

# Towards implementing European Public Sector Accounting Standards (EPSAS) for EU Member States - Public consultation on future EPSAS governance principles and structures

Fields marked with \* are mandatory.

This questionnaire is being made available in English, but you are welcome to respond in any of the other official languages of the European Union if you prefer. Translations of the questionnaire may be made available in other official languages of the European Union upon request to [ESTAT-EPSAScontact@ec.europa.eu](mailto:ESTAT-EPSAScontact@ec.europa.eu).

## Identification of the respondent:

---

**Name\***

*50 character(s) maximum*

Fayezul Choudhury

**Profession (if applicable)**

*50 character(s) maximum*

Global Accounting Profession

**Name of Institution/Organisation (if you reply on behalf of one)**

*100 character(s) maximum*

International Federation of Accountants (IFAC)

**Transparency Register ID (if applicable)**

- If you are a Registered organisation, please indicate your Transparency Register ID number in addition to the name and address of your organisation.

- If your organisation is not registered, you have the opportunity to [Register here](#).

- If the organisation is not registered, the submission is published separately from the registered

organisations. 50 character(s) maximum

**Address**

100 character(s) maximum

**Email\***

50 character(s) maximum

**Country**

- |                                 |                                      |                                |                                      |
|---------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
| <input type="radio"/> Austria   | <input type="radio"/> Belgium        | <input type="radio"/> Bulgaria | <input type="radio"/> Croatia        |
| <input type="radio"/> Cyprus    | <input type="radio"/> Czech Republic | <input type="radio"/> Denmark  | <input type="radio"/> Estonia        |
| <input type="radio"/> Finland   | <input type="radio"/> France         | <input type="radio"/> Germany  | <input type="radio"/> Greece         |
| <input type="radio"/> Hungary   | <input type="radio"/> Ireland        | <input type="radio"/> Italy    | <input type="radio"/> Latvia         |
| <input type="radio"/> Lithuania | <input type="radio"/> Luxembourg     | <input type="radio"/> Malta    | <input type="radio"/> Netherlands    |
| <input type="radio"/> Poland    | <input type="radio"/> Portugal       | <input type="radio"/> Romania  | <input type="radio"/> Slovakia       |
| <input type="radio"/> Slovenia  | <input type="radio"/> Spain          | <input type="radio"/> Sweden   | <input type="radio"/> United Kingdom |
| <input type="radio"/> Other     |                                      |                                |                                      |

X

If "Other" please specify\*

50 character(s) maximum

**Type of respondent\***

- |   |   |
|---|---|
| <input type="radio"/> Individual                        | <input type="radio"/> Public accounting authority/standard setter             |
| <input type="radio"/> Public audit authority            | <input type="radio"/> National Statistical Institute                          |
| <input type="radio"/> Other national public institution | <input type="radio"/> Private financial (accounting/audit/consulting) company |
| <input type="radio"/> Private other                     | X International institution or organisation                                   |
| <input type="radio"/> Academic                          | <input type="radio"/> Other   |

If "Other" please specify\*

## Questionnaire

---

### 1. Please state the main motivation of your interest in this public consultation.\*

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 179 members and associates in 130 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce.

For many years, IFAC has strongly promoted the need for improved transparency and accountability in the public sector. In our view, robust financial reporting is essential for governments and their agencies to discharge their accountability obligations to their citizens and other resource providers. We, therefore, welcome this initiative to develop and strengthen financial reporting in the public sector within the European Union.

IFAC has considerable experience in facilitating the establishment and operations of international standard setting arrangements. The four standard-setting boards supported by IFAC are the International Public Sector Accounting Standards Board, the International Auditing and Assurance Board, the International Accounting Education Standards Board, and the International Ethics Standards Board for Accountants. IFAC has two policy statements that set out its views on standard-setting arrangements and public sector accounting standards: Policy Position Paper (PPP) 3: [International Standard Setting in the Public Interest](#) and PPP 4: [Public Sector Financial Management Transparency and Accountability: the Use of International Public Sector Accounting Standards](#).

In IFAC's view, getting the right governance arrangements in place is critical to support the development and promulgation of high-quality standards that are seen as being legitimate and credible, and which are readily accepted by those who are required to, or who chose to, adopt and implement them. This will ensure that EPSASs serve to improve transparency and accountability in the public sector within Europe.

It is difficult for IFAC to form a view on the proposed governance arrangements without understanding the exact nature of the activities they are designed to support – as governance arrangements are essentially purpose-driven. IFAC understands that the nature of the standard-setting activities are yet to be determined and are the subject of a future consultation. IFAC believes that the governance of a standalone standard-setter calls for a different set of institutional arrangements than an endorsement process for an established set of standards. For that reason, IFAC has elected to only provide a general response to this consultation. Nonetheless, we think the issues identified below are critical to establishing a sound governance framework for EPSASs.

#### Key governance principles

### 2. Do you consider that the sets of principles described for the EPSAS governance structure and process as well as for the EPSAS standards are relevant?

X Yes   ☐ No   ☐ Partly

### 3. Please provide any comments or proposals on the principles.

IFAC fully supports the principles set out in the public consultation paper. The principles are broadly consistent with those set out in IFAC's PPP 3 referred to above although IFAC observes that the proposed

governance arrangements do not appear to conform entirely to those principles.

#### Governance oversight

**4. Following the normal institutional organisation within the EU, the EPSAS governance would be subject to oversight by the Commission itself, and by the Council, the European Parliament and the European Court of Auditors. Do you consider that any further oversight function should be established?**

No

**4a. Do you consider that the oversight role of the EPSAS Governance Advisory Board as outlined in the consultation paper would be appropriate for EPSAS?\***

Partly

**5. Please provide any comments or proposals on the oversight.**

Please refer to our response Question 11.

**6. Taking into account that stakeholders' views could be collected by open consultations during the standard setting process, do you consider that an organised, formal representation of EPSAS stakeholders should be established?**

Yes

**6a. Do you consider that the role of the EPSAS Technical Advisory Group as outlined in the consultation paper would be appropriate for EPSAS?\***

Partly

**7. Please provide any comments or proposals on stakeholder involvement.**

Please refer to our response to Question 11.

**8. If you think that both the EPSAS Governance Advisory Board and the EPSAS Technical Advisory Group would be appropriate for EPSAS, could their role and tasks be fulfilled by a single advisory group?**

No

**8a. Please provide any comments or proposals on a single advisory group.\***

Please refer to our response to Question 11.

#### Interpretation of the standards

**9. Do you consider that an interpretation function should be foreseen for EPSAS?**

No

**9a. Do you consider that this interpretation function should be kept separate from the standard setting function?**

No

## **10. Please provide any comments or proposals on the interpretation?**

Please refer to our response to Question 1 – IFAC believes that it is difficult to form a view on whether an interpretation function should be established ahead of the decision about the extent to which EPSASs are based on IPSASs.

## **11. Do you have any additional comments concerning the proposed EPSAS governance structure?**

As we noted in our response to Question 1, IFAC strongly supports the initiative of the European Commission to improve financial reporting by governments in the European Union through the establishment of arrangements to develop EPSASs. It is an objective that IFAC believes is fundamental to sound public sector financial management in each of the Member States. In the context of realizing that ambition, the following comments are aimed at identifying how the proposed governance arrangements for the proposed standard setter might be strengthened:

- IFAC's view is that the independence of the standard setter is essential in order for the standard-setting process to have legitimacy. We appreciate that at some point accounting standards need to be adopted within the legal framework; but that process differs from necessary due process, deliberations, and recommendations of the standard-setter. Regardless of the degree of stakeholder engagement and consultation, unless the standard setter is free to exercise professional judgment on financial reporting issues, having fully considered the evidence and arguments, it may be difficult to distinguish the proposed standard-setting activity from the general policy activities of governments. IFAC notes that by not clearly making that distinction, there is a possibility that the outcome may be not too dissimilar from the current state of financial reporting in the public sector in a number of Member States. Therefore, IFAC encourages careful consideration of the current proposals to assess that they will deliver the intended outcomes being sought to improve financial reporting by governments in the European Union.
- Establishing effective standard-setting arrangements will require substantial resources. In order to develop a body of standards, one could expect the need for a full-time team of professional staff—with appropriate technical knowledge—to be established to support the various bodies proposed in the governance arrangements for EPSAS. These staff would work to draft the standards and related technical materials. From its experience in supporting a number of standard-setting boards, IFAC recognizes that the resource requirements are considerable. Because of the highly technical nature of the work, it requires highly competent professional staff that are often in short supply. Accordingly, it is important that the resource requirements of establishing European standard-setting arrangements are not underestimated.
- Strong technical accounting knowledge should be at the heart of any standard-setting process. Accounting standards, to be credible and useful, need to be based on accepted accounting principles. This is no different to other specialized areas where policy makers rely heavily on the technical advice of experts in developing requirements. IFAC's understanding of the proposed governance arrangements is that the EPSAS Committee is the standard setter, which receives technical advice and recommendations from sub-ordinate bodies. IFAC notes that typically for international and national financial reporting standard-setting arrangements the members of the standard-setting board are experts in the field for which they set standards.
- Good governance demands that the roles and responsibilities of each body with a set of standard-setting arrangements are clearly defined: identifying what part they play in either setting standards, eliciting stakeholder input, or providing oversight and monitoring.
  - It is not clear to IFAC how oversight arrangements are intended to operate under the proposed EPSAS governance arrangements. Oversight of the standard setting arrangements is a critical

aspect of building public confidence in the process and in the standards themselves. IFAC believes that oversight should ensure that the public interest is being appropriately considered in the standard-setting process. IFAC considers direct evidence gathering, through the attendance of meetings, is a fundamental part of robust oversight arrangements for standard setting. The body charged with oversight should make the final determination of whether due process requirements have been followed prior to a standard being issued.

- Engagement of a broad range of stakeholders and considering their views is an important part of the due process for standard setting. However, in our experience and also observing the operation of the International Accounting Standard Board, it can often be difficult to get stakeholders engaged in standards setting; especially if reliance were to be placed primarily in publishing (on a website) materials such as exposure drafts and discussion papers for comment. A more direct approach to, and consultation with, key stakeholders is often needed. Consultative arrangements are particularly helpful in eliciting the views and perspectives of stakeholders, whether through broad based consultative groups, public forums such as roundtables, or direct contact. In our view, establishing a consultative group is likely to be helpful in the development of EPSASs, as it will provide a basis for understanding the issues in practice and maintaining an ongoing dialogue with key stakeholders. It will also provide a basis for evidence gathering to support the standard-setting process.
- It was noted in the European Commission's Report (2013) *Towards implementing harmonised public sector accounting standards in Member States: The suitability of IPSAS for the Member States* that "IPSAS standards represent an indisputable reference for potential EU harmonised public sector accounts". We support that view, and therefore believe that it would be useful to consider how the European Union might enhance its participation in/involvement with the development of IPSASs. Drawing a comparison with IFRS, EFRAG and national standard setters in Europe have devoted considerable energy and resources to the proactive activities to advance the interests of Europe in the development of IFRS. This has meant that well before the development of various standards, Europe has prepared discussion papers and research studies to stimulate debate across both within Europe and across the global IFRS community. This would seem to be a more constructive approach than attempting to modify IPSASs *ex post*. The public consultation paper does not seem to contemplate this potentially important activity.

**12. Here you can upload any files that you consider important to share with us in the context of this public consultation.**