



Assessment of the suitability of the International Public Sector Accounting Standards for the Member States – Public consultation

You are invited to read the public consultation paper available on

http://epp.eurostat.ec.europa.eu/portal/page/portal/lang-en/public_consultations/consultations/ipsas

All replies should be sent to: ESTAT-IPSASconsultation@ec.europa.eu

Deadline for replies: 11 May 2012

Identification of the respondent:

Name: Torbjörn Tagesson

Job title (if applicable): Executive Director, Ph.D.

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Country: Sweden

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Name of Institution/Organization (if applicable): The Swedish council for municipal accounting (Rådet för kommunal redovisning)

Interest Representative Register ID (if applicable): Please enter your text here

Type of respondent:

- Individual
- Business/Company
- Association/Organisation
- Professional body
- Public Accountant
- Public Auditor
- Public authority
- Other (please indicate)

Respondent active at:

- Regional level
- National level
- European level

The Commission is hereby inviting interested parties to reply all or any of the questions below against the backdrop of the consultation.

1. Please state the main motivations for your interest in this public consultation?

The Council is a standard setting body for local and regional government financial reporting in Sweden. Therefore decisions regarding the regulation of accounting in the public sector affects our work both directly and indirectly. Accrual accounting is used in this sector since 1980's, which means that we have comprehensive experience of the matters in the consultation.

2. Do you consider that International Public Sector Accounting Standards (IPSASs) are suitable for implementation in the EU Member States? (Yes/No/Partly)

Partly

Please explain the main reasons for your answer, and provide any available supporting information for your answer. If you answered "partly" or "no", do you consider that accruals accounting standards would nevertheless be suitable for implementation in the EU Member States?

The Swedish council for municipal accounting (SCMA) believes that accrual accounting is suitable also for public sector. In Sweden this was introduced for local government already in 1986.

However, SCMA would like to stress that the objectives of governmental accounting are different from and broader than the objectives of private sector accounting. The primary objective of public sector organizations is not to make a profit or generate return on capital, but to meet different political policy objectives and provide goods and services to citizens. In relation to commercial enterprises, the structure in terms of means and ends are reversed to public sector organizations. Public sector organizations use common and public resources to provide public goods and services to citizens and users. One also has to consider that the diversity and heterogeneity of the principals. These are characteristics that have to be considered in the accounting regulation. As IPSASs are developed based on IFRSs we see that they don't take into enough account the fact that IFRSs are directed towards financial reporting for the financial markets. We believe that standards for the private sector used before IFRSs and IASs were more directed towards management aspects of companies and thus more likely to be suitable also for the public sector than IFRSs and IASs are. The latter are suitable for short term market considerations which in our opinion is a counterproductive aspect of financial reporting in the public sector.

These aspects have to be considered especially regarding measurement (valuation), disclosure and consolidation etc.

According to SCMA, IPSASs have not enough considered these characteristics and aspects.

3. What do you consider would be the main advantages, opportunities and benefits from any future implementation of IPSAS in EU Member States?

Well-designed international standard-setting could be a good basis for introduction of accrual accounting where this could give benefits when it comes to financial and performance management as well as budgeting. Even if, in order to achieve this, a further development of

IPSASs is necessary increased harmonization would increase opportunities for comparability and benchmarking.,

Implementation of IPSAS would also reduce the risk of political influence and considerations regarding accounting standard-setting.

An advantage in the EU context could be better understanding of cost based environment when it comes to EU subsidies and transfers.

4. What do you consider would be the main obstacles and disadvantages concerning any future implementation of IPSAS in EU Member States?

Contextual, legal and institutional differences makes it difficult to use a common set of standards. Therefore there is a need for allowing alternative treatment in some standards. The differences not only exist between countries but also within countries as it comes to central versus local governments and for different levels of a government.

A de jure harmonization not reflected in a de facto harmonization might even cause more problems than it solves.

A common regulatory framework also needs to have common rules for auditing and monitoring.

SCMA believes that the lack of competence and compliance will be a big obstacle and disadvantage. As mentioned above, SCMA also believe that IPSASB's standards must be better adapted to public sector conditions to be accepted and implemented. SCMA advocates an accountability approach rather than a decision-making approach.

5. If you have any observations concerning the connections or links between possible future IPSAS implementation and financial reporting for the Excessive Deficit Procedure, please provide them here.

No opinion

6. Please give any views or comments concerning the process and timetable for any future implementation of IPSAS in EU Member States.

It will take a very long time if a de facto harmonization is pursued. Institutional and legal problems must be solved, and in order to gain acceptance the standards must be better adapted to the public sector conditions and needs. Questions regarding competence, training and monitoring are key issues to be resolved.

7. Please provide any other observations or information you would like to make available which are not covered by your earlier answers.