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EUROSTAT

Directorate D Government Finance Statistics (GFS)

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Ms Stephenie Fox
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International Federation of Accountants
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New York, NY 10017
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**Subject: Eurostat response to the consultation on IPSASB work program
2013-2014**

Dear Ms Fox,

Thank you for the opportunity to comment on the IPSAS Board's work program for 2013-2014. As an observer to the IPSAS Board, Eurostat appreciates the broad range of work undertaken by the Board and the resource constraints it faces.

As a general comment, Eurostat believes that the IPSAS Board adds greatest value for preparers and users when it works on public sector specific projects, addressing gaps which these groups have identified.

The on-going work on the Conceptual Framework is clearly a high priority, given the significance of this issue in responding to an acknowledged need to underpin the standards with principles based on public sector specific characteristics. We strongly encourage the IPSAS Board to complete the project in good time, thereby providing a sound conceptual basis and freeing resources for other projects.

In the framework of its study on the suitability of IPSAS for EU Member States, Eurostat supports the continuation, completion and implementation of the on-going projects on IPSASs and Government Finance Statistics Reporting Guidelines and on First Adoption of Accrual IPSASs. From a statistical perspective, Eurostat also sees the current projects on Government Business Enterprises and IPSAS 6-8 (notably control aspects) as good opportunities to clarify these important definitions in relation to statistical rules, reducing differences where appropriate.

From the list of potential projects identified, Eurostat would identify the following as being of significant interest:

- Social Benefits – this issue has been on the agenda for some time, and it is important – given the size of social benefit programmes in Europe - that the IPSAS Board brings it to a close, one way or another, notably with respect to the central question of what liabilities (if any) should be recorded for future social benefit payments.

- Emissions Trading Permits – given that the European Union has the largest emission trading system in the world, the amounts potentially at stake are very large and clear harmonised standards are needed. It may be noted that the statistical community has just completed its conceptual work on this issue, and the EU is now implementing this approach in its government finance statistics.
- Sovereign powers and their impact on financial reporting – even if the central question of tax-raising powers has been discussed several times, the experience of statisticians is that the recording of government licences and concessions is rather complex, and that there is a growing use of these types of instruments as revenue sources by EU governments.

We would make comments on two other potential projects:

- Small and Medium sized enterprises – adoption of accrual-based accounting is particularly challenging for small government bodies and, even with the concept of materiality, there are strong cost/benefit considerations to take into account. We wonder if there is a way of sharing practical experience from jurisdictions adopting IPSASs at this stage (perhaps in "Study 14" or elsewhere), in advance of a possible project leading to an IPSAS later?
- Heritage assets – we are aware that this is a very challenging subject, especially for first time adopters, and that the IPSAS Board has faced difficulties to progress this in the past. We have doubts that taking forward the project to find a potentially complex (and controversial) solution would represent a good use of the IPSAS Board's limited resources at this stage.

In addition, Eurostat would like to encourage the IPSAS Board to consider – within the limits of resources, and perhaps in place of one or two projects – the provision of an interpretations function to preparers, which could help to ensure a greater uniformity of implementation of IPSASs across governments when such interpretations are published. This function could also usefully feed into standards development over time, through testing the standards against practical cases.

Finally, Eurostat takes note of the on-going work of the IPSAS Board in relation to governance issues. Eurostat agrees that this is an important area, to ensure that the governance and public oversight arrangements in place provide the greatest possibly legitimacy to the Board's standard-setting, notably for preparers. During the preparation of Eurostat's assessment on the suitability of IPSAS for the EU Member States, many European public accounts experts have commented that preparers should have a greater role in the establishment of standards applicable in the EU.

We look forward to strengthening further our relationship and coordination with the IPSAS Board in the coming years, taking account of the Eurostat assessment mentioned above and in the context of EU public sector accounting practices.

I am copying this letter to Rosa Aldea Busquets at the European Commission's Directorate General for Budget.

Yours sincerely,



François Lequiller
Director