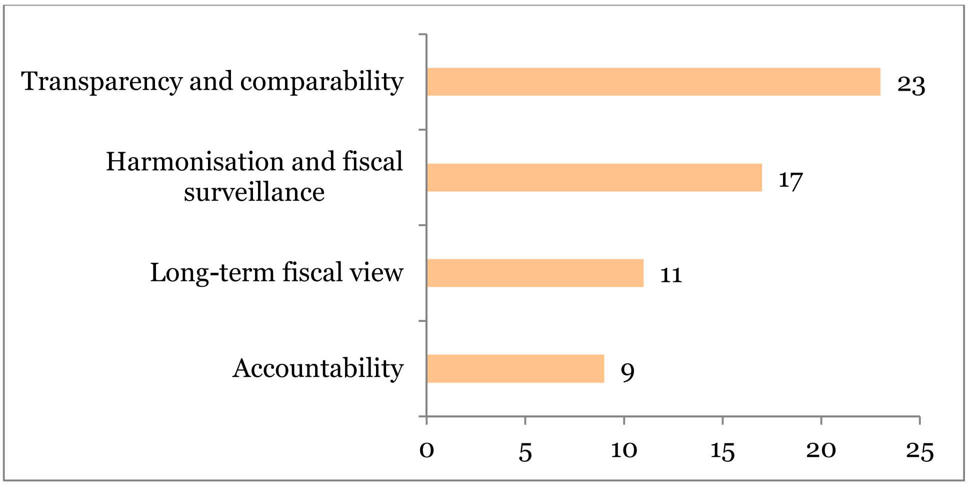
Examples of each type of benefit realised as a result of prior accrual accounting reforms were elaborated by government officials in the Member States during the country visit interviews and are summarised in each section to further illustrate the benefits that may be expected as a result of EPSAS implementation.

5.2 Accountability and transparency

By reporting on their financial position and performance in a complete and comparable manner, governments enhance transparency and can be held accountable for their use of public funds. This transparency can only be achieved through harmonisation of reporting practices and is necessary for the proper functioning of financial markets and of the budgetary surveillance framework of the European Union, increasing the credibility of fiscal reports and permitting national policies to be assessed at the EU level. The accrual basis contributes to the transparency objective by ensuring recognition of economic transactions and events as they occur. The comprehensive view presented in accrual-based financial statements allows users to understand the longer-term fiscal position of government entities and assess the future sustainability of public finances.

Figure 2 shows how many Member States have cited the various benefits identified in the accountability and transparency category.

Figure 2 - Economic impacts: accountability and transparency



Transparency and comparability

Transparency and comparability were identified by the Member States as key benefits resulting from the introduction of harmonised accrual-based accounting standards. Recognition and disclosure of economic transactions in accordance with harmonised accrual-based standards will increase transparency by ensuring consistent treatment of the transactions and events in the accounting system and presentation in the financial statements, thereby making financial information more understandable to users, especially those users outside the government entities. Application of a common set of accrual-based standards will enhance comparability of financial information over time, between Member States, and across individual entities or government sectors within each Member State as accounting practices currently often diverge from one government level to another.

The underlying principles that guide the standard-setting and endorsement further enhance transparency by contributing to the quality and reliability of the financial information and adding credibility of financial statements produced with due respect given to these fundamental underpinnings. The principles related to the EPSAS standards proposed in the Commission's Public Consultation Paper[3] on EPSAS governance include: reliability, relevance, coherence and comparability, accessibility and clarity. The draft IPSAS Conceptual Framework includes six qualitative characteristics: relevance, faithful representation, understandability, timeliness, comparability and verifiability.

Sweden *Individual entities' annual reports now include the full suite of standard financial statements: a statement of financial position, statement of financial performance, cash flow statement, an appropriations report (i.e. report on the use of budget appropriations), as well as a 'statement of result of operations' which also describes the results of operations and presents detailed calculations of the unit cost of services delivered.*

Accrual-based financial reporting standards aim to capture the economic substance of transactions and events in the accounts as they occur, regardless of the timing of cash receipts and payments. The resulting accrual-based financial statements provide a comprehensive view of government financial position and performance that is simply not available under a cash accounting system.

Defined by the IMF as the comprehensiveness, clarity, reliability, timeliness and relevance of public reporting on the past, present and future state of public finances, fiscal transparency[4] is vital to effective fiscal policy-making. It is necessary for effective monitoring by both internal and external stakeholders and provides a basis for assessing the fiscal policies of government.

[3] Public consultation paper, Document accompanying the public consultation 'Towards implementing European Public Sector Accounting Standards (EPSAS) for EU Member States. Public consultation on future EPSAS governance principles and structures', European Commission/Eurostat, 25 November 2013
[4] http://www.imf.org/external/np/exr/consult/2013/fisctransp/index.htm

By capturing these aspects of financial position and performance, accrual accounting systems contain financial information encouraged under internationally recognised best practices for fiscal transparency, such as the OECD's *Best Practices for Budget Transparency*[5], the Global Initiative for Fiscal Transparency's *High Level Principles on Fiscal Transparency*[6] and the IMF's *Code of Good Practices on Fiscal Transparency*[7]. All call for high-quality fiscal data that includes information on public assets and liabilities. The IMF's draft revised Fiscal Transparency Code[8] calls for fiscal reports that 'provide a comprehensive, relevant, timely and reliable overview of the government's financial position and performance' (IMF 2013). The revised Code places a strong emphasis on the content of these reports which should present a view of financial position and performance by considering:

Table 8 - Financial information encouraged under internationally recognised best practices for fiscal transparency

- Coverage of Institutions
  Fiscal reports cover all entities engaged in public activity according to international standards.
- Coverage of Stocks
  Fiscal reports include a balance sheet of public assets, liabilities and net worth.
- Coverage of Flows
  Fiscal reports cover all public revenues, expenditures, and financing.

Source: IMF Fiscal Transparency Code (Consultation Draft of July 1, 2013)

Member States cited many benefits related to elements recognised in the financial statements on an accrual basis. The superiority of accruals over the cash basis to present a complete view of government financial position and performance was demonstrated, with reference to the usefulness of information on government assets, liabilities, costs and revenues.

Austria *Accrual accounting and budgeting reform led to recognition of the government's assets and liabilities in the government financial statements. The exercise of preparing the opening balance sheet served to enhance the understanding of the government's resources: without a balance sheet the public debate focused only on government obligations. The Ministry of Agriculture, for example, had been seen as a spending agency prior to accrual accounting. Following the reform, the ministry recognised €20 billion in assets and was forced to make conscious decisions on how to best manage these assets. On the liabilities side, accrual accounting and budgeting in Austria has helped to flag financial risks, such as those related to the use of derivatives. With the newly-available accrual data, journalists and other users began asking questions, looking with keen interest to identify the financial risks in the financial reports.*

Austria *Before the introduction of accruals, the debate regarding railway financing was based on cash figures which did not show the full view of railway financing: financial liabilities were under-reported as investments were financed through long-term lease agreements. Now, under accrual accounting and budgeting, the full cost of the railway investment programme is reported, permitting an informed debate as to how to best finance these operations.*

[5] *OECD's Best Practices for Budget Transparency*, OECD, 2001
[6] http://fiscaltransparency.net/2012/11/high-level-principles-on-fiscal-transparency/
[7] *Code of Good Practices on Fiscal Transparency*, IMF, 2007
[8] Fiscal Transparency Code, Consultation Draft of 1 July 2013, IMF

Estonia *Accounting reform has enabled to prepare a comprehensive picture of what the nation owns, what its obligations are and how well it manages its resources. As part of the reform a full stock taking and valuation of assets owned by various public sector entities took place. Reliable data about the assets and their values allowed improving internal control procedures and establishing better control over assets owned by the nation. A value of €800 million for forests for harvest is recognised in Estonia's balance sheet based on the present value of the cash flow to be obtained from future sales of forest products. This measure is a key indicator used in natural resources management.*

Germany *In the city of Essen, the reform for accrual budgeting and accounting included great efforts in setting up a fixed asset register and gave for the first time a full picture of the quantity and value of the fixed assets of the cities and municipalities at one place only (e.g. streets, bridges, properties, railroad tracks). Consolidated financial statements led for the first time to a full picture of the statements of assets and liabilities of all entities relating to the municipality (stop of shadow budgets).*

Lithuania *Accrual accounting led to a broader vision of assets and liabilities and a better monitoring of legal contracts. Legal clauses related to the definition of control (e.g. of assets) as well as related rights and contingent liabilities (e.g. guarantees, risk-sharing arrangements, etc.) are more closely monitored.*

Sweden *The reform to implement uniform standards at the individual entity level permitted production of consolidated financial statements for the central government by ensuring complete balance sheets and income statements for all government ministries and agencies and by establishing procedures for reconciling intra-governmental transactions.*

United Kingdom *A liability of £64.3 billion (2012) is recognised for nuclear decommissioning in the UK's Whole of Government accounts, which has been the focus of parliamentary scrutiny through the Public Accounts Committee. Members of Parliament have questioned the Department of Energy and Climate Change on the underlying factors driving the liability and the outcomes of decommissioning work to determine an appropriate policy/legislative response. With a clear value recognised for decommissioning liabilities, the government can use this to manage the liability and better monitor the activities of the authorities responsible for managing the decommissioning activity. This helps drive the policy debate and is leading to innovative energy market solutions to ensure future decommissioning costs are 'pre-funded', and are not a burden on future generations.*

Harmonisation and statistics

Harmonisation of public sector accounting standards will contribute to increased comparability by aligning reporting practices across the EU, both between Member States and across sectors of the general government. As the Commission reported in the Staff Working Document accompanying the IPSAS suitability assessment of March 2013, various accounting models are currently applied by governments in the Member States, ranging from cash to accruals and with various hybrid systems falling between the two. Even where accrual accounting frameworks are in place, the application of accrual principles and treatment of individual transactions and events differs between governments, making comparisons across jurisdictions difficult. Consistent application of harmonised accrual-based standards in the EU is thus necessary to achieve comparability across the Member States. A harmonised accrual-based public sector accounting framework will also facilitate the production of accrual-based fiscal statistics in accordance with the ESA reporting framework by providing coherent micro-level accounting data that tracks individual transactions and events on the same basis. Thus, the quality of fiscal statistics will be enhanced and aggregate figures more reliable for fiscal surveillance and monitoring purposes. In this respect, harmonisation of public sector accounting frameworks stands to contribute to macroeconomic coordination of policies in the EU.

Harmonisation was also cited by the Member States as a benefit for consolidation purposes in that the alignment of accounting policies will facilitate the production of consolidated and Whole-of-Government accounts.

United Kingdom *Producing Whole-of-Government Accounts (WGA) based on IFRS as adapted for the public sector has provided a comprehensive view of government's financial position and performance. While liabilities such as public sector pensions were first recognised in the stand-alone accounts of individual entities following the initial introduction of accrual accounting; WGA has served to aggregate this information and provide a more complete view of the public accounts.*

Long-term fiscal view

Accrual-based financial information provides a comprehensive view of the government's financial position which provides a basis for assessing fiscal sustainability and understanding the risks that may threaten the government's long-term fiscal position. Fiscal tranparency is commonly linked to the external environment and to governments' practices for communicating financial information to external users, particularly in the capital markets. Fiscal information is also useful for both internal and external users in the context of decisions aimed at maintaining long-term fiscal sustainability:

Table 9 - Long-term fiscal view

- Internal users
  for forecasting and planning with a view toward optimising the use of available resources over the short and long terms to achieve intergenerational fairness.
- External users
  to reduce uncertainty, especially in the capital markets, and increase stability in the market interactions with EU governments.

Fiscal sustainability assessments typically centre on headline measures of government debt and deficits, particularly where these are linked to fiscal rules such as those specified in Article 126 of the Treaty on the Functioning of the European Union (TFEU) to avoid excessive deficits. The importance of these measures can create an incentive for governments to use accounting devices to misrepresent financial position and performance, normally reducing the reported deficits in the current year at the expense of future years. Accrual accounting helps constrain the use of fiscal devices by recognising transactions at the time that they occur based on the economic substance of the underlying event.

With recognition of both financial and non-financial assets, for example, the sale of non-financial assets will have less impact on the reported deficit: any increase in cash from the sale of a non-financial asset will be partially offset by the removal of the asset from the balance sheet at the time of sale. The impact on the reported deficit will be limited to the gain or loss on disposal. Likewise, deferred investments in these assets will have no impact on the reported deficit as expenses will be recognised at the time of use of the assets, rather than at the time of purchase (i.e. cash payment).[9]

By controlling the use of fiscal devices and presenting a comprehensive and reliable view of position and performance, accrual accounting serves to increase the credibility of government financial information. Better information reduces uncertainty for potential investors in bonds and other fund providers, and helps secure liquidity in the capital markets. Lower uncertainty may also lead to lower borrowing costs for governments if the risk premium is reduced.

[9] For a more detailed typology of the various fiscal devices, see Irwin, 2012, 'Accounting Devices and Fiscal Illusions,' IMF Staff Discussion Note 12/02, (Washington: International Monetary Fund).

A growing body of research has been produced regarding the effect of fiscal transparency on financial performance in the public sector. The IMF (2012) shows a positive relationship between fiscal transparency and interest rates and finds in a subsequent Working Paper (2012) on *Fiscal Transparency, Fiscal Performance, and Credit Ratings* that fiscal transparency has a positive and significant effect on fiscal performance and credit ratings. The findings suggest that for developed economies, improvement in fiscal transparency is associated with improved credit ratings, increased primary balances, and lower debt to GDP ratios.[10]

While it is not possible to isolate the impact of accrual accounting in the current measures of fiscal transparency, the potential reduction in borrowing costs can be estimated for EU governments given current borrowing levels. A reduction in interest rates by only 1-basis point for all EU Member States, for example, could lead to an annual savings of approximately €1 billion in aggregate. This is estimated based on the level of the general government debt, which is €11.386 billion at 31 December 2013.

The impact of EPSAS on access to finance may be especially important for sub-national governments and public sector entities for which limited financial information is currently available. Once smaller public sector entities are reporting on a consistent and comparable basis, rating agencies and lenders are in a better position to assess financial position and fiscal risks as part of their decision to provide or extend financing.

Representatives from the EU's two largest Member States referenced benefits of this type which have accrued to sub-national reporting entities as a result of their accrual-based accounting information. Member States also cited examples of the usefulness of accrual accounting to present a true and fair fiscal view, constraining the use of accounting stratagems in favour of sound economic decision-making.

Austria *The Austrian accrual accounting reform is credited with reducing the scope for fiscal illusions through the use of buy-now-pay-later schemes for infrastructure funding or through the sale of real estate and other non-financial assets to raise 'revenue'. Accrual accounting has also informed the public debate and scrutiny over privatisation decisions. As long as these decisions were taken in a cash world, one could easily argue for privatisation: cash would come in but the decreasing asset base would not be seen. There may of course be sound reasons for privatisation decisions; however, the immediate 'revenue' generation is not one of them.*

Germany *For the City of Essen, moving to accrual accounting and budgeting led to first-time allocation of short-term and long-term budgetary appropriation. This is considered as an important element of intergenerational fairness. This takes into account the impact of today's political decisions (especially decisions in favour of investing in fixed assets) resulting in debt increase. The future amount of debt service to carry by future generations for taxpayers becomes obvious.*

United Kingdom *Accrual accounting has been a useful tool to control the use of financial stratagems that rely on instruments such as concessionary loans and financial guarantees. Accrual accounting increases transparency by assigning a value to the subsidy given indirectly through concessionary loans and ensuring the full disclosure of contingent liabilities (quantified to the greatest extent possible) in the notes to the financial statements. Accounting rules have changed behaviour by local authorities in the financial markets by limiting their participation in certain loan products involving stepped interest rates or options for varying interest rates.*

Accountability

The production of reliable, comparable financial statements as a direct result of EPSAS compliance contributes to an open and accountable public administration. This information stands to increase awareness and enliven the public debate to strengthen policy-making in the Member States and at the EU level. It provides a basis for evaluating efficiency and effectiveness in the use of public resources and assessing the value delivered to taxpayers and other stakeholders.

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[10] Elif Arbatli and Julio Escolano, 2012, 'Fiscal Transparency, Fiscal Performance and Credit Ratings', IMF Working Paper 12/156, (Washington: International Monetary Fund)

Transparent financial reporting is a necessary part of public accountability; accrual accounting contributes to this by reporting on key financial measures in a complete and comparable manner to allow stakeholders to scrutinise performance and question decision-makers. Accrual-based information stands to feed into the accountability cycle on multiple levels, both within the institutions of government and in the broader public sphere.

Member States referenced accountability within government in citing the accountability of the civil service toward the Government and externally toward Parliament and the general public. The media was also cited as a key user involved in the dissemination of financial information for public scrutiny.

Austria *The reform served to create dialectic by training the politicians to question the administration in a meaningful way. The aim was to provide the ministries with more and better data to steer their interests and enable politicians to assess their performance. The media were also trained to use the new financial information to scrutinise the administration and contribute to public accountability.*

Austria *Accrual budgeting was introduced in combination with accrual accounting ensuring that the accounting information would also be relevant for and used in decision-making by Parliament (i.e. budget allocation decisions). Both were enshrined in the Constitution to ensure the changes would be binding for current and future governments.*

Germany *Publication of the first accrual-based consolidated financial statements by the State of Hessen at 31 December 2009 was very well received by the media, rating agencies and German community. Despite the fact that these financial statements presented high negative net assets (because of the recognition of a large pension liability on the balance sheet), there was no negative impact on the credit rating of the State of Hessen. A well-thought communication campaign accompanied publication of these first consolidated financial statements to explain the new numbers to various stakeholders.*

This transparency was deemed to enhance democratic accountability and brought increased credibility to the financial figures.

Sweden *The consolidated financial statements are now one of the most important elements of the Central Government Annual Report submitted to Parliament and audited by the National Audit Office.*

Sweden *Agencies' annual reports are now submitted to the government ministry concerned and used as a basis for monitoring and evaluating the performance. Information for the agencies' annual report is regularly passed on to Parliament and used as an important input for the government and Parliaments' decision-making. Where the types of information included in today's financial statements were not previously reported by the agencies to the cabinet or ministries, there is now a detailed reporting which increases accountability for the use of resources and results achieved. In particular, information from the statement of result of operations is the basis of continuing dialogue between the senior officials of the agencies and those in the government ministries. Thus, the accountability of agencies toward the government and Parliament has increased.*

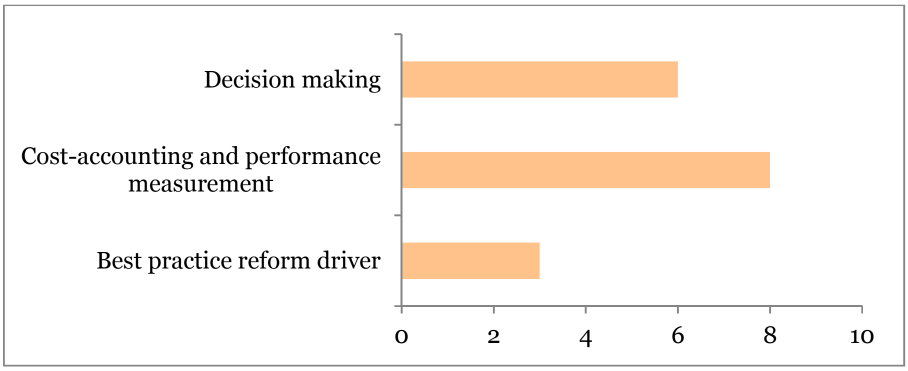
5.3 Better decision-making

With better information and administrative processes in place to capture and report financial information, governments are better positioned to assess their performance and make adjustments as necessary to maximise value in the delivery of public goods and services. Public sector entities will be in a position to use accrual data to compare performance over time and across entities and evaluate the effectiveness of existing arrangements for implementing public policies. Information captured in the accrual-based accounting system is a useful starting point for complementary management information systems and practices implemented with a view to identifying cost saving opportunities and increasing efficiency and effectiveness in the public sector.

As the Member States examples in this section illustrate, the benefits realised in terms of efficiency and effectiveness will depend heavily on the information systems and decision-making processes in place to capture and use accrual data as part of broader public financial management practices.

Figure 3 indicates how many Member States have cited the various benefits identified in the decision-making category.

Figure 3 - Economic impacts: decision-making



Decision-making

The financial information produced with application of harmonised accrual-based accounting standards serves to inform decisions taken by a wide range of stakeholders. With better information available, public managers and politicians stand to make better decisions on how to best deliver public services.

These and other internal users will benefit from reliable information to improve the management of public resources through their policy and resource allocation decisions going forward. External users, on the other hand, are interested in assessing government performance and may consider financial measures when making voting and investment decisions, for example. The outcomes of policy choices can be better assessed as the decision-makers are better equipped to measure the outputs produced and the corresponding costs of the resources used. This information will set a basis to develop results-based management. Accrual accounting will also give a better view on the long-term impact of public sector decision-making. Using accrual data to drive value-for-money in the public sector was identified by the Member States as an especially relevant consideration in the current period of austerity. Information on the asset base available and on the full cost of programs and services was considered especially useful in shaping investment decisions and encouraging close management of working capital and fixed assets. Accrual data creates incentives for public sector managers to consider the financial implications of their decisions.

Belgium *For local governments of the Flemish Region, the Policy and Management cycle (Beleids- en Beheerscyclus) has created a framework which makes the link between the government's objectives, the results obtained (effectiveness) and the resources used to achieve the results (efficiency). Through this reform the oversight authority (State of Flanders) not only sought to increase the harmonisation of financial information but also sought to allow a better management of government programs in line with the objectives. This should ultimately lead to an increased accountability for public sector managers as for political decision-makers, as the achievement of objectives can be better assessed against the outputs and the use of resources.*

Estonia *Improved information about real estate enabled creating an efficient real estate management company at the central government level. The recognition of dismantling costs and depreciation amounts led to a great improvement of the acquisition and use of assets in ministries. The recognition of long-term liabilities is useful to forecast future cash flows using the lease accounting data, which further contributes to real estate optimisation.*

France *Implementing accrual accounting helped build policy in France since 2006 for Central Government and globally improved knowledge, good management and optimisation of the real estate stock for all public entities.*

Germany *Essen local government used the accounting information of two recreational centres for the decision as to whether to continue maintaining the two old facilities or set up a single new one. Analysis of the accounting data led to the conclusion that the maintenance cost would exceed the construction costs of the new centre. The new centre was built in a location offering good access via public transport.*

United Kingdom *Accrual accounting went hand in hand with structural changes that introduced more commercial practices in the National Health Service (NHS). Costs are matched directly to the services provided and used for standardised costing purposes. This cost data is then used to set activity levels when planning future service delivery and allocating funds to the service providers (i.e. hospitals). Under this model, there has been an increased focus on productivity and a much keener awareness of the cost of capital. Spending decisions are no longer based on year-end cash budget management, but reflect a more controlled approach to the management of costs evenly throughout the year and to making sound investment decisions with a view on bottom-line impacts and the overall sustainability of services.*

United Kingdom *With recognition of the liability for public sector pensions in the financial statements, the government has been able to use this information to implement better procedures to trace the value of the liability and to recognise the impact of adjusting contribution arrangements accordingly. For example, changes introduced to switch to the Consumer Price Index from the Retail Price Index for the indexation of public service pensions led to a reduction in the liability of over £100 billion. Accruals data in addition to wider economic analysis is becoming increasingly essential for these planning decisions.*

Cost accounting and performance measurement

Recognising costs on an accrual basis provides a better view of the cost of delivering public services and a basis on which to assess the outcomes achieved. The detailed financial information captured in respect of costs also provides key input into cost accounting systems, which capture more detailed information on the cost of government programs and services to support management decision-making. Combined, these complementary financial information systems increase the usefulness of accruals data, permitting more detailed information and in-depth analysis for management purposes.

Member States referred to benefits derived through cost accounting and performance measurement systems, which rely on accrual data to analyse public spending and results achieved.

France *Accrual accounting is the first step for cost accounting, enabling increased comparability between the costs of the same activity carried out in several entities.*

Estonia *Accrual accounting information is used as a prerequisite for cost accounting and to define key performance indicators, which aim to improve public management.*

Estonia *Accrual budgeting has been implemented in several local governments and other public sector units, and is in the process of implementing it at central government level. This enables activity-based performance measurement and is seen as an essential part of the reform's success.*

Germany *Together with the implementation of accrual accounting, the State of Hessen was able to implement an output-oriented performance measurement system to improve budgeting, controlling and decision-making.*

Sweden *The implementation of accrual-based accounting was a precondition for management-by-results, with the enhanced financial information used for results-based management across government. The consumption of resources can now be weighed against the performance of each government entity. Thus, the accounting reform served to shift the focus of financial management in the central government away from an input-driven system toward a more result-based management with a clear focus on outputs and outcomes.*

Best practice reform driver

As governments in Europe, and indeed around the world, continue to move to implement accrual-based accounting standards, they look toward prior experience and established practices to guide their reform efforts. A European public sector accounting framework will provide a common basis for reforms across EU governments. With an EPSAS framework in place, Member States currently following the cash basis of accounting will benefit from a consistent approach to accrual accounting implementation that will ensure a comparable outcome. Further, a common approach to accounting reforms will promote knowledge-sharing across governments working toward a common end goal.

Several Member States expressed their preference for a close alignment with IPSAS to benefit from the existing knowledge base and build on initial steps taken toward IPSAS adoption.

Austria *The central government reform is now being used as a template to drive continued reform efforts in the sub-national levels of government.*

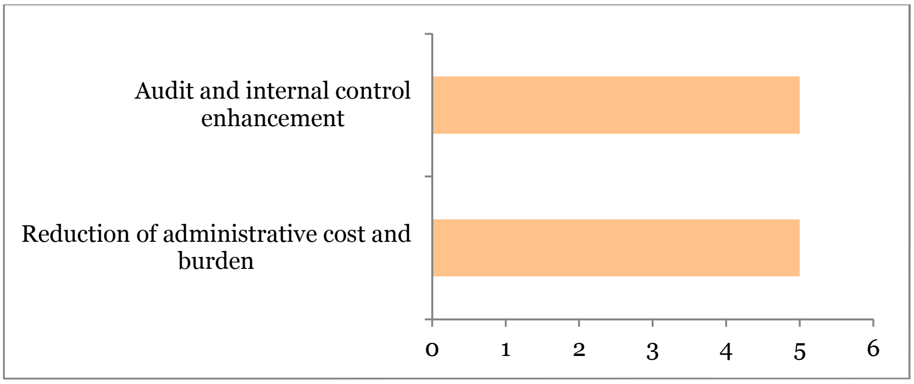
5.4 Impacts on control and administrative processes

Adoption of accrual-based accounting standards will have a major impact on administrative processes in the public sector, most importantly in terms of the IT infrastructure required to support a modern accounting system.

As detailed in section 6.2, significant investments may be required to upgrade or acquire new IT systems. However, the accounting modernisation project also presents an opportunity to update administrative processes with a view to increase data quality and internal control and to reduce the administrative cost and burden of financial processes through increased efficiency.

Figure 4 shows how many times Member States have cited the benefits identified in the control and administrative processes category.

Figure 4 - Economic impacts: control and administrative processes



Audit and internal control enhancement

Strong government accounting systems are essential for effective internal control and audit in the public sector. The detailed information captured under accrual accounting provides a basis for closer monitoring of government resources, obligations and commitments and is a necessary starting point for public auditors to conduct an independent assessment of the financial position and performance of the government reporting entities.

Common public accounting standards in the EU would also facilitate harmonisation of government audit practices contributing to enhancement of the average audit quality within the EU.

France *External audit from the Court of Auditors has increased the attention drawn to internal control as it is part of the audit scope. The development of internal control measures enabled a better risk management. That is why the DGFiP had developed an internal control for all ministries formalised in the* ministerial order *of 31 December 2013 on the framework of accounting internal control, made under Article 170 of Decree GBCP, gradually extended to all public entities. In parallel, an internal audit is established by an audit committee and action plans in each ministry are designed. Furthermore, if internal accounting control is combined with internal budgetary control, the risk management is more complete and implies a better public management and an increased efficiency of public finance.*

Lithuania *The contract database is monitored more effectively through a closer follow-up of both the budgetary commitments and cash disbursements. The implementation of a consolidation tool has created the possibility to better monitor the consolidation process and the quality and completeness of the accounting data.*

Reduction in administrative cost and burden

The modernisation of public accounting systems provides an opportunity to upgrade management information systems and streamline administrative processes to increase efficiency in public administration. As detailed in section 4.1, governments across Europe have combined the accounting modernisation with corresponding financial reforms to achieve efficiencies across the wider finance function.

The Member States referred to centralised transaction processing and, in some instances, to shared service centres as a key feature of their PFM reforms. Increased administrative efficiency can be seen to generate a return on the initial investment through a reduction in processing time and lower administration costs in the individual reporting entities. With a more streamlined and automated reporting system, fewer resources are required for transaction processing tasks and staff may instead be used for value-added tasks such as data analysis and forecasting.

One Member State also pointed out the potential cost savings to be achieved through the centralisation of standard-setting at the EU level.

Estonia *Accounting reforms have created a basis for wider efficiency reforms in the public sector. A shared service centre was set up in 2013 to centralise financial, personnel and payroll accounting in all areas of government and to continue with the progress toward common IT solutions. It has helped generate savings in terms of both time and cost in areas of IT and administration.*

France *The French accounting reform was seen as a means to reorganise with a view to generate cost savings by improving the finance function (e.g. decrease the average time for processing invoices) and increase administrative productivity. In 2006, the French General Inspectorate of Finance (IGF) compared the estimated cost of the IT ERP project 'Chorus' (under the assumption of a minimum initial investment of €400 million and 10 years' planned maintenance expenditures) with expected savings. The yearly cost savings and productivity gains were estimated at the following amounts, as summarised by the French Court of Auditors:*

- *interface with business applications, elimination of double entries: €35 million;*
- *replacement of business applications (approximately 42 applications saving 600 FTEs and €60 million in contractor costs): €65 million;*
- *simplification of expenditure workflows, automation controls and the decrease in duplicate entries: €42.2 million (995 FTEs);*
- *modernisation of organisations and optimisation of procedures (e.g. services billers): €20 million interest savings (plus 3.000 to 5.000 FTEs);*
- *alignment of productivity services, budget management on the most efficient performance: 3.200 FTEs.*

Under the most favourable scenario, the net present value (NPV) of the cash flows discounted over 10 years of the Chorus project would lead to a positive amount of nearly €1 billion. The study has been updated by the Agency for State Financial Information Technology (AIFE). In the 'Projet de Loi de Règlement 2012 - Programme 221', the total cost of the Chorus project is estimated at € 997 million (including €565 million of investments), the net present value of the future cash flows relating to the project is estimated at €727 million (gain) with €427 million in recurring yearly cost savings.

Germany *Essen (local government) experienced that the centralisation of the finance function resulted in more consistent data, efficiency, cost savings and higher data quality.*

United Kingdom *Centralisation of the finance function in Northern Ireland supported efficiency gains by dramatically reducing the number of personnel processing data. Improvements in public procurement were also made, given the ability to generate more and better data for collaborative procurement.*

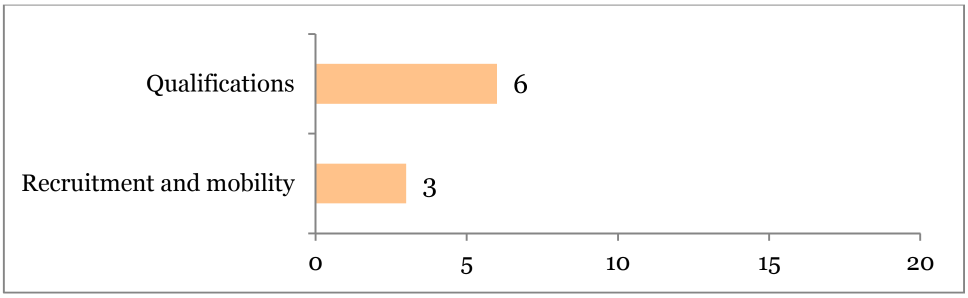
5.5 Labour market impacts

Introduction of EPSAS will have a direct impact on the labour market for public finance and accounting personnel and public auditors. Extending beyond finance and accounting personnel, a knock-on effect may be observed throughout the public sector to the extent that accrual-based information becomes embedded within decision-making and evaluation processes.

With fewer resources required for transaction processing tasks, qualified staff may instead be devoted to more value-added tasks in conducting financial and operational analyses to support decision-making. Knowledge sharing is also promoted under this common approach to accruals with jurisdictions implementing similar reforms and working toward the common goal of EPSAS compliance.

Figure 5 indicates the number of times benefits included in the labour market impacts category have been cited by Member States.

Figure 5 - Social impacts: Labour market impacts



Qualifications

An accrual accounting environment is more sophisticated than a cash-based system and as such requires more advanced skills and expertise. Significant training will be required to increase the capacity of staff to operate in the accrual-based reporting environment. Where accrual accounting is already in place, the impact on staff training needs will be much lower although some targeted training will be required for alignment with EPSAS-specific requirements.

Several Member States referred to this effect, as non-finance staff and other users (e.g. in operational units, line ministries and politicians) learned to interpret the accrual-based financial information provided to them and understand the impact of their decisions on their operations and financial performance. Furthermore, public sector accountants get more time available to devote to value-added tasks in respect of the wider PFM.

United Kingdom *The introduction of accrual accounting led to a more professionalised finance function across government. The number of financial professionals increased from less than 1,000 in the early 1980s to now include over 9,000 qualified accountants and trainees across 50 central government departments and agencies. Finance expertise has moved beyond the central treasury and financial departments and into the operational side of government, with 20% of finance professionals working outside of the finance function. All departments now have a qualified finance director on staff. Finance is now more than an administrative function: only 10% of qualified accountants work in transaction processing and 30% in reporting and control. The remaining 60% work in decision support, providing financial analysis for decision-making and policy evaluation.*

Estonia *The accrual reform has led to the professionalisation of the finance function within government entities.*

Lithuania *The introduction of accrual accounting led to the professionalisation of the finance function with an increase of the skill level of employees.*

Recruitment and mobility

Using accruals as the basis of government accounting will facilitate recruitment of finance staff from the private sector where these practices are already firmly established. Further, with application of harmonised standards across Europe, mobility of public sector finance and accounting personnel will be enhanced across the Member States.

Sweden *The accrual accounting reform required better educated staff, particularly in the financial and accounting area. Alignment with commercial accounting practices provides for easier transition of students into the civil service workplace and facilitates recruitment from other sectors of the economy.*

6. Costs

The objective of the present chapter is to estimate the costs of a future EPSAS reform at EU level. The scope of the reform includes all sectors (central, State, local and social funds) across the EU Member States. The reform costs are thus the estimated costs of EPSAS implementation that will be incurred by all levels of government in the different EU Member States.

It is important to note that the present exercise is a high-level cost assessment only, which builds on a number of working assumptions, rather than the elaboration of a detailed cost calculation. For example, IPSAS has been taken as a benchmark to estimate the EPSAS implementation cost. In addition, certain limitations should be considered when interpreting the results of scaling up the costs at EU level. These results are indicative only and should be considered as establishing a trend at EU level rather than providing an accurate estimate of the EPSAS implementation cost for each government individually.

6.1 Definition of the EPSAS compliance cost

The scope of public sector finance reforms often encompasses changes to the accounting and reporting environment of a government which go beyond the requirements of compliance with the new accounting policies. This is also evidenced through the reform experiences that have been collected in the present study.

The business case of a public sector finance reform indeed often includes the introduction of cost and analytical accounting, budgetary management and reporting, the implementation of a Human Resources (HR) management IT module, etc. These changes are strictly speaking not necessary to achieve accrual accounting compliance.

The cost of EPSAS compliance represents all costs to be incurred that are considered unavoidable to present a full set of EPSAS compliant financial statements. The development of new accounting policies, the re-engineering and documentation of the administrative flows so as to provide the required accounting data, the data collection in view of the opening balance sheet are all considered to be compliance costs. The design cost of the new financial statements including disclosures are compliance costs as well.

On the IT side, the entire re-organisation of the IT environment to support an accrual accounting environment, is considered as a compliance cost, for example the implementation of general accounting or fixed asset modules. The IT costs that will need to be incurred to implement EPSAS will depend on the current degree of maturity of the IT systems. For governments with a low IT maturity (below 40 %), implementation of a new IT system/ERP seems difficult to avoid. Conversely, costs to implement budgetary, cost accounting or HR management modules are not considered to be unavoidable costs because they primarily serve a wider finance reform objective.

The reform costs reported by the different respondents often included both accounting compliance costs and costs related to the wider public sector finance reforms. A split has been made to the extent possible between the compliance costs and the other public finance reform costs.

Identification of the compliance costs has been obtained through analysis of the cost data and discussion with the government representatives. As projects are not naturally split into a ‘compliance’ and ‘beyond compliance’ part, this analysis has required a significant element of judgment.

The cost estimates in respect of the EPSAS reform will only consider EPSAS compliance costs. Cost of wider finance reforms will be provided for information purposes only.

6.2 PFM reform dimensions

An accrual accounting reform project can be structured along the following dimensions or work streams: Policies, Processes, People and Systems. Each work stream covers a number of reform activities and project tasks that are required to achieve a set of accrual-based financial statements at the end of the reform.

Due to the lack of granularity of the cost data received and the lack of consistency in the categorisation of the non-IT costs as reported by the Member States, the dimensions Policies, Processes and People have been aggregated into one single non-IT dimension. This aggregation ensures comparability between the different reform experiences.

Table 10 - Overview of the IT and non-IT dimensions of PFM reform projects

Non-IT dimension	
Policies	One of the inevitable consequences a government is facing when adopting accrual accounting is the need for it to review and amend its accounting policies and related guidance and instructions. The majority of policy development activities may be expected to take place at a central level; costs related to individual entities will normally be limited to interpretation questions specific to the treatment of their respective business flows and financial transactions. As far as the future EPSAS standards are concerned, these will be determined at a central level following the EPSAS standard-setting process that will be put in place. The Commission will take ownership of the EPSAS policy setting. The cost for the governments will be limited to the local roll-out. Whereas EPSAS standard-setting costs will be incurred by the Commission, the development of specific guidance documents, tailored manuals and translations of the policy documents are expected to be incurred by the governments.
Processes	*Data collection* The new accounting policies require additional or other accounting data to allow recognition and measurement of the accounting elements and to present the required disclosures. Specifically for the first opening balance sheet, a data collection exercise will be carried out to collect all required information for all elements of the statement of financial position and statement of financial performance, as well as related disclosures. *Design of new procedures and flows* The administrative flows need to be reviewed in order to be able to produce complete and accurate data as a basis for the financial statements. Changes in the administrative and data flows will need to be reflected in new or revised procedures and processes in order to embed the new accounting rules in the administrative and financial reporting environment.
People	Adopting accrual accounting or, to a lesser extent for those governments that already apply it, moving towards EPSAS as the basis for accrual accounting, requires a significant cultural shift in the mindset of management, staff and other stakeholders. For this to be successful, it is essential that a good change management program, including training, communication and awareness campaigns, are put in place and operate efficiently. Training can be delivered in relation to the application of the new accounting rules, but can also encompass topics in relation to the implementation of the wider finance reform. Activities related to the 'people' dimension include the following: • Design, prepare and deliver trainings to various stakeholders (finance and non-finance staff, senior managers, etc.) • Communicate with all stakeholders, including politicians and media.

IT dimension

Systems	Accrual accounting requires governments to produce specific sets of financial information, using new reporting formats with a specific design. The introduction of accrual accounting in general, and EPSAS in particular, will generate new data and information requirements. The processing of new data flows will in most cases require adaptations to the existing IT environment. The significance of these system adaptations will highly depend on the current, pre-reform IT maturity. For governments which already report on an accrual basis, the adaptations are expected to be limited contrary to governments which currently report on a cash basis. These expected gradations in effort are measured through the IT maturity. Many governments also see their accrual accounting implementation as an opportunity to set up an enterprise-resource planning (ERP) system or to upgrade their current system, incurring then costs that go beyond strict accrual accounting compliance. Large IT costs have been incurred by governments that have implemented a new ERP system (often as part of a wider finance reform), while costs are significantly lower when governments have made their reform by bringing amendments to their existing IT systems.

Costs will be incurred to carry out the tasks and activities undertaken in each dimension of the reform project, and will vary depending on the efforts required in each reporting area. In the area of fixed assets, for example, the following activities may be required:

- Policies: develop practical guidance for the recognition and measurement of infrastructure assets such as roads, bridges, etc. The government must indicate the recognition criteria, including asset capitalisation thresholds, and the measurement principles (specify the useful lives to be applied for each class of asset, etc.).
- Processes: data collection activities may include establishment of fixed asset register (including valuation), a review of material lease contracts to assess the existence of financial leases, and a detailed review of all PPP arrangements. Furthermore, the entire procurement cycle needs to be revised in order to manage the items of property, plant and equipment. A specific flow needs to be created for the items of property, plant and equipment in order to ensure the appropriate accounting treatment in all phases of the accounting cycle (identification and registration, recognition, measurement, etc.). This flow should be properly documented in detailed procedures manuals.
- People: specific training in respect of the administrative handling of fixed assets under accrual accounting should be planned for both finance and non-finance staff.
- Systems: implementation of specific asset modules.

6.3 Cost calculation approach

The calculation of the estimated future EPSAS reform cost has been determined in four sequential steps.

Table 11 - Cost calculation approach

Data collection and analysis	Collect relevant information regarding the cost of prior accounting reforms in the EU and Switzerland with a view to understanding the nature of the reform and implementation approach. The objective is to identify the types of costs incurred in each dimension of the reform and isolate to the extent possible the compliance cost of implementing accrual accounting. The costs are then grouped as either IT costs (systems), or non-IT costs (policies, processes and people) for the subsequent calculation of standard cost coefficients, and for the scaling-up to EU level. Reform experience costs for which sufficiently detailed and reliable information could be obtained have been selected as benchmark for the cost calculation.
Identification of cost drivers	All reform projects in the cost sample are analysed in order to determine which government characteristics are driving the reform cost. The key government characteristics are the current accounting maturity, the current IT maturity as well as the size and complexity of the government.
Computation of standard cost coefficients	Once the cost drivers of the reform projects are identified, a specific standard cost coefficient is determined for each benchmark government, for both IT and non-IT costs.
Scaling up at EU level	In the final step, the total cost of the future EPSAS reform is calculated for the entire European Union. A scaling-up is done at EU level using the standard cost coefficients and cost drivers identified in the calculation.

6.4 Data collection and analysis

Information on the cost of prior public sector reforms was requested in the questionnaire distributed to the sample countries. The information obtained from the sample countries was further complemented with cost information obtained from some non-sample governments who have implemented similar PFM reforms. Additional cost information has been collected for non-sample governments at the central level in the Czech Republic, Denmark and Slovakia as well as a State government in Belgium (Flemish region).

Following the analysis of the individual PFM reform experiences (see summary in chapter 4, section 4.1), government reforms for which sufficiently detailed cost information was obtained have been selected as benchmarks for the purpose of estimating the cost of EPSAS compliance at the EU level. Those reform experiences which only gave partial data have not been retained as a reference for the purposes of cost estimation, as they only offer a partial view of the costs to be expected.

Comparisons between the various reforms must be considered with the necessary caution due to differences in project scope, implementation approach and resources used (internal versus external).

Differences in scope

The reforms investigated show significant differences in project scope and approach to implementation, which both have a major impact on the cost incurred. The project scope has a major impact: while certain projects are mostly limited to accounting modernisation (city of Essen and Denmark), other reforms (Austria, France and Switzerland) are often combined with broader PFM (public finance management) reforms covering other aspects than just financial reporting and accounting. These additional investments are not directly attributable to the general accounting reform and can therefore not be considered to be part of the EPSAS compliance cost, but may serve to generate additional benefits associated with the PFM reform.

In order to make cost information comparable, the EPSAS compliance cost has been isolated from the total reform cost. Governments for which it was not possible to make the split reliably (France central government, State of Hessen in Germany) have not been included in the benchmark.

Availability of data and project approach

The availability of cost data is highly variable across countries. In some cases cost data is not available at all due to the length of the implementation period, covering many years as the time passed since completion. The reform cost has not been tracked as such and could not be distinguished from the ongoing operating costs.

The availability of information also heavily depends on the reform approach, with more complete information available in relation to centrally managed projects, and less information at hand for projects implemented in a decentralised manner with each ministry or reporting entity responsible for its own implementation arrangements. Due to the decentralised approach, only partial cost data could be obtained from Sweden, Lithuania, Estonia and the Flemish local authorities in Belgium. For the Czech Republic and Slovakia, no sufficiently detailed information has been obtained.

Finally, a detailed breakdown of aggregate cost data according to the reform dimensions and cost types (internal/external), as requested in the study questionnaires, was not always feasible. In order to avoid inconsistencies and maintain comparability between projects, the three non-IT dimensions (Policies, Processes and People) have been combined into one single non-IT dimension. For the purpose of our calculations, we have maintained two main cost categories: IT (system) costs and non-IT costs.

Internal versus external resources

An important aspect for the cost assessment is to determine whether the total EPSAS implementation cost should be determined by reference to external costs only (e.g. IT adaptations or investments, and external consultant costs), or whether internal costs (i.e. mainly time spent by government staff) should be valued in the overall cost assessment. To achieve greater comparability, both internal and external costs have been considered. Where possible, the split between the two is disclosed. Costs may be limited for a substantial part to internal costs where sufficient resources with the necessary skills and expertise are available to manage the project internally within the planned timeline.

6.4.1 *Benchmark government reform costs*

The following government reforms have been used as benchmarks for cost estimation purposes: Austria (central government), Denmark (central government), Switzerland (central government) and the city of Essen (local government in Germany).

Table 12 - Cost data collected from benchmark governments (in € million)

	Austria	Denmark (accrual reform)	Denmark (ERP implementation)	Germany (City of Essen)	Switzerlan d
Policies processes & people					
External cost	2,89			0,48	18,00
Internal cost	10,48			3,52	20,73
A. Non-IT cost	**13,37**	**21,85**	**-**	**4,00**	**38,73**
Systems					
External cost	26,08			1,10	15,00
Internal cost	7,07			1,75	17,27
B. IT cost	**33,15**	**0,87**	**32,81**	**2,85**	**32,27**
TOTAL COST (A+B)	**46,52**	**22,72**	**32,81**	**6,85**	**71,00**

The reform costs reported for each government are described below in terms of IT and non-IT reform dimensions (see overview presented in Table 13 above). Only those 'compliance' costs considered directly attributable to the implementation of accrual accounting are included in the scaling-up calculation (estimate of the EPSAS cost at the EU level).

Austria
Central government (2009 - 2013)

Policies, processes & people	The new accounting standards, based on IPSAS, are developed by the Ministry of Finance (MoF) and approved by the Court of Audit. They require production of an accrual-based operating statement (with a direct link to the federal cost accounting system), balance sheet and cash flow statement. Non-IT costs relate mainly to data collection and the design and engineering of new processes and procedures. A total external cost of €2,86 million has been reported for policies and processes, which includes costs related to project management and controlling as well as €855 thousand for preparing the opening balance sheet. A comprehensive communication and training strategy was activated to ensure that all key stakeholders understood the new accrual environment. In addition to the training (including e-learning tools) provided to civil servants, seminars and briefing sessions were organised for members of Parliament, journalists, and members of the scientific community. 68 training seminars were delivered to more than 1.700 participants by internal trainers coming from the Ministry of Finance, line ministries and other federal agencies. Incremental fees were paid to internal trainers (€20-40/hour) as a small incentive to encourage participation in the training program. An incremental of €30.000 has been reported for these incremental training costs. The number of internal man days spent on the non-IT dimensions of the reform (32.422) have not been valued by the respondent. The value of this time, based on the rates used by the MoF to assess the financial implications of measures (€323,2/day), is estimated at approximately €10,48 million.
Systems	Following an earlier IT reform (1997-2007), Austria had a comprehensive and well-developed cash management system in place based on the SAP EAP-Software. The subsequent accrual reform involved an upgrade to the existing SAP system to acquire new modules and 'add-on' accrual elements. These elements represented one-third of the reported reform cost and included a financial statement module (€1,5 million), asset management module (€1,1 million), and other upgrades to the existing accounting system (€6,8 million). Additional costs totalling €16,7 million were incurred for complementary IT investments related to budget management, personnel management, cost accounting and a business warehouse, which was also added to support management reporting. Overall, 90% of the reported external reform cost related to IT systems. The number of internal man days spent on the IT reform dimension (21.888) has not been valued by the respondent. The value of this time is estimated at approximately €7,07 million.
Cost of compliance	The Austrian budget reform included wider PFM elements such as budgetary reform, personal management and cost accounting. Based on a detailed breakdown reported by the Austrian MoF, we estimated the costs related to the accrual accounting reform at 36% of the total project cost.

Denmark
Central government (2003 - 2005)

Policies, processes & people	The Ministry of Finance (MoF) acted as the coordinator of the accrual accounting project. Thus the MoF supported most of the costs for developing a set of implementation manuals that at one time explained the relevant steps for each entity and at the same time the recognition and measurement basis of the applied accounting principles. The roll-out of the project took place in the line Ministries, which represented 86% of the total project cost (170 million DKK/ €21,85 million). The roll-out consisted of the development and implementation processes required to identify, recognise and measure the different elements of the balance sheet and statement of financial performance. It also included the efforts incurred for data collection. Training was included in the global reform cost without specification of the costs.
Systems	The system adaptation effort could be limited to the minimum, as the year before the reform a new ERP solution (Navision) had been implemented. The cost of the system adaptations amounted to 4% of the accrual reform cost (€0,87 million). A few years before the accrual reform, a new ERP system had been implemented in the MoF and the line Ministries with upgrades in 2004. The total implementation cost amounted to 245 million DKK (€32.81 million).
Cost of compliance	The total project cost is considered to be a compliance cost.

Germany
City of Essen (2004 - 2007)

Policies, processes & people	The city of Essen put a lot of efforts in setting up inventories of fixed assets (especially infrastructure assets) and the creation of a stable database. This required approximately 6 FTEs for a period of 3,5 years. The efforts in respect of the implementation of accrual accounting for fixed assets can be roughly estimated as one third of the total efforts on the project. Before the reform, City of Essen ran four decentralised accounting units. During the reform, centralised accounting units have been set up. As a result, the finance and accounting function has been centralised in respect of accounting policies, asset accounting and core data management. The non-IT costs amount to €4 million of which €2,95 are compliance costs. In order to improve the accounting technical knowledge of the finance staff, training was provided to the decision-makers, the core project team and accounting staff (around 30 employees).
Systems	The conversion of the IT procedures took place in two stages. The first stage included the detachment of the mainframe procedure with modules for accounting, planning, purchasing and payroll. Second stage encompassed the implementation of modules for business partner accounting, investment management and data workflow. The IT system was also used to document the inventories. The IT project for the city of Essen took around 3,5 years. IT costs ended up around €2,85 million, of which €2,1 million compliance costs.
Cost of compliance	On a total project cost of €6,85 million, around €5,05 million are to be considered compliance costs.

Switzerland
Central government (2004 - 2008)

Policies, processes & people	The Swiss central government introduced IPSAS-based accrual accounting. The various elements, such as tangible fixed assets and intangible assets were recognised on the balance sheet and the underlying procedures were updated to capture and manage the required accounting data. The pension liability has been calculated in accordance with IPSAS 25 and the necessary disclosures have been included in the notes. Besides the accounting modernisation, the project also encompassed a budgetary reform and the introduction of cost accounting. Further, also a system to recharge internal services has been put in place. The cost reported for these reform activities is €38,73 million. The main components are data collection (opening balance sheet, process re-engineering and training). The costs can be split between €18 million external costs and €20,73 million internal costs. The internal costs have been valued at a rate of €87/hour.
Systems	Before the introduction of IPSAS, SAP was already used by three of the four administrative units. Therefore, the existing SAP system of these three units had to be customised to fit the requirements of IPSAS and no new SAP system needed to be implemented. System changes included the introduction of an intercompany reconciliation and consolidation tool. Also asset management modules have been implemented. The cut-off procedures have been embedded in the systems. Consequently, the IT costs, which can be split between €15 million external and €17,27 million internal costs, were kept under control as the adaptation required lesser investments.
Cost of compliance	Taking into account the wider scope of the reform, it has been estimated that about 50% of the cost can be considered as a compliance cost.

6.4.2 *Other government reform costs*

Though not taken as a benchmark for cost estimation purposes in the present study, other government reform experiences provide useful information with regard to specific aspects of the accrual accounting and wider public finance reforms. The cost information obtained for governments in Belgium, the Czech Republic, Estonia, France, Germany, Lithuania, Slovakia and Sweden are presented in the table below and described thereafter for each government studied. These government reforms could not be taken as a benchmark for cost estimation purposes for two main reasons:

- Incomplete or extrapolated data: for a number of governments (Belgium - Flanders Region, Estonia, Lithuania, Slovakia and Sweden) insufficient detail or only partial data were obtained as in many cases these governments took a decentralised approach for the reform. The cost information for the Czech Republic was extrapolated, therefore making it difficult to consider it as a sufficiently reliable basis for estimating the reform cost of the other governments.
- Aggregate data: in respect of France and Hessen, it was not possible to reliably isolate the compliance costs within the aggregate cost of the wider reform project.

Table 13 - Cost data, other governments (in € million)

	Belgium (Flanders Region)	Czech Republic	Estonia	France	Germany (State of Hessen)	Lithuania	Slovakia	Sweden
Policies, processes and people								
External cost	0,38		0,61		50,77		10,69	
Internal cost			0,15		45,00			
A. Non-IT cost	**0,38**	**29,00**	**0,76**	**235,00**	**95,77**	0,67	**10,69**	**-**
Systems								
External cost					98,40			
Internal cost					16,37			
B. IT cost	**-**	**65,00**	**0,49**	**330,00**	**114,77**	**10,23**	**10,90**	
TOTAL COST (A+B)	**-**	**94,00**	**1,25**	**565,00**	**210,54**	**10,90**	**21,59**	**6,80**

A narrative summary in respect of accrual reforms listed in the table above is provided in the following pages.

Belgium - Flemish Region
Local governments (2010 - 2014)

People	As the reform has been implemented at local government level, the project was highly decentralised with local governments being responsible for their own reform budget. The oversight authority (Flemish Region) coordinated the project and organised trainings and workshops, which were facilitated by the local government's training schools. A total of 1.539 staff has been trained with an average of 2,5 training days. At a subsidised rate of €100 per training day, the total estimated training cost amounts to €384.750.

Czech Republic
Central and local governments (2010 - ongoing)

Policies, processes & people	The implementation phase started in 2010, with some rules being postponed for three years to reduce the impact of the change. The conceptual rules were set in 2008 by the Act on Accounting, whereas the technical implementation guidance was set by decree and standards (2009). The accounting rules are fully accrual-based with pension benefits implemented in a later phase. Although IPSAS is not formally implemented, the accounting policies are close to IPSAS. The consolidation pilot will start in 2014. It should also be noted that a wide variety in terms of accounting maturity existed between the different entities in scope. The total implementation cost is estimated at €94 million, with €65 million related to IT implementation and data collection. The costs of policy setting, process reengineering amounts to approximately €10 million. It should be noted that these figures have been derived from a sample of entities with extrapolation to the entire population falling within the scope of the reform.
Cost of compliance	The costs reported above only relate to the accounting reform.

Estonia
Central government (2003 - 2005)

Policies, processes & people	Detailed public sector accounting guidelines (based on IPSAS) and a standardised chart of accounts were developed. The guidelines are updated annually, based on changes in IPSAS and IFRS. An extensive training programme was carried out for public sector accountants and a helpdesk established at the Ministry of Finance (MoF). The main challenge of the full accrual reform was the first-time valuation of fixed assets and the reconciliation between the accounting records and the physical inventory. Assets categorised such as land, roads and forests were recognised for the first time but applying the historical cost method appeared to be very challenging in the absence of historical data. Internal and external assessors (for €0,5 million) were required to make the first assessment at market value or replacement cost when the purchase cost was unavailable. The opening balance sheet was set at 1 January 2006. At the end of 2011, the MoF made to the Government of the Republic a proposal to establish the Shared Service Centre of the State of Estonia. The purpose of the centre was to establish a national agency that provides financial, personnel and payroll management services.
Systems	At the end of 2009, the government took the decision that all government entities should start using standardised ERP system SAP for financial and personnel accounting. The MoF and the State Shared Service Centre are both responsible for SAP implementation. Many State IT systems are integrated into SAP; the biggest are the tax collecting system and the social benefits system. Furthermore, all government entities (scope ESA 95) monthly consolidate their accounts via internet in the public sector financial statements database of the MoF. The internet database was implemented for an amount of €0,2 million in 2003. This database was set up as part of the accrual reform, and was used to get consolidated reports starting from 2004. Fully consolidated reports (with data of the public sector enterprises) were available starting from 2005.
Cost of compliance	It is difficult to determine the cost in the case of Estonia, as the reform took place more than 10 years ago, which makes it difficult to collect complete data and split them between cost dimensions. Furthermore, the reform was highly decentralised, and the accounting reform has been combined with a general modernisation of the public sector. This makes it difficult to assess how much of the total cost should be allocated to the accounting part of the reform.

France
Central government (2001 - 2010)

Policies, processes & people	The Organic Act related to the Financial Laws (LOLF [Loi organique relative aux lois de finances]) provided a major reform to the central government's accounts with the establishment of the Central Government General Accounts (CGE [Compte général de l'État]) as a new accounting statement based on the accrual basis principle of recognition of assets and liabilities. This new accounting framework, which only differs from those applicable to the private sector in terms of the specific nature of government action as mentioned in art. 30 of the LOLF, was elaborated with reference to the French GAAP and international standards (IFRS and IPSAS). The first CGE, prepared in 2006, is the result of this accounting reform initiated in 2001. The data collection effort concerned (1) fixed and financial assets, (2) inventories, (3) provisions, and (4) liabilities. Process reengineering activities were strongly linked to the ERP implementation project, with the overhaul of nine macro-processes (not all of these were accrual-accounting-related). As the number of users was very high (50.000), the cost related to process reengineering was significant (€235 million); it reflects the actions (training, human resources affected) implemented by all ministries and the Agency for State Financial Information (AIFE [Agence pour l'Informatique Financière de l'État]). More than 50.000 people were trained (which refers to the number of the IT system users and licences) as part of the Chorus IT project (see section ‘systems’ below). The training took place from 2010 to 2012 in relation to the new accounting environment, as well as other aspects of the ERP system implementation. These activities resulted in a cost of €235 million, which represents mainly external costs. Indeed, it focused on the roll-out of the ERP system including training and process reengineering carried out through external consultancy contracts. The internal cost of the public officials’ attendance to the training sessions was not estimated.
Systems	The accounting reform of the French ministries was based on the Chorus IT project, which consisted in implementing an ERP from scratch (SAP). It involved the ministries along with their regional administrative services. Public bodies have their own accounting software solution, implemented as part of the accrual accounting reform of 1980s, with additional improvements since then. As regards Chorus, €330 million were spent for the development and design of the IT solution. Chorus IT cost includes the development and construction phase for the IT solution (‘Coeur Chorus’: accruals, assets management, revenue management and budgetary sets; ‘Chorus Formulaire’: financial analysis, data recovery) with a target amount of 50.000 users (23.000 users of the Coeur Chorus located in the finance units in the ministries at central or local levels and around 27.000 users of the Formulaires located in the administrative services), the operating costs of the Agency for State Financial Information (excluding personnel costs) - which include external consultancy services (SAP software consultants, IT integrators and global assistance). Hardware is also included (technical architecture and servers).

Cost of compliance

The distinction between strict accounting compliance and costs beyond compliance could not be done. However, it is likely that the overall cost of €565 million includes activities unrelated to accrual accounting compliance, such as those carried out through the processes related to budget preparation and cash management.

As a matter of fact, the activities carried out for developing the Chorus solution were divided into nine Macro Processes (MP):

- MP1 - Preparation of ministerial budget
- MP2 - Allocation and provision of resources
- MP3 - Performance of expenditure
- MP4 - Year-end closing and budget operations
- MP5 - Performance of non-tax revenue
- MP6 - Cash management
- MP7 - Data recovery, minutes and dashboards
- MP8 - Management of payroll and employment ceiling
- MP9 - Assets management

Among those macro-processes, only MP3, MP4, MP5, partly MP6, MP7 and MP9 are accrual-related, the other MPs are linked with budget management.

Germany
State of Hessen (2004 - 2009)

Policies, processes & people

The data collection, especially in respect of fixed assets, has been one of the major undertakings of this project. The level of precision strived for in the transformation was very high and had therefore an important impact on the cost. Non-IT costs (including training) have risen up to €95,77 million.

Comprehensive efforts had to be made for change and acceptance management. Training costs ended up around €2 million.

Systems

Implementing a new ERP system (SAP) absorbed a significant part of the reform effort. Hessen acted as a pioneer in accrual accounting for the federal level, so development efforts for the ERP have been high. Hessen did a full integration of accrual accounting and budgeting, and furthermore a full recognition of performance and cost accounting in the ERP system. For these reasons, IT costs raised up to €114,77 million.

Cost of compliance

On a total project cost of €210,54 million, it has roughly been estimated that around half of it (€105,27 million) would be compliance costs. Because this estimate was only done with a high degree of approximation, the cost of reform for the State of Hessen has not been considered as a benchmark in our analysis.

Lithuania

Central government (2005 - 2013)

Policies, processes & people	The standard-setting phase of the reform (2005 - 2008) was led by a dedicated team in the Ministry of Finance (MoF). The national public sector accounting standards (NPSAS) are based on international standards (IPSAS and IFRS) and national GAAP. The design cost of new national accounting standards, including preparing the drafts and accounting manuals has been estimated at €670.240. The second stage (2008 - 2013) focused on the training of the public sector accountants through the organisation of seminars and on-the-spot consulting sessions for the local government entities. A call centre, managed by the MoF, was created in order to provide good quality assistance to the public accountants during the implementation of accrual accounting. This support costs €543.800.
Systems	Most of central government administrations adapted their existing IT systems to the accrual basis of accounting. The MoF did not monitor the implementation of accrual accounting in the field of IT systems, as each entity was in charge of its own implementation of accrual accounting. The cost for adapting the IT systems amounted to €2,08 million. It included a standardised solution, which was implemented in 150 entities, including the Ministry of Justice, Ministry of Environment, Ministry of Agriculture, Tax Authorities (€3 million) and Ministry of Defence (€98.000). Prior to implementation, an IT feasibility study has been conducted for a cost of €1,14 million. Finally, an automated consolidation software has also been implemented for a cost of €4,02 million.
Cost of compliance	As in many other countries, Lithuania opted for a decentralised approach. A complete set of cost data is not available. Hence it is not possible to assess the cost of compliance reliably.

Slovak Republic
Central and local governments (2005 - 2008)

Policies, processes & people	The Ministry of Finance has adopted accrual-based accounting principles based on, but not fully compliant with, IPSAS principles. As part of the reform, IPSAS is used in practice as a primary basis for developing the government accounting standards, although no explicit reference to them is made in the accounting legislation applicable to the government. Different types of training were provided to the public sector finance staff. The focus of both the basic and more advanced training packages was the new IPSAS-based accounting rules and disclosure requirements. Specific trainings were also provided in respect of the accounting and disclosures in the State treasury system. The total training cost amounted to €1,96 million. Other costs in respect of policies and processes amounted to €10,7 million.
Systems	A new reporting system was implemented, which provided all data necessary for the consolidation process and preparation of consolidated financial statements. Approximately 2.100 organisations have access to this system. The total system implementation cost amounts to €10,9 million.
Cost of compliance	The costs reported above mainly relate to the accounting reform.

Sweden
Central government (1991 - 1994 and 1998 - 2012)

Policies, processes & people	The reform involved a move from mainly cash-based accounting practices to the accrual basis of accounting for all revenue and expenses. Before the reform, there was also no actual consolidation of financial statements, but only compilation of outcome, of use of budget appropriations and budget revenue, and compilation of statistical information for the National Accounts. Beginning of 1992, consolidation of financial statements was implemented. The process was gradually improved until 2002. In 1997, the Budget Act was introduced, where the government submitting a Central Government Annual Report to Parliament, including consolidated financial statements and a lot of other information, became mandatory. Before the reform, fixed assets were not recognised by the agencies, with the exception of a few agencies with business-like areas of operations. After the reform, all fixed assets with a useful life of more than 3 years and an acquisition cost above a certain threshold (in most cases €2.500) should be recognised. All the agencies had to introduce procedures for recognition and valuation of furniture, computers, office equipment, etc., which was not the case before the reform. Another main process change has been the implementation of accrual basis for taxes on the aggregate level. This included the use of models for calculating tax revenue based on macro-economic models and other information, which formerly had been used only for forecasting purposes. The cost was spread out between 285 agencies. The project has been executed in three years with further improvements in later years. The agencies did not receive any extra appropriations for the reform. The costs incurred by the ESV, that was responsible for coordinating the project, amounted to €6,8 million (three yearly appropriations of €2 million and fee income of €0,8 million). A total of 123 training days were organised with 1.960 participants in total, including a conference for top management (170), Cosmos Bas system training (470), training on the new object codes (320), changes in the rules and regulations (500) and training on the new accounting model (500).
Cost of compliance	As only partial cost data have been provided, the cost of compliance has not been determined.

6.5 Identification of cost drivers

The cost drivers are key government characteristics which determine the cost of the future EPSAS reform. The future EPSAS reform cost is calculated through a cost function per reform dimension (non-IT and IT). The different cost drivers are the variables of these functions.

Table 14 - Cost drivers

Cost drivers	Proxy variables	Applicable to non-IT costs	Applicable to IT costs
Accounting maturity	Remaining accounting maturity gap	✓	
Government size	Government budget	✓	✓
Government complexity	Level-specific accounting maturity	✓	✓
IT maturity	Remaining IT maturity gap		✓
Number of entities	Government budget	✓	✓
Number of staff	Government budget	✓	✓

Accounting maturity

The accounting maturity indicates the starting point of the reform project. The government's accounting maturity is measured based on the score derived from the EPSAS questionnaire. The remaining accounting maturity gap is used to estimate the non-IT costs.

Government size

The number of transactions to be processed, the number of data to be collected, the number of workflows to be designed and documented, the number of people to be trained increase with the size of the government. In the absence of more precise elements, a linear relation has been assumed between the size of the government and the future efforts to EPSAS compliance. The government size is expressed as the government budget in € million (using 2013 ESA 95 expenditure data published on 28 April 2014).

Government complexity

The complexity of a country should be considered in terms of the different levels of government in an EU country and the varying accounting maturity between the different levels or even within a single government level. In each EU country, a specific accounting maturity has been determined for each relevant sector (central, State and local government, social funds).

As described in the presentation of accounting maturity scores in section 4.2, an average maturity has been estimated in cases where a significant diversity exists in terms of accounting practices within the same level (e.g. at the State level).

Number of government entities within a government level (sector)

Projects tend to have fixed cost elements which are relatively independent of the size of the entity. This fixed cost would be repetitive for every single entity. For central governments, reform experiences show that the impact is limited as these projects are often centrally coordinated and managed, avoiding hence the repetition of fixed costs.

For local governments, the degree of autonomy of the single entities would lead to a repetition of these costs for every single project (entity). However no standard fixed project cost could be determined. Furthermore, a centralised and coordinated approach within the same government level and the use of standard tools (standard IT software, accounting manuals, etc.) and centralised training can reduce this effect of repetitive costs at single entity level.

The number of entities within a government level has not been retained as a cost driver or cost variable. It has been assumed that the total consolidated budget within a government level is the most reliable and objective indicator of the size and the number of transactions.

Number of accounting staff

The number of finance staff to be trained is the natural cost driver for the training costs. Training costs are expected to increase with the number of staff that needs training on the new accounting policies and procedures. For a number of countries (Austria, Flanders (Belgian State), Slovakia, Sweden), specific and relevant information on training in terms of number of people to be trained, average number of training days, and cost per training day could be obtained. However, it was not possible to reliably estimate by government sector in each EU country, the number of staff to be trained in respect of the future EPSAS reform. Further, the training effort has often been reported by the governments, which have been taken as a benchmark, as part of the total non-IT cost. Following these limitations, training costs have not been calculated separately but have been included in the total non-IT cost, using the same cost drivers as for policies and processes in order to ensure consistency.

The government budget has been taken as proxy measure for the number of staff to be trained, whereas the average training effort per staff member has been derived with reference to the accounting maturity gap.

6.6 Computation of standard cost coefficients

The standard cost coefficient indicates the cost (expressed in € million) which has been incurred, per € million of government budget, by benchmark governments to increase the accounting maturity by 1 point for a particular reform dimension. Standard cost coefficients are determined separately for non-IT and IT costs.

The standard coefficients have been determined with reference to benchmarks. A standard cost coefficient can be calculated for both non-IT and IT costs for each benchmark government.

Non-IT standard cost coefficients

The non-IT costs of an accrual reform project encompass the efforts required in respect of policies, processes and people. Following analysis of the data received, it appears that information reported in the different non-IT dimensions is not always consistent across the sample. As a result, the three dimensions have been combined into one single dimension and a single cost coefficient has been determined for the non-IT reform activities.

The following formula is applied to determine the non-IT standard cost coefficients:

*Standard cost coefficient (non-IT) = reform cost (non-IT) ([a]) / (accounting maturity change * budget).*

([a]) The project cost has been adjusted for inflation since the year of implementation so that all amounts reported can be compared in current value equivalents.

The change in accounting maturity is the difference between the accounting maturity at the end of the reform and at the start of the reform, or in other words the progress made during the reform that is taken as benchmark. The reported reform cost is divided by the change in accounting maturity (on a 100-point scale) to take into account the scale of the reform, and by the government budget. Hence, the standard cost coefficient indicates the euro amount (expressed in € million) spent by the benchmark government per unit of accounting maturity and per € million of government budget.

Table 15 - Computation of non-IT standard cost coefficients (in € million)

	Austria	Denmark	Switzerland	Germany (City of Essen)
External cost	2,89		18,00	0,48
Internal cost	10,48		20,73	3,52
A. Total Cost	*13,37*	*21,85*	*38,73*	*4,00*
Less: non-accounting reform cost	*8,53*	-	*19,36*	*1,05*
B. Compliance cost	*4,84*	*21,85*	*19,37*	*2,95*
Accounting maturity change	*45*	*59*	*61*	*49*
Budget	*81.627,40*	*102.819,70*	*52.281,60*	*2.394,07*
Inflation adjustment	*1,14*	*1,20*	*1,04*	*1,18*
Standard cost coefficient	**0,0000015**	**0,0000044**	**0,0000063**	**0,000029**

For Austria, the total reported reform cost amounts to €13,37 million, of which €4,84 million only (36%) relates to accounting compliance. Based on the calculations, Austria spent 0,0000015 of the government's annual budget per point of accounting maturity gained during the project. The relatively low unit cost of the Austrian reform is explained by the fact that the project has been managed internally and the internal cost has been valued at €323,2/day, which is the rate used by the government to assess the impact of financial measures.

The Danish central government spent €21,85 million on its accrual reform, which corresponds to 0,0000044 of its budget per unit of accounting maturity. The total increase in accounting maturity amounted to 59 points. The Danish Ministry of Finance did not provide a split between internal and external costs.

The unit cost of the Swiss reform is the highest of all three central government benchmarks. As compared to Austria, it should be noted that the Swiss internal costs have been valued at an hourly rate of 107 CHF (€88) or a daily rate of approximately €700/day. The important difference between the two hourly rates is largely due to the use of a different cost basis (full cost for Switzerland versus direct costs for Austria). However, no adjustment has been made and cost data have been retained as reported by the respective governments.

For Essen, the total non-IT cost amounts to €4,0 million, of which €2,95 million are considered to be compliance costs. The Essen reform coefficient (0,000029) is much higher than the coefficients of Denmark, Switzerland and certainly Austria.

IT standard cost coefficients

The following formula is applied to determine the IT standard cost coefficients:

*Standard cost coefficient (IT) = reform cost (IT) ([a]) / (IT maturity change * budget).*

([a]) The project cost has been adjusted for inflation since the year of implementation so that all amounts reported can be compared in current value equivalents.

The formula used for IT cost is similar to the formula for non-IT cost. The only substantial difference is the use of a specific IT maturity.

Two IT project types can be distinguished:

- Adaptations to existing IT infrastructure: Austria, Denmark (accruals reform) and Switzerland.
- New ERP/system implementation: Denmark (New ERP) and Essen (city).

Table 16 - Computation of IT standard cost coefficients

	Austria 1	Denmark (system adaptation)	Denmark (ERP)	Switzerland	Germany (City of Essen)
External cost	26,08			15,00	1,10
Internal cost	7,07			17,27	1,75
A. Total Cost	*33,16*	*0,87*	*32,81*	*32,27*	*2,85*
Less: non-accounting reform cost	- 20,01			16,13	0,75
B. Compliance Cost	*13,14*	*0,87*	*32,81*	*16,14*	*2,10*
IT maturity change	39	56	56	59	47
Budget	81.627,40	102.819,70	102.819,70	52.281,60	2.394,07
Inflation adjustment	1,14	1,20	1,20	1,04	1,18
Standard cost coefficient	**0,0000048**	**0,0000002**	**0,0000069**	**0,0000054**	**0,000022**

The total IT costs for Austria amount to €33,16 million, whereof €13,14 million are compliance costs. Austria spent 0,0000048 of the central government budget per point of IT maturity to adapt the IT system environment (SAP) for the compliance part only. The ERP had been configured in a (modified) cash environment and important system adaptations, including the implementation of new modules (e.g. asset management) were needed to adapt the system to an accrual accounting environment.

As an entirely new IT system has been implemented, the standard cost coefficient incurred by the Danish central governments for the implementation of the Navision IT system is nearly 50% higher (0,0000069) than the Austrian standard cost coefficient.

The IT costs of the Swiss central government are in line with the project costs incurred by Austria. Like Austria, the Swiss central government started from a pre-existing ERP environment (SAP). Similar accounting modules (asset management) were implemented to move to accrual accounting.

Essen, finally, has the highest cost coefficient. The cause of this relatively high unit cost could partly be explained by the non-compressible project costs, which have a greater impact on small entities.

6.7 Limitations

Following the analysis of cost data reported by governments, a number of limitations should be considered when interpreting the results of the scaling-up calculations made to estimate the total EPSAS cost at the EU level.

- Data quality: cost information used as a benchmark as well as information collected through the questionnaires and visit interviews have been validated by the respondents. However, they have not been audited and therefore no assurance can be provided on the completeness and reliability of the collected data.
- Response bias: responses provided by governments in the accounting maturity questionnaire are judgmental, which may lead to slight inconsistencies in the way responses were provided.

- PwC assessments: as highlighted under section 3.3 ‘Data collection and validation’ of Chapter 3 ‘Methodology’, PwC assessments were made where no information was obtained from the Member States, or to capture the diversity of practices within and/or across government sectors for selected Member States.
- Scarcity of information: as only a limited number of countries reported on their prior reform experiences, the reference base is limited. Furthermore, only four governments could provide sufficiently granular and reliable information and could be taken as a benchmark.
- Government size: the use of the government budget as a proxy for the size is a simplification used as a proxy where input data could not be obtained for more targeted cost drivers (e.g. number of employees as a cost driver for training costs).
- IT infrastructure: information on IT infrastructure and maturity has been obtained for central governments only and is limited. For State and local governments and social security funds, virtually no information could be obtained because of the difficulty to have a good overview of the sophistication of the existing IT system due to the fragmentation of the IT landscape. An adapted accounting maturity has been taken as a proxy for IT maturity.
- Scale effects: scale effects relating to the project size have not been considered, as no information is available on economies of scale and corresponding elasticity of the cost. Scale effects may also be expected in relation to the number of entities included in the scope as projects tend to have fixed cost elements which are independent of the size. These fixed costs would be incurred for each entity. For central governments, reform experiences show that the impact is on average limited, as these projects are often centrally coordinated and managed, hence avoiding the repetition of fixed costs.

  For local governments, the degree of autonomy between entities would lead to a repetition of these costs for each project. However no project standard fixed cost could be determined. Furthermore, a centralised approach within the same government level and the use of standard tools (standard IT software, accounting manuals, etc.) and centralised training can reduce this effect of repetitive costs at entity level.
- Response rate: the response rate for central governments was excellent with a full coverage of the EU Member States. The response rate was lower for local governments and social funds, however. As detailed in chapter 3, an assessment has been made by PwC experts to estimate the current level of accounting and IT maturity (or take the central government maturity as a proxy for other government sectors) in the absence of questionnaires submitted by the Member States governments, or other input obtained from government officials.
- User of central government benchmarks: aside from the City of Essen, only central government reform experiences have been taken as a reference. It should be noted that central governments have different objectives and activities than State and local governments. Conversely, the cost data of Essen has been used for central and State governments while local governments do not have all functionalities of a central government.

  The impact of this limitation is mitigated by the fact that the questionnaire used is an effort-based questionnaire and the scoring for each level of government includes all key activities of that specific level of government. Questions that are not applicable to certain levels of government have been excluded from the accounting maturity scoring.
- Use of cash-to-accrual benchmarks: the benchmarks used are (modified) cash-to-accrual reforms. These benchmarks are relevant for governments transitioning from a (modified) cash basis to accrual accounting but could be less suitable for governments that are already on accruals basis and only need to adjust their current policies to ‘walk the last mile’. For an accruals-to-EPSAS reform, the standard cost coefficient for both non-IT and IT work streams might be lower, as both the accounting and IT infrastructures to produce accrual accounting are in place. The use of a (modified) cash-to-accrual benchmark may therefore lead to an overstatement of the cost for governments which are already operating in an accrual accounting environment.
- Determination of compliance cost: it was often difficult to separate the compliance cost from the total costs reported as the projects are not naturally structured along this line of separation. Judgment has been applied, in cooperation with governments concerned, to make this determination.

- Valuation of internal costs: valuation of internal costs is judgmental and several cost methods can be used. For Austria, only direct salary costs (€323/day) were considered. The Swiss central government used a different approach to valuation which resulted in a considerably higher unit cost (€700/day).

6.8 Scaling up costs to the EU level

6.8.1 *Formulas*

The estimated cost of the future EPSAS reform is measured by scaling up the benchmark countries reform costs to the European level. The scope includes all EU Member States and, within Member States, the different sectors (central, State, local and social funds). The scaling-up exercise takes the current state of play of the governments in terms of accounting practices and IT landscape as a starting point to estimate the cost of the envisaged reform.

The scaling-up approach considers the following key specific characteristics (i.e. cost drivers) for each sector (government level) within each EU Member State:

1) The total government budget at sector level (as a proxy for government size).
2) A single accounting maturity.
3) A single IT maturity.

In this chapter, the consolidated EPSAS reform cost at EU level is presented by country and by sector. Further, a split between the IT and non-IT costs is also presented.

Non-IT costs

The following formula is applied to estimate the non-IT costs:

- EPSAS cost (non-IT) = non-IT cost coefficient * accounting maturity gap * government budget

The accounting maturity gap reflects the difference between an EPSAS-compliant accounting environment and government current accounting practices. The accounting gap measures the efforts needed to bring the accounting policies, processes and staff of the government in line with IPSAS (taken as a proxy for EPSAS).

The government budget is a measure for the size of the sector. For the scale-up calculations, a linear relation has been assumed between the required implementation efforts and size of the government, measured through its budget.

IT costs

A similar approach is considered appropriate for scaling up the IT costs, with the IT maturity being taken instead of the accounting maturity. The following formula is applied to estimate the IT costs:

- EPSAS cost (IT) = IT cost coefficient * IT maturity gap * government budget

The IT maturity gap indicates the level of efforts needed to adapt the existing IT infrastructure to reach a 100% capacity to support accrual-based EPSAS accounting. The bigger the IT maturity gap, the more likely significant changes to the existing IT functionalities or even investment in new system functionalities are needed.

6.8.2 *Results of calculations*

The results of the scaling-up exercise are provided below. Two different scenarios have been considered.

1) Scenario 1 assumes that all governments have an IT infrastructure in place that is sophisticated enough to be capable of supporting an accrual-based accounting environment. Under this assumption, only (limited) adaptations to the existing IT infrastructure would be needed to achieve compliance with EPSAS.

2) In scenario 2, it has been assumed that it would be difficult for entities with a low accounting maturity and low IT maturity (below 40 %) to implement EPSAS without investing in a new system implementation. Under this scenario, the EPSAS compliance costs also include the cost of implementing a new IT system.

Within each scenario, two different benchmarks have been used to provide a range of possible costs in respect of the future EPSAS reform.

In interpreting the results, it should be noted that the estimated cost of EPSAS implementation will be spread over several years, therefore having a more limited impact on the government's budget of each year.

Finally, it could be argued that any cost incurred with the implementation of a new IT system should not be considered as a cost attributable to the EPSAS project, as article 3 of Directive 2011/85/EU already imposed to governments to have accounting systems in place that enable them to generate accrual data with a view to preparing the ESA reporting. Having in place such accounting systems is difficult without having at the same time the necessary IT infrastructure that can support accrual accounting. Nevertheless, we present scenario 2 which considers the cost of implementing a new IT system for governments with a low IT and accounting maturity because such implementation is likely to be necessary in practice, regardless of whether the cost is to be linked to the Budgetary Framework Directive or to the EPSAS project.

6.8.2.1. *Scenario 1*

The following benchmarks are used:

Table 17 - Scenario 1 benchmarks

	Scenario 1A	Scenario 1B
Countries > = 70% maturity	Denmark (accrual reform central government)	Denmark (accrual reform central government)
Countries < 70% maturity	Austria (central government)	Switzerland (central government)

Member States with an advanced accounting /IT maturity (70% and more) have already achieved an important degree of compliance in the areas (reporting, fixed assets, accruals and expenses) which require the most important changes to the systems starting from a (modified) cash environment. For these, a scenario with minimal IT adaptations should be envisaged, which best corresponds with the accrual reform of the Danish central government. In Denmark, the central government could keep the changes to the IT environment to a minimum as it had already implemented a full ERP system (Navision) a few years before.

For Member States with a lower maturity, significant system adaptations can be expected. This corresponds with the Austrian scenario. Although Austria already had an ERP system (SAP) in place, new modules were to be implemented in order to capture and process the new data requirements. The Swiss reform has been used to calculate a variant.

Results

Table 18 - Scenario 1 results (in € million)

Scenario 1	Non - IT costs	IT costs	Total
Scenario 1a	445,303	746,759	1.192,062
Scenario 1b	1.259,787	854,008	2.113,795

The total costs for the EPSAS reform calculated with reference to Denmark and Austria amount to €1.192 million. The IT costs can nearly entirely (€739,46 million) be attributed to governments with an accounting/IT maturity of less than 70%, which use Austria as a benchmark.

The variant with the Swiss central government reform taken as a benchmark results in a future EPSAS cost which is €922 million higher. The most significant impact comes from the non-IT costs. The standard cost coefficients derived from the Austrian reform experience are much lower, mainly because the daily cost of internal resources is less in Austria than in Switzerland and, to a lesser extent, because the reform has been done mostly with internal resources.

6.8.2.2. Scenario 2

The same assumptions have been retained as under scenario 1, except for countries with an accounting maturity below 40%. For these, a new system implementation has been considered necessary as the existing systems are developed to run a cash-based accounting system. The required changes to the systems are so significant that a new system implementation is the most likely scenario. The following benchmarks have been considered:

Table 19 - Scenario 2 benchmarks

	Scenario 2A	Scenario 2B
Countries > 70% maturity	Denmark (accrual reform central government)	Denmark (accrual reform central government)
Countries < 70% > 40% maturity	Austria (central government)	Switzerland (central government)
Countries < 40% maturity	Denmark (accrual reform + system implementation)	Essen (city - local government)

Results

Table 20 - Scenario 2 results (in € million)

Scenario 2	Non - IT costs	IT costs	Total
Scenario 2a	805,103	1.013,218	1.818,321
Scenario 2b	4.153,252	2.732,220	6.885,472

The Danish reform has been preceded by an ERP implementation. In comparison with scenario 1A, the IT costs increase by €266 million, as the system adaptations with reference to Austria are replaced by an ERP implementation with reference to Denmark for countries with an IT maturity below 40%. As the Austrian reform is replaced by the Danish reform for countries with a maturity below 40%, the non-IT costs increase as well as the Danish reform is more expensive in terms of non-IT costs than the Austrian reform.

If Essen is used as a benchmark for countries with an IT maturity below 40%, then both the IT costs and non-IT costs are significantly higher.

6.8.2.3. Reasonability check

As a reasonability check, we compared the results obtained under scenario 1 with the amounts reported by the Netherlands (feasibility study) and the Czech Republic.

A study for the Dutch central government estimated the costs for moving to accrual accounting with system adaptation for the IT environment at €130 million, which approximates with the estimated costs for the Dutch central government under scenario 1B (€119 million). The Dutch study also made a cost estimate in case of the implementation of a new ERP system. The results obtained (€262 million) are in between the costs calculated under scenario 2A (€114 million) and cost estimates obtained under scenario 2b (€518 million).

The costs reported by the Czech Republic agree in terms of non-IT costs (€29 million) with the cost estimate (€30 million) for an accrual reform under scenario 1B. For the IT costs, the amount reported by the Czech government (€65 million) lies between the costs obtained under scenario 1A (€20 million) and the costs obtained under scenario 2B (€93 million). The reasonability check for the Czech Republic compares the actual costs reported by the Czech Republic, with the result obtained with the scaling-up formulas, using the applicable standard cost coefficients, the Czech government budget and the change in the accounting and the IT maturity achieved through the reform. The cost estimates provided above therefore relate to the past and do not reconcile with the estimates of costs to be incurred during the future EPSAS reform presented under 6.8.2.5.

6.8.2.4. Implementation costs versus maintenance costs

The estimated EPSAS implementation costs are one-off costs. The budgetary impact can however be spread over the duration of the EPSAS project (estimated to five years on average). Recurring costs to maintain the accounting systems once EPSAS is implemented are expected to be largely covered by government yearly budgets, and would mostly not represent incremental costs.

In parallel to this, benefits derived from the EPSAS reform are expected for the long term.

6.8.2.5. Detailed break-down by country and by sector

Scenario 1A

Table 21 - Scenario 1A detailed break-down by country and by sector (in € million)

Countries	Governments				
	Central	*Local*	*SS funds*	*State*	*Total*
Austria	9,435	12,543	4,088	14,564	40,631
Belgium	20,114	3,030	6,229	7,302	36,674
Bulgaria	2,524	0,766	0,341		3,631
Croatia	5,111	1,997	0,607		7,715
Cyprus	2,834	0,024	0,268		3,126
Czech Republic	4,380	1,541	0,248		6,169
Denmark	12,586	15,757	0,588		28,931
Estonia	0,188	0,067	0,020		0,274
Finland	6,664	1,773	0,440		8,877
France	20,418	12,892	26,237		59,547
Germany	158,677	35,465	59,024	93,293	346,459
Greece	45,052	3,128	6,246		54,426
Hungary	6,398	1,275	1,141		8,814
Ireland	14,604	0,818	0,679		16,101
Italy	167,278	83,351	55,465		306,094
Latvia	0,526	0,268	0,175		0,969
Lithuania	0,797	0,325	0,290		1,412
Luxembourg	6,468	0,723	1,381		8,572
Malta	1,342	0,001	-		1,343
Netherlands	61,620	14,733	2,335		78,688
Poland	14,545	8,363	2,835		25,743
Portugal	13,451	0,599	0,851		14,902
Romania	7,202	2,627	1,939		11,768
Slovakia	1,649	0,493	1,238		3,381
Slovenia	2,699	0,636	0,896		4,230
Spain	23,708	9,057	13,243	30,349	76,357
Sweden	9,926	8,823	1,101		19,849
UK	13,201	4,176	-		17,378
Grand Total	**633,399**	**225,252**	**187,903**	**145,508**	**1.192,062**

Under scenario 1A, Germany and Italy would incur the highest implementation costs in absolute figures. Together they account for more than half of the expected EPSAS implementation cost at EU level. The estimates for Germany can be explained through the low accounting maturity for the central level and for a number of Bundesländer. Also, the size of the German public sector has a significant impact on the reform cost. Italy shows a low accounting maturity across the different government levels which, combined with the size of the government, leads to the second highest cost at country level.

The accounting and IT maturity and the size of the government are the cost drivers that most significantly impact the cost estimate.

Scenario 1B

Table 22 - Scenario 1B detailed break-down by country and by sector (in € million)

Countries	Governments				
	Central	*Local*	*SS funds*	*State*	*Total*
Austria	9,435	24,090	8,056	27,970	69,550
Belgium	39,798	4,479	11,933	10,773	66,982
Bulgaria	4,936	1,498	0,673		7,107
Croatia	9,909	3,871	1,201		14,981
Cyprus	5,411	0,024	0,510		5,946
Czech Republic	4,380	1,541	0,248		6,169
Denmark	12,586	30,541	1,147		44,274
Estonia	0,188	0,067	0,020		0,274
Finland	6,664	1,773	0,440		8,877
France	20,418	12,892	26,237		59,547
Germany	303,210	56,218	113,847	171,250	644,525
Greece	86,522	6,008	12,023		104,553
Hungary	12,634	2,518	2,238		17,389
Ireland	28,577	0,818	1,336		30,731
Italy	322,165	160,756	105,919		588,840
Latvia	0,526	0,268	0,342		1,136
Lithuania	0,797	0,325	0,290		1,412
Luxembourg	12,455	1,385	2,639		16,480
Malta	2,583	0,001	-		2,584
Netherlands	118,764	28,537	2,335		149,635
Poland	29,102	16,733	2,835		48,670
Portugal	26,707	0,599	0,851		28,158
Romania	14,059	5,129	3,719		22,906
Slovakia	1,649	0,493	2,371		4,513
Slovenia	5,310	1,250	1,714		8,274
Spain	23,708	17,025	25,307	57,012	123,053
Sweden	9,926	8,823	1,101		19,849
UK	13,201	4,176	-		17,378
Grand Total	**1.125,621**	**391,838**	**329,331**	**267,005**	**2.113,795**

Scenario 1B confirms the trends which appear in scenario 1A. For governments with an accounting maturity of 70% or more, there is no difference as the same benchmark (Denmark central government) has been used.

However, governments with an accounting maturity below 70% see the implementation costs increase with the Swiss central government reform taken as a benchmark. Germany, Italy, the Netherlands, Spain and Greece together absorb €1.611 million, which represents 76% of the total estimated EPSAS reform cost. The high cost for the Netherlands is largely for the central government which currently applies cash-based accounting practices. In Spain, the highest cost is for State governments, whose accounting maturity is less than that of the central and local governments. Greece shows the lowest accounting maturity across all levels of government, with a consequential impact on the estimated cost.

Scenario 2A

Table 23 - Scenario 2A detailed break-down by country and by sector (in € million)

Countries	Governments				
	Central	*Local*	*SS funds*	*State*	*Total*
Austria	9,435	23,165	4,088	26,897	63,586
Belgium	20,114	3,030	6,229	7,302	36,674
Bulgaria	2,524	0,766	0,341		3,631
Croatia	9,483	3,705	0,607		13,795
Cyprus	5,219	0,024	0,493		5,736
Czech Republic	4,380	1,541	0,248		6,169
Denmark	12,586	15,757	0,588		28,931
Estonia	0,188	0,067	0,020		0,274
Finland	6,664	1,773	0,440		8,877
France	20,418	12,892	26,237		59,547
Germany	292,334	54,934	59,024	164,783	571,075
Greece	83,203	5,777	11,548		100,528
Hungary	6,398	1,275	1,141		8,814
Ireland	14,604	0,818	0,679		16,101
Italy	309,359	154,254	102,152		565,765
Latvia	0,526	0,268	0,175		0,969
Lithuania	0,797	0,325	0,290		1,412
Luxembourg	11,961	1,334	2,544		15,839
Malta	2,482	0,001	-		2,483
Netherlands	113,999	14,733	2,335		131,067
Poland	14,545	8,363	2,835		25,743
Portugal	13,451	0,599	0,851		14,902
Romania	7,202	2,627	3,578		13,408
Slovakia	1,649	0,493	2,283		4,426
Slovenia	2,699	0,636	1,651		4,986
Spain	23,708	9,057	13,243	30,349	76,357
Sweden	9,926	8,823	1,101		19,849
UK	13,201	4,176	-		17,378
Grand Total	**1.013,054**	**331,213**	**244,722**	**229,332**	**1.818,321**

The second scenario considers that a new system implementation is unavoidable for governments with a low accounting and IT maturity (i.e. below 40%).

Increases are significant for governments with an IT maturity below 40% as the estimated cost includes the implementation cost of a new IT system/ERP. As compared to scenario 1a, the most significant increases relate to Italy (€228 million), Germany (€224 million), the Netherlands (€52 million) and Greece (€46 million). Especially Italy and Greece show a strong increase as for both countries all sectors have a maturity score below 40%.

Scenario 2B

Table 24 - Scenario 2B detailed break-down by country and by sector (in € million)

Countries	Governments				
	Central	*Local*	*SS funds*	*State*	*Total*
Austria	9,435	105,025	8,056	121,941	244,457
Belgium	39,798	4,479	11,933	10,773	66,982
Bulgaria	4,936	1,498	0,673		7,107
Croatia	43,252	16,898	1,201		61,352
Cyprus	23,574	0,024	2,223		25,822
Czech Republic	4,380	1,541	0,248		6,169
Denmark	12,586	30,541	1,147		44,274
Estonia	0,188	0,067	0,020		0,274
Finland	6,664	1,773	0,440		8,877
France	20,418	12,892	26,237		59,547
Germany	1.321,064	204,264	113,847	716,150	2.355,324
Greece	377,215	26,193	52,434		455,843
Hungary	12,634	2,518	2,238		17,389
Ireland	28,577	0,818	1,336		30,731
Italy	1.405,072	701,239	461,444		2.567,755
Latvia	0,526	0,268	0,342		1,136
Lithuania	0,797	0,325	0,290		1,412
Luxembourg	54,319	6,039	11,499		71,857
Malta	11,265	0,001	-		11,266
Netherlands	518,018	28,537	2,335		548,890
Poland	29,102	16,733	2,835		48,670
Portugal	26,707	0,599	0,851		28,158
Romania	14,059	5,129	16,209		35,397
Slovakia	1,649	0,493	10,332		12,475
Slovenia	5,310	1,250	7,470		14,030
Spain	23,708	17,025	25,307	57,012	123,053
Sweden	9,926	8,823	1,101		19,849
UK	13,201	4,176	-		17,378
Grand Total	**4.018,383**	**1.199,166**	**762,047**	**905,876**	**6.885,472**

Under scenario 2b, the estimated costs increase steeply for governments showing an accounting and IT maturity below 40% with the use of the Essen reform as a reference. Indeed, Essen has the highest cost coefficients for both non-IT and IT. The combined reform cost for Italy, Germany, the Netherlands, Greece, Austria and Spain amounts to €6.295 million and covers 91% of the total reform cost. The high Austrian cost is for State and local governments only as the central government has already undertaken an accrual accounting reform.

6.8.2.6. *Cost as a % of the Gross Domestic Product (GDP)*

Table 25 - Cost as a % of the Gross Domestic Product (GDP)

Country	2013 GDP (in € billion)	Scenario 1A	Scenario 1B	Scenario 2A	Scenario 2B
Austria	**313.067**	**0,013%**	**0,022%**	**0,020%**	**0,078%**
Belgium	382.692	0,010%	0,018%	0,010%	0,018%
Bulgaria	39.940	0,009%	0,018%	0,009%	0,018%
Croatia	**43.128**	**0,018%**	**0,035%**	**0,032%**	**0,142%**
Cyprus	**16.504**	**0,019%**	**0,036%**	**0,035%**	**0,156%**
Czech Republic	149.491	0,004%	0,004%	0,004%	0,004%
Denmark	**249.125**	**0,012%**	**0,018%**	**0,012%**	**0,018%**
Estonia	18.435	0,001%	0,001%	0,001%	0,001%
Finland	193.443	0,005%	0,005%	0,005%	0,005%
France	2.059.852	0,003%	0,003%	0,003%	0,003%
Germany	**2.737.600**	**0,013%**	**0,024%**	**0,021%**	**0,086%**
Greece	**182.054**	**0,030%**	**0,057%**	**0,055%**	**0,250%**
Hungary	97.948	0,009%	0,018%	0,009%	0,018%
Ireland	164.050	0,010%	0,019%	0,010%	0,019%
Italy	**1.560.024**	**0,020%**	**0,038%**	**0,036%**	**0,165%**
Latvia	23.372	0,004%	0,005%	0,004%	0,005%
Lithuania	34.631	0,004%	0,004%	0,004%	0,004%
Luxembourg	**45.478**	**0,019%**	**0,036%**	**0,035%**	**0,158%**
Malta	**7.221**	**0,019%**	**0,036%**	**0,034%**	**0,156%**
Netherlands	**602.658**	**0,013%**	**0,025%**	**0,022%**	**0,091%**
Poland	389.695	0,007%	0,012%	0,007%	0,012%
Portugal	165.690	0,009%	0,017%	0,009%	0,017%
Romania	142.245	0,008%	0,016%	0,009%	0,025%
Slovakia	72.134	0,005%	0,006%	0,006%	0,017%
Slovenia	**35.275**	**0,012%**	**0,023%**	**0,014%**	**0,040%**
Spain	1.022.988	0,007%	0,012%	0,007%	0,012%
Sweden	420.849	0,005%	0,005%	0,005%	0,005%
UK	1.899.761	0,001%	0,001%	0,001%	0,001%
EU 28	***13.069.350***	***0,009%***	***0,016%***	***0,014%***	***0,053%***

The cost as a percentage of the GDP measures the capacity of the economy to finance the reform.

The economic impact under scenario 1A is expected to be more important for Greece (0,030%), Italy (0,020%), Luxemburg (0,019%), Malta (0,019%), Cyprus (0,019%) and Croatia (0,018%). The costs increase up to 0,250% of the GDP for Greece under scenario 2B (or 0,050 % of the GDP if the cost is spread over the duration of the EPSAS project, let's say five years).

Countries that already have reached an advanced stage of accrual accounting such as the three Baltic countries, Slovakia, the Czech Republic, Sweden, France and the UK would only spend between 0,001% and 0,004% of the GDP on the future EPSAS reform. If we spread the cost over five years, the cost would only represent between 0,0002% (UK scenario 1A) and 0,046% (Greece scenario 2B) of the GDP on a yearly basis.

6.8.2.7. Cost per inhabitant

Table 26 - Cost per inhabitant

Country	Number of inhabitants	Scenario 1A	Scenario 1B	Scenario 2A	Scenario 2B
Austria	**8.451.860**	**4,81 €**	**8,23 €**	**7,52 €**	**28,92 €**
Belgium	11.161.642	3,29 €	6,00 €	3,29 €	6,00 €
Bulgaria	7.284.552	0,50 €	0,98 €	0,50 €	0,98 €
Croatia	4.262.140	1,81 €	3,51 €	3,24 €	14,39 €
Cyprus	865.878	3,61 €	6,87 €	6,62 €	29,82 €
Czech Republic	10.516.125	0,59 €	0,59 €	0,59 €	0,59 €
Denmark	5.602.628	5,16 €	7,90 €	5,16 €	7,90 €
Estonia	1.320.174	0,21 €	0,21 €	0,21 €	0,21 €
Finland	5.426.674	1,64 €	1,64 €	1,64 €	1,64 €
France	65.578.819	0,91 €	0,91 €	0,91 €	0,91 €
Germany	**82.020.578**	**4,22 €**	**7,86 €**	**6,96 €**	**28,72 €**
Greece	**11.062.508**	**4,92 €**	**9,45 €**	**9,09 €**	**41,21 €**
Hungary	9.908.798	0,89 €	1,75 €	0,89 €	1,75 €
Ireland	4.591.087	3,51 €	6,69 €	3,51 €	6,69 €
Italy	**59.685.227**	**5,13 €**	**9,87 €**	**9,48 €**	**43,02 €**
Latvia	2.023.825	0,48 €	0,56 €	0,48 €	0,56 €
Lithuania	2.971.905	0,48 €	0,48 €	0,48 €	0,48 €
Luxembourg	**537.039**	**15,96 €**	**30,69 €**	**29,49 €**	**133,80 €**
Malta	421.364	3,19 €	6,13 €	5,89 €	26,74 €
Netherlands	**16.779.575**	**4,69 €**	**8,92 €**	**7,81 €**	**32,71 €**
Poland	38.533.299	0,67 €	1,26 €	0,67 €	1,26 €
Portugal	10.487.289	1,42 €	2,68 €	1,42 €	2,68 €
Romania	20.020.074	0,59 €	1,14 €	0,67 €	1,77 €
Slovakia	5.410.836	0,62 €	0,83 €	0,82 €	2,31 €
Slovenia	2.058.821	2,05 €	4,02 €	2,42 €	6,81 €
Spain	46.727.890	1,63 €	2,63 €	1,63 €	2,63 €
Sweden	9.555.893	2,08 €	2,08 €	2,08 €	2,08 €
UK	63.896.071	0,27 €	0,27 €	0,27 €	0,27 €
EU 28	**507.162.571**	**2,35 €**	**4,17 €**	**3,59 €**	**13,58 €**

The impact on the citizen in its capacity as taxpayer can be measured through the cost per inhabitant in each country.

The average cost of the EPSAS reform per inhabitant varies between €2,35 and €13,58. The highest costs per inhabitant under scenario 1a are for Luxemburg (€15,96), Italy (€5,13), Greece (€4,92), Austria (€4,81), the Netherlands (€4,69) and Germany (€4,22).

The highest cost under scenario 2B is for Luxembourg (€133,80). If we consider the total duration of the EPSAS project (say five years), the yearly cost will be less (€26,76).

For Member States with the highest accounting maturity (above 85 %), i.e. the UK, Estonia, France, and Lithuania plus Latvia and the Czech Republic, the total cost per inhabitant would be less than €1.

Spread over five years, the cost per inhabitant (taking into account the most expensive scenario) would be less than €1 per year for more than half of the Member States (15 out of 28).

Task 2 - Evaluation of IPSAS standards and analysis of their application in the EU Member States

7. Application of IPSAS by EU Member States

7.1 Transposition of IPSAS into national legislation

The transposition of IPSAS into the national legislation of EU Member States was assessed via an online survey, whose results allow to distinguish five distinct clusters, ranging from 'explicit reference to IPSAS as the primary basis for developing government accounting standards' to 'not using IPSAS as a source of inspiration'.

Central governments

Responses from all Member States have been received at the level of central government only and are set out below.

Table 27 - Transposition of IPSAS into national legislation

To what extent are the International Public Sector Accounting Standards (IPSAS) reflected in the accounting legislation applicable to your government?	Central
a. Accounting legislation applicable to your government specifies an explicit requirement to comply with the IPSAS framework as a whole	-
b. Accounting legislation applicable to your government makes explicit reference to IPSAS as the primary basis for developing your government accounting standards	Estonia, Lithuania (1), Portugal, Spain
c. IPSAS are in practice used as a primary basis for developing your government accounting standards although no explicit reference to them is made in the accounting legislation applicable to your government	Austria, Latvia (1), Slovakia (1), Sweden
d. IPSAS are in practice used as a source of inspiration (although not as a primary reference) for developing your government accounting standards although no explicit reference to them is made in the accounting legislation applicable to your government	Belgium, Croatia, Cyprus, Czech Republic, Denmark, France, Romania (1), Slovenia, United Kingdom (2)
e. IPSAS are not used as a source of inspiration for developing your government accounting standards	Bulgaria (3), Finland, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, Netherlands, Poland (1)

(1) Latvia, Lithuania, Poland, Romania and Slovakia also use IFRS (as adapted for the public sector) in practice as a source of inspiration (not as a primary reference) for developing their government accounting standards, although no explicit reference to them is made in the accounting legislation.

(2) UK accounting standards are formerly based on IFRS, and IPSAS are a formal reference point when it is deemed necessary to adapt IFRS for the public sector context.

(3) In Bulgaria, IPSAS are referred to in Article 5a (1) of the Accountancy Act, but only for purposes of general requirements and direction for developing the accounting framework. This legal provision states that the governmental accounting framework is to be based on:

- EU requirements, regarding accounting, statistics and budgeting of the public sector;
- principles and concepts of the GFSM issued by the IMF;
- International Public Sector Accounting Standards;
- requirements of the Bulgarian legislation concerning budgeting, execution and reporting of the budget, management and control of resources and expenditures of budgetary organisations.
- IFRS (as adapted for the public sector) are in practice used as a source of inspiration.

17 EU central governments use IPSAS as one of their sources of inspiration for developing their own government accounting standards, including four central governments which make explicit reference to IPSAS as the primary basis for developing their government accounting standards in the accounting legislation, and four central governments which use IPSAS in practice as a primary basis for developing their own government accounting standards, although no explicit reference to them is made in the accounting legislation.

11 central governments do not use IPSAS as a reference for developing their central government accounting rules. Among these governments however, two of them (Malta and Greece) have plans to implement an accrual accounting reform inspired by IPSAS standards.

Based upon the above findings, IPSAS appear to be a common source of reference for the Member States at the central government level, as combined with their own specific accounting legislation.

State and local governments, social security funds

Partial information was received in respect of the transposition of IPSAS into national legislation of local entities and social funds; findings are summarised below.

When it comes to the local governments, IPSAS are used by them in 13 EU countries as one of their sources of inspiration for developing their own government accounting standards, including the same four countries as at the central government level which make explicit reference to IPSAS in the accounting legislation, as the primary basis for developing their government accounting standards: Estonia, Lithuania, Portugal and Spain. In one of the 13 countries mentioned above (local government of the Flemish Region in Belgium), IPSAS are referred to in the legislation as a source of inspiration. In addition, local entities of three countries out of these 13 EU countries use IPSAS as a primary basis for their own standards, although no explicit reference to them is made in the accounting legislation: Latvia, Slovakia and the United Kingdom. Local governments in Malta use IFRS.

As regards social funds, six EU countries use IPSAS as one of their sources of inspiration for developing their own government accounting standards, out of which Estonia and Lithuania make explicit reference to IPSAS in the accounting legislation as the primary basis for developing their government accounting standards. Latvia also uses IPSAS in practice as a primary basis for developing social funds accounting standards, although no explicit reference to them is made in the accounting legislation.

7.2 Accounting maturity per government level

The table below highlights the level of accounting maturity per country, as calculated with reference to IPSAS standards and presented in chapter 4 section 4.2 - Accounting maturity. The split has been made between the government sectors for each Member State with groupings made based on the following maturity thresholds:

- high accounting maturity: above or equal to 70%,
- average accounting maturity: between 40% and 70%, and
- low accounting maturity: below the threshold of 40%.

The accounting maturity per level of government gives a global overview of the country situation in terms of accrual accounting.

Table 28 - Accounting maturity per government level

Accounting maturity	Central	State
High Accounting Maturity (AM) AM ≥ 70%	Austria, Czech Republic, Denmark, Estonia, Finland, France, Latvia, Lithuania, Slovakia, Spain, Sweden, United Kingdom	
Average Accounting Maturity (AM) 70% > AM ≥ 40%	Belgium, Bulgaria, Hungary, Ireland, Poland, Portugal, Romania, Slovenia	Belgium, Spain
Low Accounting Maturity (AM) AM < 40%	Croatia, Cyprus, Germany, Greece, Italy, Luxembourg, Malta, Netherlands	Austria, Germany

Accounting maturity	Local	Social Funds
High Accounting Maturity (AM) AM ≥ 70%	Belgium, Cyprus, Czech Republic, Estonia, Finland, France, Ireland, Latvia, Lithuania, Malta, Portugal, Slovakia, Sweden, United Kingdom	Czech Republic, Estonia, Finland, France, Lithuania, Netherlands, Portugal, Sweden
Average Accounting Maturity (AM) 70% > AM ≥ 40%	Bulgaria, Denmark, Germany, Hungary, Netherlands, Poland, Romania, Slovenia, Spain	Austria, Belgium, Bulgaria, Croatia, Denmark, Hungary, Ireland, Latvia, Poland, Spain
Low Accounting Maturity (AM) AM < 40%	Austria, Croatia, Greece, Italy, Luxembourg	Cyprus, Germany, Greece, Italy, Luxembourg, Romania, Slovakia, Slovenia

As the results presented in Table 28 demonstrate, there is a great diversity in terms of accounting maturity among EU central governments. 12 out of 28 Member States show a maturity of 70% or more at central government level. Countries with a score of 70% or more have already achieved a high degree of compliance with the accruals principles in key accounting areas such as reporting, non-current assets as well as accruals and expenses.

Eight Member States, including Germany, Italy and the Netherlands, have a maturity below 40% at the central level. For these countries, a significant effort can be expected in order to implement comprehensive accrual-based accounting standards. They do not have an accrual-based reporting framework currently in place, and do not have a detailed and valued fixed asset register for most of their fixed assets. Revenue and expenses/social benefits are normally recognised on a cash basis.

The accounting maturity for local governments is on average slightly higher than for the corresponding central government; only five countries have reported a maturity lower than 40% for the local government level. It should be highlighted that a wide range of accounting practices and accounting legislations may coexist within the same country at the State level and at the local level. In such cases, a weighted average accounting maturity has been determined for that government sector, with the respective budgets used as a weighting factor.

As described in the calculation of accounting maturity scores in chapter 4, the accounting maturity for social funds takes into account only those accounting areas considered relevant for the sector (reporting, accruals and expenses, employee benefits and financial instruments).

If there is great diversity between Member States, the accounting landscape also varies a lot within one country in several instances. In Germany for example, most of local government entities already apply accrual accounting while the central government applies cash-based accounting practices. In Austria, the situation is opposite.

The analysis of the accounting maturity per government level can provide useful information for the organisation of the EPSAS transition, especially in relation to the question of whether a staged approach could be organised per government level. One could for example imagine that EPSAS would be first required at central government level and rolled out to local governments afterwards, with the latter learning from the lessons drawn from the implementation experiences of central governments.

Given the diversity of accounting practices between and within Member States, imposing such a general approach does not appear feasible.

7.3 Mapping of accounting maturity with transposition of IPSAS into national legislation

The following table maps the level of transposition of IPSAS in the national legislation applicable to central governments, with their accounting maturity.

Figure 6 - Mapping of accounting maturity with transposition of IPSAS into national legislation

IPSAS referred to or used as a basis/source of inspiration	AM < 40%	70% > AM ≥ 40%	AM ≥ 70%
b		Portugal	Estonia, Lithuania, Spain
c.			Austria, Latvia, Slovakia, Sweden
d	Croatia, Cyprus	Belgium, Romania, Slovenia	Czech Republic, Denmark, France, United Kingdom
e	Germany, Greece, Italy, Luxembourg, Malta, Netherlands	Bulgaria, Hungary, Ireland, Poland	Finland

Accounting maturity (AM)

Key:

a.	Accounting legislation applicable to your government specifies an explicit requirement to comply with the IPSAS framework as a whole
b.	Accounting legislation applicable to your government makes explicit reference to IPSAS as the primary basis for developing your government accounting standards
c.	IPSAS are in practice used as a primary basis for developing your government accounting standards although no explicit reference to them is made in the accounting legislation applicable to your government
d.	IPSAS are in practice used as a source of inspiration (although not as a primary reference) for developing your government accounting standards although no explicit reference to them is made in the accounting legislation applicable to your government
e.	IPSAS are not used as a source of inspiration for developing your government accounting standards

Countries whose legislation requires compliance with IPSAS (Estonia, Lithuania, Spain) or which use IPSAS as a primary source of reference for developing their own standards (Austria, Latvia, Slovakia, Sweden) are ranked among the most mature countries in terms of IPSAS compliance.

A similar conclusion applies to the UK which uses IFRS as adapted for the public sector, which is very close to IPSAS.

Though the accounting legislation of the Portuguese central government makes explicit reference to IPSAS as the primary basis for developing its accounting standards, the accounting maturity of the Portuguese authorities is set below the threshold of 70%. This is because the IPSAS implementation project is currently ongoing, with the full implementation to be expected by 2017.

7.4 Accounting maturity per accounting area

This section presents the current state of play in respect of the application of IPSAS by EU Member States at the central government level. It establishes a baseline understanding of current government accounting and reporting rules across the EU Member States, analysed per accounting area.

The results presented focus solely on the central government level, as comprehensive data was received from all 28 central governments to support the analysis at this level only. Information received from State and local governments as well as from social security funds, was not complete enough as to draw general conclusions for these levels.

7.4.1 *General overview*

Key aspects of government accounting and financial reporting inside the European Union at the central government level are presented by accounting area.

Figure 7 - Average accounting maturity per accounting area across the EU

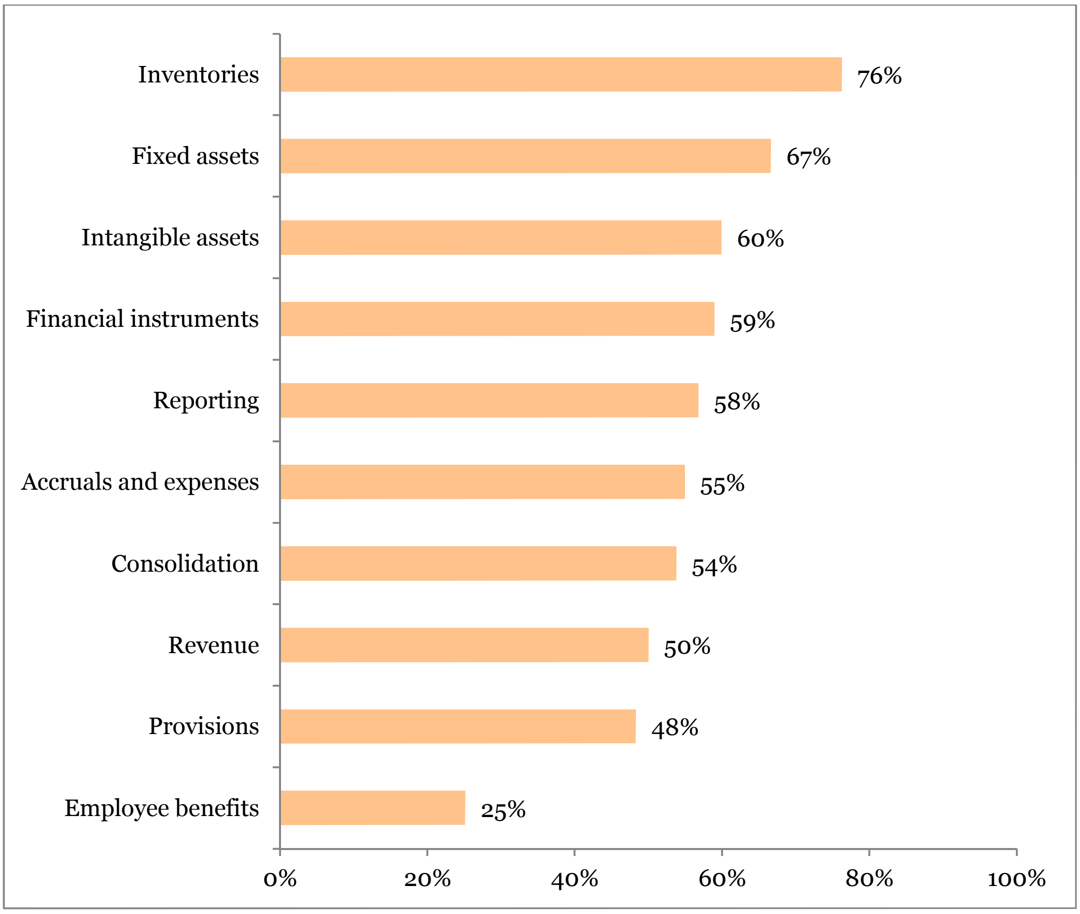


Figure 7 gives an overview of the average accounting maturity score per accounting area across EU governments; it highlights the areas which are more closely aligned with IPSAS requirements across the EU. Accounting for inventories is on average the highest score whereas employee benefits accounting has obtained the lowest accounting maturity as few governments apply the IPSAS 25 principles in respect of defined benefit accounting schemes.

7.4.2 *Reporting*

With regard to the **reporting area**, the average accounting maturity for EU countries at the central government level amounts to 58%. This average score reflects the readiness of each country in respect of the preparation of:

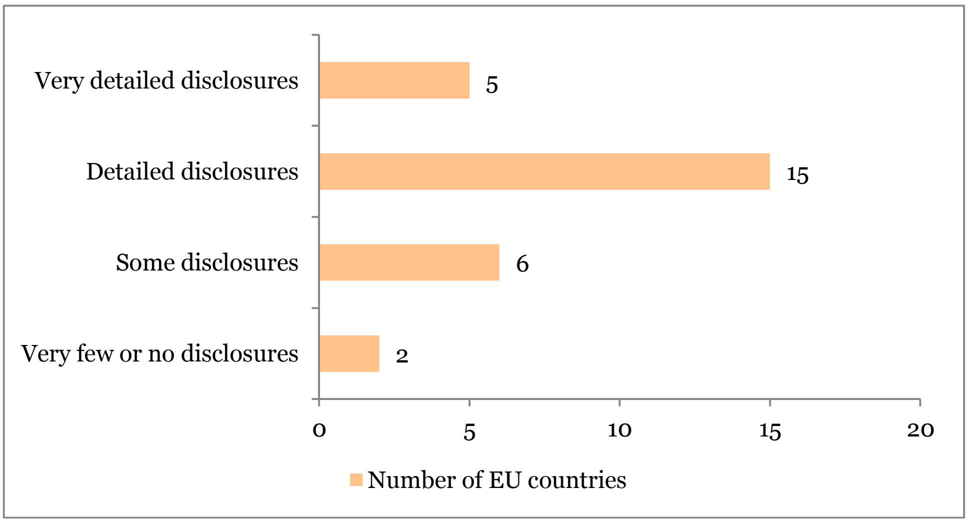
- the primary components of the government's financial statements: financial statements of the reporting entity should include a statement of financial position, a statement of financial performance, a cash flow statement, a statement of changes in net assets, and a statement of comparison of budget and actual amounts (budget execution).

Although most EU countries present a statement of financial position, as well as a statement of financial performance, no maturity point has been given to governments preparing their accounts under the cash basis or modified cash basis system, due to a lack of compliance with the accrual accounting principles;

- disclosure of information in the financial statements: compliance with the extensive disclosure requirements is one of the areas that have been identified by the Member States as requiring the most significant efforts.

  The graph below indicates how Member States assess the level of details in the information they currently provide in the financial statements.

Figure 8 - Disclosures included in the government's financial statements



The volume of information presented as disclosures in the notes to the financial statements varies widely from country to country. It is interesting to note that 20 central governments declare to report detailed (15) or very detailed (5) disclosures. These governments are likely to be better prepared (better data availability, etc.) than those which declare providing no or only some disclosures in their financial statements.

7.4.3 *Consolidation*

Consolidation is the process of presenting a single set of financial statements including the accounts of all entities that make up the economic entity on a consolidated basis.

The average score of 54% reflects the average maturity in respect of:

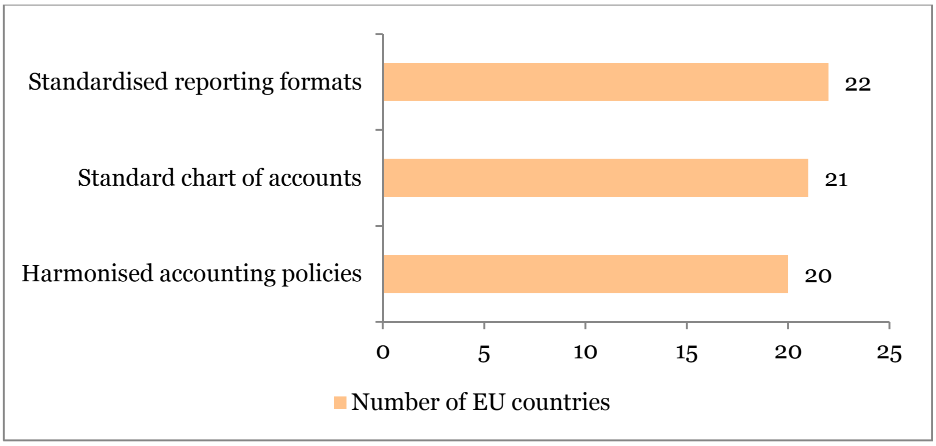
- the scope of consolidation: general government sector entities which are included in the scope of consolidation;

- the organisation of the consolidation process, especially the degree of harmonisation of accounting policies, the existence of useful tools such as reporting formats and standard chart of accounts, or procedures such as the elimination of intra-government transactions and balances.

One of the biggest challenges of the consolidation process is to make sure that all entities that should be included in the scope are effectively consolidated. Most EU countries (21 out of 28) declare to have included all government ministries/departments in their financial statements. Moreover, 16 central governments out of 28 take into account agencies in the scope of consolidation.

However, the procedure followed by central governments preparing their accounts under the cash basis or modified cash basis system differs greatly from the consolidation process under the accrual basis. This was taken into account when calculating the total accounting maturity for this accounting area, with adjustments made for governments reporting on a cash basis due to a lack of compliance with the accrual accounting principles.

Figure 9 - Harmonisation across entities



Once the consolidation scope is defined, an efficient consolidation process that enables timely and reliable reporting by all entities in the consolidation scope needs to be put in place. As shown in Figure 9, best practices such as the use of standardised reporting formats (22 Member States), a standard chart of accounts (21 Member States), as well as harmonised accounting policies (20 Member States) are already widely implemented.

As regards the reconciliation and elimination of intra-government transactions and balances, 18 countries out of 28 report applying such a procedure in order to prepare central government's consolidated financial statements. Balances and transactions between entities within the economic entity should be eliminated in full, including revenues and expenses. Internal gains and losses on intra-government transactions, which have been included in assets or liabilities (e.g. in inventory or in fixed assets) should also be eliminated in full.

The practical challenge of gathering information across a series of entities with different financial systems should not be underestimated. A common IT platform and integrated financial systems can help streamline the reporting process. Challenges in identifying and then eliminating intra-entity balances and transactions might be overcome by establishing additional codes in the reporting system for all entities. Procedures should be implemented to make sure intra-entity balances and transactions are reconciled before they are eliminated.

The following examples give an overview of the approach taken by Estonia, Sweden, and the United Kingdom in producing a consolidated set of accounts at the central government level.

Estonia *A standard chart of accounts is used by all public sector entities, including 240 different accounts for assets, 340 for revenues and 450 for expenses. The State Shared Service Centre is in charge of the management of the consolidation software (SAP), which allows to get the financial reports within a very limited timeframe. All public sector entities have to input their financial information into the consolidation system during 30 days after the end of the month. The summarised Whole-of-Government Accounts (with limited notes) are prepared on a quarterly basis, and the annual Whole-of-Government financial statements prepared by 30 April. Thereafter, they are audited by the State Audit Office and presented to Parliament by 30 August.*

Sweden *Each accounting entity is required to produce financial information monthly and send it electronically to a database at ESV (normally not later than 12 days after the end of the month). Some information is aggregated monthly, while other information is aggregated quarterly or on a yearly basis. Each agency normally has its own accounting system and may also have its own chart of accounts. However, the monthly reporting needs to be done according to the compulsory reporting plan decided by the ESV. Whole of central government accounts are produced once a year on accrual basis and with internal transactions eliminated. The agencies are obliged to reconcile balances with other agencies; the reconciliation procedure is used for eliminating internal items e.g. receivables/payables, contributions, revenue/expenditure.*

United Kingdom *The UK produces Whole of Government Accounts (WGA), which is a consolidated set of financial statements for the entire public sector, as defined by ONS-based classification (central government, local government and public corporations). After completing the major task of converting to accrual accounting, the process of producing WGA for the UK public sector has been managed in a relatively simple way with limited resources. Sub-consolidations were used to leverage existing relationships with the related entities and, by pushing responsibility down to the individual entity level it was possible to carry out the consolidation within a small centralised team. The production of WGA which consolidates the individual accounts of approximately 5.000 entities is carried out by a 7-member team over a 3-month period; the accounts are then audited over a 4-month period. Key challenges for the production of WGA involve first getting the data from the various departments and entities and, second, dealing with the tens of thousands of inter-entity transactions that must be eliminated in the consolidated accounts. Secondary legislation for the year specifies which bodies fall within the scope of consolidation and, thus, are required to submit data for this purpose.*

When the consolidated accounts are prepared, only transaction streams and balances between WGA entities above £1 million are eliminated. WGA entities are required to report transaction streams and balances that are above £1 million with any counterparty within the WGA boundary. The £1 million threshold applies to the aggregate for each type of balance or transaction stream with a counterparty. For example, if an entity has a number of debtor balances with a counterparty which are each below £1 million but when aggregated exceed £1 million, then the aggregate balance must be reported. HM Treasury reviews the £1 million threshold annually. Agreements are in place with the departments such that inter-entity transactions are confirmed between the departments before submission to HM Treasury, thereby reducing the number of mismatches that require investigation during the consolidation process.

7.4.4 *Fixed assets*

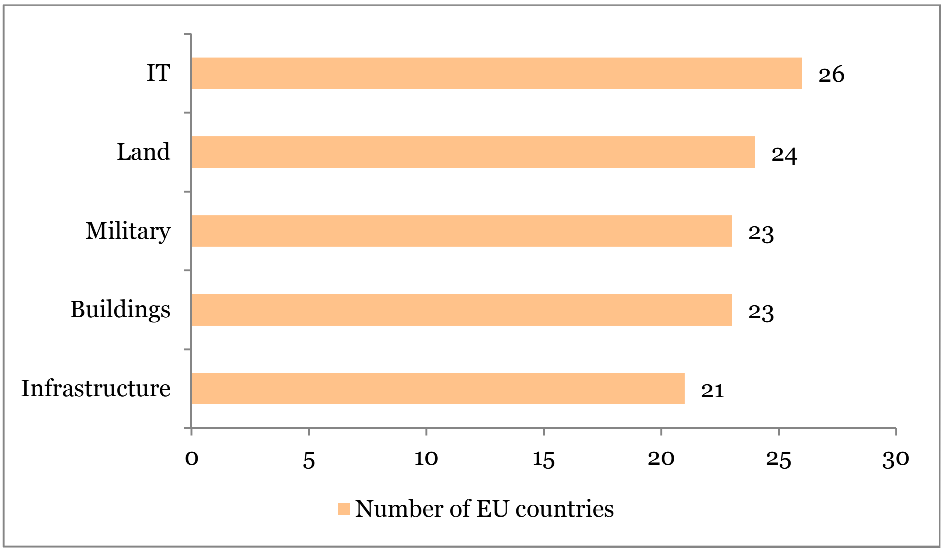
Recording fixed assets in financial statements is seen as requiring the biggest efforts, in addition to presenting major accounting impacts. Accounting for fixed assets includes not only government land and buildings, but also infrastructure assets (road networks, railway infrastructure, airports or bridges, etc.), military assets, assets held under finance leases and assets managed under service concession arrangements and public-private partnerships.

The average accounting maturity for EU countries at the central government level amounts to 67%. This average reflects the score obtained by each country in respect of:

- fixed asset recognition and measurement accounting requirements: this implies the existence of a complete physical inventory of fixed assets, the existence of an accurate asset register with values attributed to these assets, depreciation and impairment rules tailored to the characteristics of the government, application of the components approach where appropriate, etc.;

- more specific arrangements relating to fixed assets, such as assets held under leases and service concession arrangements and/or public private partnerships (PPPs): public authorities increasingly partner with the private sector with a view to providing public services; service concession arrangements are arrangements (usually contractual) whereby a private sector entity provides assets and related services that give the public access to major economic and social facilities (roads, schools and telecommunication networks, etc.).

Figure 10 - Number of governments maintaining a physical inventory of fixed assets

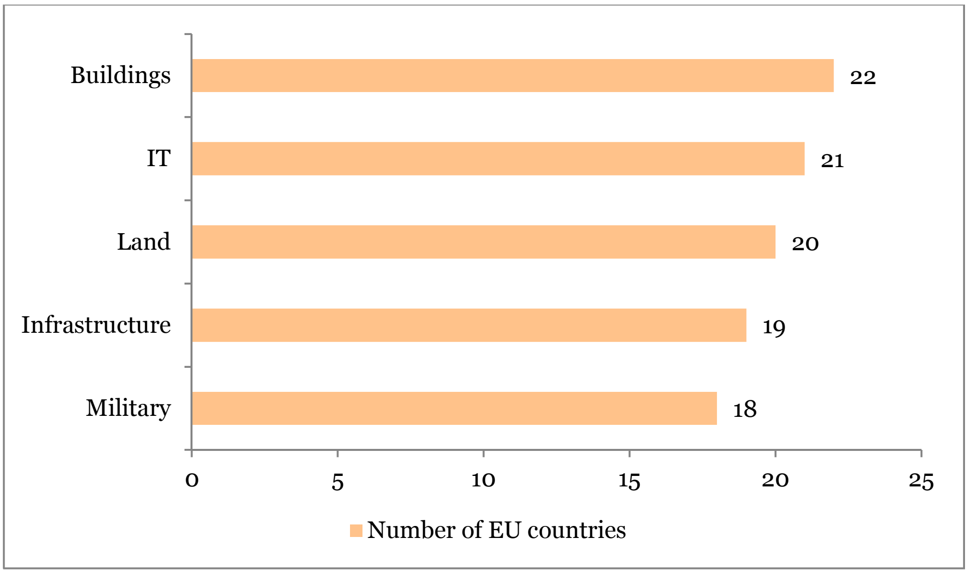


As shown in Figure 10, most EU central governments maintain a physical inventory of land, buildings, infrastructure assets, military assets and IT equipment. However, the effort and complexity of the data collection exercise across EU should not be underestimated, as there are still a number of countries which do not keep a comprehensive inventory of assets: seven central governments do not keep any inventory of infrastructure assets, five central governments do not keep any inventory of buildings, and four central governments do not keep any inventory of land and military assets (the latter category being indicated as 'not applicable' by one Member State).

Based on the experience of those governments that made the change from cash-based accounting to accrual accounting, making the full inventory of all types of assets and valuing them, especially where no historical cost information exists, is a multi-year exercise.

The above statistics only concern central governments but all levels of government are likely to be heavily impacted in that space.

Figure 11 - Number of governments recognising fixed assets in the statement of financial position



In addition, not all entities which maintain a physical inventory of assets recognise those in their financial statements; buildings and IT equipment are most frequently reported as assets, whereas items which are less often stated to be recognised in the statement of financial position are infrastructure assets and military assets (see Figure 11).

In practice, public sector entities may only capitalise those items of PP&E whose cost exceeds a certain threshold, and expense immaterial assets. Management should however find the right balance between optimising the efficiency of fixed assets management and keeping track of fixed assets data for internal control purposes.

Most central governments that recognise fixed assets in their financial statements depreciate these over their useful life. Moreover, 10 central governments out of 28 use the component approach to depreciate fixed assets. When an asset includes major components with different useful lives, each of these components is considered as a separate asset and is depreciated separately from the principal asset to which it relates.

Examples of assets to which the components approach is applied include infrastructure assets such as roads, railroads, bridges and tunnels, or other assets such as aircraft, military equipment and buildings. A road may for example need resurfacing every few years, an aircraft's engine and seats have each their own specific useful life which is less than the useful life of the main asset, etc.

The following examples give an overview of the approach taken by Austria, France and the United Kingdom in respect of accounting for infrastructure assets and military equipment.

Infrastructure assets

Austria *Federal assets were included in the opening balance sheet based on the concept of control, that is, where the government entity possesses, uses, and has the power to dispose of the asset, and bears the associated risk of loss and destruction. The goal was to fully report federal assets minimising the administrative costs associated with the production of the opening balance sheet. Given the challenges of measuring and valuing public sector assets, pragmatic approaches were taken with the view of reducing the administrative burden without reducing the quality of information. The "Austrian Opening Balance Sheet Regulation" specified a number of exceptions and simplifications, including:*

Land: simplified 'land raster method' based on land registry data, with categorisation derived from the land register (e.g. forest, agricultural use, building lands, etc.) and price per square meter (€/m²) determined based on tax agency data of land sales. Reference values were then reduced to reflect areas of limited use (e.g. bodies of water, alpine lands, military lands, etc.). For example, 80% reduction was applied to mountains and wetlands and 50% reduction applied to the non-profitable (i.e. not used in cash-generating activities) portion of forest lands.

Land improvements: roads, railways, airports, and port facilities were measured at depreciated cost or based on specified reference values or average values determined based on neighbouring countries (i.e. Germany) or literature sources. For roads, a value reduction was applied to the replacement cost to obtain the depreciated replacement cost. This adjustment was based on current road condition: poor (90% reduction); medium (30% reduction); or good (10% reduction). Linear depreciation is applied based on useful lives for either paved roads (33 years) or unpaved roads (10 years) as specified in a Decree by the Austrian Federal Ministry of Finance.

France

Road infrastructure has been valued in the first central government accounts in compliance with the French standards and in accordance with the depreciated replacement cost method. This depreciated replacement cost was determined by applying a statistical model developed by a government department in charge of conducting technical surveys for roads and highways ("Service d'Études Techniques des Routes et Autoroutes"). The main assumptions of the model are the following:

- *use of average kilometric ratios by category (road types, urban and interurban, etc.) determined based on expert knowledge on the values and the working practices and standards that were in place at the end of the 20th century. These assumptions used were those known at the date of the closing financial period and took into account a margin of error estimated at 10%, as internal costs were not included in the estimate. These ratios have been applied to the length of the roads in the scope of the exercise to obtain the reconstruction/replacement cost;*

- *use of quality indicators, as per information available at the closing financial period, to assess the depreciation of the infrastructure, and thus get the depreciated replacement cost.*

The model has been optimised regarding the assumptions used in 2007 with the Ministry of Infrastructure (Ministère de l'Équipement) in order to improve its robustness.

United Kingdom *Infrastructure assets are accounted for in the Whole-of-Government Accounts in different ways according to their classification. Local authority infrastructure assets are included in the Statement of Financial Position at historical cost less depreciation. The road network infrastructure asset is intended to be maintained at a specific level of service potential by continual replacement and refurbishment. The assets are specialised and therefore are valued at gross replacement cost before applying depreciation.*

Military equipment

France

French government accounting rules permit the use of statistical methods to estimate historical costs if these cannot be obtained from the accounting records. The term 'statistical' is in accordance with standard 6 which mentions that 'For such properties [military and civilian properties], historical costs are generally known. Alternatively, statistical methods may be used to obtain these costs if they cannot be recovered due to the age of the property for instance (e.g. using list prices and application of a useful life to obtain the depreciated cost)'. The assets related to weapon programmes and operations of the Ministry of Defence have been based on a standard cost method. Below is a description of the methodology used:

- *10 significant weapons programmes (three land operations, three aerospace operations and four missile programmes) were analysed. The assessment carried out on these 10 programmes has been extended to all DGA weapon programmes;*

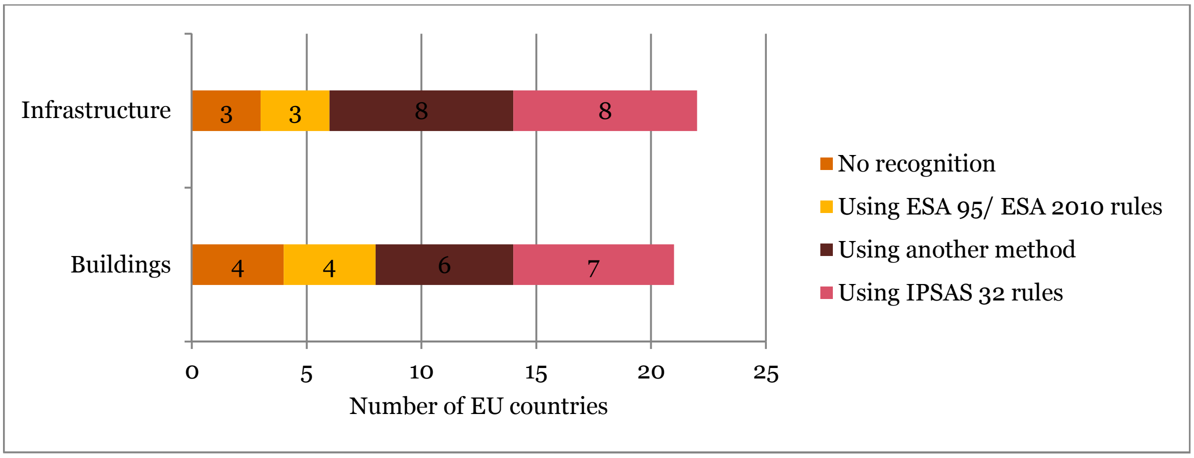
- *data on investments coming from budgetary accounting applications were systematically taken into account. These data are not exhaustive and, to restore the cumulative expenditures per weapons programme and thus obtain a realistic overview of the assets, they have been completed using non-accounting data (tracking records, expert statements);*

- *work was conducted to exclude from the accounting framework the non-capitalisable expenditure related to weapons programmes. Adjustment coefficients per major weapons programme (aeronautic, land and missile) were determined based on the initial analysis of the 10 weapons programmes. For naval and satellite programmes, with few exceptions, all expenses have been capitalised;*

- *the results obtained are sensitive to the statistical methods used to obtain data and to the assumptions used. As from 2007, additional work relating to the military operations reconstitution model has been carried out to improve the robustness and limit the sensitivity of the bases of calculation and assumptions. Finally, as part of a three year-trajectory, a more detailed analysis of the weapons programme has been carried out, with the analysis extended as from 2007 to at least 50% of work-in-progress operations.*

United Kingdom *In the Whole-of-Government Accounts, military equipment is initially recognised as a tangible non-current asset at its direct purchase or production cost, and is then depreciated over its useful economic life. It comprises non-current assets used by the military for which there is no civilian use. It includes items such as tanks, fighter aircraft and warships. In all other respects, it is treated in the same way as other non-current asset categories. Development expenditure on military equipment, which meets certain capitalisation criteria, is capitalised as an intangible asset.*

Figure 12 - Number of governments recognising assets held under service concession and/or PPP arrangements in the statement of financial position



Public authorities increasingly partner with the private sector with a view to providing public services. Whereas the public sector sets the framework for the services to be provided, it calls upon the private sector's expertise in order to, for example, build the infrastructure and operate the services to be provided. Public services for which a concession can be granted to a private operator include water treatment and supply facilities, operation of motorways, car parks, tunnels, bridges, airports, telecommunication networks, prisons, etc.

Slightly more than 20 EU central governments report holding infrastructure assets and buildings under service concession arrangements and/or public to private partnerships (PPPs). Out of those, less than 10 countries declare to recognise such assets in the statement of financial position using IPSAS 32 rules (eight in respect of infrastructure assets, seven in respect of buildings), which reflects a significant gap inside the EU in the application of IPSAS 32. Under IPSAS, recognition of the asset by the grantor (i.e. the public sector entity) is based on whether it controls that asset and not on whether it bears the risks and rewards related to it (as under ESA rules). All facts and circumstances of the arrangement should be considered in making this assessment.

The increasing use of PPP structures requires specific attention as off balance sheet treatment of PPP assets and liabilities, as currently applied by certain governments, may not be appropriate under IPSAS. Accounting for PPP transactions is an area that is likely to impact all levels of government.

Heritage assets

Heritage assets are those assets that are described as such because of their cultural, environmental or historical significance. Although recognition of heritage assets is not required by IPSAS, it is interesting to share how governments with advanced accounting practices treat these in their financial statements. It should be noted that the IPSASB has proposed to pursue - as part of its 2015-2019 work plan - its project to develop accounting and disclosure requirements for heritage assets.

> ***Austria*** *Assets with cultural, historic, artistic, scientific, technological, geophysical or environmental value were recognised based on their acquisition cost, if available, or expert opinions (benchmarks and reference costs for architecture, ornaments, etc.). Assets are included in the balance sheet to the extent that reliable data is available. Otherwise, heritage assets are listed in the notes to the opening balance sheet without valuation. Tangible heritage assets of over €100 million were recognised in the opening balance sheet, along with over €3,6 billion intangible heritage assets.*

France *A specific Central Government Accounting Standard is dedicated to heritage assets (Accounting Standard n°17 of the Central Government accounting standards). This standard is applicable for periods beginning on 1 January 2013.*

Measurement on initial recognition at 1 January 2013

- *assets acquired for valuable consideration are recognised at acquisition cost. Assets received at no cost (gifts, payments in kind, or legacies) are recognised at the so-called 'tax value' or at the expert appraisal value;*
- *assets controlled but not recognised before 1 January 2013 are recognised for their symbolic value;*
- *assets that are Central Government's property recognised as at 1 January 2013: the net value of the asset as at 31 December 2012 becomes the new symbolic value as at 1 January 2013.*

Measurement at the reporting date

Heritage assets are measured in the Central Government's financial statements at the same amount as at initial recognition. They are not subject to depreciation, impairment, or revaluation. In the event of a substantial, partial change to a heritage asset, disclosure is provided in the notes. This is because the net selling price of a heritage asset cannot always be reliably measured. Because it is irrelevant as it is considered inalienable, and because its value in use is based more on qualitative than quantitative criteria, the conditions are not met to establish a measurement of heritage assets at the reporting date that is different from that used on their initial recognition.

7.4.5 *Accruals and expenses*

When adopting accrual-based IPSAS or similar standards, the treatment of government expenses is impacted in terms of both measurement and timing for recognition in financial statements. Expenses must be recognised at the time the underlying economic event occurs and include transactions for which cash payments have not yet been made.

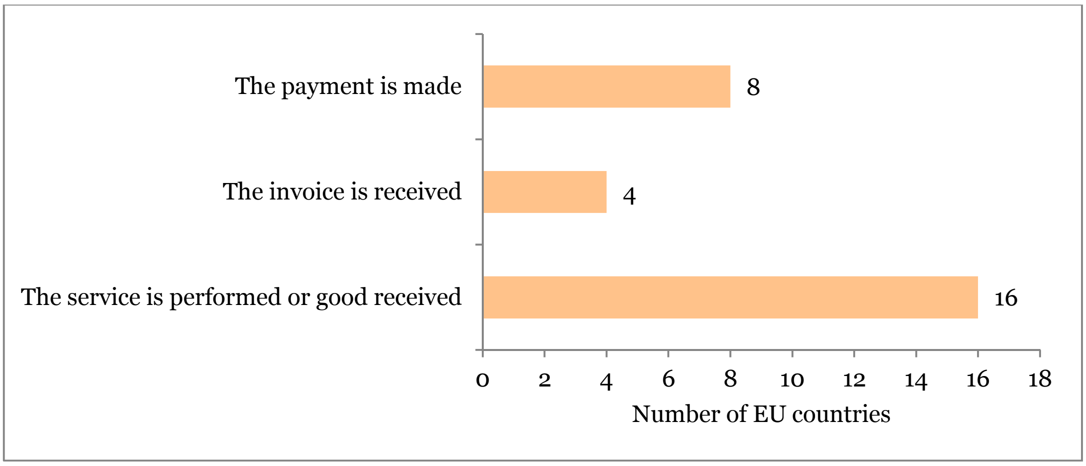
Applying accrual accounting introduces more complex requirements for the treatment of expenditure, especially in respect of the year-end closure process. Increased efforts will be required to analyse a large volume of transactions and determine the appropriate accounting treatment.

The average accounting maturity score of 55% reflects the stage of preparation of each Member State to comply with generally accepted accrual accounting principles in respect of:

- the timing of recognition of exchange transactions and non-exchange transactions (such as grants and other transfers, and social benefits);
- the processes in place to collect information in relation to the above and calculate year-end accruals.

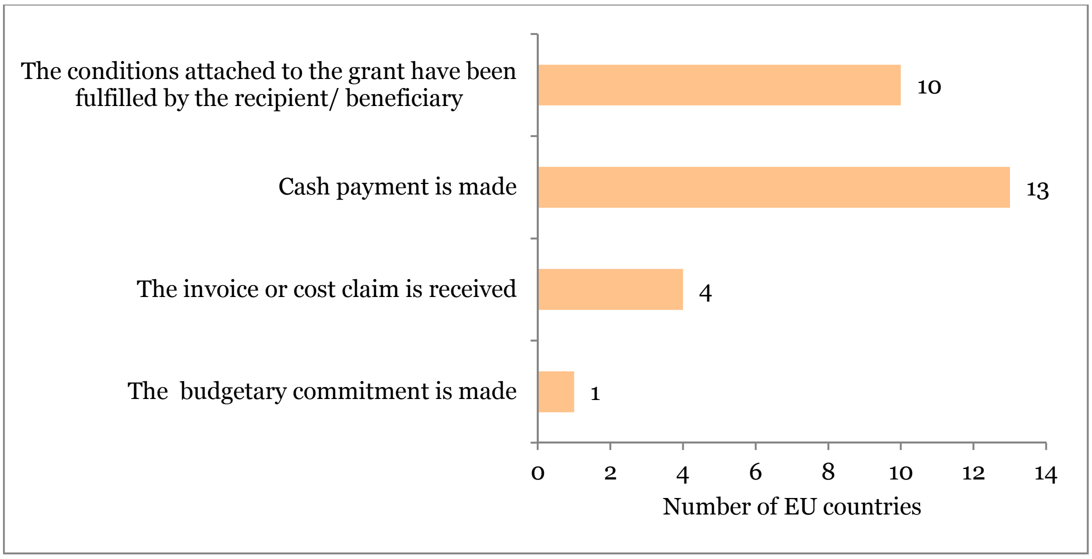
Eight central governments out of 28 strongly agree with the fact that the processes in place to collect information on year-end accruals are conducted in a comprehensive, timely and reliable manner, and 11 out of 28 somewhat agree with this statement.

Figure 13 - Timing of recognition of exchange transactions



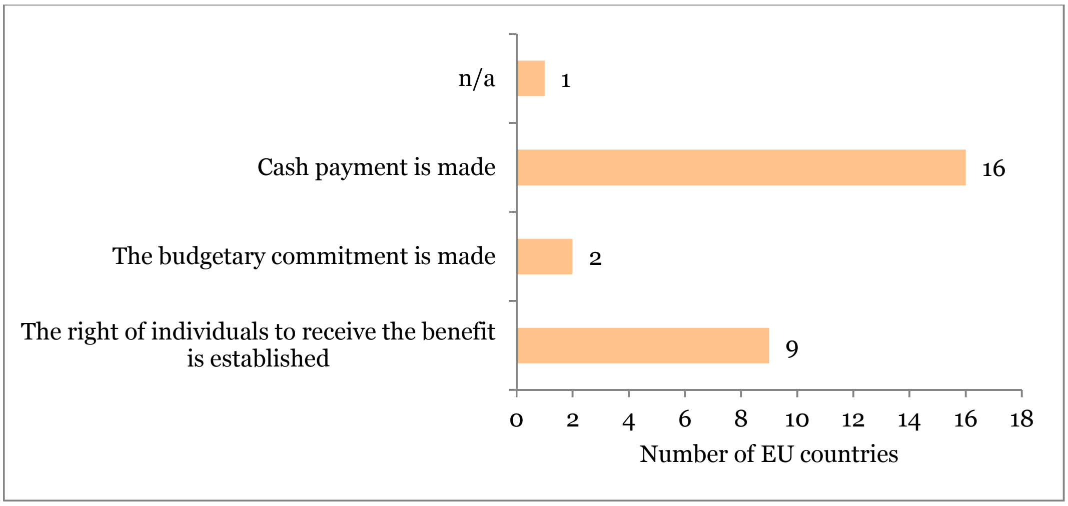
The accounting treatment of accruals and expenses varies widely from country to country. With regard to the timing of recognition of exchange transactions, 16 countries out of 28 recognise the accounting transaction when the service is carried out or the good received, as required by good accrual accounting practices.

Figure 14 - Timing of recognition of grants and other transfers



Concerning the timing of recognition of grants and other transfers, 10 central governments out of 28 recognise the accounting transaction when the conditions attached to the grant have been fulfilled by the recipient/beneficiary, as is required by IPSAS, whereas four recognise it when the invoice or cost claim is received.

Figure 15 - Timing of recognition of social benefits



Social benefits are goods, services and other benefits provided by a government in the pursuit of its social policy objectives and for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits. Social benefits account within the most significant financial flows of a government.

Examples of social benefits include health, education, housing, transport and other social services delivered to the community, with often no requirement for the beneficiaries of the services to pay an amount equivalent to the value of these services. Benefits paid to families, aged, disabled or unemployed persons, veterans and other (groups of) individuals to access services to meet their particular needs, or to supplement their income, may also be considered as social benefits.

As regards the timing of recognition of social benefits, nine countries out of 28 only consider the moment the right of individuals to receive the benefit is established, whereas 16 central governments take into account the moment the cash payment is made.

Under IPSAS, there is currently no requirement related to the recognition and measurement of provisions for social benefits. Where an entity elects to recognise such provisions, it discloses the basis on which the provisions have been recognised and measured.

As an illustrative example, the French central government has developed a specific standard dealing with various types of expenses, defining specific recognition criteria for each type of expenses.

France *Intervention expenses, and more generally non-exchange expenses, are a specific feature of public sector accounts and amount to approximately 50 % of public expenses in France. Consequently, specific accounting requirements were developed. The Central Government Accounting standard n°2 deals with various types of expenses. Three types of expenses are displayed: operating expenses, intervention expenses (it refers to grants and subsidies) and financial expenses. The standard defines the recognition criteria for each type of expenses.*

The recognition criterion for public expenses is the performance of the service. In the specific case of intervention expenses, the service performed corresponds to the fulfilment or maintenance, over the reporting period, of all of the conditions necessary to establish the beneficiary's rights (i.e. eligibility criteria), which are formally recognised by central government in an appropriation order issued prior to, after or concomitantly with the said fulfilment or maintenance.

7.4.6 *Provisions*

A provision is a liability of uncertain timing or amount; examples of provisions include provisions for litigation, warranty provisions, restructuring provisions, as well as environmental provisions (provisions for decommissioning, dismantling, depollution or site restoration).

The questionnaire addressed specifically the recognition and measurement of long-term environmental obligations. 17 central governments out of 28 declare having major obligations for dismantling assets, decommissioning/site restoration, and environmental clean-up. Out of these 17 countries, 10 only recognise these obligations in the statement of financial position.

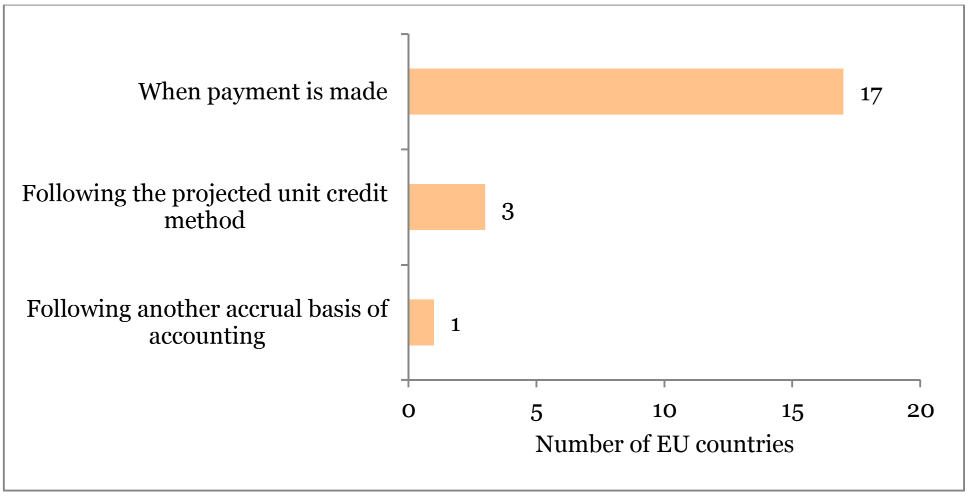
Under IPSAS, the amount recognised as a provision should represent the best estimate of the cash outflow required to settle the present obligation at the reporting date (taking into account the risks and uncertainties that inevitably surround many events and circumstances in reaching the best estimate of a provision), measured on a net present value basis.

7.4.7 *Employee benefits*

Governments usually employ a large number of staff and provide them with a variety of benefits (including benefits in kind and benefits available to staff upon retirement). Application of IPSAS 25 therefore often has a significant impact on public sector entities' financial statements. For the purpose of this study, questions were specifically raised around pensions as these are the types of arrangements that have the greatest impacts on the financial statements.

Post-employment benefit plans (for example pension plans) are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. Under defined benefit plans, the entity's obligation is to provide the agreed benefits to current and former employees. Consequently, the risk (actuarial risk and investment risk) falls, in substance, on the entity. If actuarial or investment performance is worse than expected, the entity's obligation may be increased. The accounting treatment by the entity should reflect the risks it is bearing. Pension liabilities in respect of defined benefit schemes rank among the most significant areas in terms of impact on the opening balance sheet when making the transition from a cash-based accounting system to IPSAS.

Figure 16 - Timing of recognition of pension expenses for defined benefit pension schemes



The average accounting maturity score for employee benefits is only 25%, which is the lowest score of all accounting areas.

22 EU central governments out of 28 have confirmed that defined benefit pension schemes (or equivalent) have been granted to civil servants/government employees. Out of those 22, only four countries recognise defined benefit pension liabilities in the statement of financial position. Three EU central governments recognised defined benefit schemes following the projected unit credit method, one follows another accrual basis of accounting.

This absence of recognition of pension liabilities in the balance sheet by governments having defined benefit pension plans is explained by a mix of factors, including the complexity of the actuarial calculations that are needed to measure pension obligations, and the specialised expertise needed to make these calculations, the conceptual debate about whether a present obligation exists for the government in respect of these defined benefit pension plans, and the non-willingness to disclose large liabilities that would negatively impact the net financial position of the government.

7.4.8 *Revenue*

Public sector entities may derive revenue from exchange and non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services, and directly gives approximately equal value (primarily in the form of cash) to another entity in exchange.

Non-exchange transactions are transactions where an entity receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. The most important sources of non-exchange revenue for (central) governments consist in the different taxes levied such as VAT, corporate income tax and personal income tax. Another important amount of revenue originates from transfers received from other governments (e.g. transfers from the central to local governments) or international organisations (EU, IMF, etc.).

The average accounting maturity for EU countries at the central government level amounts to 50%. This average score reflects the readiness of Member States in respect of accounting for revenue, with the focus placed on the most significant transactions for governments:

- revenue from taxes: taxes are a major source of revenue for many governments, and are compulsorily, in accordance with laws or regulations, established to provide revenue to the government. The tax area is one where many (perhaps most) governments face significant practical difficulties in producing reliable estimates of total tax due and sometimes also of the likely level of bad debts;

- revenue from transfers (grants, etc.): revenue from transfers represents a significant type of revenue from non-exchange transactions. Grants are frequently provided from one level of government to another or from donor agencies to governments. Other types of transfers include debt forgiveness, fines, gifts and donations, etc.

Figure 17 - Timing of recognition of revenue from taxes

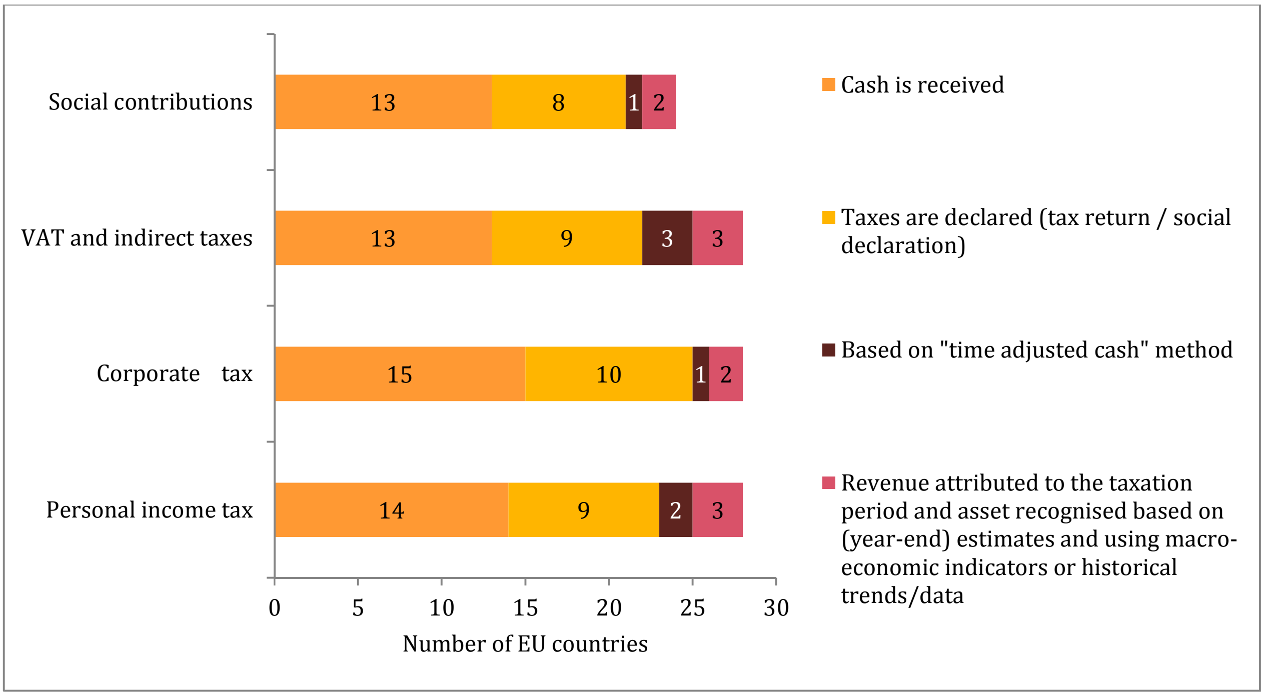


Figure 17 shows that most central governments recognise revenue from taxes (non-exchange transactions) when cash is received, and about 10 out of 28 recognise it when taxes are declared (tax return/social declaration). Very few central governments base the recognition of revenue from taxes on the 'time adjusted cash' method, or attribute the revenue to the taxation period, with asset recognition based on (year-end) estimates and the use of macro-economic indicators or historical trends/data.

Governments applying accrual accounting should recognise tax revenue in line with the taxable events.

The appropriate accounting treatment under IPSAS depends on the applicable tax legislation; laws and regulations establish a government's right to collect tax and identify the basis on which tax is calculated. In some cases, revenue recognition based on cash movements may be appropriate when the payment coincides with the underlying generating event (earning of taxable revenue) and already includes a reliable estimate of the taxes payable.

Individual tax calculations often require detailed data and are subject to complex legislation. Furthermore, as often an important time gap exists between the occurrence of the taxable event and the administrative handling of the taxes payable by the government administration, year-end estimates, often using macro-economic statistics, may be necessary to calculate the year-end tax revenue accrual at government level.

The following examples illustrate the approach taken by Estonia, France and Sweden in recognising tax revenue:

Estonia *The recognition of tax revenue on an accrual basis is facilitated when the tax is deducted at source (e.g. personal income), thanks to the existence of interfaces between Estonian company payroll systems and the public tax system.*

France *Two different standards were created for revenues: one for operating revenues, intervention revenues and financial revenues (standard n°4) and one for sovereign revenues (taxes – standard n°3).*

The first standard applies to the following revenues:

- *revenues arising from transactions involving a direct exchange of equivalent value to third parties (sale of goods or services, sale or use by third parties of personal or financial intangible assets, etc.);*
- *revenues from operations without direct equivalent exchange for third parties if it does not come from the exercise of State sovereignty (gifts and bequests, grants received, etc.).*

These revenues differ from sovereign revenues, which stem from the exercise of the State sovereignty and require a dedicated accounting treatment for non-exchange transactions.

The second standard focuses on sovereign revenues: the recognition criteria for taxes are as follows:

- *Parliament has passed the budget authorising tax collection;*
- *taxable events have taken place;*
- *the revenues for the period can be reliably measured.*

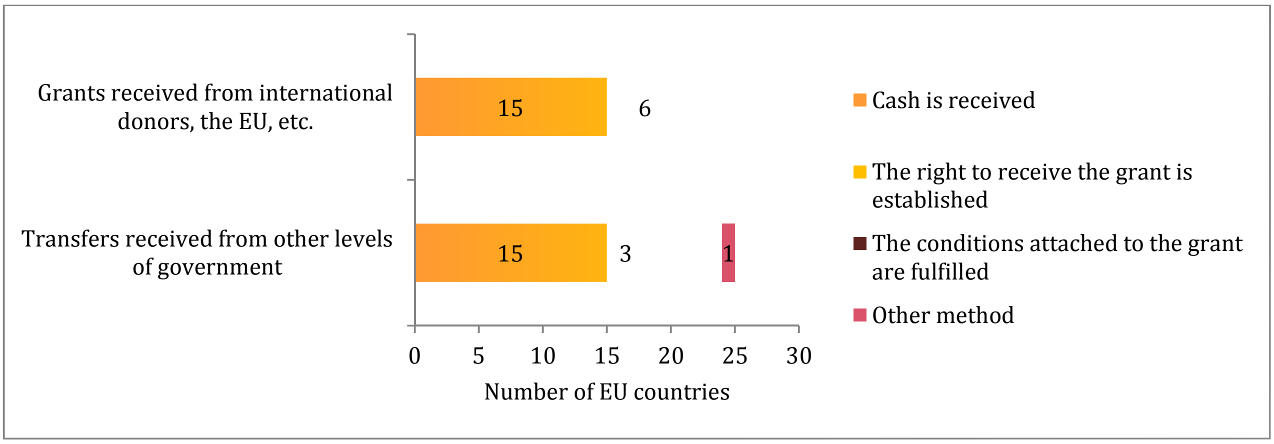
Due to reporting lag, tax revenues shall be recorded:

- *either when the taxable event occurs (this is the case for the oil tax and the value added tax);*
- *or when the taxable event is reported in a tax return (as is the case for personal and corporate income tax).*

The amounts are recognised up to the amounts due based on material evidence (tax by assessment, VAT declarations, tax return or other documents constituting an obligation to pay the taxes).

Sweden *In Sweden, the main process change has been the implementation of accrual basis for taxes on the aggregated level. This implied taking into account models for calculation of tax revenue based on macro-economic models and other information, which formerly had been used only for forecasting purposes. For other categories of non-exchange revenue, there is still ongoing discussion on whether certain revenue is to be regarded as exchange revenue or non-exchange revenue.*

Figure 18 - Timing of recognition of revenue from transfers



When it comes to recognition of revenue from transfers, again most EU countries consider the moment cash is received as timing of recognition.

7.4.9 *Financial instruments*

The concept of financial instruments is very broad; financial assets include cash, loans, receivables, investments in notes, commercial papers, bonds and shares, as well as other more complex instruments such as derivatives and structured debt instruments. As regards financial liabilities, examples encompass accounts payable, borrowings, derivatives and financial guarantees that are treated as financial instruments.

The average accounting maturity score of 59% reflects compliance with key elements which relate to:

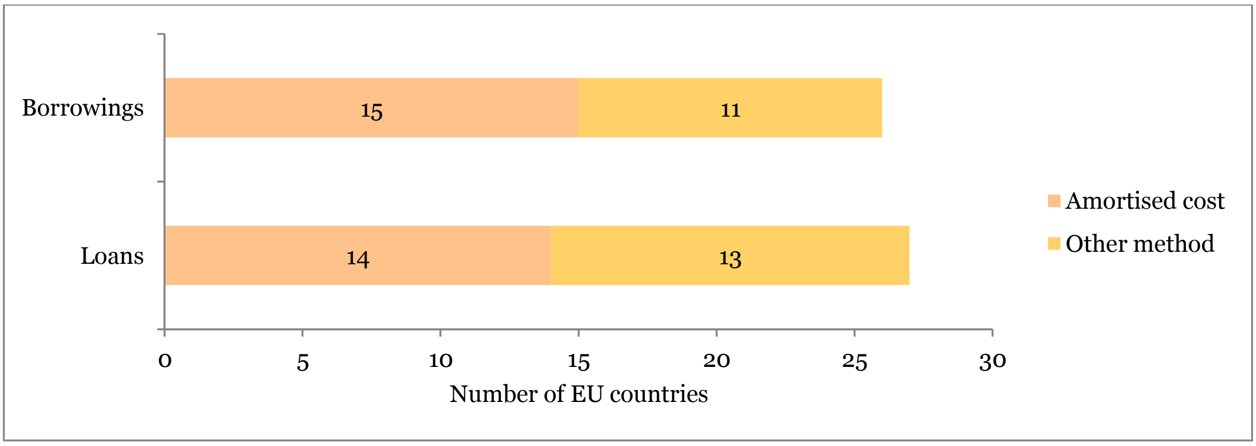
- measurement methods applied for loans, borrowings and investments: governments can, directly or indirectly (through the entities they control, including GBEs), invest significant amounts in financial assets. The recent financial crisis has led many governments to intervene in various ways, including by taking an investment in financial institutions that needed capital injection. In addition, governments at all levels often incur large amounts of borrowings to fund their activities, including their social programs or the construction of infrastructure assets;

- recognition and measurement of financial guarantees: with the recent financial crisis, financial guarantees have been provided by governments in many countries;

- recognition and measurement of derivatives: examples of derivatives include forwards, swaps, options, caps and floors, and futures. These instruments are often used to manage the interest rate and currency risk.

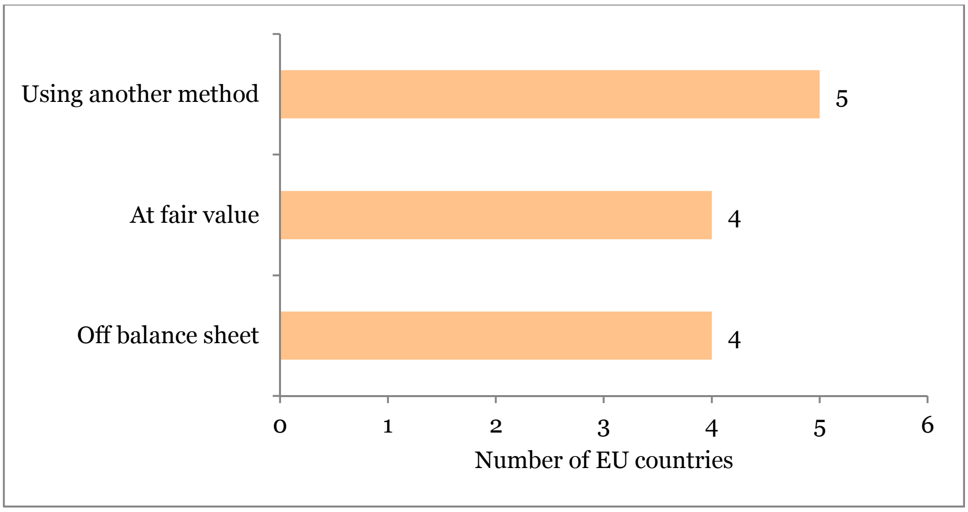
When governments enter into material transactions that (may) significantly impact their financial position and performance, this needs to be properly reflected in the financial statements.

Figure 19 - Measurement of loans and borrowings



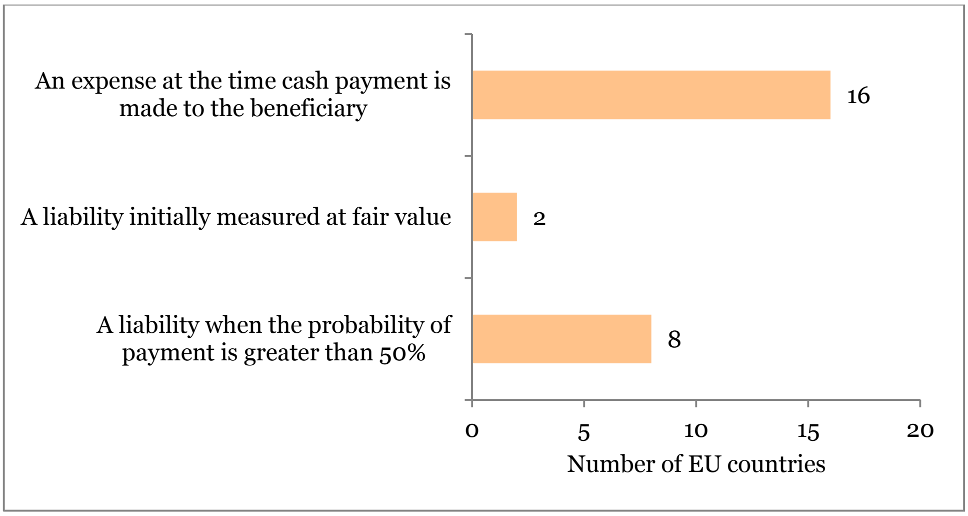
About half of the EU central governments account for borrowings (15) and loans (14) using the amortised cost method. The amortised cost method is the measurement method prescribed by IPSAS for loans and borrowings. It uses the effective interest rate, which is the rate that exactly discounts future cash payments or receipts through the expected life of the financial asset or liability.

Figure 20 - Measurement of derivatives



Only 13 out of 28 central governments declare using derivatives; of these, nine only recognise them on the balance sheet and four account for derivatives at fair value. Four EU central governments thus do not recognise the impact of derivatives in their balance sheet.

Figure 21 - Accounting for financial guarantees



During the financial crisis, governments have established various ways to assist banks and other institutions, namely by providing financial guarantees on their assets or liabilities. Governments may issue financial guarantees for a variety of reasons, for example to support infrastructure projects and stabilise the financial market in times of distress. Governments and public sector entities may be granted the power to issue financial guarantees by legislation or other authority.

Under IPSAS, financial guarantee contracts that are treated as financial instruments should be measured by the issuer at fair value on initial recognition. Only two central governments account for financial guarantees as a liability initially measured at fair value. 16 central governments do not reflect the risk associated with the guarantees issued in their financial position, even if the probability that they will need to pay is greater than 50%.

8. Analysis of IPSAS standards

8.1 Comments by Member States on IPSAS standards

The analysis of the comments made by Member States is targeted at assessing whether the accrual-basis IPSAS framework is a suitable reference point for the development of the accrual-basis EPSAS framework. The move to an accrual-based accounting framework is taken as a given. The present study does therefore not analyse those arguments in favour of or against the requirement to adopt accrual accounting for all levels of government in the European Union.

Member States have been asked to provide their comments on the application of IPSAS in an open way. Using an open questionnaire provides more freedom to governments to address any question they wish and therefore provides greater added value to our analysis.

Responses presenting similar characteristics have been grouped for the purpose of the analysis. Comments made by Member States on IPSAS standards are classified in two categories:

- general comments;
- comments with respect to specific IPSAS standards.

As per feedback received from the 28 EU Member States, most countries are not negative about IPSAS being used as a basis for the development of EPSAS. Some are explicitly positive and do not want too many deviations from the IPSAS standards.

The majority of the Member States' comments relate to the cost and complexity of implementation. This is no surprise, especially for those governments that have to move from a cash-based system to accrual accounting practices and that would have to embed such practices into their whole organisation.

Comments of a conceptual/technical nature mostly relate to a limited number of key accounting areas. The most important comments have been raised concerning consolidation, financial instruments, employee benefits, revenue from non-exchange transactions, topics for which no IPSAS standard exists yet such as social benefits and expenses from non-exchange transactions, and the need to define core EPSAS principles at the start of the standard-setting process.

We successively present below our analysis of the general comments on IPSAS standards and of the comments raised in relation to specific standards. For each of these two categories, we first provide an overview of the comments made by the Member States, and then dig into the more detailed analysis: we disclose each type of comment that has been made, and then provide our independent assessment of it.

8.1.1 *General comments*

8.1.1.1. Overview

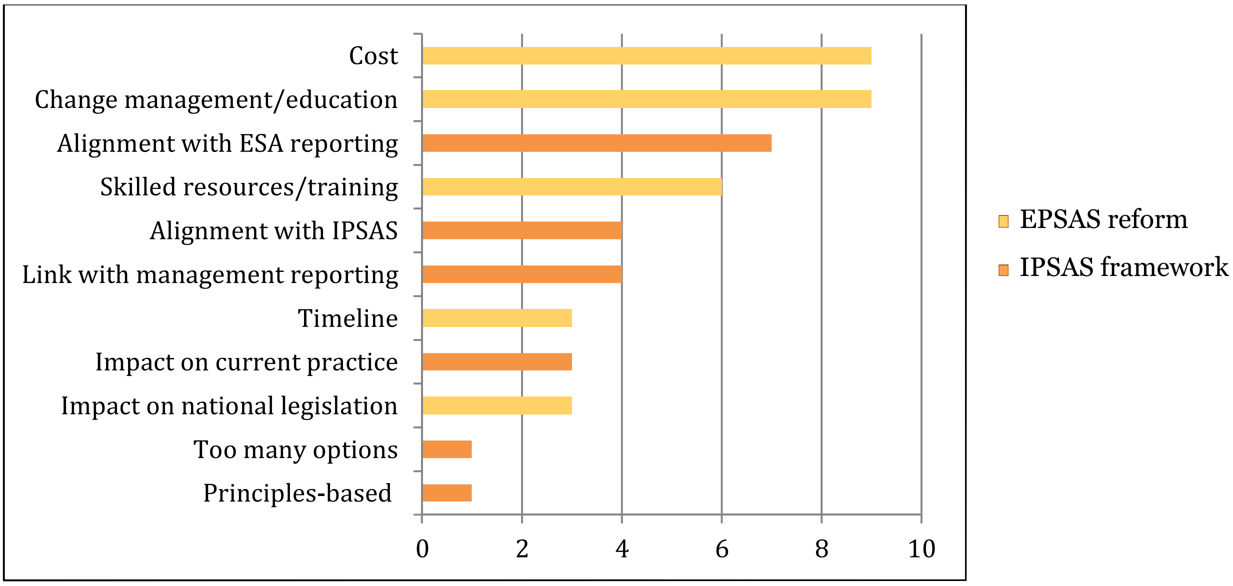
General comments made by the Member States are further explained and analysed below. For the sake of clarity, we can group them into two subcategories:

- general comments on the EPSAS reform;
- comments on the IPSAS framework or set of IPSAS standards taken as a whole.

In total, Member States made 50 general comments, 30 of them relate to the EPSAS reform, and 20 of them relate to the IPSAS framework.

The graph below indicates how many times comments of a general nature have been expressed by Member States. The maximum score is 28, as the same comment being reported at different government levels by a Member State is only counted once below.

Figure 22 - Member States' general comments



The most cited comments only get nine hits. The number of responses reflects those comments that are considered as the key ones by the Member States. For example, the fact that cost is cited nine times does not mean that any of the 19 remaining Member States does not think that cost of EPSAS implementation is a concern; it does however reflect the fact that this concern is not one that comes on the top of the lists of the comments expressed by these 19 remaining Member States.

8.1.1.2. Analysis

Cost

Comment	The move to accrual-based accounting and EPSAS is a significant undertaking that will require lots of efforts and resources, and involve high costs. The impact on smaller and less risky entities should be considered. Particular concerns are expressed regarding the administrative burden that EPSAS could create for these entities.
Assessment	This is a legitimate concern. Costs can be significant, especially for those governments moving from a cash-based to an accrual-based environment. However, the expected costs of moving to EPSAS should not be considered in isolation but a net cost/benefit assessment should be made. For further information, please refer to chapter 5 'Benefits', chapter 6 'Costs' and chapter 9 'Summary of costs and benefits of implementation'. The impact on smaller and less risky entities is discussed under chapter 10 'Proposals for implementation'.

Change management/education

Comment	The move to accrual-based EPSAS will require a change in mindset and culture for stakeholders at all levels (politicians, top management and staff).
Assessment	A significant shift is required in the mindset of management, staff and other stakeholders and effective change management is indispensable to make the impact of the new rules understood and accepted by them, and ensure a successful transition overall. Change management processes should be put in place, including training, project management, awareness campaigns and organisational changes. Change management should take a holistic approach considering the entire organisation and not only focusing on accounting departments.

Alignment with ESA reporting

Comment	Alignment with ESA reporting is desirable to avoid the burden of a dual reporting. Differences with ESA reporting requirements should be kept minimal, both regarding the scope of entities to be included in the EPSAS scope of reporting, and the EPSAS requirements in terms of measurement and disclosures. One Member State points out that alignment with GFS (Government Finance Statistics) should not be at the cost of good public sector accounting.
Assessment	The EPSAS scope of reporting is discussed under 8.1.2.2. (accounting area consolidation). Statistical reporting and EPSAS follow different objectives and some differences will probably remain. Harmonisation should however be searched where appropriate to avoid additional burden on data collection and reporting. It should be noted that the IPSASB itself has developed a process for considering GFS reporting guidelines during development of IPSAS. This thinking process can constitute a source of inspiration for the EPSAS standard setting.

Skilled resources/training

Comment	Intensive training will be needed as skilled resources are lacking.
Assessment	Accrual accounting is more complex than cash accounting. It requires greater technical accounting expertise, increased professional judgment, and greater involvement of non-accounting staff in the decision-making process. The expertise required is not limited to understanding the basic accrual concepts; technical knowledge is required for complex accounting areas such as financial instruments, employee benefits, property valuation and consolidation, to name just a few examples. Staff training is also necessary on an operational level in areas such as fixed asset and inventory management.

Alignment with IPSAS

Comment	EPSAS should be based on IPSAS. IPSAS standards already exist and are of an overall good quality. It is more efficient not to re-invent the wheel and capitalise on them in the development of EPSAS, all the more so that IPSAS are currently developing and are expected to address those gaps in the medium term in respect of topics that are relevant to the public sector. Not doing so would also impair international comparability and create additional burden for those governments that want to comply with public sector accounting standards that are recognised on an international level. This international comparability is important as a large part of the European public debt is financed by entities outside the EU. Furthermore, many of the most advanced accounting reforms undertaken by governments have been inspired to a large extent by IPSAS, even though IPSAS have not been the sole source of inspiration. If deviations from IPSAS are decided, clear criteria should be defined to allow such deviations. One government fears that Member States with established reporting standards may adopt a too conservative attitude and therefore hinder the future development of EPSAS.
Assessment	Internal consistency and comparability within the EU is a very important objective of the EPSAS project but international comparability and recognition is important too, as it enables governments to remain attractive for investors in bonds and other stakeholders on global financial markets. Although IPSAS are still developing, they currently represent the only global reference in terms of public sector accounting, and have been developed following a due process which has involved many discussions with a wide range of experts/stakeholders. The proposal made by the Commission/Eurostat is not to endorse the IPSAS framework as it stands but rather consider IPSAS as a starting point for developing EPSAS. While departures from IPSAS are possible to fit European needs, these should be clearly disclosed, explained and justified.

Link with management reporting

Comment	A link should be made with management reporting and budgeting. This is a pre-condition to get politicians interested in the reform. EPSAS standards should not be written with the sole purpose of meeting the needs of statistical reporting and reinforce the quality of ESA reporting. In order to create greater added value at entity level, government financial reports should be used as a management tool enabling to measure the cost of operations and to compare with appropriations. Some government experts question the usefulness of accrual-based financial reporting if budgets are not also prepared on an accrual basis. In order to get politicians interested in the accounting reform, the introduction of EPSAS should be linked to a wider finance reform.
Assessment	The primary objective of the EPSAS project is to develop uniform and comparable accrual-based accounting rules for all sectors of general government to ensure the quality of the information on which ESA data is based. Good public sector accounting is a foundation for building reliable statistical data, which should in turn form the basis for good fiscal policy decision-making. There are thus clear benefits at the macro-economic level. An accrual accounting reform also has benefits at entity level as it also enhances transparency and accountability at that level, and provides more comprehensive and reliable information on the assets and liabilities, and on the performance of the entity. The present study further highlights that more benefits can be captured as part of a wider finance reform, if governments go beyond strict EPSAS compliance. Governments which implemented an accrual accounting reform mainly put forward the benefits derived from the efficiency gains linked to the implementation of new IT and administrative processes and from better management information, which allows them to take informed management decisions, with a consequential positive impact on the use of public resources. We believe that implementing accrual-based budgeting has value as it brings greater consistency with the basis of accounting and provides better insight for decision-making, considering also the long-term impact of political decisions. Accrual budgeting is however not in the scope of the EPSAS project. Would such a wider project be implemented, this would be a national initiative. For further information, please refer to chapter 5 ‘Benefits’.

Timeline

Comment	The 2020 deadline envisaged by the Commission/Eurostat is overly ambitious. One should take the time that is necessary to develop high-quality standards and produce high-quality EPSAS financial statements. The project will require significant efforts and will be difficult to complete within the envisaged timeframe. A reasonable timeframe should be decided for mandatory implementation, with extended transition periods for governments which need it.
Assessment	The envisaged timeline is indeed challenging. For further information, please refer to chapter 10 ‘Proposals for implementation’.

Impact on current practice

Comment	Member States with advanced accounting practices do not want EPSAS to interfere with these. They have implemented good accounting practices and do not want to be forced to apply accounting treatments that they would consider less appropriate than the ones they currently apply. They have also implemented wider finance reforms and invested in them; they have put in place management information systems that work and are linked to their accounting systems, and do not want to change that.
Assessment	This expectation is fair and the Commission/Eurostat has already stated on many occasions that the implementation of EPSAS should not represent a step back for governments with the most advanced accounting and reporting systems. Some adaptations might be needed to be able to produce accrual-based financial statements that achieve a sufficient degree of comparability with other Member States, and also in some instances with other government within the same country. For those governments which have already implemented a significant accounting reform, the impact of EPSAS implementation is however likely to be more limited. A principles-based framework and a pragmatic approach in applying the principles should also limit the impact of the change.

Impact on national legislation

Comment	Applying EPSAS will require a change in existing national or local legislation.
Assessment	The envisaged EPSAS Regulation will be immediately applicable to entities within the General Government Sector (GGS). There is therefore no need to invest significant time in standard-setting and legislative process at Member State level. Existing national or local legislation may however indeed need to be brought in line with the EPSAS Regulation.

Principles-based framework

Comment	IPSAS are too vague on a number of aspects. Principles-based standards may lead to differences in interpretation between preparers, auditors and/or other stakeholders, and to differences in application between entities, therefore impairing the comparability of government accounts.
Assessment	Public sector is a regulated environment, with the focus generally put on the application of rules, rather than principles. Principles are however sound as they allow more flexibility to find solutions that are adapted to the specific circumstances of the various governments. Although the IPSAS framework is a principles-based framework, it provides in our view already pretty good guidance on how to apply the principles to many transactions entered into by governments, and the framework is further developing with an expected greater focus on public sector specific issues. Accounting principles are however needed to address those topics not yet covered by the IPSAS standards, and guidelines may be needed on certain key topics to ensure consistency in how principles are applied between Member States, as greater comparability is one of the key objectives of the EPSAS project. For certain countries, the change in mindset that will be needed to apply principles-based EPSAS should not be underestimated. A whole change management program, including education of the various stakeholders (including auditors), should be put in place. In view of the upcoming EPSAS standard setting, it is also worth noting that it would probably be more difficult to find common ground and acceptable solutions for all Member States if rules rather than principles are set up. Trying to gain a large consensus on detailed accounting rules to be included in the EPSAS framework would be more difficult as differences in views are likely to arise and these rules are unlikely to reconcile with all accounting practices already applied by those governments which undertook a reform.

Too many options

Comment	IPSAS contain too many options. These should be eliminated to achieve harmonisation within the EU.
Assessment	This statement is probably exaggerated. The number of accounting policy options available is in fact quite limited. The right balance should be searched between the various qualitative characteristics of financial information, e.g. comparability, relevance and reliability, and the constraints on relevant and reliable information, such as the balance between benefit and cost (e.g. keeping options may be necessary to accommodate Member States' current accounting practices). For example, requiring the revaluation model to be used for the subsequent measurement of property, plant and equipment may achieve a comparability objective but this treatment is generally felt to be more costly and is not likely to provide more reliable information than the cost model. Different measurement bases may also be used for different categories of assets, depending on the nature and/or use of these assets. The use or selection of options will need to be fixed in the context of the EPSAS standard-setting process.

8.1.2 *Comments with respect to specific IPSAS standards*

8.1.2.1. Overview

We present the comments with respect to specific IPSAS standards per accounting standard/area (following the grouping made in the questionnaires sent to the governments).

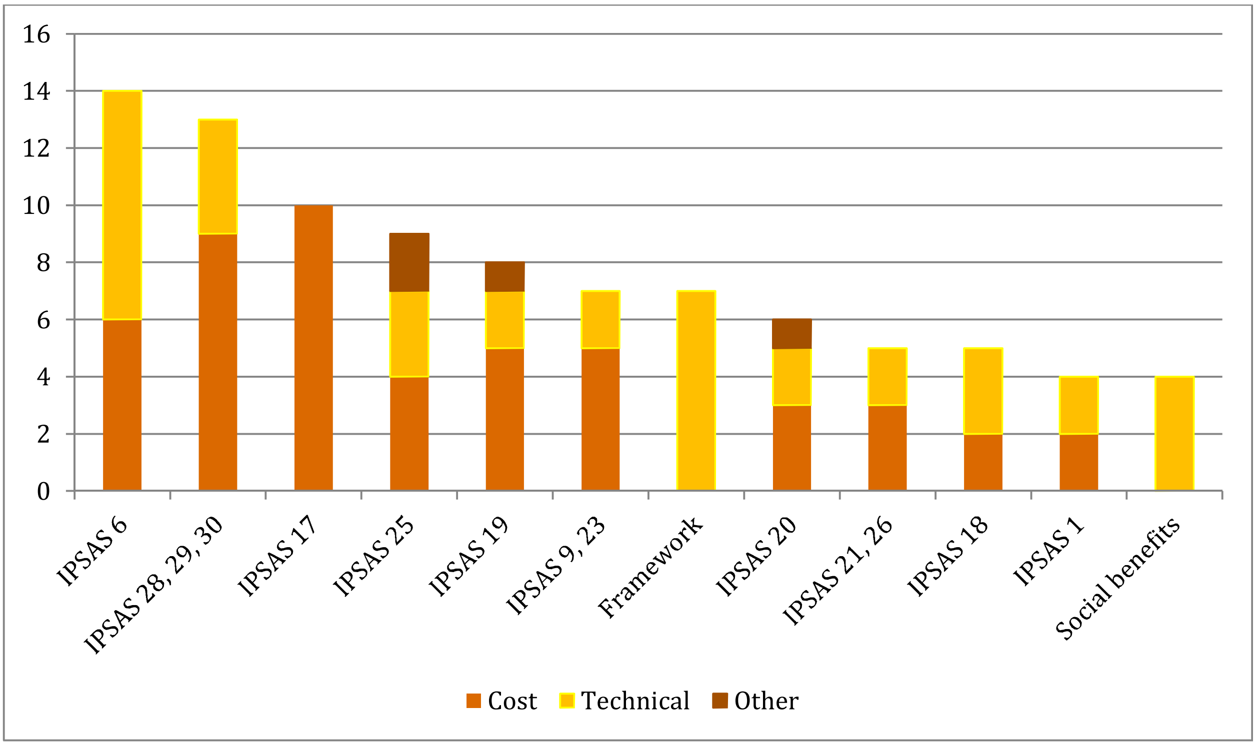
In our analysis, we also distinguish between the following different types of comments:

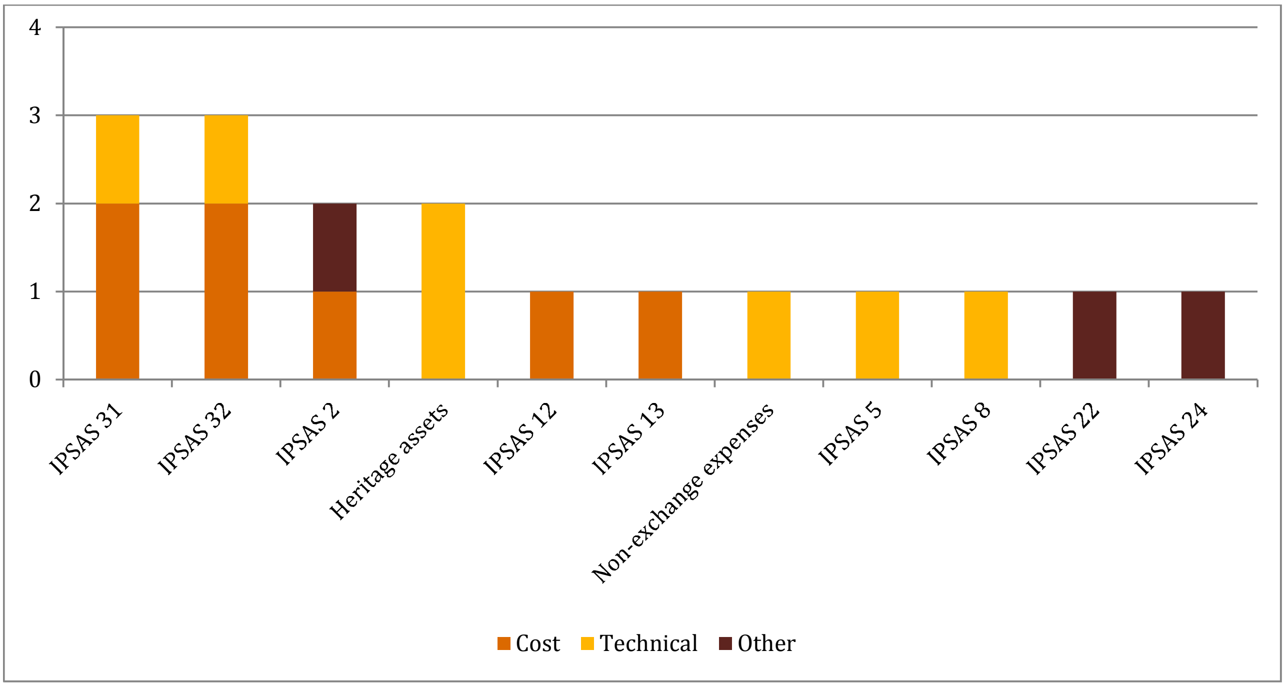
- comments that are conceptual/technical in nature,
- comments relating to the cost and complexity of standards implementation, and
- other comments.

Member States have provided their comments on the application of IPSAS by reference to specific standards. The table below indicates how many times concerns have been raised by Member States with respect to each specific IPSAS standard.

The maximum score is 28, with one hit being counted each time a Member State has made a comment in relation to the areas identified below. The number of responses reflects those comments that are considered as the key ones by the Member States.

Figure 23 - Member States' specific comments on the IPSAS standards





In total, 97 comments have been received from the Member States. When a comment both addresses the cost and complexity of a standard and the technical and more conceptual aspect of this standard, it has been counted twice, receiving one hit once for each category. There are a total of 109 hits. The split is as follows:

- 56 relating to the cost and complexity of the standards,
- 46 of a more technical and conceptual nature,
- 7 of another type.

23 different accounting standards/topics have been addressed. No single accounting area gets more than 14 hits, which shows some diversity in Member States' comments.

8.1.2.2. *Analysis*

Framework

Comment 1	Certain Member States want to develop a conceptual framework that clarifies the concepts, definitions and principles that will form the basis for the development of EPSAS. Most want to develop common high-level principles, without the need to develop a full conceptual framework. The topics for discussion include the definition of assets, liabilities, net assets and the measurement bases under EPSAS (cost, fair value, etc.).
Type	Conceptual/technical
Assessment	Agreeing on a set of core principles is certainly useful. The IPSASB plans to issue its conceptual framework for the public sector by the end of 2014 and it could be used as a source of inspiration. The definitions and concepts included in it could be used as a starting point for agreeing on the main principles that will form the foundation of EPSAS. Developing a full conceptual framework from scratch might be very time-consuming and endanger the timing of the EPSAS project.
Comment 2	A minority of Member States think that sovereign power should be considered in the definition of assets and liabilities. The question is particularly raised with regard to liabilities such as pension liabilities and the ability of the government to exercise its sovereign power to avoid payment of such liabilities. One Member State has expressed its concerns about the IPSASB definition of net assets (currently defined as the difference between assets and liabilities) and liability.
Type	Conceptual /technical
Assessment	The proposed IPSASB definitions of assets, liabilities and net assets are widely accepted in the accounting community, and reconcile with the IFRS definitions for such elements, subject to some adaptations to reflect public sector specificities (for example the 'service potential' concept referred to in relation to the definition of an asset addresses the fact that public sector entities do not primarily have a profit-making objective). The concept of sovereign power is specific to governments; most stakeholders currently agree that this should not be considered when assessing whether a liability exists. Moving away from such widely accepted definitions might open the door to significant deviations from IPSAS principles. This will need to be discussed and fixed early in the standard-setting process.

Accounting area: Reporting (IPSAS 1, 18, 20, 22, 24)

Comment 1

IPSAS contain too detailed disclosure requirements and the usefulness of these is sometimes questionable.

Comments have also been expressed specifically in relation to the following standards:

- IPSAS 18 'Segment reporting': (1) the information required by the standard is not useful, (2) it is difficult to identify segments.
- IPSAS 20 'Related party disclosures': application of the standard is too complex for governments.
- IPSAS 22 'Disclosure of information about the GGS': the standard is not useful.
- IPSAS 24 'Presentation of budget information in the financial statements': (1) it is difficult to reconcile cash budgets with accrual accounts, (2) EPSAS does not deal with budgetary rules, consequently a reconciliation of the budgetary result (actual amounts) with the EPSAS result should be sufficient.

Type

Cost and complexity, conceptual/technical, other.

Assessment

IPSAS indeed require detailed disclosures. Focus should however be placed on those disclosures that are relevant for a good understanding of the entity's financial position, performance and cash flows. Common sense should be applied and materiality should be considered in making this assessment.

Possible solutions to address the comments regarding the disclosure standards could include the following:

- IPSAS 18 - the appropriateness of a (partial) alignment of the IPSAS standard on segment reporting on IFRS 8 may be explored, in that it capitalises on information already available that fits the entity's reporting/accountability structure, rather than on IAS 14 (the old IFRS standard on segment reporting).
- IPSAS 20 - relevance and materiality should be considered in determining information that must be given, guidance may be issued to help users make this assessment.
- IPSAS 22 - based on IPSASB strategy consultation document recently published, only one country is known to be applying IPSAS 22, and the IPSASB is currently considering whether the standard should be withdrawn, replaced with guidance that might be more useful or whether it should be revised. The standard only applies to those governments that elect to present information about the GGS in their consolidated financial statements.

  Reconciliation of EPSAS figures with the ESA reporting is in our view useful, especially in respect of the net assets, debt and surplus/deficit, considering that a major objective of the EPSAS project is to build reliable accrual accounting data at entity level that can be used for the ESA reporting. Discussions during the EPSAS standard-setting process should help identify what information is useful in the European context.

Regarding the comment on IPSAS 24, presentation of budget information provides useful information, especially when budgets and financial statements are not prepared on a comparable basis. Reconciliation between budgeted and actual amounts is useful with

	respect to the accountability and transparency objectives of financial statements. Some may however wish to discuss this as part of the standard-setting process.
Comment 2	Mandating a detailed chart of accounts might require important changes to the systems and undermine the current reporting functionalities.
Type	Cost and complexity
Assessment	IPSAS 1 'Presentation of financial statements' includes some minimal presentation requirements but does not impose how to get there. This leaves the necessary freedom for governments to design a chart of accounts as well as reporting formats and templates, that meet local and management reporting requirements. In practice, developing a uniform chart of accounts is a good means to achieve harmonisation among reporting entities. The Commission/Eurostat might choose to develop centrally a standard chart of accounts which could be used by those governments that wish so but would not be imposed to others.
Comment 3	One Member State questions the usefulness of the cash flow statement for a public sector entity. Another one mentions the complexity to prepare it at each entity level.
Type	Cost and complexity, other
Assessment	Preparing a cash flow statement indeed requires some efforts but is certainly useful. We do not consider this is critical for the development of EPSAS.
Comment 4	One Member State suggests that the concept of OCI (Other comprehensive income) should be used as in the IFRS framework to better appreciate the performance of public sector entities.
Type	Conceptual/technical
Assessment	This issue may be dealt with as part of the maintenance of IPSAS 1 which is proposed as one of the potential projects in the IPSASB consultation paper on its strategy for the period 2015-2019. The debate on the use of OCI is conceptually interesting. It might however be preferable to have it at a later stage, focusing first the standard-setting discussion on key public sector accounting issues and leveraging from discussions at IPSASB level afterwards.

Accounting area: Consolidation (IPSAS 6, 7, 8)

Comment 1	The scope of EPSAS reporting needs to be clarified: what entities should be included in the scope of EPSAS? Should the control concept under IPSAS 6 be applied (which is sometimes difficult in practice for governments)? Or should the scope of EPSAS reporting reflect ESA reporting requirements? How to treat government business enterprises (GBEs) that are controlled but that are not part of the General Government Sector (GGS) in the ESA reporting? Most Member States are in favour of an alignment with the ESA scope of reporting.
Type	Cost and complexity, conceptual/technical
Assessment	This is the most cited technical/conceptual comment. The requirements of article 3 of the 2011/85/EU Budgetary Framework Directive cover all subsectors of general government. Applying the control principles included in the IPSAS standards has value but might change the boundaries of the reporting entities as compared to the ESA rules and consequently impact the scope of entities that need to report under EPSAS. Applying the control concept under IPSAS would bring entities that are not part of the general government sector (e.g. GBEs) into the scope of EPSAS financial statements. Clarification/guidelines should therefore be provided on whether IPSAS principles or the scope of ESA reporting should be applied. To ensure full transparency, the principles that will be decided should in any case bring into the scope of the EPSAS financial statements those entities or transactions that significantly impact or could potentially significantly impact government public finances and government key metrics, such as debt and net surplus/deficit. Risky transactions should properly be reflected in government's financial statements. Structuring of transactions that aim to achieve off balance sheet treatment of government debts should not be made possible. Would the ESA scope of reporting be followed, the accounting treatment of GBEs would need to be determined. The appropriateness of preparing whole-of-government accounts (WGA) (e.g. similar to what is applied in the UK) may also be examined at a later stage. We understand that it is the European Commission's/Eurostat's wish to have WGA prepared including all entities that are part of the general government sector for the purpose of ESA reporting.
Comment 2	EPSAS requirements will be too burdensome for micro-entities. How should smaller and less risky entities be treated? Should they also be in the scope of EPSAS reporting?
Type	Cost and complexity
Assessment	Applying detailed accounting requirements to smaller and less risky entities can be burdensome for them. Materiality and pragmatism should be considered in applying the new standards. Detailed tailored implementation guidance, namely on materiality, can be developed. We also refer to chapter 10, section 10.4 which provides recommendations on how to treat smaller and less risky entities.

Comment 3	It will be difficult to put in place a whole consolidation process, including data collection, harmonisation of accounting policies and treatment of inter-entity transactions.
Type	Cost and complexity
Assessment	The practical challenge of gathering harmonised financial information across a series of entities with different financial systems should indeed not be underestimated. Best consolidation practices should be followed, including coordination and monitoring of the whole process by a central consolidation team. Consolidation at the WGA level would however be envisaged as the last step in the EPSAS implementation project. The focus should first be placed on making the transition to accrual-based EPSAS for those entities included in the EPSAS consolidation scope.
Comment 4	One Member State argues that the proposed changes to the IPSAS standards regarding the accounting for joint ventures and joint arrangements will lead to the mandatory application of the equity method, which is not felt appropriate for inter-municipal arrangements (collaboration arrangements for utilities for example).
Type	Conceptual/technical
Assessment	The expected IPSAS standard on joint arrangements, which is aligned on the IFRS treatment, aims at reflecting the substance of the arrangements. Judgment is required in making this assessment. Analysis of the facts and circumstances of the arrangements may in some instances (where a joint operation is identified) lead to the application of a method which is similar to the proportionate consolidation method.

Accounting area: Fixed assets and inventories (IPSAS 5, 12, 13, 16, 17, 21, 26, 31, 32)

Comment 1	Considering the size of government, making a physical inventory of all fixed assets and valuing them can be a difficult and costly exercise. The components approach would be hard to apply to the whole government sector. Following this approach, when an asset includes major components with different useful lives, each of these components is considered a separate asset and is depreciated separately from the principal asset to which it relates.
Type	Cost and complexity
Assessment	No conceptual concern or technical issue is identified. A pragmatic approach should be adopted upon first-time adoption and thereafter. Best implementation practices should be followed, for both the identification and the measurement of fixed assets. Materiality should be considered, including for the application of the components approach.

Comment 2	No specific standard exists on heritage assets, while these may be of significant importance in certain countries.
Type	Conceptual/technical
Assessment	IPSAS 17 'Property, plant and equipment' currently offers an accounting policy choice to apply IPSAS 17 measurement rules or not. Heritage assets are a unique and valuable type of asset in the public sector context and additional guidance is desirable but we do not see this as a blocking factor for the development of EPSAS. Pending more specific guidance on the topic, pragmatic approaches to heritage asset valuation can be developed within the existing limited IPSAS guidance included in IPSAS 17. Examples are shown under chapter 7, section 7.4.4. 'Heritage assets' is proposed as a potential project in the IPSASB consultation paper on its strategy for the period 2015-2019.
Comment 3	The concepts of IPSAS 21 and IPSAS 26 relating to the impairment of both non-cash-generating and cash-generating fixed assets, and the identification of such assets are difficult to apply.
Type	Cost and complexity
Assessment	Application of IPSAS 21 and 26 requires judgment. Public sector entities that have already implemented those standards can for example provide best practice examples to distinguish cash-generating assets from non-cash-generating assets.
Comment 4	One Member State questions the recognition of a non-financial liability under IPSAS 32 'Concession Arrangements: Grantor' versus recognition in net assets. Another Member State highlights the complexity of such transactions.
Type	Conceptual/technical, cost and complexity
Assessment	IPSAS 32 is a standard that should reflect the substance of rather complex arrangements. Recognition of a non-financial liability in circumstances described in the standard is widely accepted by accounting practitioners as reflecting the substance of the arrangements. The issue can be discussed as part of the EPSAS standard-setting process.
Comment 5	Measuring fixed assets at fair value would be very costly if this option is selected in EPSAS.
Type	Cost and complexity
Assessment	Fair value measurement is not required by IPSAS; governments may select either the cost model or the revaluation model.

Comment 6	One Member State believes that borrowing costs should be expensed, instead of leaving an accounting policy choice to the entity.
Type	Conceptual/technical
Assessment	A revision of IPSAS 5 ‘Borrowing costs’ is proposed as one of the potential projects in the 2015-2019 IPSASB work plan. IPSAS currently permit either to capitalise borrowing costs directly attributable to the acquisition, production or construction of a qualifying asset, or to expense them. Keeping this option may accommodate current accounting practices by Member States. We do not see this as a critical issue for the development of EPSAS.
Comment 7	IPSAS 31 ‘Intangible assets’ does not sufficiently address the specificities of a government.
Type	Conceptual/technical
Assessment	The standard does indeed not address all public sector specific issues. The IPSASB project on ‘Emission trading schemes’ is expected to be completed in 2017. ‘Intangible assets - public sector specific’ is also a potential project proposed in the IPSASB 2015-2019 work plan. This project may be related to the other potential project on ‘Sovereign powers and their impact on financial reporting’ also proposed in the IPSASB strategy consultation paper. We do not see this concern as problematic for the development of EPSAS. It may be treated at a later stage of the EPSAS standard-setting process, leveraging from discussions at IPSASB level and best accounting practices developed by certain Member States.
Comment 8	One Member State believes that determining impairments on items of inventories will be difficult.
Type	Cost and complexity
Assessment	We do not assess this concern as a blocking factor for the development of EPSAS. There are sufficient best practices available both from private and public sector to implement pragmatic yet effective procedures in respect of year-end impairment reviews of inventories.
Comment 9	One Member State sees the application of IPSAS 13 ‘Leases’ difficult as well.
Type	Cost and complexity
Assessment	We do not see this as problematic for the development of EPSAS either. Governments can also inspire from both private and public sector practices on the identification and treatment of the different types of leases.

Accounting area: Revenue (IPSAS 9, 11, 23)

Comment 1	There are many sources of tax and the underlying taxable event might be difficult to identify. The accrual accounting principles may be difficult to apply in practice because of the need to rely on reliable data and adapt systems and/or processes. One Member State claims that IPSAS 23 'Revenue from non-exchange transactions' does not provide sufficient guidance as to how the principles should be applied. Another Member State highlights the difficulty to assess impairments on receivables reliably.
Type	Cost and complexity, conceptual/technical
Assessment	Implementation guidance is provided in IPSAS 23 IG, with examples developed on tax revenue. In some cases, making a reliable estimate might not be possible (e.g. because the tax base is volatile or reliable data to make the estimate are not available). In some cases, tax revenue may need to be recognised when cash is received. Application of these principles requires judgment. Notwithstanding this, practical implementation guidance should be considered for the main sources of tax revenue for EU Member States (personal income tax, corporate income tax and VAT) to ensure consistent application in similar circumstances.

Accounting area: Accrual and expenses (Framework, IPSAS 19)

Comment 1	No IPSAS standard exists on 'social benefits' and 'expenses from non-exchange transactions'. These represent significant flows of transactions for governments.
Type	Conceptual/technical
Assessment	This is true. EPSAS standards should be issued on these topics given their relevance and significance for government entities. The IPSASB expects to issue a standard on 'Social benefits' in 2017 and proposes 'Expenses from non-exchange transactions' as one of the potential IPSASB projects to develop for the period 2015-2019. In developing EPSAS principles on these topics, one may leverage from discussions at the IPSASB level, as well as from the experience of Member States with the most advanced accounting practices on these topics.

Comment 2	IPSAS 19 'Provisions, contingent assets and contingent liabilities' might prove to be difficult to apply in practice (difficulties regarding the identification and data collection in respect of environmental obligations, identification of contingent liabilities and measurement of long-term obligations).
Type	Cost and complexity
Assessment	New information flows may need to be defined and processes implemented to identify existing and potential obligations, collect data and measure government obligations. This should be part of a good year-end closure process.

Accounting area: Employee benefits (IPSAS 25)

Comment 1	IPSAS 25 on employee benefits would require recognition of large pension liabilities on the balance sheet. This could lead to negative reactions from stakeholders if negative net assets are disclosed. Some argue that if such liabilities are recognised, one should also recognise future tax revenues on the balance sheet. The existence of a liability is doubtful as governments can unilaterally decide not to pay pensions if they do not have enough financial resources (sovereign power). One Member State expresses the concern that the current IPSAS 25 (treatment of pension plans as either a defined contribution plan or a defined benefit plan) does not address all specificities that can be encountered by governments, and that the concept of 'valid expectation', which is used to determine whether a non-legal obligation exists, is difficult to apply in the public sector.
Type	Conceptual/technical, other
Assessment	To the extent that past services rendered by employees represent government obligations on the balance sheet date, pension liabilities should be recognised in relation to these past services. This reasoning is in accordance with the generally accepted accrual principles. Taxes that are expected to be levied in the future are dependent on future events (= existence of revenue giving rise to tax), future revenues cannot be recognised, nor future expenses. Recognising pension liabilities on the balance sheet (to the extent that a present obligation has been created for the government) provides useful information. It indicates the extent to which liabilities need to be funded either by future revenue or by raising debts. This information should help the decision-making: levy taxes, raise debts or decrease employee benefits that the government cannot afford to pay (with a consequential impact on the financial statements = decrease in the pension liability and positive impact in the year the decision is taken). Key is to determine when a present obligation exists. Judgment is required in applying the 'valid expectation' concept. It is currently the general view that the existence of sovereign power should be ignored in determining whether a liability exists. This topic should be further explored when setting the EPSAS standards. Guidance might need to be developed to ensure consistency in how Member States interpret whether they have a present obligation or not, and how liabilities with respect to any such obligations should be measured.

Comment 2	IPSAS 25 is a highly technical area which requires specific actuarial expertise (to conduct actuarial valuations).
Type	Cost and complexity
Assessment	Actuarial experts' involvement is indeed likely to be required. Best practice includes centralisation of calculations and expertise to minimise cost. As the standard is similar to IAS 19, which is widely implemented for private listed companies, actuarial expertise already exists which can be used to implement IPSAS 25.

Accounting area: Financial instruments (IPSAS 28, 29, 30)

Comment 1	The IPSAS standards on financial instruments are not adapted for the public sector. Concerns relate to IPSAS 29 'Financial instruments: recognition and measurement'. Some argue that measurement at fair value is not appropriate for public sector entities, especially if non-realised gains are recognised.
Type	Conceptual/technical
Assessment	Accounting for financial instruments should be adapted to the characteristics of the public sector. In this respect, it should be noted that the IPSASB work plan includes a project on financial instruments that are specific to the public sector (completion expected in 2016). Specific guidance is also provided in IPSAS 29 on concessionary loans that are common in the public sector. When governments enter into major and risky transactions using financial instruments, the accounting treatment of such transactions should reflect these risks and the substance of the arrangements, in the same way as for private companies. Examples include complex financing arrangements, financial guarantees, use of derivatives, investments in financial institutions or other private entities.
Comment 2	Accounting for financial instruments is a technically complex area which requires specialised expertise (e.g. in respect of calculation of amortised cost, fair value measurement, impairment of assets, etc.). One Member State highlights that the expected loss model should be used to determine impairment on loans (e.g. student loans).
Type	Cost and complexity
Assessment	Accounting for financial instruments is a technical area. In practice, smaller entities are not expected to enter into complex transactions. The required expertise may often be developed at central level and be in the hands of a limited number of staff, therefore limiting the total cost. The expected loss model is the one that is planned in the new IFRS 9 standard dealing with recognition and measurement of financial instruments. This new international accounting rule may constitute a source of inspiration for the EPSAS standard setting.

Comment 3	IPSAS have very detailed disclosure requirements that sometimes go beyond the needs of public sector companies. IPSAS 30 'Financial instruments: disclosures' should be adapted as it is based on the IFRS equivalent that was developed for banks and insurance companies.
Type	Cost and complexity
Assessment	The standard indeed contains detailed disclosure requirements. When material transactions are concluded that involve major risks for governments, appropriate disclosure should be given on these transactions and on the exposure these have created for the public sector entity. Judgment is required in determining information that is relevant for a proper understanding of the transactions and their (potential) impact on the financial position, performance and cash flows of the entity. Keeping these sound principles in mind, it might be envisaged to review (some of) the disclosure requirements of IPSAS 30 in view of the European needs and/or to provide additional guidance on how to apply these.

8.2 Stakeholders' needs

It is important that stakeholders' needs be taken into account when deciding on the strategic priorities for the development and implementation of EPSAS.

The public consultation paper on EPSAS governance[11] presents the following objectives of the EPSAS project:

- produce reliable and timely financial and fiscal data;
- reduce the incoherence between the micro level primary public-sector accounting and reporting framework and the ESA macro level reporting framework;
- increase fiscal transparency, necessary for macroeconomic stability and for coordination, surveillance and policy advice;
- improve the accountability, efficiency and effectiveness of public sector management;
- in particular, where accrual accounting is not yet in place, facilitate the quality of decision-making;
- improve the comparability of the reporting as regards the Member States' financial position and performance;
- facilitate the securing of liquidity in global financial markets;
- improve the efficiency and effectiveness of public audit.

These objectives are intended to serve stakeholders' needs in an EU context.

In addition to this, there is some sense of urgency in having EU harmonised accrual accounting standards in the context of the EU budget surveillance and fiscal monitoring mechanism.

[11] Public consultation paper, Document accompanying the public consultation 'Towards implementing European Public Sector Accounting Standards (EPSAS) for EU Member States. Public consultation on future EPSAS governance principles and structures', European Commission/Eurostat, 25 November 2013

8.3 Proposed classification of the IPSAS standards

The report from the Commission on the suitability of IPSAS for the Member States concluded that the IPSAS standards might be grouped as follows:

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

The analysis of the application of IPSAS by EU Member States (chapter 7) shows that many governments that apply accrual accounting use IPSAS as a reference for developing their own accounting standards. Additional inputs are the assessment of the comments expressed by the Member States on the IPSAS standards (chapter 8, section 8.1) and identification of the stakeholders' needs in terms of government accounting and reporting (chapter 8, section 8.2).

In the light of these analyses, and based on our assessment of what accounting solutions are most urgently needed by the preparers and users of EPSAS financial statements, we have revisited the classification of the IPSAS standards included in the Commission report, and propose a slightly modified grouping in terms of the three categories listed below. A revised classification of the IPSAS standards can thus be proposed, providing useful input regarding the way forward for the EPSAS standard-setting process.

The objective of the analysis of the IPSAS standards is not to formulate any recommendation regarding the drafting of the EPSAS standards, but rather to highlight those key accounting areas that need further analysis and/or discussion during the EPSAS standard-setting process.

***Category 1:** Topics for which no standard exists yet but for which a standard or implementation guidance is needed.*

This category was not included in the initial classification of the IPSAS standards by the Commission. It has been added to reflect the fact that accounting principles and/or implementation guidance are needed in specific circumstances or in respect of certain types of transactions that are significant for governments. This category includes the following topics:

- Framework/core EPSAS principles.
- Social benefits.
- Expenses from non-exchange transactions.
- First-time adoption of EPSAS.

***Category 2:** Standards that (may) need (some) amendments or for which implementation guidance is (may be) needed.*

Classification under this category does not mean that the standard should necessarily be changed, but that a sound discussion is needed on the principles to get the buy-in of the Member States on the EPSAS accounting principles that will be developed.

The standards identified in the initial classification proposed by the Commission as 'Standards that need adaptation, or for which a selective approach is needed' and 'Standards that are seen as needing to be amended for implementation' have been grouped in this single category for simplification purposes. Although the importance of the amendments that are possibly needed may vary from standard to standard, classification of the standards in one single category, that is the one including standards that need to be discussed, is easier to understand for most stakeholders. This category includes the following standards:

- IPSAS 6 'Consolidated financial statements'.
- IPSAS 18 'Segment information'.

- IPSAS 20 'Related party disclosures'.
- IPSAS 22 'Disclosure of financial information about the general government sector'.
- IPSAS 23 'Revenue from non-exchange transactions'.
- IPSAS 24 'Presentation of budget information in financial statements'.
- IPSAS 25 'Employee benefits'.
- IPSAS 29 'Financial instruments: recognition and measurement'.
- IPSAS 30 'Financial instruments: disclosures'.

Category 3*: Standards that might be implemented with minor or no adaptation.*

Standards falling under this category have been assessed to be acceptable for use by EU Member States without adaptation or with only minor adaptation. This category includes the following standards:

- IPSAS 1 'Presentation of financial statements'.
- IPSAS 2 'Cash flow statements'.
- IPSAS 3 'Accounting policies, changes in accounting estimate and errors'.
- IPSAS 4 'The effects of changes in foreign exchange rates'.
- IPSAS 5 'Borrowing costs'.
- IPSAS 7 'Investments in associates'. (*)
- IPSAS 8 'Interests in joint ventures'. (*)
- IPSAS 9 'Revenue from exchange transactions'.
- IPSAS 10 'Financial reporting in hyperinflationary economies'.
- IPSAS 11 'Construction contracts'.
- IPSAS 12 'Inventories'.
- IPSAS 13 'Leases'. (*)
- IPSAS 14 'Events after the balance sheet date'.
- IPSAS 16 'Investment property'.
- IPSAS 17 'Property, plant and equipment'. (*)
- IPSAS 19 'Provisions, contingent liabilities and contingent assets'.
- IPSAS 21 'Impairment of non-cash-generating assets'. (*)
- IPSAS 26 'Impairment of cash-generating assets'. (*)
- IPSAS 27 'Agriculture'.
- IPSAS 28 'Financial instruments: presentation. (*)
- IPSAS 31 'Intangible assets'. (*)
- IPSAS 32 'Concession arrangements: grantor'.

Standards that are marked with an asterisk (*) were classified under category 'Standards that need adaptation, or for which a selective approach is needed' in the previous Commission report on the suitability of IPSAS.

8.3.1 Topics for which no standard exists yet but for which a standard or implementation guidance is needed

Framework

The need for an EPSAS conceptual framework or EPSAS core principles has been discussed at length by Member States during EPSAS Task Force meetings.

Development of a full conceptual framework before starting the standard-setting process may be very time-consuming as it is difficult to define all guiding principles without inevitably considering the various situations and issues these can cover in practice. Referring at others' experience, development of the IPSASB conceptual framework took several years (issuance of the IPSASB framework is planned end 2014).

Defining some core and high-level principles is however useful to set the scene for the EPSAS standard-setting process, without necessarily the need to develop a full conceptual framework. The IPSASB conceptual framework that will be published later in the year can be used as a reference point for this.

The link will need to be made with the principles and definitions included in 'IPSAS 1 'Presentation of financial statements'.

We believe that the definition of the EPSAS core principles should include the objectives of EPSAS financial statements, the qualitative characteristics of the EPSAS financial information, the definition of the elements of the financial statements and their measurement bases.

Development of a full conceptual framework can be envisaged at a later stage. This would also provide the opportunity to test the principles of the framework against lessons learnt from the application of the standards.

'Social benefits' and 'Expenses from non-exchange transactions'

Social benefits and expenses from other non-exchange transactions represent significant flows of transactions for governments. EPSAS standards should be issued on these topics.

Issuance of an IPSAS standard on 'Social benefits' is expected in 2017 and the topic of 'Expenses from non-exchange transactions' is proposed as one of the potential IPSASB projects to develop for the period 2015-2019. One may leverage from discussions at the IPSASB level and on existing practices in Member States with a higher accounting maturity in developing EPSAS rules and/or guidance on these topics.

First-time adoption of EPSAS

Although this topic has not been identified as such by Member States, we believe it is necessary to issue a standard or at least guidelines on the rules that should be followed by governments when they apply EPSAS for the first time. In doing so, the upcoming IPSAS standard 'First-time adoption of accrual basis IPSAS' (expected to be issued by the end of 2014) may be used as a reference point.

Heritage assets

Heritage assets are also significant for governments; these may hold lots of assets of this kind. There is currently no specific guidance on the accounting of heritage assets other than that included in IPSAS 17, and comments have been made by some Member States on this. Although the topic of heritage assets is relevant for governments, we do not believe that this should be treated in priority. The most urgent needs of EPSAS financial statements' stakeholders would be better addressed if the focus is first put on those accounting topics classified under category 1 and category 2.

Heritage assets may be treated by the IPSASB as a public sector specific project in its work plan for the period 2015-2019.

8.3.2 *Standards that (may) need (some) amendments or for which implementation guidance is (may be) needed*

The standards classified in this category are likely to deserve a higher level of attention in the EPSAS standard-setting process, for various reasons and to a various extent.

IPSAS 6 'Consolidated financial statements'

The basic principles underlying the definition of the scope of the EPSAS reporting should be fixed from the start of the standard-setting process as this will determine the scope of entities that are impacted by the EPSAS project.

The primary purpose of the EPSAS project is to implement harmonised accrual accounting systems across all subsectors of general government in Europe. It is not about preparing consolidated financial statements. However, it is important to define the boundaries of the entities that will be required to report under the new EPSAS rules. Applying IPSAS consolidation principles might change the boundaries of the reporting entities and consequently also the scope of entities that would need to report under EPSAS.

The key question is to determine whether the control concept included in IPSAS 6 'Consolidated financial statements' should be applied or rather the scope of ESA reporting that brings into the scope all entities that are part of the general government sector. Applying IPSAS 6 control principles has value; it would however put in the scope entities controlled by the government but that are not part of the general government sector, such as government business enterprises (GBEs) or public corporations. Would the ESA scope of reporting be followed (which is the option wanted by most Member States), GBEs would not be included in the consolidation. Another question would then be how to treat them in the EPSAS financial statements.

To ensure full transparency, the consolidation principles that will be applied should not leave out of the scope of the consolidated financial statements significant liabilities whose cash out should ultimately be paid by governments. Structuring of transactions that aim to achieve off balance sheet treatment of government debts should not be made possible. The scope of the EPSAS financial statements should include those entities or transactions that significantly impact or could potentially significantly impact government public finances and government key metrics, such as government debt and net surplus/deficit. Risky transactions should properly be reflected in government's financial statements too.

The question of the scope excepted, other IPSAS principles relating to the preparation of consolidated accounts (harmonisation of accounting policies, elimination of intercompany transactions, etc.) do not raise any conceptual/technical concern.

The appropriateness of preparing whole-of-government accounts (WGA), including all entities of the GGS in one Member State, regardless of whether control exists or not, may also be examined. Preparation of WGA would however only be envisaged once EPSAS are implemented at the level of the individual reporting entities.

No major comment has been made by Member States on IPSAS 7 'Investments in associates' and IPSAS 8 'Interests in joint ventures' but the requirements included in these standards may potentially be impacted by the discussions on IPSAS 6 as some of the principles of these standards are linked to each other. IPSAS 7 and IPSAS 8 are classified under category 3 'Standards that might be implemented with minor or no adaption'.

IPSAS 25 'Employee benefits'

The key question is to agree on the rules that determine whether a present obligation exists for the government at the balance sheet date in respect of pension and other benefits granted to employees, in which case a liability needs to be recognised in accordance with accrual accounting principles that are generally accepted on an international level. The debate is closely linked to the definition of a liability and will include consideration of concepts such as 'sovereign power', 'legal versus constructive (or non-legal) obligation' and 'valid expectation'.

Guidance might need to be developed to ensure consistency in how Member States interpret whether they have a present obligation or not, and how liabilities with respect to any such obligations should be measured.

IPSAS 23 'Revenue from non-exchange transactions'

The standard has been identified as one that might be difficult to apply in practice, especially for tax revenue.

Since tax revenue is very significant for governments, it might be appropriate to issue practical implementation guidance for the main sources of tax revenue for EU Member States (personal income tax, corporate income tax and VAT) to ensure consistent application in similar circumstances.

IPSAS 29 'Financial instruments: recognition and measurement'

Concerns relating to this standard are mostly expressed in general terms, including the appropriateness to apply fair value measurement for public sector entities.

While we do not believe that there is an urgent need to change much in the standard, except as part of the normal maintenance plan of the standards (and the need to follow up the latest developments in IFRS), it is probably sound to confirm the basic principles and objectives underlying financial instruments accounting. This mainly concerns the need to reflect in a transparent way in the financial statements the substance of the (sometimes complex) financing arrangements, the financial risks that are taken by governments when they enter into significant and risky transactions, including financial guarantees, use of derivatives, investments in financial institutions or other private entities. Governments at all levels also often incur large amounts of borrowings to fund their activities, including their social programs or the construction of infrastructure assets. These transactions should be properly reflected in the financial statements.

It should finally be reminded that the IPSASB plans to publish a standard dealing with financial instruments issues that are specific to the public sector in 2016.

IPSAS 30 'Financial instruments: disclosures'

Some Member States express the view that the detailed disclosure requirements of IPSAS 30 go beyond the needs of public sector companies.

Keeping in mind that transactions that expose governments to significant financial risks should be properly disclosed, it might be envisaged to review (some of) the disclosure requirements of IPSAS 30 in view of the European needs and/or to provide additional guidance on how to apply these.

IPSAS 28 'Financial instruments: presentation' is not addressed by the comments made by Member States but it will be necessary to keep in mind that requirements included in this standard may potentially be impacted by the discussions on IPSAS 29 and IPSAS 30. IPSAS 28 is classified under category 3 'Standards that might be implemented with minor or no adaptation'.

Disclosure standards IPSAS 18 'Segment information', IPSAS 20 'Related party disclosures', IPSAS 22 'Disclosure of financial information about the general government sector' and IPSAS 24 'Presentation of budget information in financial statements'

If general concerns have been raised on the usefulness of the detailed IPSAS disclosure requirements and the workload associated with their preparation, comments have also been made more specifically in relation to IPSAS 18, IPSAS 20, IPSAS 22 and IPSAS 24.

Possible solutions to address these specific concerns could include the following:

- IPSAS 18 - the appropriateness of a (partial) alignment of the IPSAS standard on segment reporting on IFRS 8 (the IFRS standard on segment reporting) may be explored, in that IFRS 8 capitalises on information already available that fits the entity's reporting/accountability structure, rather than on IAS 14 (the old IFRS standard on segment reporting).

- IPSAS 20 - applying the standard can be very complex and burdensome for governments. The relevance of the disclosure requirements can be analysed with regard to European needs and guidance may be issued to help users identify what information is relevant and should be disclosed.

- IPSAS 22 - reconciliation of EPSAS figures with the ESA reporting is useful, especially in respect of the net assets, debt and surplus/deficit. Discussions can focus on what information is deemed relevant in the European context and should be disclosed.

- IPSAS 24 - only one concern has been raised by one Member State with regard to IPSAS 24 'Presentation of budget information in financial statements' and it relates to the relevance of providing a comparison of budgeted and actual amounts. Such information is useful with respect to the accountability and transparency objectives of financial statements. Some may however wish to discuss this as part of the EPSAS standard-setting process.

8.3.3 *Standards that might be implemented with minor or no adaptation*

Amendments to the initial classification of the IPSAS standards included in the first Commission report have been brought to the following standards:

IPSAS 7 'Investments in associates' and IPSAS 8 'Interests in joint ventures'

IPSAS 7 'Investments in associates' and IPSAS 8 'Interests in joint ventures' have not been identified by Member States as being problematic. The most important concern relates to the definition of the scope of consolidation and the application of the control concept in IPSAS 6. As mentioned above, the requirements included in these standards may potentially be impacted by the discussions on IPSAS 6.

Let's also note that IPSAS 6 to 8 are currently being reviewed by the IPSASB and are expected to be replaced by a suite of five new standards on interests in other entities by the end of 2014: the standards on 'Separate Financial Statements', 'Consolidated Financial Statements', 'Investments in Associates and Joint Ventures', 'Joint Arrangements' and 'Disclosure of Interests in Other Entities'.

Leases

IPSAS 13 'Leases' has not been seen as problematic either.

Property, plant and equipment

IPSAS 17 'Property, plant and equipment' is a standard whose implementation will require significant efforts for governments moving from a cash-based accounting system to accrual accounting, but no major conceptual issue arises from its application. The standard is therefore not identified as needing amendment.

Application of IPSAS 21 'Impairment of non-cash-generating units' and IPSAS 26 'Impairment of non-cash-generating assets' may require some judgment but no major conceptual issue has been identified.

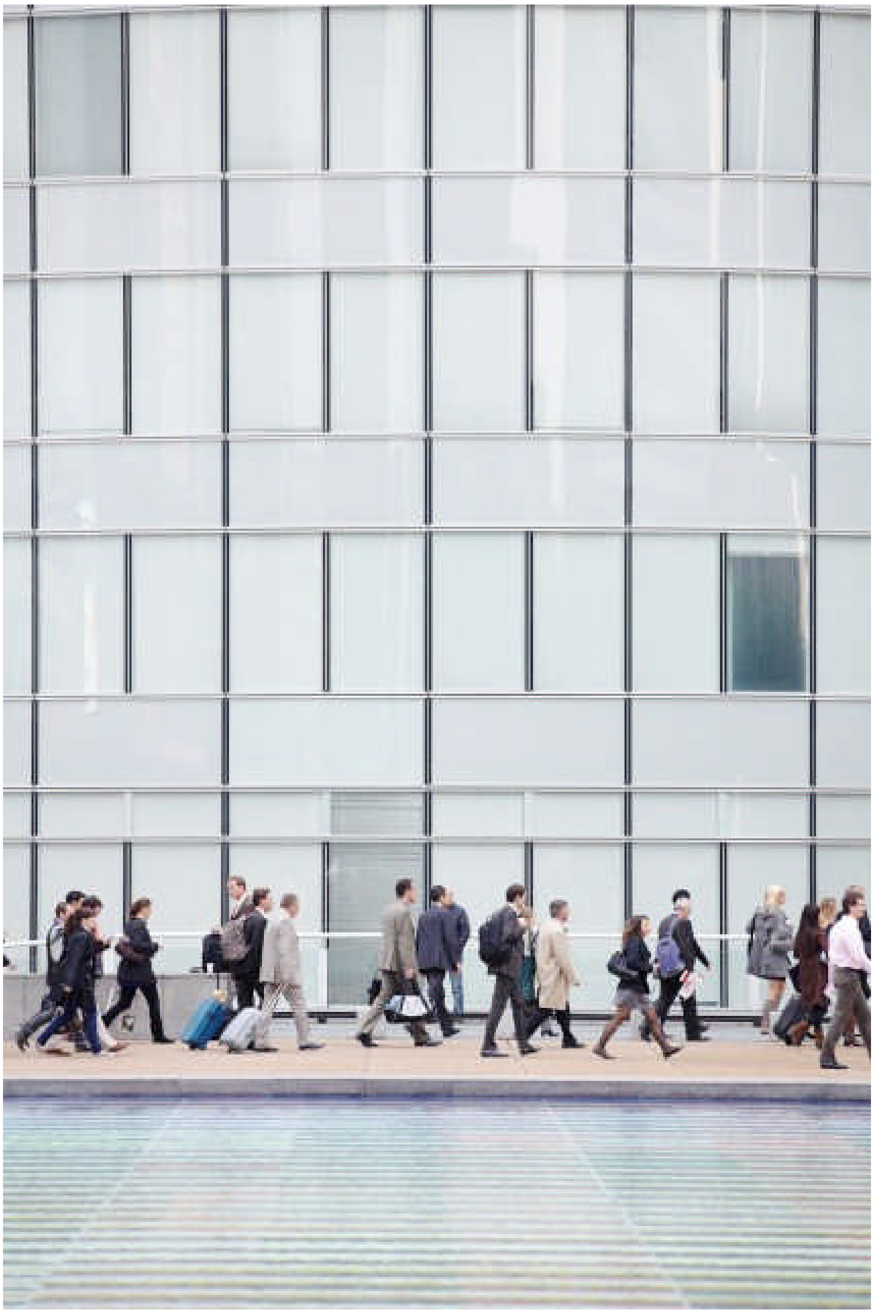
Financial instruments

IPSAS 28 'Financial instruments: presentation' is part of the suite of the three financial instruments standards. It is considered as less problematic than IPSAS 29 on recognition and measurement and IPSAS 30 on disclosures. Its revision/update has therefore not been considered as a priority for the EPSAS standard-setting. As mentioned above, IPSAS 28 could however be impacted by the discussions on IPSAS 29 and 30.

Intangible assets

IPSAS 31 'Intangible assets' might not address all issues that are specific to the public sector but the standard as it stands is not seen as problematic for the development of EPSAS.

Task 3 - Summary of costs and benefits and proposals for implementation



9. Summary of costs and benefits of implementation

Building on the detailed analysis of the benefits and costs presented in chapters 5 and 6 respectively, this chapter provides a summary of the expected positive and negative impacts that may be expected to accrue to the stakeholders' groups affected as a result of implementing harmonised accrual-based accounting standards across the EU Member States.

The expected positive impacts are first explained by category of stakeholders: preparers, auditors and users (both internal and external) and summarised in Table 29. The expected negative impacts are summarised by type (economic and social) and further detailed by category of stakeholders in Table 30.

9.1 Summary of expected positive impacts

Preparers

The most immediate impacts of any accounting modernisation project will be felt by those charged with capturing and recording financial transactions and events and preparing the summary financial statements. These preparers will be required to adapt to the new accounting environment and incorporate accrual-based concepts into their daily work in processing individual transactions and preparing financial reports.

The increase in qualifications and skills may be especially important in line ministries, operational units, and individual government entities where the introduction of accrual accounting creates a need for more advanced financial capacity for administrative functions. The demand for accrual-oriented knowledge and expertise may have a negative impact in the short term where the existing labour force does not have the required skills, which may constitute a risk to the quality and reliability of the information provided. This can however be solved through adequate and tailored training. In the medium and long term, however, the increased capacity of the labour force will allow for more value-added functions to be carried out supporting operational decisions and decision-making.

The consistency achieved across government reporting units will enable the ministries in charge of preparing the EPSAS financial statements to more easily aggregate financial information (e.g. prepare consolidation financial statements) and analyse the results of individual line ministries and operating units.

Auditors

Positive impacts will accrue to auditors primarily through the harmonisation of policies across government entities which will allow for greater standardisation in the audit methodology. They will also benefit from the higher quality information maintained by the reporting entities which will enhance the effectiveness of public audit and auditors' ability to develop opinions on the financial statements presented as well as on other audit questions such as value-for-money and performance audits.

Harmonisation of public accounting practices will also have a knock-on effect in the labour market for public auditors, increasing their mobility between jurisdictions applying the same accounting framework. As with the financial statement preparers, a certain time lag can be expected during which public auditors may face a skills shortage as existing staff must be retrained and new staff recruited to meet the audit needs of the new accrual-based reporting environment. Administrative costs may also be incurred by public audit authorities to provide training and update audit procedures in response to the new reporting environment.

Internal users

The primary benefits accruing to users within the public administration relate to their ability to use financial information to demonstrate accountability, evaluate performance, and inform decision-making going forward. Accrual accounting produces a wealth of information to support these objectives that is simply not available under a cash accounting system. Accrual-based information systems allow for detailed tracking of financial position and performance and, when combined with cost accounting and performance measurement systems, can shape incentives for public managers and decision-makers to increase productivity and efficiency for improved public resource management.

Policy makers are held accountable for the results achieved and rely on financial information to assess past performance in the civil service and inform future resource allocation decisions.

With accrual-based accounting practices ensuring that the long-term impact of current decisions is reflected in the financial statements, policy makers will be incentivised to consider the future impacts of current decisions with a view toward maintaining fiscal sustainability and achieving intergenerational fairness for citizens. The consistency achieved across government reporting units will enable the central ministries and other reporting units to compare the performance of individual units under their purview.

The accrual reform project will have an impact on the administrative budget during the years of implementation, although the effort is expected to be more limited for countries which already report under accrual accounting principles.

External users

For the purposes of this analysis, the term ‘external users’ is used to group all stakeholders’ groups and interested parties that lie outside of the public administrations in the Member States. This group includes, most notably, the citizens who, as taxpayers and services recipients, seek to hold the government accountable for its use of public resources. Members of Parliament, who represent the interests of the citizens, have better information for scrutiny and oversight of the government’s use of public resources. Politicians need to understand the current position of government finances to assess the government’s financial capacity before making commitments for new programmes and services.

The media is another important external user, playing a key role in the public accountability cycle by disseminating financial information toward the general public.

A potentially negative impact may be associated with the complexity of certain aspects of accrual accounting and the risk being misinterpreted by non-financial users. At the same time, however, comparability with the private sector should help increase understanding by users familiar with private sector financial reporting practices.

European Union institutions are a key user driving the EPSAS initiative and stand to benefit from the financial information produced in the Member States as an input into the fiscal statistics reported for fiscal monitoring and policy evaluation at the EU level. Similarly, national statistical offices will benefit from better quality data and enhanced statistical reporting by governments in their country.

Stakeholders in the financial markets (e.g. investors, bondholders, and credit rating agencies, etc.) will benefit from the transparency and comparability assured by harmonised public accounting standards. The credibility of accrual-based financial information will increase with the application of harmonised practices across the EU and may, as a result, reduce uncertainty and increase market confidence.

Other external users include international organisations and academics who rely on financial data to conduct analysis and develop policy guidance and best practice recommendations with a view to improving public financial management and policy outcomes. In certain instances, international organisations may also act as fund providers (e.g. IMF, World Bank) and thus have a direct interest in the financial performance of recipient governments.

Private sector service providers will benefit from the business opportunities arising from the implementation of the new accounting standards across EU governments (e.g. IT system investments, conversion assistance, training, etc.). The products and services offered to governments will also be more closely aligned with the existing products and services offered on the market to private sector operators.

Table 29 - Summary of positive impacts

	Preparers	Auditors	Internal users	Internal users	External users	External users	External users	External users	External users
	Ministry of Finance and operational finance and accounting departments	*Audit authorities*	*Public managers and non-finance staff (civil service)*	*Policy makers (Ministries, Parliament, etc.)*	*Taxpayers and service recipients (public)*	*Media*	*Financial markets and rating agencies*	*EU institutions and national statistical offices*	*Other (international organisations, academics, private sector service providers)*
Economic impacts									
Transparency and comparability	+	+	+	++	++	++	++	++	+
Harmonisation and fiscal surveillance		+	+	+	+	+	++	++	+
Long-term fiscal view	++	+	+	++	++	+	++	++	+
Accountability			++	++	++	++	+	+	
Decision-making	++		++	++	+	+	+	+	+
Cost accounting and performance measurement	++		++	+	+	+			
Best practice reform driver	+		+	+			+	+	+
Audit and internal control	+	+	++	+	+				
Administrative cost and burden	++	+	+	+	+			+	+
Social impacts									
Qualifications	++	++	+	+		+			
Recruitment and mobility	++	++	+						+

9.2 Summary of expected negative impacts

Economic impacts

The incremental costs of implementation represent a negative impact as this may create an additional financial burden to the public sector body (preparers). The impact on the government's economy can be measured through the expected implementation cost as a percentage of the GDP. The reform at the end will be financed by the taxpayers. The impact on the citizen-taxpayer can be expressed as the cost per inhabitant or by household.

Social impacts

Accrual accounting requires more advanced accounting skills than cash accounting. The implementation of EPSAS might represent a challenge for financial staff (preparers) who are used to work in a cash-based environment. Thus, it might take time for certain public finance professionals to acquire the necessary skills to operate in the new accounting environment in an efficient and effective manner. The increased complexity will also require from the decision-makers, both public managers and policy makers, an investment to be able to use this information in an appropriate manner in order to obtain the expected benefits. The increased complexity of the financial information creates a risk of misinterpretation by external users, such as the media. Appropriate media training is necessary to mitigate this.

Table 30 - summary of negative impacts

	Preparers	Auditors	Internal users	Internal users	External users	External users	External users	External users	External users
	Ministry of Finance and operational finance and accounting departments	*Audit authorities*	*Public managers and non-finance staff (civil service)*	*Policy makers (Ministries, Parliament, etc.)*	*Taxpayers and service recipients (public)*	*Media*	*Financial markets and rating agencies*	*EU institutions and national statistical offices*	*Other (international organisations, academics, private sector service providers)*
Economic impacts									
Administrative cost and burden	--	-			--			-	
Social impacts									
Qualifications	-	-	-	-					

10. Proposals for implementation

We successively present the following topics below:

- 'Timeline for implementation and staged approach'.
- 'Implementation challenges and best implementation practices'.
- 'Approach to smaller and less risky entities'.
- 'Accompanying plan to facilitate implementation and optimise costs'.
- 'Monitoring of implementation'.

10.1 Timeline for implementation and staged approach

10.1.1 *Background and assumptions*

The Commission report of March 2013 on the suitability of the IPSAS standards for Member States envisaged that implementation of EPSAS should be achieved in all Member States in the medium term. A possible target date of 2020 for the presentation of the first EPSAS financial statements has been communicated at various EPSAS Task Force meetings and other public events.

Referring to government prior reform experiences and experiences of the change to IFRS in the private sector some 10 years ago, this timeline is very challenging, especially for those governments that use cash-based accounting practices and that do not have IT systems that are robust enough to support accrual accounting implementation. The IAS Regulation which required all listed companies to prepare and publish their consolidated financial statements under IFRS by the end of 2005, was published in June 2002. This left 3,5 years for companies, which were already all applying accrual accounting, to get ready for the 2005 deadline. Looking at the experiences of governments which already experienced accounting reforms, making the change to accrual accounting is a multi-year project. For further details, we refer to chapter 4, section 4.1 and chapter 6, sections 6.4.1 and 6.4.2.

Determining the optimal timeline for such a major project can be envisaged from two different perspectives:

- either the Commission/Eurostat sets a deadline (which can be ambitious) for all Member States and these must organise themselves, with the support of the Commission/Eurostat, to meet this deadline;

- or no strict deadline is set, and each Member State makes its best efforts to make the move to accrual accounting within the best possible timeframe.

In our experience, the timing set for a conversion should ideally be both:

- realistic and not overly ambitious to (1) be credible and get the buy-in of the stakeholders involved in the conversion process and (2) provide sufficient time to put in place processes that will lead to the issuance of financial statements of a good quality. Smoothing the budgetary impact over several years can also help governments 'swallow the pill';

- challenging enough to keep the momentum and focus the efforts on the final objective. In our experience, if the timeline is too long, inefficiencies will inevitably happen with a consequential impact on the total cost.

Taking into account stakeholders' needs in terms of high-quality standards and the sense of urgency in having EU harmonised accrual accounting standards to improve budget surveillance and fiscal monitoring, we understand that the 2020 deadline is an important objective, and that Member States would be required to devote sufficient priority to the project to achieve it.

The proposals for implementation made in this chapter are based on the above assumptions. The 2020 deadline is taken as the target and various scenarios are built around this objective.

The overall timeline of the EPSAS project includes the time needed for defining the EPSAS standards (standard-setting process) and the time needed for implementing the EPSAS standards. The two blocks of activities (EPSAS standard setting and EPSAS implementation) should not be seen as strictly sequential as part of the work linked to EPSAS implementation can already start before the EPSAS standard setting is finalised. If the objective is to keep an ambitious deadline, the latter should however not be too long as Member States need to know as early as possible the suite of EPSAS standards that will be used for the preparation of the EPSAS opening balance sheet and first set of EPSAS financial statements.

The two key blocks of activities during the EPSAS project (the EPSAS standard setting and the EPSAS implementation by the Member States) are discussed below.

10.1.2 *EPSAS standard-setting*

Standard-setting activities will be carried out centrally for all EU Member States in accordance with the governance arrangements that are currently under development. As defined in the scope of the assignment (see chapter 2, section 2.1), the present study does not deal with EPSAS governance. As per discussion at the Task Force EPSAS Governance meeting of 27 March 2014, it may take approximately 15 months to go through the legislative process following the Commission Communication on EPSAS. Based on this estimated timetable, and assuming that the Commission Communication on EPSAS will be published in early October 2014, publication of the EPSAS Regulation might be anticipated at the end of 2015/beginning of 2016.

One may envision several possibilities for the approach taken to set the EPSAS standards, considering the ultimate goal of establishing a high-quality EPSAS framework that addresses adequately the needs of EU governments and their stakeholders.

A key question remains as to what extent IPSAS will be used as a reference for the development of EPSAS. If the standards are developed taking IPSAS as a starting point and efforts are concentrated on those IPSAS standards which are considered most problematic for the Member States (as assessed in chapter 8), the time required for standard-setting activities will be shorter than that required if IPSAS are not taken as a starting point.

The pros and cons are set out below for each of the three possible standard-setting scenarios that differ according to their use of the IPSAS suite as a reference point and the level of detailed guidance provided.

Scenarios	Pros	Cons
1. EPSAS are developed taking IPSAS as a primary source of reference, and capitalising on the analysis of the suitability of IPSAS for the Member States. The discussions are focused on the accounting standards/areas for which the main problems are identified. Other internationally recognised accounting standards and/or established government accounting practices are also considered as additional input in the discussion.	• Speeds up the EPSAS standard-setting process. • EPSAS standards based on internationally accepted standards. • Harmonisation achieved.	• Risk of lack of buy-in by those Member States that do not want IPSAS as the primary source of reference to develop EPSAS.
2. IPSAS are not taken as a starting point. The EPSAS standard-setting process considers IPSAS, other internationally recognised accounting standards and accounting rules developed by EU (and potentially other) national standard-setters. All accounting areas/topics are discussed with the same level of depth. The various accounting treatments available under the accounting frameworks or rules under consideration are discussed.	• Greater buy-in by those Member States that do not want IPSAS as the primary source of reference to develop EPSAS. • Harmonisation achieved.	• Risk to significantly slow down the standard-setting process. • Risk to deviate more from IPSAS and thus internationally widely accepted accounting standards. • Risk of lack of buy-in by those Member States that want an alignment with IPSAS.
3. Only high-level accrual accounting principles are developed and freedom is given to Member States to apply these principles to their specific context. Little or even no time is spent on discussing specific accounting topics.	• Speeds up the process.	• Insufficient guidance given to Member States as to the accounting principles to apply, making it very difficult to produce an opening balance sheet and full financial statements. • Harmonisation objective not achieved. • High risk of lower quality accounts produced by Member States.

Standard-setting scenario 3 is not a realistic option to achieve the objectives of the EPSAS initiative. Achieving high-quality financial information and harmonisation of EU government accounting rules are key objectives of the EPSAS project that cannot be met with scenario 3 as it lacks detailed guidance and provides only high-level principles for consideration by the Member States. It is therefore not recommended.

Focusing the discussions during the standard-setting process on those standards that have been classified in chapter 8 as 'Topics for which no standard exists yet but for which a standard or implementation guidance is needed' and 'Standards that (may) need (some) amendments or for which implementation guidance is (may be) needed' should address the most important concerns raised by the Member States on the IPSAS standards.

Standard-setting scenario 1 is likely to require less time than scenario 2 for the standard-setting process and to keep a closer alignment on internationally widely accepted accounting principles for the public sector. Scenario 1 does not propose to discuss in detail all accounting areas/topics but to focus on those that are widely accepted as being the ones that require further discussion and analysis.

This approach should enable to adopt, in a reasonable period of time, accrual-based accounting principles that are harmonised and of a sufficiently good quality and detail as to meet the objectives of the EPSAS project.

Assuming that the discussions during the standard-setting process will be focused on those standards that have been classified under category 1 'Topics for which no standard exists yet but for which a standard or implementation guidance is needed' or category 2 'Standards that (may) need (some) amendments or for which implementation guidance is (may be) needed' (see under chapter 8, section 8.4), a period of two or three years after the EPSAS Regulation is issued (expected by the end of 2015/beginning of 2016) might be needed to develop a set of harmonised and high-quality EPSAS standards.

Based on the input received from IPSASB members who shared their experience, during EPSAS Task Force meetings, on the time that is needed to discuss and agree on standards in the context of a standard-setting process, two or three years can be considered as a challenging timeframe, even if the discussions focus on those standards for which the most important concerns were raised by Member States. Assuming that a due process will be put in place similar to the one that exists for the development of the IPSAS standards, the standard-setting time would include the period that is open for comments once a standard is issued, and the time that is needed to analyse the comments received from the constituents before the standard is released.

Even if challenging, we believe that the target date of end 2017 (instead of 2018) should be set, because Member States need as soon as possible full clarity on the content of the EPSAS standards.

This will give two years to finalise the suite of EPSAS standards that will be applicable for the preparation of the EPSAS opening balance sheet by Member States.

The discussions that will continue, after submission of the present report, between Member States on the future EPSAS standards, including the extent to which IPSAS should be considered in developing EPSAS, will constitute very useful preparatory work to the standard-setting process.

The feasibility of this will depend on the efforts put in this process (resources allocated to the standard-setting activity, frequency of meetings, etc.). It is desirable to put in place an accelerated and intensive work program to issue a full set of EPSAS standards that are consistent with each other and ready for use by the Member States as soon as possible.

As already discussed, the length of the standard-setting process will be impacted by the approach taken and the extent to which IPSAS will be used as a starting point to develop EPSAS. A strategic decision needs to be taken in this respect.

Assuming that IPSAS will constitute the primary reference for the development of EPSAS (standard-setting scenario 1 above), conclusions of the present study on the analysis of these standards could be leveraged and the EPSAS standard-setting process could focus on those areas that are considered most critical for government accounts. The following priority areas could be envisaged:

Priority 1:

- definition of EPSAS core principles, including the objectives of EPSAS financial statements, the qualitative characteristics of the EPSAS financial information, the definition of the elements of the financial statements and their measurement bases;
- definition of the principles relating to the scope of the EPSAS reporting.

Priority 2:

- EPSAS standards for those key accounting topics not covered by IPSAS (social benefits and expenses from non-exchange transactions);
- IPSAS standards that cover the other most significant balance sheet items or classes of transactions for governments (revenue from non-exchange transactions and employee benefits);
- practical guidance in terms of the rules applicable to the first-time EPSAS financial statements.

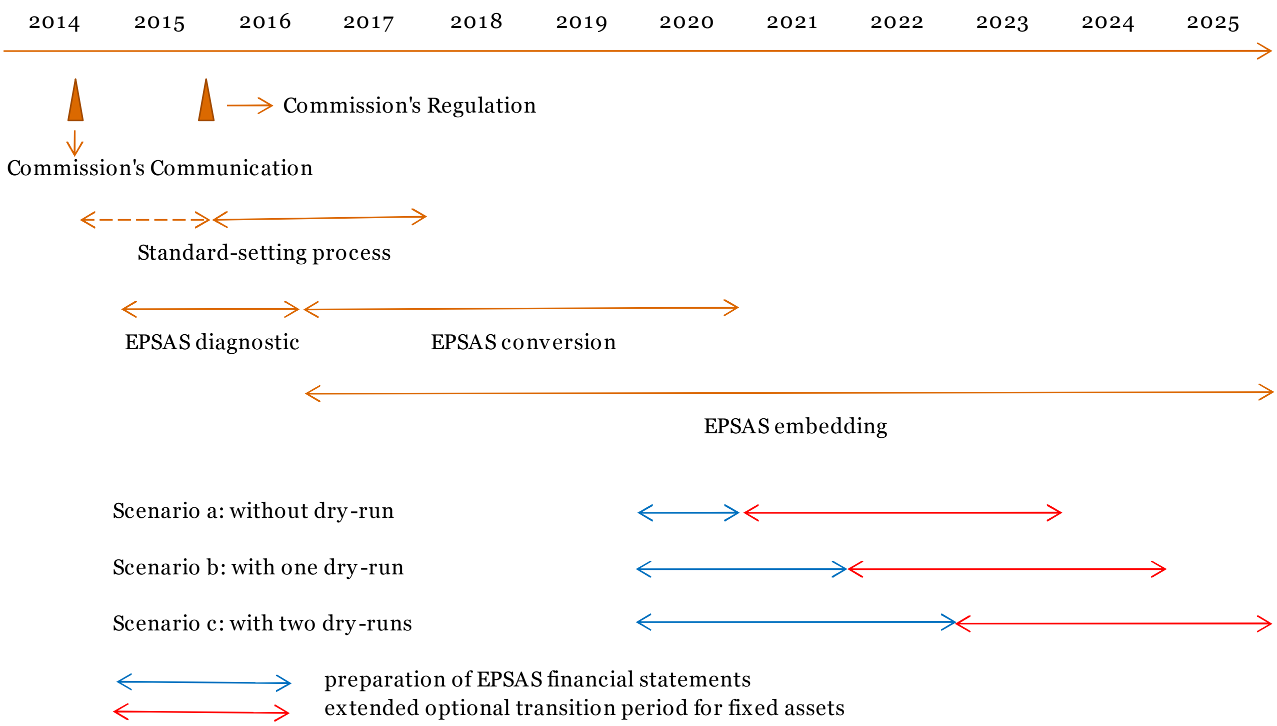
Other areas of discussion including disclosures may come next, while it would not be necessary to spend a lot of time on the majority of those standards for which no or minor issues have been identified.

10.1.3 *EPSAS implementation*

The timeline for implementation of the EPSAS standards by the Member States will be heavily impacted by the length of the EPSAS standard-setting process. However, the two dimensions (standard-setting on the one hand and implementation on the other hand) need not be viewed as strictly sequential as the first steps toward EPSAS implementation may be taken by the Member States before the standards are fully in place.

Assuming that the EPSAS standards will be developed taking IPSAS as a starting point (as presented in section 10.1.2 above), the following overall timeline may be envisaged:

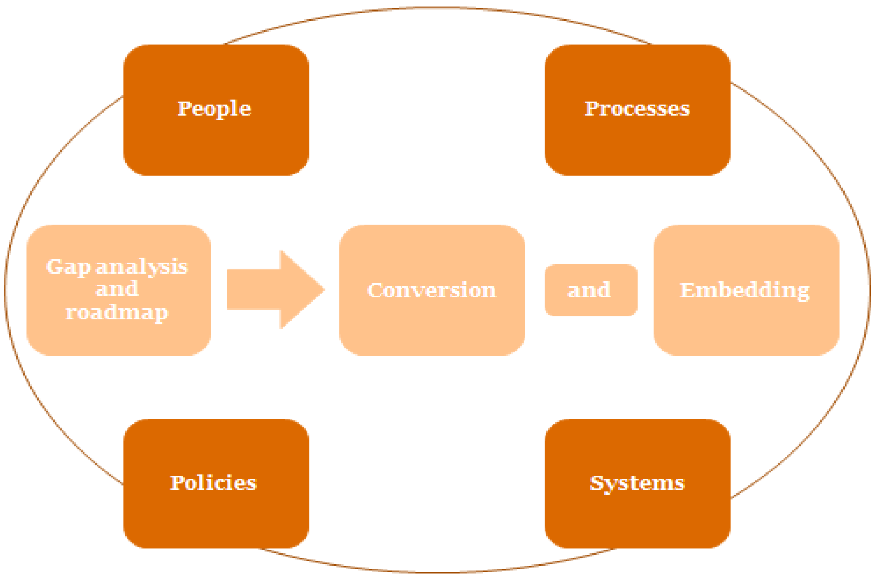
Table 31 - Proposed EPSAS implementation timeline



In order to understand the implementation process, and associated constraints, it is useful to present a typical approach for such a project before considering specific EPSAS implementation scenarios and timelines. The typical approach to implementation of IPSAS/EPSAS or similar accrual-based accounting standards is presented below in Figure 24 and includes three key phases/blocks of activities:

- the initial diagnostic or gap analysis, which should result in the drafting of a roadmap for successful conversion;
- the conversion, which should lead to the production of the first EPSAS-compliant financial statements;
- the embedding aspects, which should ensure that systems, processes, policies and behaviours are adapted to report efficiently under EPSAS on a recurring basis.

Figure 24 - Typical approach to accrual accounting implementation projects



Gap analysis and roadmap

The objective of a gap analysis (comparison of the 'as is' situation with the 'to be' situation) is to gain a detailed understanding of the impact of EPSAS on the organisation, highlight key accounting and reporting issues that need to be addressed, understand which business processes may be impacted by EPSAS, and take an informed decision on how to proceed with the conversion process.

The roadmap allows the organisation to develop a detailed project plan, define its needs and estimate the cost of the entire conversion process, including from an information system point of view, therefore informing investment decisions that need to be taken.

Member State governments can already start to prepare for the EPSAS implementation while the standard-setting process is ongoing. This preparatory work will be more focused if the IPSAS standards are taken as a starting point; the accounting treatment for many areas will then be known from the start as standard-setting discussions will be focused on a limited number of topics only.

Member States are encouraged to start as early as possible an EPSAS diagnostic and gap analysis, which should result in the drafting of a roadmap for successful EPSAS conversion. Ideally, the conclusions of this diagnostic would be ready by the end of 2016. Even if the full set of EPSAS standards is not yet ready for use by that time, useful preliminary analysis could for example be done on:

- those accounting topics for which no or only minor adaptation to the IPSAS standards seems to be required, based on the analysis under chapter 8. This includes a number of accounting areas which will require significant implementation efforts for those governments moving from a cash-based system to EPSAS, for example fixed assets or the simple application of the accrual concept for revenue and expenses from exchange transactions,

- other accounting topics will be discussed in parallel during the EPSAS standard-setting process, on a pro-active basis. The gap analyses so conducted could take the IPSAS standards as a reference point, with possible corrections for those potential areas where a consensus seems to be reached regarding the amendments to be made to the IPSAS standards. Those accounting areas for which there would be no clarity as to the future direction of EPSAS, because of an obvious lack of consensus between the parties involved in the standard-setting, could be left temporarily out of the scope of the diagnostic.

Even if the last details of the EPSAS standards are not known at the time of the diagnostic, preparatory analysis can be carried out. This can for example be the case in terms of getting a good picture of the 'as is' situation, in relation to the data collection process and validation of the quality of the data, in defining the resources that will be needed for the project, including human resources and investments in IT systems where applicable, knowing that this work will be needed whatever the future direction on some aspects of the EPSAS standards.

In view of the overall challenging timeline that is envisaged for the EPSAS project, such a pro-active approach is highly recommended for those entities that have a low accounting maturity at present.

Member States with well-established accounting practices could adopt a lighter approach at this stage, which could even consist in some cases in simply confirming their state of readiness for most of the areas covered by the EPSAS project.

Conversion and embedding

The conversion itself involves project set-up, component evaluation (i.e. analysis of the impact of the application of the new reporting requirements for each accounting area) and issue resolution, plus the initial conversion. The project set-up is designed to enable the government to manage the EPSAS conversion project to a successful conclusion while continuing to run its activities effectively. For this purpose, the project management structure is set down, conversion tools are tailored and the project strategy is communicated throughout the entity.

The initial conversion enables preparation of the entity's EPSAS opening balance sheet and first EPSAS compliant financial statements and means that an informed decision can be made on the ongoing conversion strategy. For this, EPSAS reporting processes and systems need to be put in place in order to allow EPSAS numbers to be calculated according to the new accounting policies and presented under the new reporting format, and EPSAS results to be consolidated and analysed.

The conversion to EPSAS is not a one-off exercise. After the first EPSAS financial statements are produced, the government must be able to produce EPSAS financial information smoothly on a recurring basis.

Embedding encompasses all activities that are designed to enable the government to move to a new 'business-as-usual' operation, using its 'new language' comfortably and authoritatively. Embedding the change involves continuing EPSAS training throughout the entity, completing systems design, build and testing, designing and rolling out new business processes and procedures, including internal control and risk management processes.

Embedding activities aim to produce EPSAS-compliant data on a recurring basis in the most efficient way. Ideally embedding solutions are implemented as early as possible in the process, to enable a smooth and efficient preparation of the EPSAS opening balance sheet and first EPSAS financial statements.

Depending on the needs and time constraints of the project, portions of the work relating to the conversion and embedding may be carried out simultaneously. Part of the embedding solutions may in practice be implemented after the first EPSAS financial statements are prepared. The ultimate objective is to have EPSAS embedded across the government, with modified systems, updated controls and procedural documentation, and fully trained staff.

EPSAS implementation scenarios

Under the assumptions taken above, a full set of EPSAS standards could be ready for application in 2018. Meeting a 2020 deadline will be challenging, especially for governments that currently apply cash accounting and have not yet undertaken any accrual-based reform.

Capitalising on the conclusions of the diagnostic phase, each government can start the conversion taking into account its specific situation and characteristics. A challenging but feasible timeline is recommended whereby the conversion process could start in 2017, after having validated the conclusions of the EPSAS diagnostic.

A 2020 deadline would be even more challenging, especially for governments that currently apply cash-based accounting practices, if the start of the conversion phase is delayed until after the standards are in place in 2018.

Keeping a constant target date of 2020, various implementation scenarios can be envisaged. Three possible scenarios are presented below, ranging from the most challenging to the most reasonable timeline. Each of these potential implementation timelines has been developed under the assumption that the IPSAS standards will be taken as a starting point to expedite the standard-setting activities and gap analysis phase. If another approach to standard-setting is selected (i.e. development of EPSAS does not take IPSAS as a primary reference point), additional time needed for the EPSAS standard-setting must be taken into account in determining the deadline for EPSAS implementation.

Scenario a - EPSAS financial statements in 2020 (with no 2019 comparatives)

The envisaged timeline (2020 deadline) would give approximately 3 years (2017, 2018 and 2019) to get ready to present the opening balance sheet at 1/1/2020 under EPSAS and one more year to present the first EPSAS financial statements (financial statements for the year 2020, including a statement of financial position, statement of financial performance, a cash flow statement, a statement of changes in net assets and related disclosure notes).

Comparative information for the year 2019 would not be presented.

Scenario b - dry run in 2020 and EPSAS financial statements in 2021

It is best practice to prepare dry-run financial statements. This helps identify implementation issues and take remediation action before the first official financial statements are published.

It is also best practice to involve auditors in the process and have the dry-run financial statements audited so that auditors provide their comments and contribute to the improvement of the quality of the financial statements. The first EPSAS financial statements prepared for the year 2020 could be considered as dry-run financial statements.

The first official EPSAS financial statements (including primary statements and all disclosure notes) could be produced by the end of 2021, with comparative numbers for 2020.

Scenario c - dry runs in 2020 (without disclosures), 2021 (with disclosures) and EPSAS financial statements in 2022

An alternative scenario could foresee a second set of dry-run financial statements for 2021, starting from a corrected opening balance sheet at 1/1/2021 (= 31/12/2020), including for the first time the preparation of disclosure notes for 2021, and giving one more year for remediation actions.

In this scenario the first official full set of EPSAS financial statements would be ready by the end of 2022 (with comparative financial information for the year 2021 and full disclosures for the two years).

Other implementation considerations

Early adoption

Whatever the deadline set for publishing the first EPSAS financial statements, early adoption should be encouraged. In other words, governments that are ready to publish their first EPSAS financial statements should be allowed to do it before the effective date of mandatory application.

Transition period for fixed assets

Fixed assets are a major component in a government balance sheet and, as indicated in the weight assigned to the accounting maturity scoring in chapter 4 (one-third of total point allocation), this area requires the greatest effort, especially if no physical inventory exists yet for all or part of the fixed assets.

Under any of the proposed implementation scenarios, it could be envisaged to allow more time for the implementation of those accounting areas that require the biggest efforts, such as for fixed assets.

As indicated in Table 32, an additional 3-year transition period for fixed assets would lead to recognition of all items of property, plant and equipment on the EPSAS balance sheet in 2023 (scenario a), 2024 (scenario b) or 2025 (scenario c).

Depending on the state of maturity of the governments, it could be envisaged to extend the scope of the transition period to other categories of assets or liabilities. This option could be restricted to governments with both a low accounting and IT maturity (<40%). We would however recommend using this possibility only by exception (e.g. subject to the Commission's approval based on a compelling derogation case prepared by the Member State/government concerned).

To track progress of implementation during this optional transitory period, governments can be required at the end of each year to disclose the extent to which they have taken advantage of the 'fixed assets' exemption, similar to what is proposed in the exposure draft ED 53 'First-time adoption of accrual basis IPSAS'. Until full compliance with EPSAS, the financial statements would be labelled 'transitional EPSAS financial statements' during the transition period.

Whole-of-government accounts

Preparation of whole-of-government accounts (WGA) could be envisaged as a last step once EPSAS has been implemented at the level of the individual entities. Consolidation procedures will need to be put in place to be able to present the accounts of all subsectors of government in each of the Member States as one reporting entity.

The deadline for the preparation of WGA could correspond to the end of the optional transitory period for fixed assets.

Sequential implementation of the EPSAS standards

Typically, an accrual accounting conversion project is organised by work streams organised around accounting areas and all dimensions of the work stream are considered in the analyses (policies, processes, people and systems). The project should be organised in an optimal way so as to meet the overall project deadline.

The work to be done in these work streams is phased over the period of the project, with several work streams run in parallel. In practice, the work stream analyses will start with those accounting areas that cover the most significant government transactions (expenses and social benefits, revenue, employee benefits) and/or that need more time for the implementation (e.g. fixed assets).

Sequential adoption by types of government entities

A sequential approach could also be adopted, with the priority put on the most significant and/or complex government entities. This could mean for example that implementation first starts at central level to be continued at State (where applicable) and local level thereafter. Another approach could be to start with certain ministries and agencies, and continue with others that are considered as less significant in a second stage.

Some entities can also be selected as pilots and the lessons learnt from implementation would be considered when the other entities are making the move. Starting the project with pilot entities can be considered as good practice. The timeline for the pilot case(s) will then need to be carefully considered as part of the overall project timeline.

Need for tailored approach

In our experience and looking at the Member States' accounting reform experiences, there is no one-fits-all approach that can be imposed for all government reporting entities. Each government has a different starting point regarding its maturity against the future EPSAS standards and a different accounting, IT and legal environment. A great diversity exists not only between Member States but also often between governments of the same country. The specific circumstances for each country and each government should be analysed in order to come up to the most relevant solution.

For that reason, it would not be appropriate to impose strict implementation dates in relation to specific standards or accounting areas to the Member States as the feasibility of this will highly vary government per government.

Member States and governments should decide on the organisation of the EPSAS project in a way that is most appropriate to them. The role of the Commission/Eurostat could mainly be to closely monitor actual implementation by the Member States and (see 10.6 'Monitoring of implementation') and to facilitate this through a well-thought accompanying plan (see 10.5 'Accompanying plan to facilitate implementation and optimise costs').

10.2 Implementation challenges

Making the transition to accrual accounting is much more than solely a change in accounting rules. It impacts the government's organisation. In order to get it done, the various challenges arising from implementation need to be adequately addressed and a well-defined methodology and action plan should be developed.

It is also of utmost importance that the project receives full political support at the level of each government, and that sufficient and adequate resources are allocated to it.

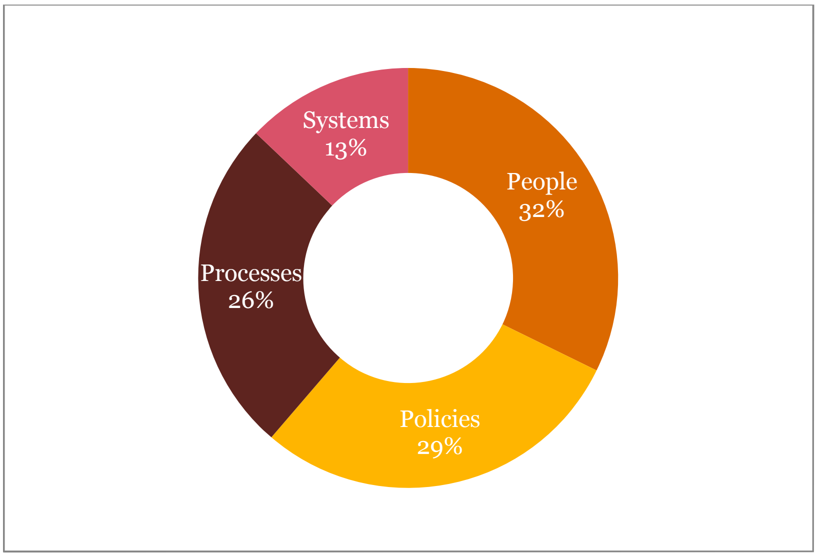
Implementing accrual accounting affects the entire entity's policies, people, systems and processes, as confirmed by the EU governments having already undertaken the transition process. The challenges mentioned during the interviews conducted equally relate to policies, processes and people.

Though IT aspects surprisingly only represent 13% of the responses given by government representatives, experience of accrual accounting reform demonstrates that IT systems often need to be amended in order to capture and analyse the increased accounting data and information, which constitute an important challenge in an accrual accounting implementation project too.

The conclusion of this is that all four dimensions are equally important, they interconnect with each other and should be considered together in the overall project management plan.

Figure 25 presents the number of times (expressed in %) each reform dimension has been reported by the sample countries as constituting the main implementation challenges.

Figure 25 - Implementation challenges by reform dimension (in %)



The following challenges have been reported by the sample countries having experienced an accrual accounting reform.

Table 32 - Implementation challenges by reform dimension

Policies	*Processes*
• Adapting existing financial rules and regulations • Documenting accounting policies • Developing comprehensive guidance and manuals, as well as concise implementation rules for the most complex topics	• Managing the transition period and monitoring the implementation phases • Checking data quality during the reform process, designing quality control procedures • Setting up data collection procedures, in particular in respect of fixed assets • Ensuring compliance with existing regulatory framework
People	*Systems*
• Inspiring change of mentalities/cultural change • Ensuring political commitment, and increasing staff and public awareness • Building up public sector accountants expertise in terms of new practices and procedures • Developing training programmes and allowing knowledge transfer on key accounting areas	• Adapting existing IT systems, and/or developing new IT solutions/modules tailored to the reform requirements • Translating organisational processes into the IT environment

10.3 Best implementation practices

Best implementation practices should be followed to make the conversion as efficient as possible. These practices may stand to achieve maximum efficiency and minimise implementation costs.

Again there is no one-fits-all solution. Each government should determine and apply implementation practices that best fit its own needs. Examples of effective practices were described by governments included in the study sample countries and that have already experienced an accrual accounting reform. These implementation practices are presented below and are grouped in terms of:

- project organisation and approach;
- communication and change management;
- training;
- processes;
- systems.

Organisation and approach

With regard to the approach taken in implementing accrual accounting, the results of the study highlight the following best implementation practices:

- Efficient and rigorous project management based on a clear project structure and well-defined responsibilities: strong coordination and practical guidance given by the EPSAS central team, followed by a strong monitoring of the implementation, are considered as a key success factor.

- Early analysis of the new reporting environment and risks, considering the impact on fiscal policy: the diagnostic and gap analysis, tailored to the specific characteristics of the government, should result in a well-thought roadmap for implementation and project plan.

- Taking a pragmatic approach for the preparation of the opening balance sheet, focusing first on significant transactions and balance sheet items, as explained in annex of the 2006 General Account of the French State.

- Taking a pragmatic approach with a view toward continual improvement, as illustrated by the UK government for the preparation of its Whole-of-Government Accounts (WGA).

- Assessing readiness using dry-runs, including setting up a dry-run audit of the government bodies, as explained by UK government representatives.

- Using pilot projects on a smaller scale to learn from implementation experiences and capitalising on them when managing the transition at the level of the other entities, as illustrated by the local government reform in Flanders (Belgium).

France

Given the extent of the work to be done, the scope of the formation of the opening balance sheet has been defined on an approach based on the significance of the available data:

- *the most important items are subject, insofar as possible, to exhaustive data compilation, that is to say that all assets, liabilities and transactions have been inventorised and valued for each Ministry department. This for example applies to real estate properties, transportation equipment, weapons, roads or payables;*
- *next, a complete or partial inventory was only conducted for Ministry departments where the transaction or balance sheet item was considered significant either financially or in terms of activity. For example, this is the case for military equipment, software, technical equipment, inventory or provisions;*
- *non-significant items, such as furniture, hardware or consumables, were not subject to any physical inventory in 2006. These items have been compiled when possible based on accumulated budget flows;*
- *in certain specific cases, lump-sum or statistical methods have been used to assess the impact on the opening balance sheet, as allowed by the French accounting standards of the State with respect to tangible fixed assets. This concerns for instance the work in progress on the military weapon programmes, roads, advance payments of corporate taxes, impairments on tax receivables, or the off balance sheet calculation of pension commitments on aggregated data;*
- *finally those items involving a significant degree of difficulty with regard to their inventory and/or valuation (for example, the costs of dismantling or removing asbestos, concessions and some military assets) could not be inventorised at this stage given the lack of availability of robust information.*

The French State is engaged in a process seeking to continuously improve accounting quality. Preparation of the 2006 opening balance sheet allowed to have a better understanding of the assets of the State and a better vision of the costs resulting in future expenditures, in particular by taking into account accruals and payables. A trajectory was then defined by the State to gradually improve completeness of the government balance sheet in conjunction with the deployment of an ERP (Chorus project).

***United Kingdom** The transition to full IFRS in government was facilitated through four 'Trigger Points' set by HM Treasury. Trigger Points 1 and 2 related to the preparation and audit of reporting entities' 1 April 2008 balance sheets in an IFRS compliant format, and were completed in late 2008. For Trigger Point 3, government bodies were required to prepare a complete set of IFRS shadow accounts by 10 September 2009. The accounts comprised a full set of primary financial statements and notes to the financial statements, including IFRS compliant accounting policies. Trigger Point 4 required the National Audit Office to complete a dry-run audit of each government body's 2008-09 IFRS compliant shadow accounts by 31 December 2009. This Trigger Point strategy ensured that difficult issues were tackled early and that there was a smooth process for implementing the first full IFRS accounts.*

United Kingdom *The HM Treasury has a programme underway to improve the quality of the accounts year on year. 'Improvements in the quality of WGA' are disclosed annually in the accounts, identifying the main steps taken to address the issues leading to audit qualifications and to improve data quality.*

In addition, future improvements planned to the Whole-of-Government Accounts (WGA) are communicated yearly as part of the WGA; the section 'future improvements to the WGA' describes the steps and milestones that are planned over forthcoming years to raise the quality of WGA, and ensure that it is more complete and internally consistent.

As an illustration, for 2013-14 accounts, the main focus will be to reduce the number of qualifications in WGA. Local authorities will be asked to provide full depreciated replacement cost valuations for highway infrastructure assets as part of the process of addressing the qualification on the alignment of accounting systems. Other planned future improvements presented in WGA year ended March 2013 include:

- *consolidation of the assets and liabilities of Northern Rock (Asset Management) Plc and Bradford & Bingley Plc in the 2013-14 accounts;*
- *consolidation of the assets and liabilities of Network Rail from 2014-15;*
- *improvements in academy schools data, particularly in respect of the valuation of fixed assets;*
- *implementation of a consistent accounting policy for Highways Infrastructure Assets by 2016-17 and delivery of improvements in the underlying data quality;*
- *publication of WGA by the end of March 2015 for 2013-14 and the end of December 2015 by 2014-15; and;*
- *implementation of a consistent accounting policy for schools in local government from 2014-15.*

Belgium Flanders (local government)

The accrual reform of Flemish local governments started in 2010 with 10 pilot entities constituting a representative sample of the public sector landscape. These early preparers presented the first financial statements under the new accounting framework for the year ending 2011, with other entities gradually stepping in the following years. Lessons learnt from the early adopters were used to further tailor the project approach and develop guidance papers. The effective year for the entire sector is 2014.

Communication and change management

Adopting accrual accounting requires a significant cultural shift in the mindset of management, staff, regulators, fund providers and other stakeholders. For this to be successful, it is essential that change management processes, including awareness campaigns, are put in place.

As regards the communication aspect, the results of the study highlight the following best implementation practices:

- regular and tailored communication to the various stakeholders (staff, politicians, media, citizens, etc.): efficient communication with all parties interested is crucial in order to minimise the difficulties linked to the change of culture;
- clear vision and political support: political, as well as top management buy-in and support, should be reflected in sufficient priority given to the project in order to keep the project momentum.

Austria *Separate outreach activities and information materials were developed for educating and creating awareness in important stakeholders' groups such as politicians and the media. Special seminars with the members of Parliament were organised, where they could bring their own experts/advisers in order to discuss the structure of the budget, the accrual elements, etc. In addition, journalist briefings were organised for building awareness among citizens.*

United Kingdom *The annual report and accounts are addressed to Parliament and are publicly available. In addition, the National Audit Office publishes a yearly snapshot of UK finances: Whole-of-Government Accounts at a glance, providing an accountant's view of the Government's financial position (which is different from the fiscal measures produced by the Office for National Statistics).*

Swizerland *The financial reports published in German, French and Italian offer members of Parliament, the parliamentary committees, the government and its administration, the media and the public a brief initial overview and access to additional information, if necessary via a modular structure. Thanks to the modular structure of financial reporting, the various stakeholders' groups can quickly gain an overview of the assets, earnings and financial situation of the Confederation and, if necessary, access more in-depth information.*

France *The central government publishes highlights of the year in a 4-page document, providing an overview of the State financial situation, the result of the State activity, as well as State commitments.*

United Kingdom *The central government took the necessary steps to explain the reform not only to finance staff, but also to non-finance staff, by showing the implications and the benefits of the reform across the organisation.*

Training

Constant training efforts are required throughout the life of the transformation and beyond. These can include:

- initial training and continuous learning programmes for staff, for example with the organisation of yearly seminars and annual meetings, as well as with the implementation of a helpdesk, as illustrated by Sweden, Lithuania and Estonia;
- organisation of the transfer of knowledge and competencies to the entity's staff, development and sharing of common training and learning platform, use of the 'train the trainer' approach (snowball effect);
- involvement of audit authorities in the process, as illustrated by UK local governments.

Sweden *The ESV offers support to all agencies and authorities in terms of training, conferences and guidance. For example, courses are organised on specific matters such as 'basic introduction for financial staff', 'fixed assets', 'transfers', etc. In addition, seminars are arranged before year-end closing in order to remind everybody of important issues or to present changes in accounting standards or reporting routines. Courses and conferences are normally financed by user charges.*

Guidance is also provided in other ways; the support from ESV to the agencies includes annual meetings, 'Accounting day', as well as 'helpdesk'-like functions. For example, questions can be conveyed to ESV by phone or to a specific e-mail address. Newsletters are also means of communication, as well as the ESV website.

Lithuania *In Lithuania, a helpdesk has been established in the Ministry of Finance since November 2010. Furthermore, additional trainings, consultations and seminars for public sector accountants are regularly organised.*

Estonia *In Estonia, adoption of IPSAS-like standards was supported by lots of trainings and by the organisation of a helpdesk in the Ministry of Finance.*

United Kingdom *The audit authorities played a key role in the transition of the UK local authorities from UK GAAP (accrual-based) to IFRS. Regular communications and briefing papers were issued to explain future IFRS developments. These briefings were coupled with surveys of the local authorities' auditors (a government audit authority and private firms) who were able to report on the progress and emerging issues facing these governments. Audit authorities were then in a position to respond to technical issues by issuing technical briefings on challenging topics including leases, non-current assets, employee benefits, etc. As a result, local governments implemented IFRS with no audit qualifications in the first year.*

Processes

Existing administrative and operational processes need to be adapted, or new processes put in place in order to deal with the new accounting and reporting rules in the most efficient way.

Policy and procedure manuals should be updated to reflect the accrual framework, and dashboards can be developed to monitor data quality and system outputs. As a result, new standards and processes will flow across the entire organisation.

Process improvements may also leverage technology or involve transactional processing solutions. This may for example include the implementation of shared service centres or outsourcing arrangements that can handle complex transactions.

Estonia *In the end of 2011, the Minister of Finance made the proposal to establish the Shared Service Centre of the State of Estonia to the Government of the Republic. The purpose of the centre was to establish a national agency that provides financial, personnel and payroll accounting services. The project was effective in 2013.*

The State Shared Service Centre:

- *makes proposals to the Minister of Finance about the general rules of State accountancy and their amendment;*
- *instructs State accounting entities, local government entities and other public sector entities in accounting issues;*
- *gathers financial reports from the public sector and checks that they are correct;*
- *prepares and submits financial reports of the State, local authorities, the government sector and the public sector.*

Systems

Alignment and close communication with IT work streams is essential for a smooth project implementation. In addition, the use of common accounting systems and sharing of IT development costs by several entities (where feasible) may also considerably reduce costs associated to the systems dimension.

Close coordination with the IT team is an important key success factor, as described by the Austrian government.

***Austria** Close coordination with the IT team was crucial for successful implementation of the reform, as the new accounting and budgeting system presented sophisticated technical needs which had to be underpinned by adequate IT solutions. The necessary technical preparations could not be done without close cooperation between administrative units responsible for accounting, budgeting and IT, with intensive and structured communication between these specialists throughout the project period.*

10.4 Approach to smaller and less risky entities

The report from the Commission on the suitability of IPSAS for the Member States published in March 2013 highlighted the need for specific consideration to be given to smaller and less risky entities in order to limit the implementation costs for them.

'The way forward should be selective and take particular account of the perspective of small and medium-sized entities and the aspect of materiality.'

When talking about the expected way forward, the report stated: 'It is also to be expected that the extent of implementation for smaller entities would be limited, or at least that the more important entities would be prioritised, taking into account their materiality.'

In describing the process by which EPSAS might be taken forward in three stages, it also stated that one of the aims of Stage 2 would be to: 'Develop and put in place the practical arrangements, addressing issues such as finance, governance, possible synergies and the concerns of smaller government entities.'

Materiality and pragmatism should indeed be considered in applying the new EPSAS requirements to smaller and less risky entities.

Two options could in theory be envisaged to deal with a differentiated approach for such entities:

1) separate accounting rules are designed specifically for smaller and less risky entities; or

2) specific guidance is provided on how to apply the rules that are applicable to all entities, with specific consideration of the materiality aspects.

The first option is the one that was followed by the IASB when they issued their IFRS for SMEs standard, with the objective to develop specific rules to meet the reporting needs of stakeholders of such entities that do not have public accountability.

It is worth noting that the IPSASB has made a parallel with the IFRS for SMEs standard in its consultation paper on its strategy for the period 2015-2019. It has included 'Differential reporting' as one of the potential projects for that period, mentioning the interest from constituents in such a project, given the burden that smaller governments face in adopting IPSAS. The IPSASB highlights the fact that all public sector entities are having public accountability and that therefore a standard for governments on differential reporting might have a different focus to determine who this would apply to. The IPSASB ends up by saying that some governments have developed guidance documents to assist smaller entities with adopting the standards.

A good example comes from New Zealand: the New Zealand Accounting Standards Board has developed simplified accounting standards for smaller public benefit entities (PBEs)[12]. The simplification concerns both the content and the way in which transactions and balances are reported. Four tiers of standards are developed, from Tier 1 which applies to the largest PBEs, to tier 4 which applies to the smallest PBEs.

[12] Proposals for the New Zealand Accounting Standards Framework, Approved by the Minister of Commerce in accordance with Section 34C of the Financial Reporting Act 1993, on 2 April 2012, New Zealand External reporting Board

The UK experience provides a good illustration of the second option. All entities apply IFRS as adapted for the public sector but materiality is considered in determining reporting requirements. Very small entities are excluded from the consolidation scope (WGA) and entities not exceeding certain thresholds are exempted from certain disclosure requirements.

Granting scope exclusion or relaxation of certain rules on the basis of materiality thresholds (to be defined) would constitute a suitable approach.

The situation and the reporting structure for government entities vary in each Member State. The size and the nature of the activities of these public sector entities that are part of the general government sector can also differ significantly from country to country.

We therefore believe that particular attention should be paid to the specific characteristics of government entities in each Member State when determining the rules that define what entities are considered as smaller and less risky entities and the rules that are applicable to them.

Smaller and less risky entities that are not considered as material to the government as a whole could be either removed from the EPSAS scope or EPSAS reporting requirements could be limited to what is needed for the purpose of the EU budget surveillance. If certain entities are individually insignificant, these can be left out of the consolidation scope, only if all excluded entities, taken together, are also immaterial in the total consolidated figures. If some relaxation rules are decided, these should take into account the overall consolidated picture.

It should be noted that smaller entities generally enter into simple and routine transactions, the accounting complexity of their activities is supposed to be much less than that of larger governments. If these entities however enter into risky transactions that can have a significant impact on their financial position and performance, these should be properly reflected in the financial statements.

As the EPSAS project aims to embed good accounting practices in the whole general government sector, governments should not take as an excuse the small size of some entities not to implement minimal good accounting practices. Governments are encouraged to set up good accrual accounting practices for all government entities as this enhanced discipline is likely to produce a positive impact on the management of public finances.

10.5 Accompanying plan to facilitate implementation and optimise costs

In order to facilitate implementation and optimise costs, the Commission could envisage accompanying measures. These could be particularly helpful for those governments that have not yet developed advanced accounting practices. Such accompanying measures could for example include part or all of the following:

Give guidance on certain accounting topics

As highlighted in chapter 8 'Analysis of IPSAS standards', guidance is needed on certain key topics to ensure a sufficiently consistent application of the accounting rules in relation with these topics in the EPSAS financial statements.

This guidance might be issued as part of the standard-setting process.

Create an EPSAS Implementation Task Force and share of best implementation practices

Good interaction has been created between Member States' accountants since the start of the organisation of meetings for the Task Force on EPSAS standards and the Task Force on EPSAS governance.

The connections created in this context can be further developed regarding the sharing of best implementation practices by governments which already experienced accrual accounting reforms.

Such practices would not overrule the decisions taken in the context of the EPSAS standard setting but could provide useful insight regarding pragmatic solutions adopted by Member States when they make the move to accrual accounting. This might be particularly interesting for key government accounting areas such as specialised assets and revenue recognition. Such solutions could be discussed during Task Force meetings and put on the Task Force database for further consultation.

Organise central EPSAS training

Training is one of the key challenges to ensure proper application of the new standards across Member States. The Commission could pro-actively develop training programmes that meet the needs of various categories of stakeholders (finance versus non-finance staff, general awareness training versus training on more specialised topics, etc.) that would be available to those governments which want to benefit from it.

That initiative would contribute to spreading the EPSAS knowledge within EU governments. It will also enable public accountants to meet and share views and ideas on EPSAS application.

Design a standard accounting manual, and a format of EPSAS financial statements/chart of accounts, whose use would be optional for Member States/governments

Development of illustrative EPSAS financial statements and of a standard EPSAS chart of accounts that could be used optionally by governments could provide useful guidance to those governments which need assistance in this area.

Similarly, the Commission could develop a standard accounting manual that addresses the main transactions that a government usually encounters and that could serve as a basis for each government to develop its own manual based on its own characteristics and circumstances.

Create an EPSAS helpdesk managed by the relevant service(s) of the Commission

To answer questions from governments on the interpretation of EPSAS, the Commission could create a central EPSAS helpdesk whose tasks would be to assist Member States in answering these questions.

This solution has the advantage to provide a central view on key discussions on EPSAS interpretations and application and can give very useful information to the Commission on those more sensitive accounting topics for which further work needs to be done. This information can then be considered to develop specific training in the areas so identified, provide further implementation guidance notes or conduct on-site visits where deemed necessary.

Fund diagnostics/gap analyses to be conducted by the Member States/governments

The present study provides useful insight on the benefits drawn from country reform experiences, some indicative trends concerning the costs of such reforms and shares information on best implementation practices. However, the situation of each government is unique and a tailored diagnostic is essential before a government can design a proper roadmap for implementation.

We believe that such diagnostic should be conducted as soon as possible by each government in each Member State, leveraging on the conclusions of the present study. It is important, especially for those governments that are transitioning from cash-based accounting practices to accrual-based EPSAS. This initial phase is a crucial step towards a successful implementation project.

To encourage Member States to start these diagnostics without further delay, the Commission could fund (part of) the cost of these diagnostics.

10.6 Monitoring of implementation

Given the importance of the project and the challenges involved by the envisaged timeline for implementation, it is of utmost importance that proper monitoring be organised.

To track progress towards implementation, Member States could be required to produce a report to the European Commission/Eurostat by the end of each year.

The first report would be submitted to the Commission/Eurostat by the end of 2016 and would describe the results of the EPSAS diagnostic conducted by each government within each Member State. In our opinion, the results of such EPSAS diagnostic could at least include:

- an analysis of the degree of compliance of the government current accounting practices with IPSAS/EPSAS (IPSAS still being taken as a proxy for EPSAS as long as EPSAS has not been defined), by accounting area;
- an evaluation of the capacity of the IT systems in place to support the accrual accounting reform, and of the need to invest in such systems;
- an evaluation of the capacity of the resources that can be allocated to the project, both in terms of skills and knowledge and in terms of quantity. It should also be determined to what extent the government plans to call upon external expertise to assist it in the implementation of the project;
- a roadmap for implementation, detailing the various milestones of the project, in order to meet the overall timeline objectives. The government should indicate whether it intends to take advantage of the 3-year transition for fixed assets;
- how the project will be managed, coordinated and monitored. Particular focus should be put on the coordination with the various government entities and agencies included in the scope of the project;
- the difficulties that are expected to be encountered and the measures taken to overcome these (re training, resources, or any other matter);
- confirmation that the project gets the necessary buy-in and support from the relevant government authority (Ministry of Finance or equivalent authority in charge of the coordination of the EPSAS project) and that sufficient priority can be given to it by those in charge of implementation.

Would the diagnostic not yet be finalised by the end of 2016, the report to the Commission/Eurostat would include provisional information on the above matters.

By the end of each of the following years, each government would provide an updated progress report including all of the points referred to above. Particular attention should be given to any factor that would potentially endanger the 2020 EPSAS deadline.

After the first EPSAS financial statements are produced, KPIs (key performance indicators) may be defined to monitor the production and use of EPSAS-compliant financial information, for example:

- timeliness of financial statements: the time required to produce the financial statements should be tracked with the view of encouraging timely production of the financial statements as this is key for the usefulness of the statements for both decision-making and accountability purposes;
- audit opinion: the number and nature of audit qualifications should be tracked annually with the view of reducing the number and severity of the audit qualifications to achieve the ultimate goal of receiving an unqualified audit opinion;
- parliamentary scrutiny: the use of financial information in parliamentary debates can be tracked to show the uptake of the accrual-based information by decision makers (e.g. in comparison to budget reports);

- information requests: the number of enquiries and information requests, for example from citizens and the media, can be tracked as a measure of the increased interest in financial information by these external users.

Appendices

Appendix A - EPSAS impact assessment questionnaire (sample countries)

European Public Sector Accounting Standards
Impact Assessment Questionnaire

Thank you!

Thank you for taking the time to participate in this important study regarding the development of harmonised European Public Sector Accounting Standards currently being considered for application in the EU member states.

Research objectives

The purpose of the questionnaire is to gather information on the current state of accounting practices in the EU member states and to learn from the experience of governments that have previously implemented accrual accounting reforms. The data gathered will be used to assess the cost of implementing accrual-accounting in EU member states and to inform the development of technical standards under consideration for this purpose. We also seek to gather information on the benefits realised through prior accounting reform projects and the key concerns and challenges associated with such reforms.

Questionnaire design

The questionnaire has been designed to capture binary (yes/no) answers to the greatest extent possible. Respondents are asked to provide their best judgement in selecting the single option from the drop-down lists provided to best reflect the situation in their government(s). Where appropriate, respondents are encouraged to elaborate on these answers by using the 'explanatory comments' boxes to provide additional relevant details (e.g. to provide examples or note exceptions). Please indicate any question that is “not applicable” to your government or respond “unknown” where information is not available or answers are otherwise unknown.

How to proceed

Please refer to the Table of Contents tab for an overview of the sections included in the questionnaire and add your respondent details on the 'Respondent Information' page. Please complete all applicable sections of the questionnaire in Excel format and return the file electronically to be-epsashelpdesk@be.pwc.com along with any additional documentation or presentations you feel may be useful (e.g. financial statements, accounting policies, potential gap analysis with IPSAS etc.).

Questions?

Please contact the PwC EPSAS Team for assistance:

Email: be-epsashelpdesk@be.pwc.com
Phone: +32 2710 9721

Table of Contents

A. Respondent identification

1 **Country**	
2 **Name**	
3 **Position**	
4 **Organisation**	
4 **Level of government**	
5 **Phone**	
6 **Email**	

B. Size and complexity of the government sector

Central Government

1 Please indicate:

a. The total number of ministries, agencies, and other central government entities

b. The total budget (in million EUR) of all central government entities (included in 1.a)

c. The total number of finance staff (for all entities included in 1.a)

2 For each accounting law/regulation please indicate:

a. The name of the law/regulation

b. The Number of entities to which the law/regulation applies

c. The central government budget covered by the law/regulation (in million EUR)

(see electronic file for response fields)

State Government

3 Please indicate:

a. The total number of ministries, agencies, and other state government entities

b. The total budget (in million EUR) of all state government entities (included in 3.a)

c. The total number of finance staff (for all entities included in 3.a)

4 For each accounting law/regulation please indicate:

a. The name of the law/regulation

b. The number of entities to which the law/regulation applies

c. The state government budget covered by the law/regulation (in million EUR)

(see electronic file for response fields)

Local Government

5 Please indicate:

a. The total number of local government entities

b. The total budget (in million EUR) of all local government entities (included in 5.a)

c. The total number of finance staff (for all entities included in 5.a)

6 For each accounting law/regulation please indicate:

a. The name of the law/regulation

b. The number of entities to which the law/regulation applies

c. The local government budget covered by the law/regulation (in million EUR)

(see electronic file for response fields)

Social Security Funds

7 Please indicate:

a. The total number government social security and pension funds

b. The total budget (in million EUR) of all social funds (included in 7.a)

c. The total number of finance staff (for all entities included in 7.a)

8 For each social security or pension fund please indicate:

a. The name of the social security or pension fund

b. The purpose of the fund

c. The fund budget (in million EUR)

(see electronic file for response fields)

9 For each accounting law/regulation related to social security or pension funds please indicate:

a. The name of the law/regulation

b. The number of entities to which the law/regulation applies

c. The security funds budget covered by the law/regulation

(see electronic file for response fields)

C. Government IT Systems

Government IT systems

1 The following IT systems are in place to manage the government's financial flows (columns)

General accounting	Fixed assets	Procure-ment	Social Benefits	Inventory	Treasury	Budget

a. Integrated ERP system
b. Mainframe operating system with interfaces to main modules/flows
c. Stand-alone IT tools/software packages
d. No IT system (manual spreadsheets, paper records)

2 Approximately how many business applications does the government currently use (in total for all financial flows listed under 1 above)?

3 Explanatory comments

Consolidation

4 The government's consolidation process is organised:
(Select one response)
a. Using specific consolidation software
b. Manually or using spreadsheet (e.g. Excel)

5 Explanatory comments

D1. Reporting, presentation and disclosures

1 The government's financial statements include:
(Select all that apply)
a. A statement of financial position (balance sheet)
b. A statement of financial performance (income statement / P&L)
c. A statement of cash flows
d. A statement of changes in net assets
e. A statement of comparison of budget and actual amounts (budget execution)

2 The government budget is prepared the following basis:
(Select one response)
a. Accrual basis
b. Modified accrual
c. Modified cash
d. Cash

3 The government budget is made publicly available

4 The government prepares a reconciliation of the actual amounts on a budgetary basis (budget execution) and the amounts in the financial statements

7 Statements of financial position and financial performance are produced for each ministry, agency and other major entity included in the scope of the general government sector

8 The government's financial statements include:
(Select one response)
a. Very detailed disclosures
b. Detailed disclosures
c. Some disclosures
d. Very few or no disclosures

9 The government has assessed and confirmed compliance with IPSAS 1 'Presentation of financial statements', IPSAS 2 'Cash flows statements', and other IPSAS disclosure requirements

11 Explanatory comments

D2. Consolidation

1 The government's consolidated financial statements include the following general government sector entities in the scope of consolidation:
(Select all that apply)
a. All government ministries / departments
b. All government agencies and other related entites
c. State governments (potential option for central governments)
d. Local governments (potential option for central governments and State governments)
e. Social security funds

2 All entities included in the consolidated financial statements of the general government sector are consolidated in full (assets, liabilities, revenues, expenses)
(Select all that apply)
a. All government ministries / departments
b. All government agencies and other related entites
c. State governments (potential option for central governments)
d. Local governments (potential option for central governments and State governments)
e. Social security funds

3 Other entities controlled by the government (though not necessarily part of the general government sector - e.g. government business entities) are included in the government's consolidated financial statements
(select one response)
a. Yes - in full (assets, liabilities, revenues, expenses)
b. Yes - at the net asset value
c. Yes - at cost
d. No - other entities are excluded from the scope of consolidation

4 The accounting policies of all entities included in the scope of the government consolidated financial statements are harmonised

5 The government uses standardised reporting formats to prepare consolidated financial statements

6 Most government entities use a standard chart of accounts

7 The government applies a procedure to reconcile and eliminate intra-government transactions and balances

8 The government has assessed and confirmed compliance with IPSAS 6 'Consolidated and separate financial statements', IPSAS 7 'Investments in associates' and IPSAS 8 'Interests in joint ventures'.

9 Please list the major entities that are excluded from the scope of consolidation and the main reason for this exclusion

10 Explanatory comments

D3. Fixed assets

	Land	Buildings	Infrastructure assets	Military assets	Heritage assets	IT equipment	Other

Fixed asset regcognition and measurement

1 The government maintains a physical inventory of fixed assets

2 The government maintains a fixed assets register which records the acquisition cost of fixed assets

3 Fixed assets are recognised in the statement of financial position
(Select one response)
a. Yes - recognised in the statement of financial position
b. No - expensed in the statement of financial performance

4 The acquisition cost of fixed assets includes the purchase price and all costs directly attributable to the acquisition

5 Fixed assets are measured at:
(Select one response)
a. Cost (cost model)
b. Replacement cost
c. Fair value (revaluation model)

6 Fixed assets are depreciated over their useful life

7 Fixed assets are depreciated following the *components approach*
i.e. major components are recognised as separate assets and depreciated over their respective useful lives (see glossary)

8 The government constructs (some of) its fixed assets

9 The book value of self-constructed fixed assets includes all direct and indirect construction/production costs

10 The government has assessed and confirmed compliance with IPSAS 17 'Property, plant and equipment'?

Assets held under leases

11 The government holds assets under lease arrangements

12 The government has assessed and confirmed compliance with IPSAS 13 'Leases'

Service concession arrangements and/or public private partnerships (PPPs)

13 The government is involved in service concession arrangements and/or public-private partnership arrangements

14 Infrastructure or other assets held under service concession and/or PPP arrangements are recognised in the statement of financial position
(Select one response)
a. Yes - using ESA 95/ ESA 2010 rules
b. Yes - using IPSAS 32 rules
c. Yes - using another method
d. No

15 The government has assessed and confirmed compliance with IPSAS 32 'Concession arrangements: grantor''

General

16 The government applies an impairment procedure to ensure that impairment losses on fixed assets are recorded appropriately

17 The government has assessed and confirmed compliance with IPSAS 21 'Impairment of non-cash generating assets''

18 Please list the major categories of fixed assets that are not recognised as assets and explain the main reasons for the exclusion

19 Explanatory comments

D4. Intangible assets

	Internally developed software	Other internal development
1 Internally developed intangible assets are recognised in the statement of financial position *(Select one response)* *a. Yes - recognised in the statement of financial position* *b. No - expensed in the statement of financial performance*		
2 In recognising internally developed intangible assets, a distinction is made between research costs (expensed) and development costs (capitalised)		
3 Major licences are recognised as intangible assets in the statement of financial position		
4 Intangible assets are amortised over their useful life		
5 The government has assessed and confirmed compliance with IPSAS 31 'Intangible assets'		

6 Please list the major categories of intangibles that are not recognised as assets and explain the main reasons for this

7 Explanatory comments

D5. Inventories

1 The government maintains a physical stocktake of items of inventory

2 The government maintains an inventory register which records the acquisition cost of inventory items

3 The inventory acquisition cost includes the purchase price and all costs necessary to bring it in its current location and condition

4 A procedure is applied to ensure that book value of slow moving items is reduced to net realisable value where appropriate

5 The government has assessed and confirmed compliance with IPSAS 12 Inventory'

6 Please list the major categories of inventories that are not recognised as assets and explain the main reasons for the exclusion

7 Explanatory comments

D6. Revenue

Revenue from taxes

	Personal income tax	Corporate tax	VAT and indirect taxes	Social contributions	Other *(specify here)*	Other *(specify here)*
1 Revenue (and related assets) are recognised when: *(Select one response)* *a. Cash is received* *b. Taxes are declared (tax return / social declaration)* *c. Based on ESA 2010 ("time adjusted cash")* *d. Revenue attributed to the taxation period and asset recognised based on (year-end) estimates and using macro-economic indicators or historical trends/data*						
2 The government applies an impairment procedure to ensure that impairment losses and taxes recoverable are recorded appropriately						

Revenue from transfers (grants, etc.)

	Transfers received from other levels of government	Grants received from international donors, the EU, etc.	Other *(specify here)*
3 An asset is recognised when: *(Select one response)* *a. The right to receive the grant is established* *b. Cash is received* *c. Other method*			
4 Revenue is recognised when: *(Select one response)* *a. The right to receive the grant is established* *b. Cash is received* *c. The conditions attached to the grant are fulfilled* *d. Other method*			

General

5 a. The government has assessed and confirmed compliance with IPSAS 23 'Revenue from non-exchange transactions'

b. The government has assessed and confirmed compliance with IPSAS 9 'Revenue from exchange transactions'

6 Please list the main reasons for recognising tax revenue on a cash basis (if applicable)

7 Explanatory comments

D7. Accruals and expenses

1 For exchange transactions (goods or services received in exchange for payment), expenses are recognised in the statement of financial performance when:
(Select one response)
a. The budgetary commitment is made
b. The service is performed or good received
c The invoice is received
d. The payment is made

2 For grants and other transfers (non-exchange transactions), expenses are recognised in the statement of financial performance when:
(Select one response):
a. The budgetary commitment is made
b. The invoice or cost claim is received
c. Cash payment is made
d. The conditions attached to the grant have been fulfilled by the recipient/ beneficiary

3 For social benefits (non-exchange transactions), expenses are recognised in the statement of financial performance when:
(Select one response):
a. The right of individuals to receive the benefit is established
b. The budgetary commitment is made
c. Cash payment is made

4 What process is in place to calculate year-end accruals?
(Select one response):
a. Accounting transactions are posted through an ERP in which the workflows are designed for accruals accounting
b. Data is collected outside the accounting system
c. No specific process in place

5 The process(es) in place collect information on year-end accruals do so in a comprehensive, timely and reliable manner
a. Strongly agree
b. Somewhat agree
c. Disagree
d. Strongly disagree

6 Please list the major categories of expenses that are not accounted for in the year-end cut-off (i.e. recognised as expenses in the period they occur) and the main reasons for the exclusion

7 Explanatory comments

D8. Employee benefits

1 The government has granted defined benefit pension schemes (or equivalent) to civil servants/government employees

2 Defined benefit pension liabilities (or assets) are recognised on the statement of financial position

3 Pension expenses for defined benefit pension schemes are recognised:
(Select one response)
a. Following the projected unit credit method
b. Following another accrual basis of accounting
c. When payment is made

4 Pensions are managed centrally (i.e. by one single government entity)

5 The government uses an internal/external actuary service to calculate pension obligations

6 The government has assessed and confirmed compliance with IPSAS 25 'Employee Benefits'

7 Please list the major categories of employee benefits (pensions or other benefits) that are not included in the actuarial valuation and the main reasons for the exclusion

8 Explanatory comments

D9. Provisions

1 The government has major obligations for dismantling assets, decommissioning/site restoration, and environmental clean-up

2 Provisions are recognised in the statement of financial position for these obligations

3 The following recognition criteria apply for provisions (of any kind):
(Select one response)
a. A future charge is probable/possible, without necessarily the existence of an obligation as a result of a past event
b. An obligation exists as a result of a past event and it is probable that the expense will be paid

4 The government has assessed and confirmed compliance with IPSAS 19 'Provisions, contingent assets and contingent liabilities'

5 Please list the major categories of provisions that are not recognised as liabilities the main reasons for the exclusion

6 Explanatory comments

D10. Financial instruments

1 Loans are accounted for using:
(Select one response)
a. Amortised cost
b. Other method

2 Financial investments accounted for using:
(Select one response)
a. Amortised cost
b. Fair value
c. Other method

3 The government applies an impairment procedure to ensure that impairment losses on loans and financial assets are recorded appropriately

4 Borrowings are accounted for using:
(Select one response)
a. Amortised cost
b. Other method

5 Financial guarantees are accounted for as:
(Select one response)
a. A liability when the probability of payment is greater than 50%
b. A liability initially measured at fair value
c. An expense at the time cash payment is made to the beneficiary

6 Derivatives (primarily to hedge exposure to financial risk such as foreign currency exposure or interest rate risk) are:
(Select one response)
a. Not used or use insignificant
b. Moderately used
c. Extensively used

7 Derivatives are accounted for:
(Select one response)
a. Off balance sheet
b. At fair value
c. Using another method

8 Liabilities related to public private partnerships and/or service concession arrangements are recognised on the statement of financial position

9 Liabilities related to public private partnerships or/or service concession arrangements are recognised based on:
(Select one response)
a. ESA 95 / ESA 2010 rules
b. IPSAS
c. Other method

10 The government has assessed and confirmed compliance with IPSAS 28, IPSAS 29 and IPSAS 30 dealing with financial instruments accounting

11 The government has assessed and confirmed compliance with IPSAS 32 dealing with concession arrangements (grantor)

12 Please list the major categories of financial liabilibilities that are not recognised as liabilities in the statement of financial position and the main reasons for the exclusion

13 Explanatory comments

E1. Public finance and accounting reform experience - general

1 Name of the reform:

2 Year(s) of the reform:

a. Start

b. End

3 Total duration of the reform (in months):

4 Key objectives of the reform:

5 Scope of the reform (central government, state government, local government, social funds, related government agencies and entities, etc.):

6 Number of reporting units involved:

7 Percentage of government budget covered by the reform:

8 Please list the top 5 key challenges encountered during the reform:

1.
2.
3.
4.
5.

9 Please list the top 5 cost differentiators for making the reform:

1.
2.
3.
4.
5.

10 Please list the top 5 tips (do's and dont's) for other governments making the move to accrual accounting:

1.
2.
3.
4.
5.

11 Please list your top 5 benefits of this reform:

1.
2.
3.
4.
5.

E2. Reform cost information

Please provide information on the cost for the government's prior public finance and accounting reform. To the greatest extent possible, please provide a breakdown between the key reform activities (columns) and by accounting area (rows).

Note: use the 'totals' fields to enter aggregate amounts where a more detailed breakdown is not available.

Cost (in thousand EUR)

1 **Cost (in thousand EUR)**

	Data collection (opening balance sheet)	Process re-engineering	IT implementation	Training	Total
Fixed assets					-
Intangible assets					-
Inventories					-
Accruals and expenses					-
Employee benefits					-
Provisions					-
Financial instruments					-
Revenue					-
Consolidation					-
Presentation and disclosures					-
Budget alignment					-
Total	-	-	-	-	-

Time spent (in man-days)

2 **Total time spent (in man-days)**

(e.g. internal staff + external consultants)

	Data collection (opening balance sheet)	Process re-engineering	IT implementation	Training	Total
Fixed assets					-
Intangible assets					-
Inventories					-
Accruals and expenses					-
Employee benefits					-
Provisions					-
Financial instruments					-
Revenue					-
Consolidation					-
Presentation and disclosures					-
Budget alignment					-
Total	-	-	-	-	-

a. Internal staff (in man-days)

	Data collection (opening balance sheet)	Process re-engineering	IT implementation	Training	Total
Fixed assets					-
Intangible assets					-
Inventories					-
Accruals and expenses					-
Employee benefits					-
Provisions					-
Financial instruments					-
Revenue					-
Consolidation					-
Presentation and disclosures					-
Budget alignment					-
Total	-	-	-	-	-

b. External consultants (in man-days)

	Data collection (opening balance sheet)	Process re-engineering	IT implementation	Training	Total
Fixed assets					-
Intangible assets					-
Inventories					-
Accruals and expenses					-
Employee benefits					-
Provisions					-
Financial instruments					-
Revenue					-
Consolidation					-
Presentation and disclosures					-
Budget alignment					-
Total	-	-	-	-	-

3 Explanatory comments

E3. Reporting, presentation and disclosures

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of presentation and disclosures

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E4. Consolidation

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of consolidation (scope, measurement)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E5. Fixed assets

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of fixed assets (scope, recognition, measurement)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E6. Intangible assets

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of intangible assets (scope, recognition, measurement)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E7. Inventory

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of inventories (scope, recognition, measurement)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the mainactiities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E8. Revenue

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of revenue recognition (scope, recognition, measurement)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E9. Accruals and expenses

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of expenses recognition (accruals and deferrals)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E10. Employee Benefits

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of employee benefits (scope, liability recognition, measurement)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E11. Provisions

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of provisions (scope, liability recognition, measurement)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

E12. Financial Instruments

1 **Accounting policy change**
Please describe the most significant changes in the accounting policies of financial instruments (scope, asset and liability recognition, measurement)

2 **Process re-engineering**
Please describe the main process changes

3 **System implementation**
Please describe the main system changes (including any specific modules that were implemented)

4 **People & change management**
Please describe the main activities related to people and change management

5 **Reform complexity**
(select from high / medium / low)
a. Policies
b. Processes
c. Systems
d. People

F. Glossary

Presentation and disclosure

IPSAS sets minimum requirements in terms of presentation and disclosures of your financial statements.

Consolidation

Consolidation: the process of presenting financial statements of all entities that make up the economic entity on a consolidated basis, i.e. as if they were the financial statements of a single entity.

Examples: the consolidated financial statements of the Central Government includes all Ministeries and all central government ministries/agencies.

Fixed assets

Property, Plant & Equipment: tangible items that are: (a) held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) expected to be used during more than one reporting period. PP&E can either be acquired from third parties or constructed by the reporting entity.

Examples:

- *Land*
- *Buildings:* specialized and non-specialised buildings, administrative buildings, stadiums, etc.
- *Infrastructure assets:* gas/ electricity/ water supply, bridges, roads, or communication networks, railroads, etc.
- *Military assets:* submarines, aircraft & spacecraft, strategic missiles, specific buildings, vehicles & land systems, military buildings and infrastructure, spare parts and stand-by equipment, etc.
- *Heritage assets*: works of art, historical buildings, monuments, archaelogical sites, conservation areas, etc.
- *IT equipment:* computer hardware, servers, etc. (excludes software)
- *Other:* machinery, maintenance equipment, motor vehicles, fixtures and fittings, transport equipment, other technical equipment including transport, civil radars, furniture, etc.

Component accounting: when an asset includes major components with different useful lives, each of these components is considered a separate asset and is depreciated separately from the principal asset to which it relates.

Useful life: management determines its best estimate for an asset's useful life in accordance with the asset's expected utility to the entity. The expected useful life may be shorter than its economic useful life, which represents the maximum period that the asset can be used by one or more subsequent users.

Leased assets: an asset leased under a finance lease, which transfers substantially all the risks and rewards of ownership from the lessor to the lessee, is recognised on the statement of financial position (e.g. in the corresponding category of PP&E).

Public private partnerships: related to infrastructure and other assets built and/or operated in partnership with private sector or other public sector entities.

Intangible assets

Intangible asset: is an identifiable non-monetary asset without physical substance. Intangible assets may be acquired from third parties or internally generated (i.e. through research and development projects).

Examples:

- IT software
- Certain types of development costs
- Large projects of new information systems
- Trademarks and licenses
- Military developments

F. Glossary

Inventories

Inventories: assets in the form of materials or supplies that are either to be consumed in the production process, or to be consumed or distributed in the rendering of services, or held for sale or distribution in the ordinary course of operations, or in the process of procudtion for sale or distribution.

Examples:

- Consumables
- Ammunitions
- Stocks of unissued currency
- Reference materials
- Land/property held for sale
- Vaccines & medicines
- Maintenance materials
- Strategic stockpiles: energy reserves, fuel, etc.
- Postal service supplies held for sale
- Publications and supplies awaiting distribution
- Livestock

Revenue

Revenue: the gross inflow of economic benefits or service potential that results in an increase in net assets/equity, other than one relating to contributions from owners. In non-exchange transactions, an entity gives/receives value from another entity without directly giving/receiving approximately equal value in exchange.

Exchange - revenue from commercial transactions including the sale of goods and services, interest, royalties, and dividends.

Examples of non-exchange revenue:

Tax revenue :

- Corporate Income tax
- Personal income tax
- Value Added Taxes (VAT)
- Property taxes
- Social contributions paid
- Death taxes

Transfers :

- Grants received
- Donated assets

Accruals and expenses

Expenses: operational, administrative, and financial costs including grants and transfers.

Social benefits: goods, services and other benefits provided by a government in the pursuit of its social policy objectives and for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits (e.g. education, health care, unemployment benefits, disability benefits, pensions paid to citizens other than government employees, etc.).

IPSAS implies recognition of the expense at the time of receipt of the good or services, or when the right to receive the benefit is established, not when the invoice is received or payment is processed.

Employee benefits

Employee benefits: an employee benefit is any form of consideration given by an entity in exchange for service rendered by government employees categorised as (1) short-term benefits, (2) post-employment benefits, (3) orther long-term benefits, and (4) termination benefits.

Examples:

- Medical plans funded by the employer
- Government staff pension plans
- Post-employment life insurance
- Salaries, paid leave,employer-paid social contributions

F. Glossary

Provisions

Provision: a liability of uncertain timing or amount. Provisions are recognised when an entity has a present obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the amount can be made. The term *probable* is interpreted as greater than 50% probability.

Examples:

- Provisions for legal claims
- Restructuring obligations
- Dismantling costs (in respect of PP&E assets)
- Warranties
- Environmental provisions

Financial instruments

Financial assets: assets that are (a) cash, (b) and equity instrument of another entity, of (c) a contractual right to receive cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Examples:

- Loans
- Investments in notes
- Bonds
- Structured debt instruments
- Receivables
- Commercial papers
- Shares
- Derivatives that have a positive fair value

Financial liabilities: any liability that is a contractual obligation: (i) to deliver cash or another financial asset; or (ii) to exchange financial assets or financial liabilities under conditions that are potentially unfavourable.

Examples:

- Accounts payable
- Borrowings
- Derivatives that have a negative fair value
- Financial guarantees that are treated as financial instruments

Appendix B - EPSAS impact assessment questionnaire (non-sample countries)

European Public Sector Accounting Standards
Impact Assessment Questionnaire

Thank you!

Thank you for taking the time to participate in this important study regarding the development of harmonised European Public Sector Accounting Standards currently being considered for application in the EU member states.

Research objectives

The purpose of the questionnaire is to gather information on the current state of accounting practices in the EU member states. The data gathered will be used to assess the cost of implementing accrual-accounting in EU member states and to inform the development of technical standards under consideration for this purpose. We also seek to gather information on the expected benefits and key concerns associated with future public sector accounting reforms.

Questionnaire design

The questionnaire has been designed to capture binary (yes/no) answers to the greatest extent possible. Respondents are asked to provide their best judgement in selecting the single option from the drop-down lists provided to best reflect the situation in their government(s). Where appropriate, respondents are encouraged to elaborate on these answers by using the 'explanatory comments' boxes to provide additional relevant details (e.g. to provide examples or note exceptions). Please indicate any question that is “not applicable” to your government or respond “unknown” where information is not available or answers are otherwise unknown.

How to proceed

Please refer to the Table of Contents tab for an overview of the sections included in the questionnaire and add your respondent details on the 'Respondent Information' page. Please complete all applicable sections of the questionnaire in Excel format and return the file electronically to be-epsashelpdesk@be.pwc.com along with any additional documentation or presentations you feel may be useful (e.g. financial statements, accounting policies, potential gap analysis with IPSAS, etc.).

Questions?

Please contact the PwC EPSAS Team for assistance:

Email: be-epsashelpdesk@be.pwc.com
Phone: +32 2 710 9721

Table of Contents

A. Respondent identification

1 **Country**

2 **Name**

3 **Position**

4 **Organisation**

4 **Level of government**

5 **Phone**

6 **Email**

B. Size and complexity of the government sector

Central Government

1 Please indicate:
a. The total number of ministries, agencies, and other central government entities
b. The total budget (in million EUR) of all central government entities (included in 1.a)
c. The total number of finance staff (for all entities included in 1.a)

2 For each accounting law/regulation please indicate:
a. The name of the law/regulation
b. The Number of entities to which the law/regulation applies
c. The central government budget covered by the law/regulation (in million EUR)

(see electronic file for response fields)

State Government

3 Please indicate:
a. The total number of ministries, agencies, and other state government entities
b. The total budget (in million EUR) of all state government entities (included in 3.a)
c. The total number of finance staff (for all entities included in 3.a)

4 For each accounting law/regulation please indicate:
a. The name of the law/regulation
b. The number of entities to which the law/regulation applies
c. The state government budget covered by the law/regulation (in million EUR)

(see electronic file for response fields)

Local Government

5 Please indicate:
a. The total number of local government entities
b. The total budget (in million EUR) of all local government entities (included in 5.a)
c. The total number of finance staff (for all entities included in 5.a)

6 For each accounting law/regulation please indicate:
a. The name of the law/regulation
b. The number of entities to which the law/regulation applies
c. The local government budget covered by the law/regulation (in million EUR)

(see electronic file for response fields)

Social Security Funds

7 Please indicate:
a. The total number government social security and pension funds
b. The total budget (in million EUR) of all social funds (included in 7.a)
c. The total number of finance staff (for all entities included in 7.a)

8 For each social security or pension fund please indicate:
a. The name of the social security or pension fund
b. The purpose of the fund
c. The fund budget (in million EUR)

(see electronic file for response fields)

9 For each accounting law/regulation related to social security or pension funds please indicate:
a. The name of the law/regulation
b. The number of entities to which the law/regulation applies
c. The security funds budget covered by the law/regulation

(see electronic file for response fields)

C. Government IT Systems

Government IT systems

1 The following IT systems are in place to manage the government's financial flows (columns)

	General accounting	Fixed assets	Procure-ment	Social Benefits	Inventory	Treasury	Budget

a. Integrated ERP system
b. Mainframe operating system with interfaces to main modules/flows
c. Stand-alone IT tools/software packages
d. No IT system (manual spreadsheets, paper records)

2 Approximately how many business applications does the government currently use (in total for all financial flows listed under 1 above)?

3 Explanatory comments

Consolidation

4 The government's consolidation process is organised:
(Select one response)
a. Using specific consolidation software
b. Manually or using spreadsheet (e.g. Excel)

5 Explanatory comments

D1. Reporting, presentation and disclosures

1 The government's financial statements include:
(Select all that apply)
a. A statement of financial position (balance sheet)
b. A statement of financial performance (income statement / P&L)
c. A statement of cash flows
d. A statement of changes in net assets
e. A statement of comparison of budget and actual amounts (budget execution)

2 The government budget is prepared the following basis:
(Select one response)
a. Accrual basis
b. Modified accrual
c. Modified cash
d. Cash

3 The government budget is made publicly available

4 The government prepares a reconciliation of the actual amounts on a budgetary basis (budget execution) and the amounts in the financial statements

7 Statements of financial position and financial performance are produced for each ministry, agency, and other major entity included in the scope of the general government sector

8 The government's financial statements include:
(Select one response)
a. Very detailed disclosures
b. Detailed disclosures
c. Some disclosures
d. Very few or no disclosures

9 The government has assessed and confirmed compliance with IPSAS 1 'Presentation of financial statements', IPSAS 2 'Cash flows statements', and other IPSAS disclosure requirements

11 Explanatory comments

D2. Consolidation

1 The government's consolidated financial statements include the following general government sector entities in the scope of consolidation:

(Select all that apply)

a. All government ministries / departments

b. All government agencies and other related entites

c. State governments (potential option for central governments)

d. Local governments (potential option for central governments and State governments)

e. Social security funds

2 All entities included in the consolidated financial statements of the general government sector are consolidated in full (assets, liabilities, revenues, expenses)

(Select all that apply)

a. All government ministries / departments

b. All government agencies and other related entites

c. State governments (potential option for central governments)

d. Local governments (potential option for central governments and State governments)

e. Social security funds

3 Other entities controlled by the government (though not necessarily part of the general government sector - e.g. government business entities) are included in the government's consolidated financial statements

(select one response)

a. Yes - in full (assets, liabilities, revenues, expenses)

b. Yes - at the net asset value

c. Yes - at cost

d. No - other entities are excluded from the scope of consolidation

4 The accounting policies of all entities included in the scope of the government consolidated financial statements are harmonised

5 The government uses standardised reporting formats to prepare consolidated financial statements

6 Most government entities use a standard chart of accounts

7 The government applies a procedure to reconcile and eliminate intra-government transactions and balances

8 The government has assessed and confirmed compliance with IPSAS 6 'Consolidated and separate financial statements', IPSAS 7 'Investments in associates' and IPSAS 8 'Interests in joint ventures'.

9 Please list the major entities that are excluded from the scope of consolidation and the main reason for this exclusion

10 Explanatory comments

D3. Fixed assets

	Land	Buildings	Infrastructure assets	Military assets	Heritage assets	IT equipment	Other

Fixed asset regcognition and measurement

1 The government maintains a physical inventory of fixed assets

2 The government maintains a fixed assets register which records the acquisition cost of fixed assets

3 Fixed assets are recognised in the statement of financial position
(Select one response)
a. Yes - recognised in the statement of financial position
b. No - expensed in the statement of financial performance

4 The acquisition cost of fixed assets includes the purchase price and all costs directly attributable to the acquisition

5 Fixed assets are measured at:
(Select one response)
a. Cost (cost model)
b. Replacement cost
c. Fair value (revaluation model)

6 Fixed assets are depreciated over their useful life

7 Fixed assets are depreciated following the *components approach*
i.e. major components are recognised as separate assets and depreciated over their respective useful lives (see glossary)

8 The government constructs (some of) its fixed assets

9 The book value of self-constructed fixed assets includes all direct and indirect construction/production costs

10 The government has assessed and confirmed compliance with IPSAS 17 'Property, plant and equipment'?

Assets held under leases

11 The government holds assets under lease arrangements

12 The government has assessed and confirmed compliance with IPSAS 13 'Leases'

Service concession arrangements and/or public private partnerships (PPPs)

13 The government is involved in service concession arrangements and/or public-private partnership arrangements

14 Infrastructure or other assets held under service concession and/or PPP arrangements are recognised in the statement of financial position
(Select one response)
a. Yes - using ESA 95/ ESA 2010 rules
b. Yes - using IPSAS 32 rules
c. Yes - using another method
d. No

15 The government has assessed and confirmed compliance with IPSAS 32 'Concession arrangements: grantor''

General

16 The government applies an impairment procedure to ensure that impairment losses on fixed assets are recorded appropriately

17 The government has assessed and confirmed compliance with IPSAS 21 'Impairment of non-cash generating assets''

18 Please list the major categories of fixed assets that are not recognised as assets and explain the main reasons for the exclusion

19 Explanatory comments

D4. Intangible assets

	Internally developed software	Other internal development
1 Internally developed intangible assets are recognised in the statement of financial position *(Select one response)* *a. Yes - recognised in the statement of financial position* *b. No - expensed in the statement of financial performance*		
2 In recognising internally developed intangible assets, a distinction is made between research costs (expensed) and development costs (capitalised)		
3 Major licences are recognised as intangible assets in the statement of financial position		
4 Intangible assets are amortised over their useful life		
5 The government has assessed and confirmed compliance with IPSAS 31 'Intangible assets'		

6 Please list the major categories of intangibles that are not recognised as assets and explain the main reasons for this

7 Explanatory comments

D5. Inventories

1 The government maintains a physical stocktake of items of inventory

2 The government maintains an inventory register which records the acquisition cost of inventory items

3 The inventory acquisition cost includes the purchase price and all costs necessary to bring it in its current location and condition

4 A procedure is applied to ensure that book value of slow moving items is reduced to net realisable value where appropriate

5 The government has assessed and confirmed compliance with IPSAS 12 Inventory'

6 Please list the major categories of inventories that are not recognised as assets and explain the main reasons for the exclusion

7 Explanatory comments

D6. Revenue

Revenue from taxes

	Personal income tax	Corporate tax	VAT and indirect taxes	Social contributions	Other *(specify here)*	Other *(specify here)*
1 Revenue (and related assets) are recognised when:						
2 The government applies an impairment procedure to ensure that impairment losses and taxes recoverable are recorded appropriately						

1 Revenue (and related assets) are recognised when:
(Select one response)
a. Cash is received
b. Taxes are declared (tax return / social declaration)
c. Based on ESA 2010 ("time adjusted cash")
d. Revenue attributed to the taxation period and asset recognised based on (year-end) estimates and using macro-economic indicators or historical trends/data

2 The government applies an impairment procedure to ensure that impairment losses and taxes recoverable are recorded appropriately

Revenue from transfers (grants, etc.)

	Transfers received from other levels of government	Grants received from international donors, the EU, etc.	Other *(specify here)*
3 An asset is recognised when:			
4 Revenue is recognised when:			

3 An asset is recognised when:
(Select one response)
a. The right to receive the grant is established
b. Cash is received
c. Other method

4 Revenue is recognised when:
(Select one response)
a. The right to receive the grant is established
b. Cash is received
c. The conditions attached to the grant are fulfilled
d. Other method

General

5 a. The government has assessed and confirmed compliance with IPSAS 23 'Revenue from non-exchange transactions'

b. The government has assessed and confirmed compliance with IPSAS 9 'Revenue from exchange transactions'

6 Please list the main reasons for recognising tax revenue on a cash basis (if applicable)

7 Explanatory comments

D7. Accruals and expenses

1 For exchange transactions (goods or services received in exchange for payment), expenses are recognised in the statement of financial performance when:
(Select one response)
a. The budgetary commitment is made
b. The service is performed or good received
c The invoice is received
d. The payment is made

2 For grants and other transfers (non-exchange transactions), expenses are recognised in the statement of financial performance when:
(Select one response):
a. The budgetary commitment is made
b. The invoice or cost claim is received
c. Cash payment is made
d. The conditions attached to the grant have been fulfilled by the recipient/ beneficiary

3 For social benefits (non-exchange transactions), expenses are recognised in the statement of financial performance when:
(Select one response):
a. The right of individuals to receive the benefit is established
b. The budgetary commitment is made
c. Cash payment is made

4 What process is in place to calculate year-end accruals?
(Select one response):
a. Accounting transactions are posted through an ERP in which the workflows are designed for accruals accounting
b. Data is collected outside the accounting system
c. No specific process in place

5 The process(es) in place collect information on year-end accruals do so in a comprehensive, timely and reliable manner
a. Strongly agree
b. Somewhat agree
c. Disagree
d. Strongly disagree

6 Please list the major categories of expenses that are not accounted for in the year-end cut-off (i.e. recognised as expenses in the period they occur) and the main reasons for the exclusion

7 Explanatory comments

D8. Employee benefits

1 The government has granted defined benefit pension schemes (or equivalent) to civil servants / government employees

2 Defined benefit pension liabilities (or assets) are recognised on the statement of financial position

3 Pension expenses for defined benefit pension schemes are recognised:
(Select one response)
a. Following the projected unit credit method
b. Following another accrual basis of accounting
c. When payment is made

4 Pensions are managed centrally (i.e. by one single government entity)

5 The government uses an internal/external actuary service to calculate pension obligations

6 The government has assessed and confirmed compliance with IPSAS 25 'Employee Benefits'

7 Please list the major categories of employee benefits (pensions or other benefits) that are not included in the actuarial valuation and the main reasons for the exclusion

8 Explanatory comments

D9. Provisions

1 The government has major obligations for dismantling assets, decommissioning/site restoration, and environmental clean-up

2 Provisions are recognised in the statement of financial position for these obligations

3 The following recognition criteria apply for provisions (of any kind):
(Select one response)
a. A future charge is probable/possible, without necessarily the existence of an obligation as a result of a past event
b. An obligation exists as a result of a past event and it is probable that the expense will be paid

4 The government has assessed and confirmed compliance with IPSAS 19 'Provisions, contingent assets and contingent liabilities'

5 Please list the major categories of provisions that are not recognised as liabilities the main reasons for the exclusion

6 Explanatory comments

D10. Financial instruments

1 Loans are accounted for using:
(Select one response)
a. Amortised cost
b. Other method

2 Financial investments accounted for using:
(Select one response)
a. Amortised cost
b. Fair value
c. Other method

3 The government applies an impairment procedure to ensure that impairment losses on loans and financial assets are recorded appropriately

4 Borrowings are accounted for using:
(Select one response)
a. Amortised cost
b. Other method

5 Financial guarantees are accounted for as:
(Select one response)
a. A liability when the probability of payment is greater than 50%
b. A liability initially measured at fair value
c. An expense at the time cash payment is made to the beneficiary

6 Derivatives (primarily to hedge exposure to financial risk such as foreign currency exposure or interest rate risk) are:
(Select one response)
a. Not used or use insignificant
b. Moderately used
c. Extensively used

7 Derivatives are accounted for:
(Select one response)
a. Off balance sheet
b. At fair value
c. Using another method

8 Liabilities related to public private partnerships and/or service concession arrangements are recognised on the statement of financial position

9 Liabilities related to public private partnerships or/or service concession arrangements are recognised based on:
(Select one response)
a. ESA 95 / ESA 2010 rules
b. IPSAS
c. Other method

10 The government has assessed and confirmed compliance with IPSAS 28, IPSAS 29 and IPSAS 30 dealing with financial instruments accounting

11 The government has assessed and confirmed compliance with IPSAS 32 dealing with concession arrangements (grantor)

12 Please list the major categories of financial liabilibilities that are not recognised as liabilities in the statement of financial position and the main reasons for the exclusion

13 Explanatory comments

E. Public finance and accounting reform expectations

1 Please list the top 5 benefits to be realised through the adoption of harmonised accrual-based European Public Sector Accounting Standards (EPSAS):

1.
2.
3.
4.
5.

2 Please list your key concerns related to the adoption of EPSAS:

(select accounting area)	*(describe concern)*

F. Glossary

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Examples:

- *Land*
- *Buildings:* specialized and non-specialised buildings, administrative buildings, stadiums, etc.
- *Infrastructure assets:* gas/ electricity/ water supply, bridges, roads, or communication networks, railroads, etc.
- *Military assets:* submarines, aircraft & spacecraft, strategic missiles, specific buildings, vehicles & land systems, military buildings and infrastructure, spare parts and stand-by equipment, etc.
- *Heritage assets* : works of art, historical buildings, monuments, archaelogical sites, conservation areas, etc.
- *IT equipment:* computer hardware, servers, etc. (excludes software)
- *Other:* machinery, maintenance equipment, motor vehicles, fixtures and fittings, transport equipment, other technical equipment including transport, civil radars, furniture, etc.

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Intangible asset: is an identifiable non-monetary asset without physical substance. Intangible assets may be acquired from third parties or internally generated (i.e. through research and development projects).

Examples:

- IT software
- Certain types of development costs
- Large projects of new information systems
- Trademarks and licenses
- Military developments

F. Glossary

Inventories

Inventories: assets in the form of materials or supplies that are either to be consumed in the production process, or to be consumed or distributed in the rendering of services, or held for sale or distribution in the ordinary course of operations, or in the process of procudtion for sale or distribution.

Examples:

- Consumables
- Ammunitions
- Stocks of unissued currency
- Reference materials
- Land/property held for sale
- Vaccines & medicines
- Routine maintenance spare parts
- Strategic stockpiles: energy reserves, fuel, etc.
- Postal service supplies held for sale
- Publications and supplies awaiting distribution
- Livestock

Revenue

Revenue: the gross inflow of economic benefits or service potential that results in an increase in net assets/equity, other than one relating to contributions from owners. In non-exchange transactions, an entity gives/receives value from another entity without directly giving/receiving approximately equal value in exchange.

Exchange - revenue from commercial transactions including the sale of goods and services, interest, royalties, and dividends.

Examples of non-exchange revenue:

Tax revenue :

- Corporate Income tax
- Personal income tax
- Value Added Taxes (VAT)
- Property taxes
- Social contributions paid
- Death taxes

Transfers :

- Grants received
- Donated assets

Accruals and expenses

Expenses: operational, administrative, and financial costs including grants and transfers.

Social benefits: goods, services and other benefits provided by a government in the pursuit of its social policy objectives and for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits (e.g. education, health care, unemployment benefits, disability benefits, pensions paid to citizens other than government employees, etc.).

IPSAS implies recognition of the expense at the time of receipt of the good or services, or when the right to receive the benefit is established, not when the invoice is received or payment is processed.

Employee benefits

Employee benefits: an employee benefit is any form of consideration given by an entity in exchange for service rendered by government employees categorised as (1) short-term benefits, (2) post-employment benefits, (3) orther long-term benefits, and (4) termination benefits.

Examples:

- Medical plans funded by the employer
- Government staff pension plans
- Post-employment life insurance
- Salaries, paid leave,employer-paid social contributions

F. Glossary

Provisions

Provision: a liability of uncertain timing or amount. Provisions are recognised when an entity has a present obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the amount can be made. The term *probable* is interpreted as greater than 50% probability.

Examples:

- Provisions for legal claims
- Restructuring obligations
- Dismantling costs (in respect of PP&E assets)
- Warranties
- Environmental provisions

Financial instruments

Financial assets: assets that are (a) cash, (b) and equity instrument of another entity, of (c) a contractual right to receive cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Examples:

- Loans
- Investments in notes
- Bonds
- Structured debt instruments
- Receivables
- Commercial papers
- Shares
- Derivatives that have a positive fair value

Financial liabilities: any liability that is a contractual obligation: (i) to deliver cash or another financial asset; or (ii) to exchange financial assets or financial liabilities under conditions that are potentially unfavourable.

Examples:

- Accounts payable
- Borrowings
- Derivatives that have a negative fair value
- Financial guarantees that are treated as financial instruments

Appendix C - Accounting and IT maturity scoring

The detailed accounting and maturity scoring, as presented below, relates to the questionnaire submitted to all Member States for the purpose of this study (see chapter 3 Methodology). The numbers in the table are the maximum scores which can be obtained for the individual questions that have been attributed an effort-based score. In case of multiple choices, we indicate the maximum score that can be obtained. The addition of the points for all 10 accounting areas gives the total score for a given level of government.

Number	Questions	Central, State, Local Scoring points		Only social funds Scoring points	
		Accounting maturity	IT maturity	Accounting maturity	IT maturity
Reporting		*12*	*12*	*4*	*4*
D1.1	The government's financial statements include:				
	a. A statement of financial position (balance sheet)	2.5	2.5	1	1
	b. A statement of financial performance (income statement / P&L)	1.5	1.5	0.5	0.5
	c. A statement of cash flows	1	1	0.5	0.5
	d. A statement of changes in net assets	-	-	-	-
	e. A statement of comparison of budget and actual amounts (budget execution)	1	1	-	-
D1.7	Statements of financial position and financial performance are produced for each ministry, agency and other major entity included in the scope of the general government sector	2	2	-	-
D1.8	The government's financial statements include very detailed disclosures	3.5	3.5	2	2
D1.9	The government has assessed and confirmed compliance with IPSAS 1 'Presentation of financial statements', IPSAS 2 'Cash flows statements', and other IPSAS disclosure requirements	0.5	0.5	-	-
Consolidation		*7*	*7*		
D2.1	The government's consolidated financial statements include the following general government sector entities in the scope of consolidation:				
	a. All government ministries / departments	1.25	1.25	-	-
	b. All government agencies and other related entities	1.25	1.25	-	-
D2.3	Other entities controlled by the government (though not necessarily part of the general government sector - e.g. government business entities) are included in the government's consolidated financial statements	0.5	0.5	-	-
D2.4	The accounting policies of all entities	0.5	0.5	-	-

Number	Questions	Central, State, Local Scoring points		Only social funds Scoring points	
		Accounting maturity	IT maturity	Accounting maturity	IT maturity
	included in the scope of the government consolidated financial statements are harmonised				
D2.5	The government uses standardised reporting formats to prepare consolidated financial statements	1	1	-	-
D2.6	Most government entities use a standard chart of accounts	0.5	0.5	-	-
D2.7	The government applies a procedure to reconcile and eliminate intra-government transactions and balances	2	2	-	-
Fixed assets		***33***	***33***	***-***	***-***
D3.1	The government maintains a physical inventory of fixed assets	8	8	-	-
D3.2	The government maintains a fixed assets register which records the acquisition cost of fixed assets	9.75	9.75	-	-
D3.3	Fixed assets are recognised in the statement of financial position	1	1	-	-
D3.4	The acquisition cost of fixed assets includes the purchase price and all costs directly attributable to the acquisition	1	1	-	-
D3.6	Fixed assets are depreciated over their useful life	2	2	-	-
D3.7	Fixed assets are depreciated following the components approach	5	5	-	-
D3.8	The government constructs (some of) its fixed assets	-	-	-	-
D3.9	The book value of self-constructed fixed assets includes all direct and indirect construction/production costs	1.25	1.25	-	-
D3.10	The government has assessed and confirmed compliance with IPSAS 17 'Property, plant and equipment'?	-	-	-	-
D3.11	The government holds assets under lease arrangements	-	-	-	-
D3.12	The government has assessed and confirmed compliance with IPSAS 13 'Leases'	-	-	-	-
D3.13	The government is involved in service concession arrangements and/or public-private partnership arrangements	-	-	-	-
D3.14	Infrastructure or other assets held under service concession and/or PPP arrangements are recognised in the statement of financial position	4	4	-	-

Number	Questions	Central, State, Local Scoring points		Only social funds Scoring points	
		Accounting maturity	IT maturity	Accounting maturity	IT maturity
D3.16	The government applies an impairment procedure to ensure that impairment losses on fixed assets are recorded appropriately	1	1	-	-
Intangible assets		***2***	***2***	***-***	***-***
D4.1	Internally developed intangible assets are recognised in the statement of financial position	0.5	0.5	-	-
D4.2	In recognising internally developed intangible assets, a distinction is made between research costs (expensed) and development costs (capitalised)	0.5	0.5	-	-
D4.3	Major licences are recognised as intangible assets in the statement of financial position	0.5	0.5	-	-
D4.4	Intangible assets are amortised over their useful life	0.5	0.5	-	-
Inventories		***3***	***3***	***-***	***-***
D5.1	The government maintains a physical stocktake of items of inventory	1.5	1.5	-	-
D5.2	The government maintains an inventory register which records the acquisition cost of inventory items	0.5	0.5	-	-
D5.3	The inventory acquisition cost includes the purchase price and all costs necessary to bring it in its current location and condition	0.5	0.5	-	-
D5.4	A procedure is applied to ensure that book value of slow moving items is reduced to net realisable value where appropriate	0.5	0.5	-	-
Revenue		***14***	***7***	***3***	***1,5***
D6.1	Revenue from taxes (and related assets) are recognised when attributed to the taxation period based on year-end estimates and using macro-economic indicators or historical trends/data	10.5	5.25	2	1
D6.2	The government applies an impairment procedure to ensure that impairment losses and taxes recoverable are recorded appropriately	1.5	0.75	0.5	0.25
D6.3	An asset related to revenue from transfers is recognised when the right to receive a grant is established.	1	0.5	0.25	0.125
D6.4	Revenue from transfers is recognised when the conditions attached to the grant are fulfilled	1	0.5	0.25	0.125

Number	Questions	Central, State, Local Scoring points Accounting maturity	 IT maturity	Only social funds Scoring points Accounting maturity	 IT maturity
D6.5.a	The government has assessed and confirmed compliance with IPSAS 23 'Revenue from non-exchange transactions'	-	-	-	-
Accruals and expenses		***18***	***18***	***18***	***18***
D7.1	For exchange transactions (goods or services received in exchange for payment), expenses are recognised in the statement of financial performance when the service is performed or good received	5	5	5	5
D7.2	For grants and other transfers (non-exchange transactions), expenses are recognised in the statement of financial performance when the conditions attached to the grant have been fulfilled by the recipient/beneficiary	2	2	2	2
D7.3	For social benefits (non-exchange transactions), expenses are recognised in the statement of financial performance when the right of individuals to receive the benefit is established	5	5	5	5
D7.4	What process is in place to calculate year-end accruals? Accounting transactions are posted through an ERP in which the workflows are designed for accrual accounting	2	2	2	2
D7.5	The process(es) in place to collect information on year-end accruals do so in a comprehensive, timely and reliable manner. Strongly agree	4	4	4	4
Employee benefits		***5***	***5***	***5***	***5***
D8.1	The government has granted defined benefit pension schemes (or equivalent) to civil servants/government employees	-	-	-	-
D8.2	Defined benefit pension liabilities (or assets) are recognised on the statement of financial position	1	1	1	1
D8.3	Pension expenses for defined benefit pension schemes are recognised following the projected unit credit method	2	2	2	2
D8.4	Pensions are managed centrally (i.e. by one single government entity)	1	1	1	1
D8.5	The government uses an internal/external actuary service to calculate pension obligations	1	1	1	1

Number	Questions	Central, State, Local Scoring points Accounting maturity	 IT maturity	Only social funds Scoring points Accounting maturity	 IT maturity
D8.6	The government has assessed and confirmed compliance with IPSAS 25 'Employee Benefits'	-	-	-	-
Provisions		***2***	***-***	***-***	***-***
D9.1	The government has major obligations for dismantling assets, decommissioning/site restoration, and environmental clean-up	-	-	-	-
D9.2	Provisions are recognised in the statement of financial position for these obligations	1	-	-	-
D9.3	The following recognition criteria apply for provisions (of any kind): An obligation exists as a result of a past event and it is probable that the expense will be paid	1	-	-	-
Financial instruments		***4***	***2***	***3***	***1,5***
D10.1	Loans are accounted for using amortised cost	0.5	0.25	0.5	0.25
D10.2	Financial investments are accounted for using fair value	0.5	0.25	0.5	0.25
D10.3	The government applies an impairment procedure to ensure that impairment losses on loans and financial assets are recorded appropriately	0.5	0.25	0.5	0.25
D10.4	Borrowings are accounted for using the amortised cost	1	0.5	1	0.5
D10.5	Financial guarantees are accounted for as a liability initially measured at fair value, or as a liability when the probability of payment is greater than 50%	0.5	0.25	-	-
D10.6	Derivatives (primarily to hedge exposure to financial risk such as foreign currency exposure or interest rate risk) are extensively used	-	-	-	-
D10.7	Derivatives are accounted for at fair value	1	0.5	0.5	0.25
D10.10	The government has assessed and confirmed compliance with IPSAS 28, IPSAS 29 and IPSAS 30 dealing with financial instruments accounting	-	-	-	-

Appendix D - Accounting and IT maturity scores per Member State, government level and accounting area

COUNTRY: Austria

Accounting Maturity

LEVEL:		Central %	Central Points	Central Max Points	Social %	Social Points	Social Max Points
D1	Reporting	100%	12,0	12,0	100%	4,0	4,0
D2	Consolidation	79%	5,50	7,00	-	-	-
D3	Fixed assets	83%	24,00	29,00	-	-	-
D4	Intangible assets	50%	1,00	2,00	-	-	-
D5	Inventories	67%	2,00	3,00	-	-	-
D6	Revenue	48%	6,00	12,50	-	-	3,00
D7	Accruals and expenses	72%	13,00	18,00	72%	13,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	100%	2,00	2,00	-	-	-
D10	Financial instruments	63%	2,50	4,00	67%	2,00	3,00
TOTAL		**73%**	**69,0**	**94,5**	**61%**	**20,0**	**33,0**

IT Maturity

		Central %	Central Points	Central Max Points	Social %	Social Points	Social Max Points
D1	Reporting	100%	12,0	12,0	100%	4,0	4,0
D2	Consolidation	79%	5,50	7,00	-	-	-
D3	Fixed assets	83%	24,00	29,00	-	-	-
D4	Intangible assets	50%	1,00	2,00	-	-	-
D5	Inventories	67%	2,00	3,00	-	-	-
D6	Revenue	48%	3,00	6,25	-	-	1,50
D7	Accruals and expenses	72%	13,00	18,00	72%	13,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-
D10	Financial instruments	63%	1,25	2,00	67%	1,00	1,50
TOTAL		**74%**	**62,8**	**84,3**	**63%**	**19,0**	**30,0**

COUNTRY: Belgium

Accounting Maturity

LEVEL:		Central %	Central Points	Central Max Points	State %	Country Average Points	Country Average Max Points
D1	Reporting	75%	9,0	12,0	-	-	-
D2	Consolidation	96%	6,75	7,00	-	-	-
D3	Fixed assets	68%	20,25	29,75	-	-	-
D4	Intangible assets	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	-	-	-
D6	Revenue	39%	4,00	10,25	-	-	-
D7	Accruals and expenses	67%	12,00	18,00	-	-	-
D8	Employee benefits	40%	2,00	5,00	-	-	-
D9	Provisions	50%	1,00	2,00	-	-	-
D10	Financial instruments	50%	2,00	4,00	-	-	-
TOTAL		**67%**	**62,0**	**93,0**	**67%**	**48,0**	**71,6**

LEVEL:		Flanders (State) %	Flanders (State) Points	Flanders (State) Max Points	Brussels (State) %	Brussels (State) Points	Brussels (State) Max Points	Wallonia (State) %	Wallonia (State) Points	Wallonia (State) Max Points
D1	Reporting	50%	6,0	12,0	63%	7,5	12,0	71%	8,5	12,0
D2	Consolidation	93%	6,50	7,00	79%	5,50	7,00	36%	2,50	7,00
D3	Fixed assets	84%	22,18	26,43	86%	21,68	25,18	68%	16,25	23,97
D4	Intangible assets	100%	2,00	2,00	100%	1,00	1,00	25%	0,50	2,00
D5	Inventories	67%	2,00	3,00	-	-	-	50%	1,50	3,00
D6	Revenue	33%	1,00	3,00	55%	1,50	2,75	55%	1,50	2,75
D7	Accruals and expenses	72%	13,00	18,00	56%	5,00	9,00	54%	7,00	13,00
D8	Employee benefits	-	-	-	-	-	-	-	-	2,00
D9	Provisions	-	-	1,00	-	-	1,00	-	-	2,00
D10	Financial instruments	67%	2,00	3,00	50%	2,00	4,00	33%	0,50	1,50
TOTAL		**72%**	**54,7**	**75,4**	**71%**	**44,2**	**61,9**	**55%**	**38,3**	**69,2**

IT Maturity

		Central %	Central Points	Central Max Points	State %	Country Average Points	Country Average Max Points
D1	Reporting	75%	9,0	12,0	-	-	-
D2	Consolidation	96%	6,75	7,00	-	-	-
D3	Fixed assets	68%	20,25	29,75	-	-	-
D4	Intangible assets	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	-	-	-
D6	Revenue	39%	2,00	5,13	-	-	-
D7	Accruals and expenses	67%	12,00	18,00	-	-	-
D8	Employee benefits	40%	2,00	5,00	-	-	-
D9	Provisions	-	-	-	-	-	-
D10	Financial instruments	50%	1,00	2,00	-	-	-
TOTAL		**69%**	**58,0**	**83,9**	**69%**	**46,6**	**67,5**

		Flanders (State) %	Flanders (State) Points	Flanders (State) Max Points	Brussels (State) %	Brussels (State) Points	Brussels (State) Max Points	Wallonia (State) %	Wallonia (State) Points	Wallonia (State) Max Points
D1	Reporting	50%	6,0	12,0	63%	7,5	12,0	71%	8,5	12,0
D2	Consolidation	93%	6,50	7,00	79%	5,50	7,00	36%	2,50	7,00
D3	Fixed assets	84%	22,18	26,43	86%	21,68	25,18	68%	16,25	23,97
D4	Intangible assets	100%	2,00	2,00	100%	1,00	1,00	25%	0,50	2,00
D5	Inventories	67%	2,00	3,00	-	-	-	50%	1,50	3,00
D6	Revenue	33%	0,50	1,50	55%	0,75	1,38	55%	0,75	1,38
D7	Accruals and expenses	72%	13,00	18,00	56%	5,00	9,00	54%	7,00	13,00
D8	Employee benefits	-	-	-	-	-	-	-	-	2,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	67%	1,00	1,50	50%	1,00	2,00	33%	0,25	0,75
TOTAL		**74%**	**53,2**	**71,4**	**74%**	**42,4**	**57,6**	**57%**	**37,3**	**65,1**

COUNTRY: **Belgium**

LEVEL:

Accounting Maturity

		Local (Country Average) %	Points	Max Points	Wallonia (Local) %	Points	Max Points	Flanders (Local) %	Points	Max Points	Brussels (Local) %	Points	Max Points
D1	Reporting	-	-	-	96%	11,5	12,0	96%	11,5	12,0	100%	9,0	9,0
D2	Consolidation	-	-	-	100%	6,50	6,50	50%	0,25	0,50	20%	0,50	2,50
D3	Fixed assets	-	-	-	89%	23,18	26,18	95%	20,18	21,18	84%	16,93	20,18
D4	Intangible assets	-	-	-	75%	1,50	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	-	-	-	100%	3,00	3,00	100%	3,00	3,00	-	-	1,50
D6	Revenue	-	-	-	47%	3,50	7,50	68%	5,25	7,75	62%	2,00	3,25
D7	Accruals and expenses	-	-	-	-	-	18,00	67%	12,00	18,00	72%	13,00	18,00
D8	Employee benefits	-	-	-	100%	5,00	5,00	-	-	5,00	40%	2,00	5,00
D9	Provisions	-	-	-	50%	1,00	2,00	100%	2,00	2,00	-	-	1,00
D10	Financial instruments	-	-	-	83%	2,50	3,00	25%	1,00	4,00	67%	1,00	1,50
TOTAL		**73%**	**55,9**	**77,2**	**68%**	**57,7**	**85,2**	**76%**	**57,2**	**75,4**	**72%**	**44,4**	**61,9**

IT Maturity

		Local (Country Average) %	Points	Max Points	Wallonia (Local) %	Points	Max Points	Flanders (Local) %	Points	Max Points	Brussels (Local) %	Points	Max Points
D1	Reporting	-	-	-	96%	11,5	12,0	96%	11,5	12,0	100%	9,0	9,0
D2	Consolidation	-	-	-	100%	6,50	6,50	50%	0,25	0,50	20%	0,50	2,50
D3	Fixed assets	-	-	-	89%	23,18	26,18	95%	20,18	21,18	84%	16,93	20,18
D4	Intangible assets	-	-	-	75%	1,50	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	-	-	-	100%	3,00	3,00	100%	3,00	3,00	-	-	1,50
D6	Revenue	-	-	-	47%	1,75	3,75	68%	2,63	3,88	62%	1,00	1,63
D7	Accruals and expenses	-	-	-	-	-	18,00	67%	12,00	18,00	72%	13,00	18,00
D8	Employee benefits	-	-	-	100%	5,00	5,00	-	-	5,00	40%	2,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-	-	-	-
D10	Financial instruments	-	-	-	83%	1,25	1,50	25%	0,50	2,00	67%	0,50	0,75
TOTAL		**74%**	**51,6**	**70,0**	**69%**	**53,7**	**77,9**	**77%**	**52,1**	**67,6**	**73%**	**42,9**	**58,6**

COUNTRY: **Belgium**

LEVEL:

Accounting Maturity

		Social %	Social Points	Social Max Points
D1	Reporting	63%	2,5	4,0
D2	Consolidation	-	-	-
D3	Fixed assets	-	-	-
D4	Intangible assets	-	-	-
D5	Inventories	-	-	-
D6	Revenue	50%	0,25	0,50
D7	Accruals and expenses	67%	12,00	18,00
D8	Employee benefits	40%	2,00	5,00
D9	Provisions	-	-	-
D10	Financial instruments	50%	1,50	3,00
TOTAL		**60%**	**18,3**	**30,5**

IT Maturity

		Social %	Social Points	Social Max Points
D1	Reporting	63%	2,5	4,0
D2	Consolidation	-	-	-
D3	Fixed assets	-	-	-
D4	Intangible assets	-	-	-
D5	Inventories	-	-	-
D6	Revenue	50%	0,13	0,25
D7	Accruals and expenses	67%	12,00	18,00
D8	Employee benefits	40%	2,00	5,00
D9	Provisions	-	-	-
D10	Financial instruments	50%	0,75	1,50
TOTAL		**60%**	**17,4**	**28,8**

COUNTRY: **Bulgaria**

LEVEL:

Accounting Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	63%	7,5	12,0	63%	7,5	12,0	50%	2,0	4,0
D2	Consolidation	64%	4,50	7,00	64%	4,50	7,00	-	-	-
D3	Fixed assets	46%	14,50	31,75	46%	14,50	31,75	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	29%	4,00	14,00	29%	4,00	14,00	-	-	3,00
D7	Accruals and expenses	72%	13,00	18,00	72%	13,00	18,00	72%	13,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-
D9	Provisions	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	75%	2,25	3,00	75%	2,25	3,00	90%	2,25	2,50
TOTAL		**56%**	**52,3**	**92,8**	**56%**	**52,3**	**92,8**	**63%**	**17,3**	**27,5**

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	63%	7,5	12,0	63%	7,5	12,0	50%	2,0	4,0
D2	Consolidation	64%	4,50	7,00	64%	4,50	7,00	-	-	-
D3	Fixed assets	46%	14,50	31,75	46%	14,50	31,75	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	29%	2,00	7,00	29%	2,00	7,00	-	-	1,50
D7	Accruals and expenses	72%	13,00	18,00	72%	13,00	18,00	72%	13,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	75%	1,13	1,50	75%	1,13	1,50	90%	1,13	1,25
TOTAL		**57%**	**47,1**	**82,3**	**57%**	**47,1**	**82,3**	**65%**	**16,1**	**24,8**

COUNTRY: **Croatia**

Accounting Maturity

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	-	-	12,0	-	-	12,0	75%	3,0	4,0
D2	Consolidation	-	-	7,00	-	-	7,00	-	-	-
D3	Fixed assets	34%	11,25	33,00	34%	11,25	33,00	-	-	-
D4	Intangible assets	50%	1,00	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	40%	5,00	12,50	40%	5,00	12,50	-	-	3,00
D7	Accruals and expenses	61%	11,00	18,00	61%	11,00	18,00	72%	13,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	2,00	-	-	2,00	-	-	-
D10	Financial instruments	38%	1,50	4,00	38%	1,50	4,00	33%	1,00	3,00
TOTAL		**34%**	**33,3**	**98,5**	**34%**	**33,3**	**98,5**	**55%**	**18,0**	**33,0**

IT Maturity

D1	Reporting	-	-	12,0	-	-	12,0	75%	3,0	4,0
D2	Consolidation	-	-	7,00	-	-	7,00	-	-	-
D3	Fixed assets	34%	11,25	33,00	34%	11,25	33,00	-	-	-
D4	Intangible assets	50%	1,00	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	40%	2,50	6,25	40%	2,50	6,25	-	-	1,50
D7	Accruals and expenses	61%	11,00	18,00	61%	11,00	18,00	72%	13,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	38%	0,75	2,00	38%	0,75	2,00	33%	0,50	1,50
TOTAL		**34%**	**30,0**	**88,3**	**34%**	**30,0**	**88,3**	**58%**	**17,5**	**30,0**

COUNTRY: **Cyprus**

Accounting Maturity

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	-	-	12,0	71%	8,5	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	29%	2,00	7,00	-	-	-
D3	Fixed assets	-	-	33,00	100%	21,18	21,18	-	-	-
D4	Intangible assets	-	-	2,00	100%	1,00	1,00	-	-	-
D5	Inventories	50%	1,50	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	36%	4,00	11,00	47%	2,25	4,75	-	-	3,00
D7	Accruals and expenses	28%	5,00	18,00	72%	13,00	18,00	11%	2,00	18,00
D8	Employee benefits	20%	1,00	5,00	60%	3,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	1,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	67%	2,00	3,00	58%	1,75	3,00	100%	2,50	2,50
TOTAL		**14%**	**13,5**	**95,0**	**75%**	**57,7**	**76,9**	**17%**	**5,5**	**32,5**

IT Maturity

D1	Reporting	-	-	12,0	71%	8,5	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	29%	2,00	7,00	-	-	-
D3	Fixed assets	-	-	33,00	100%	21,18	21,18	-	-	-
D4	Intangible assets	-	-	2,00	100%	1,00	1,00	-	-	-
D5	Inventories	50%	1,50	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	36%	2,00	5,50	47%	1,13	2,38	-	-	1,50
D7	Accruals and expenses	28%	5,00	18,00	72%	13,00	18,00	11%	2,00	18,00
D8	Employee benefits	20%	1,00	5,00	60%	3,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	67%	1,00	1,50	58%	0,88	1,50	100%	1,25	1,25
TOTAL		**12%**	**10,5**	**87,0**	**76%**	**53,7**	**71,1**	**14%**	**4,3**	**29,8**

COUNTRY: **Czech Republic**

Accounting Maturity

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	75%	9,0	12,0	75%	9,0	12,0	75%	3,0	4,0
D2	Consolidation	89%	6,25	7,00	89%	6,25	7,00	-	-	-
D3	Fixed assets	75%	22,50	30,00	75%	22,50	30,00	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	48%	6,00	12,50	48%	6,00	12,50	25%	0,75	3,00
D7	Accruals and expenses	89%	16,00	18,00	89%	16,00	18,00	89%	16,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-
D9	Provisions	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	50%	1,50	3,00	50%	1,50	3,00	60%	1,50	2,50
TOTAL		**75%**	**67,3**	**89,5**	**75%**	**67,3**	**89,5**	**77%**	**21,3**	**27,5**

IT Maturity

D1	Reporting	75%	9,0	12,0	75%	9,0	12,0	75%	3,0	4,0
D2	Consolidation	89%	6,25	7,00	89%	6,25	7,00	-	-	-
D3	Fixed assets	75%	22,50	30,00	75%	22,50	30,00	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	48%	3,00	6,25	48%	3,00	6,25	25%	0,38	1,50
D7	Accruals and expenses	89%	16,00	18,00	89%	16,00	18,00	89%	16,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	50%	0,75	1,50	50%	0,75	1,50	60%	0,75	1,25
TOTAL		**77%**	**61,5**	**79,8**	**77%**	**61,5**	**79,8**	**81%**	**20,1**	**24,8**

COUNTRY: Denmark

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	75%	9,0	12,0	63%	7,5	12,0	63%	2,5	4,0
D2	Consolidation	46%	3,25	7,00	44%	2,00	4,50	-	-	-
D3	Fixed assets	91%	30,00	33,00	63%	14,87	23,43	-	-	-
D4	Intangible assets	100%	2,00	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	46%	5,75	12,50	46%	4,75	10,25	17%	0,50	3,00
D7	Accruals and expenses	72%	13,00	18,00	67%	12,00	18,00	72%	13,00	18,00
D8	Employee benefits	20%	1,00	5,00	100%	5,00	5,00	20%	1,00	5,00
D9	Provisions	100%	1,00	1,00	100%	1,00	1,00	-	-	-
D10	Financial instruments	63%	2,50	4,00	81%	3,25	4,00	67%	2,00	3,00
TOTAL		**72%**	**70,5**	**97,5**	**65%**	**53,9**	**83,2**	**58%**	**19,0**	**33,0**

IT Maturity										
D1	Reporting	75%	9,0	12,0	63%	7,5	12,0	63%	2,5	4,0
D2	Consolidation	46%	3,25	7,00	44%	2,00	4,50	-	-	-
D3	Fixed assets	91%	30,00	33,00	63%	14,87	23,43	-	-	-
D4	Intangible assets	100%	2,00	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	46%	2,88	6,25	46%	2,38	5,13	17%	0,25	1,50
D7	Accruals and expenses	72%	13,00	18,00	67%	12,00	18,00	72%	13,00	18,00
D8	Employee benefits	20%	1,00	5,00	100%	5,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	63%	1,25	2,00	81%	1,63	2,00	67%	1,00	1,50
TOTAL		**74%**	**65,4**	**88,3**	**65%**	**48,9**	**75,1**	**59%**	**17,8**	**30,0**

COUNTRY: Estonia

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	83%	10,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	100%	7,00	7,00	100%	7,00	7,00	-	-	-
D3	Fixed assets	100%	31,75	31,75	100%	31,75	31,75	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	68%	8,50	12,50	68%	8,50	12,50	50%	1,50	3,00
D7	Accruals and expenses	100%	18,00	18,00	100%	18,00	18,00	100%	18,00	18,00
D8	Employee benefits	60%	3,00	5,00	60%	3,00	5,00	60%	3,00	5,00
D9	Provisions	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	100%	3,00	3,00	100%	3,00	3,00	100%	2,50	2,50
TOTAL		**92%**	**88,3**	**96,3**	**92%**	**88,3**	**96,3**	**86%**	**28,0**	**32,5**

IT Maturity										
D1	Reporting	83%	10,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	100%	7,00	7,00	100%	7,00	7,00	-	-	-
D3	Fixed assets	100%	31,75	31,75	100%	31,75	31,75	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	68%	4,25	6,25	68%	4,25	6,25	50%	0,75	1,50
D7	Accruals and expenses	100%	18,00	18,00	100%	18,00	18,00	100%	18,00	18,00
D8	Employee benefits	60%	3,00	5,00	60%	3,00	5,00	60%	3,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	100%	1,50	1,50	100%	1,50	1,50	100%	1,25	1,25
TOTAL		**93%**	**80,5**	**86,5**	**93%**	**80,5**	**86,5**	**87%**	**26,0**	**29,8**

COUNTRY: Finland

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	83%	10,0	12,0	96%	11,5	12,0	100%	4,0	4,0
D2	Consolidation	93%	6,50	7,00	78%	3,50	4,50	-	-	-
D3	Fixed assets	89%	26,43	29,75	100%	26,18	26,18	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	39%	4,25	11,00	50%	4,00	8,00	100%	2,50	2,50
D7	Accruals and expenses	61%	11,00	18,00	94%	17,00	18,00	100%	18,00	18,00
D8	Employee benefits	40%	2,00	5,00	80%	4,00	5,00	60%	3,00	5,00
D9	Provisions	-	-	2,00	100%	1,00	1,00	-	-	-
D10	Financial instruments	50%	2,00	4,00	75%	3,00	4,00	75%	1,50	2,00
TOTAL		**72%**	**67,2**	**93,8**	**90%**	**75,2**	**83,7**	**92%**	**29,0**	**31,5**

IT Maturity										
D1	Reporting	83%	10,0	12,0	96%	11,5	12,0	100%	4,0	4,0
D2	Consolidation	93%	6,50	7,00	78%	3,50	4,50	-	-	-
D3	Fixed assets	89%	26,43	29,75	100%	26,18	26,18	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	39%	2,13	5,50	50%	2,00	4,00	100%	1,25	1,25
D7	Accruals and expenses	61%	11,00	18,00	94%	17,00	18,00	100%	18,00	18,00
D8	Employee benefits	40%	2,00	5,00	80%	4,00	5,00	60%	3,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	50%	1,00	2,00	75%	1,50	2,00	75%	0,75	1,00
TOTAL		**76%**	**64,1**	**84,3**	**92%**	**70,7**	**76,7**	**92%**	**27,0**	**29,3**

COUNTRY: France

LEVEL:

Accounting Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	79%	9,5	12,0	70%	7,0	10,0	100%	4,0	4,0
D2	Consolidation	89%	6,25	7,00	94%	4,25	4,50	-	-	-
D3	Fixed assets	93%	30,60	33,00	79%	20,18	25,43	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	77%	8,50	11,00	50%	1,00	2,00	100%	0,50	0,50
D7	Accruals and expenses	100%	13,00	13,00	94%	17,00	18,00	100%	13,00	13,00
D8	Employee benefits	67%	2,00	3,00	-	-	-	67%	2,00	3,00
D9	Provisions	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	70%	1,75	2,50	63%	1,25	2,00	70%	1,75	2,50
TOTAL		**89%**	**78,6**	**88,5**	**84%**	**57,7**	**68,9**	**92%**	**21,3**	**23,0**

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	79%	9,5	12,0	70%	7,0	10,0	100%	4,0	4,0
D2	Consolidation	89%	6,25	7,00	94%	4,25	4,50	-	-	-
D3	Fixed assets	93%	30,60	33,00	79%	20,18	25,43	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	77%	4,25	5,50	50%	0,50	1,00	100%	0,25	0,25
D7	Accruals and expenses	100%	13,00	13,00	94%	17,00	18,00	100%	13,00	13,00
D8	Employee benefits	67%	2,00	3,00	-	-	-	67%	2,00	3,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	70%	0,88	1,25	63%	0,63	1,00	70%	0,88	1,25
TOTAL		**90%**	**71,5**	**79,8**	**84%**	**54,6**	**64,9**	**94%**	**20,1**	**21,5**

COUNTRY: Germany

LEVEL:

Accounting Maturity

		Central %	Central Points	Central Max Points	State Country Average %	Points	Max Points	State Accrual Weight:10% %	Points	Max Points	State Extended Cameralistic Weight: 67% %	Points	Max Points	State Cameralistic Weight: 23% %	Points	Max Points
D1	Reporting	-	-	12,0	8%	0,9	12,0	75%	9,0	12,0	-	-	12,0	-	-	12,0
D2	Consolidation	-	-	5,75	10%	0,68	7,00	96%	6,75	7,00	-	-	7,00	-	-	7,00
D3	Fixed assets	12%	4,00	33,00	50%	13,16	26,18	88%	22,93	26,18	55%	14,50	26,18	19%	5,00	26,18
D4	Intangible assets	-	-	2,00	5%	0,10	2,00	50%	1,00	2,00	-	-	2,00	-	-	2,00
D5	Inventories	50%	1,50	3,00	8%	0,25	3,00	83%	2,50	3,00	-	-	3,00	-	-	3,00
D6	Revenue	43%	5,75	13,25	49%	4,03	8,25	67%	5,50	8,25	55%	4,50	8,25	24%	2,00	8,25
D7	Accruals and expenses	14%	2,00	14,00	21%	3,00	14,00	86%	12,00	14,00	14%	2,00	14,00	14%	2,00	14,00
D8	Employee benefits	70%	3,50	5,00	8%	0,40	5,00	80%	4,00	5,00	-	-	5,00	-	-	5,00
D9	Provisions	100%	2,00	2,00	17%	0,33	2,00	50%	1,00	2,00	-	-	2,00	50%	1,00	2,00
D10	Financial instruments	56%	2,25	4,00	26%	1,03	4,00	88%	3,50	4,00	13%	0,50	4,00	38%	1,50	4,00
TOTAL		**22%**	**21,0**	**94,0**	**29%**	**23,9**	**83,4**	**82%**	**68,2**	**83,4**	**26%**	**21,5**	**83,4**	**14%**	**11,5**	**83,4**

IT Maturity

		Central %	Central Points	Central Max Points	State Country Average %	Points	Max Points	State Accrual Weight:10% %	Points	Max Points	State Extended Cameralistic Weight: 67% %	Points	Max Points	State Cameralistic Weight: 23% %	Points	Max Points
D1	Reporting	-	-	12,0	8%	0,9	12,0	75%	9,0	12,0	-	-	12,0	-	-	12,0
D2	Consolidation	-	-	5,75	10%	0,68	7,00	96%	6,75	7,00	-	-	7,00	-	-	7,00
D3	Fixed assets	12%	4,00	33,00	50%	13,16	26,18	88%	22,93	26,18	55%	14,50	26,18	19%	5,00	26,18
D4	Intangible assets	-	-	2,00	5%	0,10	2,00	50%	1,00	2,00	-	-	2,00	-	-	2,00
D5	Inventories	50%	1,50	3,00	8%	0,25	3,00	83%	2,50	3,00	-	-	3,00	-	-	3,00
D6	Revenue	43%	2,88	6,63	49%	2,02	4,13	67%	2,75	4,13	55%	2,25	4,13	24%	1,00	4,13
D7	Accruals and expenses	14%	2,00	14,00	21%	3,00	14,00	86%	12,00	14,00	14%	2,00	14,00	14%	2,00	14,00
D8	Employee benefits	70%	3,50	5,00	8%	0,40	5,00	80%	4,00	5,00	-	-	5,00	-	-	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D10	Financial instruments	56%	1,13	2,00	26%	0,52	2,00	88%	1,75	2,00	13%	0,25	2,00	38%	0,75	2,00
TOTAL		**18%**	**15,0**	**83,4**	**28%**	**21,0**	**75,3**	**83%**	**62,7**	**75,3**	**25%**	**19,0**	**75,3**	**12%**	**8,8**	**75,3**

COUNTRY: Germany

LEVEL:

Accounting Maturity

		LOCAL Average %	Points	Max Points	Local Cameralistic Weight:30% %	Points	Max Points	Local Accrual Weight:70% %	Points	Max Points
D1	Reporting	-	6,7	10,6	-	-	12,0	95%	9,5	10,0
D2	Consolidation	-	2,80	4,90	-	-	7,00	100%	4,00	4,00
D3	Fixed assets	56%	14,75	26,18	19%	5,00	26,18	72%	18,93	26,18
D4	Intangible assets	-	0,70	1,65	-	-	2,00	67%	1,00	1,50
D5	Inventories	-	1,40	3,00	-	-	3,00	67%	2,00	3,00
D6	Revenue	58%	3,40	6,33	24%	2,00	8,25	73%	4,00	5,50
D7	Accruals and expenses	59%	10,40	16,80	14%	2,00	14,00	78%	14,00	18,00
D8	Employee benefits	-	3,15	5,00	-	-	5,00	90%	4,50	5,00
D9	Provisions	50%	1,00	2,00	50%	1,00	2,00	50%	1,00	2,00
D10	Financial instruments	55%	2,20	4,00	38%	1,50	4,00	63%	2,50	4,00
TOTAL		**58%**	**46,5**	**80,5**	**14%**	**11,5**	**83,4**	**78%**	**61,4**	**79,2**

IT Maturity

		LOCAL Average %	Points	Max Points	Local Cameralistic Weight:30% %	Points	Max Points	Local Accrual Weight:70% %	Points	Max Points
D1	Reporting	-	6,7	10,6	-	-	12,0	95%	9,5	10,0
D2	Consolidation	-	2,80	4,90	-	-	7,00	100%	4,00	4,00
D3	Fixed assets	56%	14,75	26,18	19%	5,00	26,18	72%	18,93	26,18
D4	Intangible assets	-	0,70	1,65	-	-	2,00	67%	1,00	1,50
D5	Inventories	-	1,40	3,00	-	-	3,00	67%	2,00	3,00
D6	Revenue	58%	1,70	3,16	24%	1,00	4,13	73%	2,00	2,75
D7	Accruals and expenses	59%	10,40	16,80	14%	2,00	14,00	78%	14,00	18,00
D8	Employee benefits	-	3,15	5,00	-	-	5,00	90%	4,50	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	55%	1,10	2,00	38%	0,75	2,00	63%	1,25	2,00
TOTAL		**58%**	**42,7**	**73,3**	**12%**	**8,8**	**75,3**	**79%**	**57,2**	**72,4**

COUNTRY: Germany
LEVEL:

Accounting Maturity

		Social %	Social Points	Social Max Points
D1	Reporting	-	-	4,0
D2	Consolidation	-	-	-
D3	Fixed assets	-	-	-
D4	Intangible assets	-	-	-
D5	Inventories	-	-	-
D6	Revenue	-	-	3,00
D7	Accruals and expenses	44%	8,00	18,00
D8	Employee benefits	70%	3,50	5,00
D9	Provisions	-	-	-
D10	Financial instruments	80%	2,00	2,50
TOTAL		**42%**	**13,5**	**32,5**

IT Maturity

		Social %	Social Points	Social Max Points
D1	Reporting	-	-	4,0
D2	Consolidation	-	-	-
D3	Fixed assets	-	-	-
D4	Intangible assets	-	-	-
D5	Inventories	-	-	-
D6	Revenue	-	-	1,50
D7	Accruals and expenses	44%	8,00	18,00
D8	Employee benefits	70%	3,50	5,00
D9	Provisions	-	-	-
D10	Financial instruments	80%	1,00	1,25
TOTAL		**42%**	**12,5**	**29,8**

COUNTRY: Greece
LEVEL:

		Central %	Central Points	Central Max Points	Social %	Social Points	Social Max Points
D1	Reporting	-	-	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	-	-	-
D3	Fixed assets	12%	4,00	33,00	-	-	-
D4	Intangible assets	-	-	2,00	-	-	-
D5	Inventories	-	-	3,00	-	-	-
D6	Revenue	32%	4,00	12,50	-	-	3,00
D7	Accruals and expenses	11%	2,00	18,00	11%	2,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	1,00	-	-	-
D10	Financial instruments	25%	1,00	4,00	33%	1,00	3,00
TOTAL		**12%**	**12,0**	**97,5**	**12%**	**4,0**	**33,0**

D1	Reporting	-	-	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	-	-	-
D3	Fixed assets	12%	4,00	33,00	-	-	-
D4	Intangible assets	-	-	2,00	-	-	-
D5	Inventories	-	-	3,00	-	-	-
D6	Revenue	32%	2,00	6,25	-	-	1,50
D7	Accruals and expenses	11%	2,00	18,00	11%	2,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-
D10	Financial instruments	25%	0,50	2,00	33%	0,50	1,50
TOTAL		**11%**	**9,5**	**88,3**	**12%**	**3,5**	**30,0**

COUNTRY: Hungary
LEVEL:

Accounting Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	63%	7,5	12,0	63%	7,5	12,0	50%	2,0	4,0
D2	Consolidation	75%	5,25	7,00	75%	5,25	7,00	-	-	-
D3	Fixed assets	79%	26,00	33,00	79%	26,00	33,00	-	-	-
D4	Intangible assets	50%	1,00	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	67%	2,00	3,00	67%	2,00	3,00	-	-	-
D6	Revenue	55%	7,25	13,25	55%	7,25	13,25	33%	1,00	3,00
D7	Accruals and expenses	61%	11,00	18,00	61%	11,00	18,00	61%	11,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-
D9	Provisions	-	-	1,00	-	-	1,00	-	-	-
D10	Financial instruments	33%	1,00	3,00	33%	1,00	3,00	40%	1,00	2,50
TOTAL		**66%**	**61,0**	**92,3**	**66%**	**61,0**	**92,3**	**55%**	**15,0**	**27,5**

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	63%	7,5	12,0	63%	7,5	12,0	50%	2,0	4,0
D2	Consolidation	75%	5,25	7,00	75%	5,25	7,00	-	-	-
D3	Fixed assets	79%	26,00	33,00	79%	26,00	33,00	-	-	-
D4	Intangible assets	50%	1,00	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	67%	2,00	3,00	67%	2,00	3,00	-	-	-
D6	Revenue	55%	3,63	6,63	55%	3,63	6,63	33%	0,50	1,50
D7	Accruals and expenses	61%	11,00	18,00	61%	11,00	18,00	61%	11,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	33%	0,50	1,50	33%	0,50	1,50	40%	0,50	1,25
TOTAL		**68%**	**56,9**	**83,1**	**68%**	**56,9**	**83,1**	**57%**	**14,0**	**24,8**

COUNTRY: **Ireland**

Accounting Maturity

LEVEL:		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	63%	7,5	12,0	75%	9,0	12,0	50%	2,0	4,0
D2	Consolidation	-	-	7,00	21%	1,50	7,00	-	-	-
D3	Fixed assets	58%	16,77	28,75	89%	25,18	28,18	-	-	-
D4	Intangible assets	75%	1,50	2,00	-	-	-	-	-	-
D5	Inventories	67%	2,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	44%	6,00	13,50	50%	1,00	2,00	-	-	3,00
D7	Accruals and expenses	83%	15,00	18,00	83%	15,00	18,00	83%	15,00	18,00
D8	Employee benefits	-	-	5,00	-	-	5,00	-	-	5,00
D9	Provisions	-	-	1,00	-	-	2,00	-	-	-
D10	Financial instruments	44%	1,75	4,00	80%	2,00	2,50	58%	1,75	3,00
TOTAL		**54%**	**50,5**	**94,3**	**71%**	**56,7**	**79,7**	**57%**	**18,8**	**33,0**
		57%			76%			58%		

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	63%	7,5	12,0	75%	9,0	12,0	50%	2,0	4,0
D2	Consolidation	-	-	7,00	21%	1,50	7,00	-	-	-
D3	Fixed assets	58%	16,77	28,75	89%	25,18	28,18	-	-	-
D4	Intangible assets	75%	1,50	2,00	-	-	-	-	-	-
D5	Inventories	67%	2,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	44%	3,00	6,75	50%	0,50	1,00	-	-	1,50
D7	Accruals and expenses	83%	15,00	18,00	83%	15,00	18,00	83%	15,00	18,00
D8	Employee benefits	-	-	5,00	-	-	5,00	-	-	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	44%	0,88	2,00	80%	1,00	1,25	58%	0,88	1,50
TOTAL		**55%**	**46,6**	**84,5**	**73%**	**55,2**	**75,4**	**60%**	**17,9**	**30,0**

COUNTRY: **Italy**

Accounting Maturity

LEVEL:		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	-	-	12,0	-	-	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	-	-	7,00	-	-	-
D3	Fixed assets	62%	19,75	31,75	62%	19,75	31,75	-	-	-
D4	Intangible assets	-	-	1,00	-	-	1,00	-	-	-
D5	Inventories	67%	2,00	3,00	67%	2,00	3,00	-	-	-
D6	Revenue	29%	3,00	10,25	29%	3,00	10,25	17%	0,50	3,00
D7	Accruals and expenses	-	-	18,00	-	-	18,00	-	-	18,00
D8	Employee benefits	40%	2,00	5,00	-	-	-	40%	2,00	5,00
D9	Provisions	-	-	1,00	-	-	1,00	-	-	-
D10	Financial instruments	50%	2,00	4,00	50%	2,00	4,00	67%	2,00	3,00
TOTAL		**31%**	**28,8**	**93,0**	**30%**	**26,8**	**88,0**	**14%**	**4,5**	**33,0**

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	-	-	12,0	-	-	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	-	-	7,00	-	-	-
D3	Fixed assets	62%	19,75	31,75	62%	19,75	31,75	-	-	-
D4	Intangible assets	-	-	1,00	-	-	1,00	-	-	-
D5	Inventories	67%	2,00	3,00	67%	2,00	3,00	-	-	-
D6	Revenue	29%	1,50	5,13	29%	1,50	5,13	17%	0,25	1,50
D7	Accruals and expenses	-	-	18,00	-	-	18,00	-	-	18,00
D8	Employee benefits	40%	2,00	5,00	-	-	-	40%	2,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	50%	1,00	2,00	50%	1,00	2,00	67%	1,00	1,50
TOTAL		**31%**	**26,3**	**84,9**	**30%**	**24,3**	**79,9**	**11%**	**3,3**	**30,0**

COUNTRY: **Latvia**

Accounting Maturity

LEVEL:		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	83%	10,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	93%	6,50	7,00	93%	6,50	7,00	-	-	-
D3	Fixed assets	92%	24,18	26,18	92%	24,18	26,18	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	38%	5,25	14,00	38%	5,25	14,00	8%	0,25	3,00
D7	Accruals and expenses	67%	12,00	18,00	67%	12,00	18,00	67%	12,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	100%	1,00	1,00	100%	1,00	1,00	-	-	-
D10	Financial instruments	75%	3,00	4,00	75%	3,00	4,00	67%	2,00	3,00
TOTAL		**73%**	**67,4**	**92,2**	**73%**	**67,4**	**92,2**	**55%**	**18,3**	**33,0**

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	83%	10,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	93%	6,50	7,00	93%	6,50	7,00	-	-	-
D3	Fixed assets	92%	24,18	26,18	92%	24,18	26,18	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	38%	2,63	7,00	38%	2,63	7,00	8%	0,13	1,50
D7	Accruals and expenses	67%	12,00	18,00	67%	12,00	18,00	67%	12,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	75%	1,50	2,00	75%	1,50	2,00	67%	1,00	1,50
TOTAL		**76%**	**62,3**	**82,2**	**76%**	**62,3**	**82,2**	**57%**	**17,1**	**30,0**

COUNTRY: Lithuania
LEVEL:

Accounting Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	83%	10,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	96%	6,75	7,00	96%	6,75	7,00	-	-	-
D3	Fixed assets	100%	31,75	31,75	100%	31,75	31,75	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	92%	11,50	12,50	92%	11,50	12,50	100%	3,00	3,00
D7	Accruals and expenses	83%	15,00	18,00	83%	15,00	18,00	83%	15,00	18,00
D8	Employee benefits	-	-	5,00	-	-	5,00	-	-	5,00
D9	Provisions	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	100%	3,00	3,00	100%	3,00	3,00	100%	2,50	2,50
TOTAL		**88%**	**85,0**	**96,3**	**88%**	**85,0**	**96,3**	**72%**	**23,5**	**32,5**

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	83%	10,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	96%	6,75	7,00	96%	6,75	7,00	-	-	-
D3	Fixed assets	100%	31,75	31,75	100%	31,75	31,75	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	92%	5,75	6,25	92%	5,75	6,25	100%	1,50	1,50
D7	Accruals and expenses	83%	15,00	18,00	83%	15,00	18,00	83%	15,00	18,00
D8	Employee benefits	-	-	5,00	-	-	5,00	-	-	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	100%	1,50	1,50	100%	1,50	1,50	100%	1,25	1,25
TOTAL		**88%**	**75,8**	**86,5**	**88%**	**75,8**	**86,5**	**70%**	**20,8**	**29,8**

COUNTRY: Luxembourg
LEVEL:

Accounting Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	-	-	12,0	-	-	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	-	-	7,00	-	-	-
D3	Fixed assets	25%	8,00	31,43	47%	11,50	24,62	-	-	-
D4	Intangible assets	-	-	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	50%	1,50	3,00	67%	2,00	3,00	-	-	-
D6	Revenue	32%	4,00	12,50	17%	1,00	5,75	-	-	3,00
D7	Accruals and expenses	11%	2,00	18,00	39%	7,00	18,00	11%	2,00	18,00
D8	Employee benefits	20%	1,00	5,00	-	-	-	20%	1,00	5,00
D9	Provisions	-	-	2,00	-	-	1,00	-	-	-
D10	Financial instruments	67%	2,00	3,00	50%	0,75	1,50	80%	2,00	2,50
TOTAL		**19%**	**18,5**	**95,9**	**31%**	**23,3**	**74,9**	**15%**	**5,0**	**32,5**

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	-	-	12,0	-	-	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	-	-	7,00	-	-	-
D3	Fixed assets	25%	8,00	31,43	47%	11,50	24,62	-	-	-
D4	Intangible assets	-	-	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	50%	1,50	3,00	67%	2,00	3,00	-	-	-
D6	Revenue	32%	2,00	6,25	17%	0,50	2,88	-	-	1,50
D7	Accruals and expenses	11%	2,00	18,00	39%	7,00	18,00	11%	2,00	18,00
D8	Employee benefits	20%	1,00	5,00	-	-	-	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	67%	1,00	1,50	50%	0,38	0,75	80%	1,00	1,25
TOTAL		**18%**	**15,5**	**86,2**	**32%**	**22,4**	**70,2**	**13%**	**4,0**	**29,8**

COUNTRY: Malta
LEVEL:

Accounting Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	-	-	12,0	100%	12,0	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	-	-	-	-	-	-
D3	Fixed assets	30%	9,25	31,00	85%	17,93	21,18	-	-	-
D4	Intangible assets	-	-	1,00	100%	2,00	2,00	-	-	-
D5	Inventories	67%	2,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	32%	4,00	12,50	100%	2,00	2,00	-	-	3,00
D7	Accruals and expenses	17%	3,00	18,00	100%	13,00	13,00	17%	3,00	18,00
D8	Employee benefits	20%	1,00	5,00	-	-	-	20%	1,00	5,00
D9	Provisions	-	-	1,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	33%	1,00	3,00	100%	1,50	1,50	40%	1,00	2,50
TOTAL		**22%**	**20,3**	**93,5**	**94%**	**53,4**	**56,7**	**15%**	**5,0**	**32,5**

IT Maturity

		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points	Social %	Social Points	Social Max Points
D1	Reporting	-	-	12,0	100%	12,0	12,0	-	-	4,0
D2	Consolidation	-	-	7,00	-	-	-	-	-	-
D3	Fixed assets	30%	9,25	31,00	85%	17,93	21,18	-	-	-
D4	Intangible assets	-	-	1,00	100%	2,00	2,00	-	-	-
D5	Inventories	67%	2,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	32%	2,00	6,25	100%	1,00	1,00	-	-	1,50
D7	Accruals and expenses	17%	3,00	18,00	100%	13,00	13,00	17%	3,00	18,00
D8	Employee benefits	20%	1,00	5,00	-	-	-	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	33%	0,50	1,50	100%	0,75	0,75	40%	0,50	1,25
TOTAL		**21%**	**17,8**	**84,8**	**94%**	**49,7**	**52,9**	**15%**	**4,5**	**29,8**

COUNTRY: Netherlands

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Country Average		Social	Social	Social	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	-	-	12,0	75%	9,0	12,0	-	-	-	75%	3,0	4,0	75%	3,0	4,0
D2	Consolidation	-	-	7,00	100%	0,50	0,50	-	-	-	-	-	-	-	-	-
D3	Fixed assets	64%	18,92	29,43	80%	17,37	21,62	-	-	-	-	-	-	-	-	-
D4	Intangible assets	-	-	1,50	50%	1,00	2,00	-	-	-	-	-	-	-	-	-
D5	Inventories	50%	1,50	3,00	17%	0,50	3,00	-	-	-	-	-	-	-	-	-
D6	Revenue	48%	6,00	12,50	36%	1,00	2,75	-	-	-	50%	0,25	0,50	25%	0,75	3,00
D7	Accruals and expenses	11%	2,00	18,00	33%	6,00	18,00	-	-	-	100%	11,00	11,00	100%	11,00	11,00
D8	Employee benefits	-	-	5,00	-	-	-	-	-	-	20%	1,00	5,00	-	-	-
D9	Provisions	-	-	1,00	-	-	1,00	-	-	-	-	-	-	-	-	-
D10	Financial instruments	25%	1,00	4,00	50%	2,00	4,00	-	-	-	-	-	-	-	-	-
TOTAL		**31%**	**29,4**	**93,4**	**58%**	**37,4**	**64,9**	**78%**	**15,0**	**19,3**	**74%**	**15,3**	**20,5**	**82%**	**14,8**	**18,0**
IT Maturity																
D1	Reporting	-	-	12,0	75%	9,0	12,0	-	-	-	75%	3,0	4,0	75%	3,0	4,0
D2	Consolidation	-	-	7,00	100%	0,50	0,50	-	-	-	-	-	-	-	-	-
D3	Fixed assets	64%	18,92	29,43	80%	17,37	21,62	-	-	-	-	-	-	-	-	-
D4	Intangible assets	-	-	1,50	50%	1,00	2,00	-	-	-	-	-	-	-	-	-
D5	Inventories	50%	1,50	3,00	17%	0,50	3,00	-	-	-	-	-	-	-	-	-
D6	Revenue	48%	3,00	6,25	36%	0,50	1,38	-	-	-	50%	0,13	0,25	25%	0,38	1,50
D7	Accruals and expenses	11%	2,00	18,00	33%	6,00	18,00	-	-	-	100%	11,00	11,00	100%	11,00	11,00
D8	Employee benefits	-	-	5,00	-	-	-	-	-	-	20%	1,00	5,00	-	-	-
D9	Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D10	Financial instruments	25%	0,50	2,00	50%	1,00	2,00	-	-	-	-	-	-	-	-	-
TOTAL		**31%**	**25,9**	**84,2**	**59%**	**35,9**	**60,5**	**81%**	**14,8**	**18,4**	**75%**	**15,1**	**20,3**	**87%**	**14,4**	**16,5**

COUNTRY: Poland

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	71%	8,5	12,0	71%	8,5	12,0	63%	2,5	4,0
D2	Consolidation	39%	2,75	7,00	39%	2,75	7,00	-	-	-
D3	Fixed assets	75%	23,43	31,43	75%	23,43	31,43	-	-	-
D4	Intangible assets	50%	1,00	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	44%	5,50	12,50	44%	5,50	12,50	17%	0,50	3,00
D7	Accruals and expenses	83%	15,00	18,00	83%	15,00	18,00	83%	15,00	18,00
D8	Employee benefits	-	-	-	-	-	-	100%	2,00	2,00
D9	Provisions	-	-	1,00	-	-	1,00	-	-	-
D10	Financial instruments	-	-	3,00	-	-	3,00	-	-	2,50
TOTAL		**66%**	**59,2**	**89,9**	**66%**	**59,2**	**89,9**	**68%**	**20,0**	**29,5**
IT Maturity										
D1	Reporting	71%	8,5	12,0	71%	8,5	12,0	63%	2,5	4,0
D2	Consolidation	39%	2,75	7,00	39%	2,75	7,00	-	-	-
D3	Fixed assets	75%	23,43	31,43	75%	23,43	31,43	-	-	-
D4	Intangible assets	50%	1,00	2,00	50%	1,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	44%	2,75	6,25	44%	2,75	6,25	17%	0,25	1,50
D7	Accruals and expenses	83%	15,00	18,00	83%	15,00	18,00	83%	15,00	18,00
D8	Employee benefits	-	-	-	-	-	-	100%	2,00	2,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	-	-	1,50	-	-	1,50	-	-	1,25
TOTAL		**70%**	**56,4**	**81,2**	**70%**	**56,4**	**81,2**	**74%**	**19,8**	**26,8**

COUNTRY: Portugal

LEVEL:		Central	Central	Central	State	Country average		State 1	State 1	State 1	State 2	State 2	State 2	Local	Local	Local	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points	%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	88%	10,5	12,0	42%	-	-	42%	5,0	12,0	-	-	12,0	60%	6,0	10,0	100%	4,0	4,0
D2	Consolidation	-	-	7,00	62%	-	-	62%	4,00	6,50	-	-	7,00	64%	4,50	7,00	-	-	-
D3	Fixed assets	82%	27,00	33,00	81%	-	-	79%	19,37	24,62	84%	21,93	26,18	76%	19,93	26,18	-	-	-
D4	Intangible assets	75%	1,50	2,00	25%	-	-	-	-	1,00	25%	0,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	83%	-	-	83%	2,50	3,00	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	32%	4,00	12,50	30%	-	-	32%	4,00	12,50	29%	4,00	14,00	41%	4,50	11,00	-	1,00	3,00
D7	Accruals and expenses	22%	4,00	18,00	33%	-	-	44%	8,00	18,00	22%	4,00	18,00	-	9,00	-	67%	12,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D9	Provisions	-	-	2,00	-	-	-	-	-	1,00	-	-	2,00	100%	1,00	1,00	-	-	-
D10	Financial instruments	33%	1,00	3,00	35%	-	-	38%	0,75	2,00	33%	1,00	3,00	38%	0,75	2,00	100%	2,00	2,00
TOTAL		**55%**	**51,0**	**92,5**	**47%**	**38,8**	**83,9**	**54%**	**43,6**	**80,6**	**39%**	**33,9**	**87,2**	**80%**	**49,7**	**62,2**	**70%**	**19,0**	**27,0**
IT Maturity																			
D1	Reporting	88%	10,5	12,0	42%	-	-	42%	5,0	12,0	-	-	12,0	60%	6,0	10,0	100%	4,0	4,0
D2	Consolidation	-	-	7,00	62%	-	-	62%	4,00	6,50	-	-	7,00	64%	4,50	7,00	-	-	-
D3	Fixed assets	82%	27,00	33,00	81%	-	-	79%	19,37	24,62	84%	21,93	26,18	76%	19,93	26,18	-	-	-
D4	Intangible assets	75%	1,50	2,00	25%	-	-	-	-	1,00	25%	0,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	83%	-	-	83%	2,50	3,00	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	32%	2,00	6,25	30%	-	-	32%	2,00	6,25	29%	2,00	7,00	41%	2,25	5,50	33%	0,50	1,50
D7	Accruals and expenses	22%	4,00	18,00	33%	-	-	44%	8,00	18,00	22%	4,00	18,00	-	9,00	-	67%	12,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D9	Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D10	Financial instruments	33%	0,50	1,50	35%	-	-	38%	0,38	1,00	33%	0,50	1,50	38%	0,38	1,00	100%	1,00	1,00
TOTAL		**59%**	**48,5**	**82,8**	**49%**	**36,3**	**74,5**	**57%**	**41,2**	**72,4**	**41%**	**31,4**	**76,7**	**84%**	**46,1**	**54,7**	**71%**	**17,5**	**24,5**

COUNTRY: Romania

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	88%	10,5	12,0	88%	10,5	12,0	-	-	4,0
D2	Consolidation	64%	4,50	7,00	64%	4,50	7,00	-	-	-
D3	Fixed assets	70%	22,95	33,00	70%	22,95	33,00	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	46%	5,75	12,50	46%	5,75	12,50	17%	0,50	3,00
D7	Accruals and expenses	50%	9,00	18,00	50%	9,00	18,00	50%	9,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	50%	1,00	2,00	50%	1,00	2,00	-	-	-
D10	Financial instruments	83%	2,50	3,00	83%	2,50	3,00	80%	2,00	2,50
TOTAL		**63%**	**61,2**	**97,5**	**63%**	**61,2**	**97,5**	**38%**	**12,5**	**32,5**

IT Maturity										
D1	Reporting	88%	10,5	12,0	88%	10,5	12,0	-	-	4,0
D2	Consolidation	64%	4,50	7,00	64%	4,50	7,00	-	-	-
D3	Fixed assets	70%	22,95	33,00	70%	22,95	33,00	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	46%	2,88	6,25	46%	2,88	6,25	17%	0,25	1,50
D7	Accruals and expenses	50%	9,00	18,00	50%	9,00	18,00	50%	9,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	83%	1,25	1,50	83%	1,25	1,50	80%	1,00	1,25
TOTAL		**64%**	**56,1**	**87,8**	**64%**	**56,1**	**87,8**	**38%**	**11,3**	**29,8**

COUNTRY: Slovakia

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	75%	9,0	12,0	75%	9,0	12,0	-	-	4,0
D2	Consolidation	100%	7,00	7,00	100%	7,00	7,00	-	-	-
D3	Fixed assets	97%	30,00	31,00	97%	30,00	31,00	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	60%	7,50	12,50	60%	7,50	12,50	-	-	2,50
D7	Accruals and expenses	50%	9,00	18,00	50%	9,00	18,00	50%	9,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	50%	1,00	2,00	50%	1,00	2,00	-	-	-
D10	Financial instruments	67%	2,00	3,00	67%	2,00	3,00	50%	0,25	0,50
TOTAL		**75%**	**71,5**	**95,5**	**75%**	**71,5**	**95,5**	**34%**	**10,3**	**30,0**

IT Maturity										
D1	Reporting	75%	9,0	12,0	75%	9,0	12,0	-	-	4,0
D2	Consolidation	100%	7,00	7,00	100%	7,00	7,00	-	-	-
D3	Fixed assets	97%	30,00	31,00	97%	30,00	31,00	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00	-	-	-
D6	Revenue	60%	3,75	6,25	60%	3,75	6,25	-	-	1,25
D7	Accruals and expenses	50%	9,00	18,00	50%	9,00	18,00	50%	9,00	18,00
D8	Employee benefits	20%	1,00	5,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	67%	1,00	1,50	67%	1,00	1,50	50%	0,13	0,25
TOTAL		**77%**	**65,8**	**85,8**	**77%**	**65,8**	**85,8**	**36%**	**10,1**	**28,5**

COUNTRY: Slovenia

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
Accounting Maturity		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	100%	12,0	12,0	100%	12,0	12,0	-	-	4,0
D2	Consolidation	93%	6,50	7,00	93%	6,50	7,00	-	-	-
D3	Fixed assets	78%	24,75	31,75	78%	24,75	31,75	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	50%	1,50	3,00	50%	1,50	3,00	-	-	-
D6	Revenue	36%	4,00	11,00	36%	4,00	11,00	-	-	2,50
D7	Accruals and expenses	17%	3,00	18,00	17%	3,00	18,00	17%	3,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-
D9	Provisions	-	-	1,00	-	-	1,00	-	-	-
D10	Financial instruments	67%	2,00	3,00	67%	2,00	3,00	80%	2,00	2,50
TOTAL		**62%**	**55,3**	**88,8**	**62%**	**55,3**	**88,8**	**19%**	**5,0**	**27,0**

IT Maturity										
D1	Reporting	100%	12,0	12,0	100%	12,0	12,0	-	-	4,0
D2	Consolidation	93%	6,50	7,00	93%	6,50	7,00	-	-	-
D3	Fixed assets	78%	24,75	31,75	78%	24,75	31,75	-	-	-
D4	Intangible assets	75%	1,50	2,00	75%	1,50	2,00	-	-	-
D5	Inventories	50%	1,50	3,00	50%	1,50	3,00	-	-	-
D6	Revenue	36%	2,00	5,50	36%	2,00	5,50	-	-	1,25
D7	Accruals and expenses	17%	3,00	18,00	17%	3,00	18,00	17%	3,00	18,00
D8	Employee benefits	-	-	-	-	-	-	-	-	-
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	67%	1,00	1,50	67%	1,00	1,50	80%	1,00	1,25
TOTAL		**65%**	**52,3**	**80,8**	**65%**	**52,3**	**80,8**	**16%**	**4,0**	**24,5**

COUNTRY: Spain

Accounting Maturity

LEVEL:		Central	Central	Central	State	State	State	Local	Local	Local	Social	Social	Social
		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	83%	10,0	12,0	75%	9,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	96%	6,75	7,00	96%	6,75	7,00	100%	1,00	1,00	-	-	-
D3	Fixed assets	72%	22,20	31,00	54%	14,12	26,18	69%	17,93	25,93	-	-	-
D4	Intangible assets	50%	1,00	2,00	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	17%	0,50	3,00	33%	1,00	3,00	17%	0,50	3,00	-	-	-
D6	Revenue	80%	8,25	10,25	100%	2,75	2,75	91%	2,50	2,75	50%	1,50	3,00
D7	Accruals and expenses	61%	11,00	18,00	50%	9,00	18,00	61%	11,00	18,00	61%	11,00	18,00
D8	Employee benefits	20%	1,00	5,00	-	-	4,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions	100%	2,00	2,00	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	92%	2,75	3,00	83%	2,50	3,00	92%	2,75	3,00	90%	2,25	2,50
TOTAL		**70%**	**65,5**	**93,3**	**61%**	**49,1**	**79,9**	**68%**	**50,7**	**74,7**	**58%**	**18,8**	**32,5**

IT Maturity

D1	Reporting	83%	10,0	12,0	75%	9,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	96%	6,75	7,00	96%	6,75	7,00	100%	1,00	1,00	-	-	-
D3	Fixed assets	72%	22,20	31,00	54%	14,12	26,18	69%	17,93	25,93	-	-	-
D4	Intangible assets	50%	1,00	2,00	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	17%	0,50	3,00	33%	1,00	3,00	17%	0,50	3,00	-	-	-
D6	Revenue	80%	4,13	5,13	100%	1,38	1,38	91%	1,25	1,38	50%	0,75	1,50
D7	Accruals and expenses	61%	11,00	18,00	50%	9,00	18,00	61%	11,00	18,00	61%	11,00	18,00
D8	Employee benefits	20%	1,00	5,00	-	-	4,00	20%	1,00	5,00	20%	1,00	5,00
D9	Provisions				-	-		-	-	-	-	-	-
D10	Financial instruments	92%	1,38	1,50	83%	1,25	1,50	92%	1,38	1,50	90%	1,13	1,25
TOTAL		**68%**	**58,0**	**84,6**	**59%**	**44,5**	**75,1**	**66%**	**46,1**	**69,8**	**57%**	**16,9**	**29,8**

COUNTRY: Sweden

Accounting Maturity

LEVEL:		Central	Central	Central	Local	Local	Local	Social	Social	Social
		%	Points	Max Points	%	Points	Max Points	%	Points	Max Points
D1	Reporting	83%	10,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	96%	6,75	7,00	96%	6,75	7,00	-	-	-
D3	Fixed assets	83%	24,00	29,00	83%	24,00	29,00	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	84%	10,50	12,50	84%	10,50	12,50	46%	1,38	3,00
D7	Accruals and expenses	72%	13,00	18,00	72%	13,00	18,00	72%	13,00	18,00
D8	Employee benefits	60%	3,00	5,00	60%	3,00	5,00	-	-	-
D9	Provisions	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D10	Financial instruments	75%	3,00	4,00	75%	3,00	4,00	83%	2,50	3,00
TOTAL		**81%**	**76,8**	**94,5**	**81%**	**76,8**	**94,5**	**71%**	**19,9**	**28,0**

IT Maturity

D1	Reporting	83%	10,0	12,0	83%	10,0	12,0	75%	3,0	4,0
D2	Consolidation	96%	6,75	7,00	96%	6,75	7,00	-	-	-
D3	Fixed assets	83%	24,00	29,00	83%	24,00	29,00	-	-	-
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00	-	-	-
D5	Inventories	83%	2,50	3,00	83%	2,50	3,00	-	-	-
D6	Revenue	84%	5,25	6,25	84%	5,25	6,25	46%	0,69	1,50
D7	Accruals and expenses	72%	13,00	18,00	72%	13,00	18,00	72%	13,00	18,00
D8	Employee benefits	60%	3,00	5,00	60%	3,00	5,00	-	-	-
D9	Provisions	-	-	-	-	-	-	-	-	-
D10	Financial instruments	75%	1,50	2,00	75%	1,50	2,00	83%	1,25	1,50
TOTAL		**81%**	**68,0**	**84,3**	**81%**	**68,0**	**84,3**	**72%**	**17,9**	**25,0**

COUNTRY: Switzerland

Accounting Maturity

LEVEL:		Central	Central	Central
		%	Points	Max Points
D1	Reporting	100%	12,0	12,0
D2	Consolidation	89%	6,25	7,00
D3	Fixed assets	100%	29,22	29,22
D4	Intangible assets	100%	2,00	2,00
D5	Inventories	100%	3,00	3,00
D6	Revenue	67%	4,00	6,00
D7	Accruals and expenses	100%	9,00	9,00
D8	Employee benefits	60%	3,00	5,00
D9	Provisions	50%	1,00	2,00
D10	Financial instruments	100%	3,50	3,50
TOTAL		**93%**	**73,0**	**78,7**

IT Maturity

D1	Reporting	100%	12,0	12,0
D2	Consolidation	89%	6,25	7,00
D3	Fixed assets	100%	29,22	29,22
D4	Intangible assets	100%	2,00	2,00
D5	Inventories	100%	3,00	3,00
D6	Revenue	67%	2,00	3,00
D7	Accruals and expenses	100%	9,00	9,00
D8	Employee benefits	60%	3,00	5,00
D9	Provisions	-	-	-
D10	Financial instruments	100%	1,75	1,75
TOTAL		**95%**	**68,2**	**72,0**

COUNTRY: United Kingdom

LEVEL:

Accounting Maturity		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points
D1	Reporting	100%	12,0	12,0	100%	11,0	11,0
D2	Consolidation	93%	6,50	7,00	86%	6,00	7,00
D3	Fixed assets	94%	31,00	33,00	92%	24,18	26,18
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00
D6	Revenue	100%	12,50	12,50	100%	2,00	2,00
D7	Accruals and expenses	100%	18,00	18,00	100%	18,00	18,00
D8	Employee benefits	80%	4,00	5,00	80%	4,00	5,00
D9	Provisions	100%	2,00	2,00	100%	2,00	2,00
D10	Financial instruments	100%	4,00	4,00	100%	3,00	3,00
TOTAL		**96%**	**95,0**	**98,5**	**95%**	**75,2**	**79,2**

IT Maturity		Central %	Central Points	Central Max Points	Local %	Local Points	Local Max Points
D1	Reporting	100%	12,0	12,0	100%	11,0	11,0
D2	Consolidation	93%	6,50	7,00	86%	6,00	7,00
D3	Fixed assets	94%	31,00	33,00	92%	24,18	26,18
D4	Intangible assets	100%	2,00	2,00	100%	2,00	2,00
D5	Inventories	100%	3,00	3,00	100%	3,00	3,00
D6	Revenue	100%	6,25	6,25	100%	1,00	1,00
D7	Accruals and expenses	100%	18,00	18,00	100%	18,00	18,00
D8	Employee benefits	80%	4,00	5,00	80%	4,00	5,00
D9	Provisions	-	-	-	-	-	-
D10	Financial instruments	100%	2,00	2,00	100%	1,50	1,50
TOTAL		**96%**	**84,8**	**88,3**	**95%**	**70,7**	**74,7**

Appendix E - Key contact persons for sample countries

Austria	
Bernhard Schatz	Austrian Federal Ministry of Finance
Hannah Glatz	Austrian Federal Ministry of Finance
Gerard Steger	Austrian Court of Auditors

Estonia	
Veiko Tali	Ministry of Finance
Juta Maar	Ministry of Finance
Janne Kendla	Ministry of Finance
Veikko Kapsta	Ministry of Finance

France	
Danièle Lajoumard	CNOCP
David Litvan	DGFIP
Marie-Pierre Calmel	CNOCP
Thierry Deldicque	AIFE
Alain Privez	DGFIP
Joel Dessaint	CNAMTS (Social Fund)
Camille Lhernault	Social Fund

Germany	
Dr. Jutta Kalabuch	German Federal Ministry of Finance
Martin Korczak	German Federal Ministry of Finance
Frank Holzhauer	German Federal Ministry of Finance
Dr.-Ing. Karola Kracht	German Federal Ministry of Finance
Dr. Jan Finken	German Federal Ministry of Finance
Annett Kother	German Federal Ministry of Finance
Dorothee Krings	Federal Court of Auditors
Hans-Joachim Soll	Ministry of Finance of the State of Hessen

Harald Bott	Ministry of Finance of the State of Hessen
Claus Henning Apel	Ministry of Finance of the State of Hessen
Dr. Karsten Nowak	Court of Auditors of the State of Hessen
Dr. Ulrich Keilmann	Court of Auditors of the State of Hessen
Dr. Anja Ranscht-Ostwald	Court of Auditors of the State of Hessen
Martina Geis	Court of Auditors of the State of Hessen
Lars-Martin Klieve	City of Essen
Beate Behnke-Hahne	City of Essen
Anja Franke	City of Essen
Christoph Münz	City of Essen

Lithuania

Ingrida Muckuté	Ministry of Finance
Paulé Svoroboviciené	Ministry of Finance
Ausra Vickackiené	Ministry of Finance
Audrius Zelionis	Ministry of Finance
Audroné Vaitkeviciute	National Audit Office

Netherlands

Robert Vos	Ministry of Finance
Martin Dees	Ministry of Finance
Ton Kok	Federal Court of Auditors
Jerry Hendrikse	Ministry of Agriculture
Leendert Haakman	CBS
Boudien Glashouwer	HEC/PBLQ
Willem Wijntjes	Commission BBV

Sweden

Pia Heyman	ESV
Anne Bryne	ESV
Anne-Marie Ogren	ESV
Curt Johansson	ESV
Ingemar Härneskog	ESV

Maria Olsson	ESV
Margaretha Söderhult	ESV
Nebil Aho	Ministry of Finance
Karl Gutberg	Ministry of Finance
Karin Gustafson	Ministry of Finance
Torbjörn Tagesson	Swedish Council for Municipal Accounting
Elin Berglöf	Swedish Pensions Agency

Switzerland

Marc Wermuth	Federal Department of Finance FDF
André D. Schwaller	Federal Department of Finance FDF

United Kingdom

Ross Campbell	HM Treasury
Phil Trotter	HM Treasury
Andrew Baigent	Department of Health
Ian Bulmer	HM Treasury
Ian Carruthers	CIPFA
Alison Scott	CIPFA
Kathryn Cearns	Financial Reporting Advisory Board
Maggie McGhee	National Audit Office
David Aldous	Audit Commission
Fiona Hamill	Department of Finance and Personnel Northern Ireland

Appendix F - Key contact persons for non-sample countries

Belgium	
Marc De Spiegeleire	Federal Public Service, Budget and Management Control, central government
Eric Fondeur	Brussels-Capital Region, Ministry of Finance and Budgeting, State government
Hedwig Van Der Borght	Flemish Region, Ministry of Finance and Budgeting, State government
Michael Van den Kerkhove	Walloon Region and Wallonia-Brussels Federation, Ministry of Budget, Finance, Employment, Training and Sports, State government
Michel Van der Stichele	Brussels-Capital, local government
Rudi Hellebosch	Flanders, local government
Stéphanie Kiproski	Wallonia, local government
Bulgaria	
Tsvetanka Chipeva	Ministry of Finance
Croatia	
Ivana Jakir Bajo	Ministry of Finance
Cyprus	
Demetris Mavrommatis	Treasury
Czech Republic	
Michal Svoboda	Ministry of Finance
Denmark	
Erik Hammer	Ministry of Finance
Henning Elkjær Nielsen	Ministry for Economic Affairs and the Interior

Finland	
Sirpa Korkea-aho	Ministry of Finance
Marja-Liisa Ylitalo	Association of Finnish Local and Regional Authorities
Mikael Kronholm	The Finnish Pension Alliance TELA
Greece	
M. Kafka	General Accounting Office and Hellenic Statistical Authority
D. Karatzas	General Accounting Office and Hellenic Statistical Authority
T. Stavropoulos	General Accounting Office and Hellenic Statistical Authority
Hungary	
Judit Horváthné Adácsi	Ministry for National Economy
Ireland	
Judith Brady	Department of Public Expenditure and Reform
Edwina Love	Department of Public Expenditure and Reform
Sinead Kehoe	Department of the Environment, Community & Local Government
Italy	
Marcello Bessone	Ministry of Finance
Latvia	
Gunta Medne	Treasury
Luxembourg	
Raymond Bausch	Ministry of Finance
Guy Cognioul	Ministry of Finance
Thierry Kuffer	City of Luxembourg

Malta	
Noël Camilleri	Ministry of Finance
Michael Zammit Munro	Ministry of Finance
Poland	
Michał Bareja	Ministry of Finance
Portugal	
Luís Filipe Viana	Directorate-General for Budget
Lucília Ferra	Directorate-General of Local Authorities
Romania	
Georgeta Alecu	Ministry of Finance
Slovakia	
Ladislav Zakhar	Ministry of Finance
Peter Ivánek	Ministry of Finance
Slovenia	
Vesna Milanović	Ministry of Finance
Spain	
Victor Nicolas Bravo	Ministry of Finance
Belén Hernández	Ministry of Finance

Appendix G - Research team

PwC core team	
Patrice Schumesch	PwC Belgium
Jean-Philippe Duval	PwC France
Anton De Greef	PwC Belgium
Marie-Pierre Lenain	PwC Belgium
Leigh Ellen Walsh	PwC Belgium
Aurore Broders	PwC France
Marion Lacourty	PwC France

PwC local experts	
Miklos Ravay	PwC Austria
Rositsa Boteva	PwC Bulgaria
John Gasparac	PwC Croatia
Christos Tsolakis	PwC Cyprus
Petr Kriz	PwC Czech Republic
Christian Klibo	PwC Denmark
Ago Vilu	PwC Estonia
Timo Ihamäki	PwC Finland
Sebastian Heintges	PwC Germany
Marc Schmitt	PwC Germany
Kyriakos Andreou	PwC Greece
Nikos Geleris	PwC Greece
Gabor Balazs	PwC Hungary
Paul W O' Connor	PwC Ireland
Andrea Toselli	PwC Italy
Antonella Portalupi	PwC Italy
Lolita Capkevica	PwC Latvia
Audrius Cesiulis	PwC Lithuania
Serge Hanssens	PwC Luxembourg
Anna Camilleri	PwC Malta
Bas Wakkerman	PwC Netherlands
Michal Mastalerz	PwC Poland
Radomil Maslak	PwC Poland
Carla Massa	PwC Portugal

Mircea Bozga	PwC Romania
Rocsana Ungureanu	PwC Romania
Alica Pavukova	PwC Slovakia
Eva Petrýdesová	PwC Slovakia
Hedvika Hribsek	PwC Slovenia
Jorge Saez	PwC Spain
Nils Jeppsson	PwC Sweden
Jan Sturesson	PwC Sweden
Olivier Fessler	PwC Switzerland
Matthew Hodge	PwC United Kingdom

Academic sounding board

Isabel Brusca Alijarde	University of Zaragoza
Dennis Hilgers	Johannes Kepler University of Linz
Francesca Manès Rossi	University of Salerno

Appendix H - International public sector accounting standards at 30 June 2014

IPSAS 1	Presentation of Financial Statements
IPSAS 2	Cash Flow Statements
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 4	The Effects of Changes in Foreign Exchange Rates
IPSAS 5	Borrowing Costs
IPSAS 6	Consolidated and Separate Financial Statements
IPSAS 7	Investments in Associates
IPSAS 8	Interests in Joint Ventures
IPSAS 9	Revenue from Exchange Transactions
IPSAS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 11	Construction Contracts
IPSAS 12	Inventories
IPSAS 13	Leases
IPSAS 14	Events after the Reporting Date
IPSAS 15	Financial Instruments: Disclosure and Presentation (superseded by IPSAS 28, IPSAS 29 and IPSAS 30
IPSAS 16	Investment Property
IPSAS 17	Property, Plant and Equipment
IPSAS 18	Segment Reporting
IPSAS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-Cash-Generating Assets
IPSAS 22	Disclosure of Financial Information about the General Government Sector
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 25	Employee Benefits
IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 27	Agriculture
IPSAS 28	Financial Instruments: Presentation
IPSAS 29	Financial Instruments: Recognition and Measurement
IPSAS 30	Financial Instruments: Disclosures
IPSAS 31	Intangible Assets
IPSAS 32	Service Concession Arrangements: Grantor

Appendix I - List of abbreviations used

AIFE	Agence pour l'Informatique Financière de l'État (Agency for State Financial Information, France)
BBC	Beleids- en BeheersCyclus (Policy and Management Cycle, Flanders, Belgium)
BFRG	Bundesfinanzrahmen-gesetz (Federal Medium-Term Expenditure Framework Act, Austria)
BHG	Bundeshaushaltsgesetz (Federal Budget Accounting Act, Austria)
CGE	Compte général de l'État (Central Government General Accounts, France)
DGFiP	Direction générale des Finances publiques (General Directorate of Public Finance, France)
EPSAS	European Public Sector Accounting Standards
ERP	Enterprise Resource Planning
ESA	European System of Accounts
ESV	Ekonomistyrningsverket (Swedish National Financial Management Authority, Sweden)
EU	European Union
FS	Financial Statements
FTE	Full-time equivalent
GAAP	Generally Accepted Accounting Principles
GBCP	Gestion budgétaire et comptable publique (Budget Management and Public Accounting, France)
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual
GGS	General government sector
HAM	Harmonised accounting model
HM	Her Majesty's (UK)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IG	Implementation Guidance
IGF	Inspection Générale des Finances (General Inspection of Finances, France)
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
LOLF	Loi organique relative aux lois de finances (Organic Law relative to the Financial Laws, France)

MS	Member States
NAM	New accounting model
NHS	National Health Service (UK)
OCI	Other comprehensive income
OCMW	Openbaar Centrum voor Maatschappelijk Welzijn (Social Services Department, Belgium)
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PCG	Plan comptable général (General Accounting Plan, France)
PFM	Public financial management
PPE	Property, Plant And Equipment
PPP	Public private partnership
TFEU	Treaty on the Functioning of the European Union
UK	United Kingdom
VAT	Value-added tax
WGA	Whole of Government Accounts