

When Standards and Harmonisation are Missing: The Road to EPSAS

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<https://www.eipa.eu/product/epsas/>

Good governance and quality of public administrations is recognisably in the interests of the citizens and Europe' Member States. It achieves maximum value from finite public funds and creates a public-private interface that increases employment and growth. Worldwide, the evidence is irrefutable: economies with high productivity and a high income per capita have the most effective and efficient public institutions.

Europe's administrations currently face a triple challenge: to deliver better with less (meet societal and business needs in times of tighter budgets), to adapt their service provision to demographic, technological and societal changes, and to improve the business climate through fewer yet smarter regulations and better services in support of growth and competitiveness.

Government financial sustainability therefore remains key across Europe. However, there is often a lack of transparency in public finances, which creates problems for decision-making as well as for accountability and democratic scrutiny all over the EU.

Harmonisation or standardisation of key performance indicators and public-sector accounting and reporting can help to minimise future economic risks and shocks. The accounting systems currently used in the EU countries also determine the information they make available to investors. Complete and harmonised accounting and reporting would support the needed transparency, sustainability and lower cost of capital.

The European Commission is working together with the Member States on what is called the European Public Sector Accounting Standards (EPSAS). It has proceeded in two phases: (1) increasing fiscal transparency in the short to medium term by encouraging and supporting accruals reforms in Member States, while developing a draft EPSAS framework with a view to (2) addressing comparability within and between Member States via the EPSAS initiative in the medium to longer term. EPSAS should be a forward-looking reform to improve accountability and decision-making. For instance, it will provide a complementary view of the impact of investments, which will enable better financial management of assets and liabilities through recognition and measurement on the basis of generally accepted financial accounting principles.

Change management will be an important factor in this process, as accruals will have a wide impact on each public organisation (e.g. IT systems, relation to management information system and its usage for decision makers) and will lead to an organisation-wide rethink. Thus, this change (to EPSAS) must, and will, lead to a cultural shift within public administration that may contrast with some administrative traditions. Read our expert's blog to find out more about

EPSAS.