Will “austerity” be a critical juncture in European public sector financial reporting?

David Heald
Business School, University of Aberdeen, Aberdeen, UK, and
Ron Hodges
Birmingham Business School, University of Birmingham, Birmingham, UK

Abstract

Purpose – The purpose of this paper is to analyse how austerity has impacted to date upon European Union (EU) financial reporting developments and how this might influence future reforms. It considers how a critical juncture in EU financial reporting might be recognized and factors which might prevent or delay such a juncture being realized.

Design/methodology/approach – The paper uses the theoretical conceptualization of the territorializing, mediating, adjudicating and subjectivizing roles of accounting (Miller and Power, 2013), linked to document analysis and interviews with members of the relevant policy communities. In technical terms, austerity makes accounting subject to greater demands for consistency and uniformity. In political terms, accounting is implicated in increasing external fiscal surveillance of sovereign states.

Findings – The authors have shown how the Miller-Power framework illuminates these developments. The territorializing role of accounting in sovereign states creates an environment which facilitates the mediating, adjudicating and subjectivizing roles. Austerity promotes re-territorializing, yet also creates incentives for governments to hide risks and guarantees: the comparability of financial reports and national accounts may be achieved only at a rhetorical level. Evidence for a critical juncture would be termination of national traditions of financial reporting, greater harmonization of accounting across tiers of government, weakening of the linkages to private sector accounting, and stronger alignment of government financial reporting with statistical accounting.

Originality/value – The paper provides a theoretically based analysis of how austerity influences government financial reporting and statistical accounting and brings them into closer contact. This analysis is located within broader tensions between technocracy and democracy that are institutionalized in EU fiscal surveillance.

Keywords Austerity, Critical juncture, EPSAS, Fiscal transparency, Public sector financial reporting, Statistical accounting

Paper type Research paper

1. Introduction

This paper analyses the influences of austerity on two systems of accounting relevant to the reporting of public finances. Government financial reporting, which in several countries is now accrual-based, has varying degrees of linkage to private sector corporate financial reporting. Statistical accounting, typically called “national accounts” or “government financial statistics”, is prepared in accordance with the United Nations System of National Accounts (SNA). Our intention is to reflect on how austerity has impacted to date upon developments in public sector accounting in the European Union (EU) and on how this might influence its future development. Given that some of these issues are forward-looking, no definitive outcome can be predicted,
although some provisional conclusions are put forward, alongside assessments of the significance of these developments and an agenda for future research.

The EU is an appropriate arena for consideration of these issues because it is clearly part of the global financial crisis and austerity response, with its 28 members bound together by various treaties and their obligations under the Stability and Growth Pact. Furthermore, 19 EU countries have a common currency in the euro, meaning that macroeconomic and structural imbalances within the Eurozone cannot be tackled by using currency devaluation. The non-euro countries in the EU still have the exchange rate instrument but have varying imbalances that might include high fiscal deficits, high and rising debt/GDP ratios, and an over-dependence on tax revenues from the financial sector.

Two additional factors make the EU interesting as a research site. The first is that one consequence of austerity in Europe has been tightened fiscal surveillance of EU members, especially those in the Eurozone. The “Six Pack” and “Two Pack” legislation[1] subjects the public finances of sovereign states to external surveillance that carries the potential of both reputational damage and financial penalties. The second factor relates to the forms of accounting. There are EU proposals to create European Public Sector Accounting Standards (EPSAS) on which public sector financial reporting will be based. The EPSAS would differ, at present to an unknown extent, from existing International Public Sector Accounting Standards (IPSAS). Countries within the EU (and certain others) base their statistical accounting on the European System of Accounts (ESA), which has been developed from the SNA by Eurostat, the statistical agency of the European Commission (EC). In June 2013 the European Council (2013) published the final version of ESA 2010, conforming to the pattern of major periodic revisions of statistical accounting regulation[2].

These developments reflect differing views of the principal objective of government financial reporting. For Eurostat it is to provide input data for statistical accounting to support ESA 2010 and EU fiscal surveillance (European Commission, 2013a). For the International Public Sector Accounting Standards Board (IPSASB) it is to inform decision-making and promote accountability at the entity level (IPSASB, 2014a). Thus, it is possible to interpret these developments as competition for regulatory space (Hancher and Moran, 1989; Young, 1994). More systemically, however, the developments may be transforming the relation within the EU of accounting, organizing and economizing (Miller and Power, 2013). We use Miller and Power’s framework as a lens to focus on the impacts of these developments and assess the extent to which European public sector financial reporting is at a critical juncture.

Our analysis begins with contemporary literature on government financial reporting, statistical accounting, fiscal transparency and fiscal surveillance. The web-based availability of documentation produced by governments, international public sector organizations and accounting regulators provided an evidential basis to develop, refine and evaluate our reflections. We have drawn on our status as participant-observers in specific parts of the relevant policy communities to access key actors for clarifications and feedback on our understandings of process and substance. We have conducted face-to-face interviews with senior executives from the policy communities, based upon assurances that individuals and their organizations would not be identified. Given the political sensitivities around continuing projects, we did not record these interviews; instead we relied upon note-taking during interviews and discussion between the researchers immediately after each interview. This approach helped us to identify a number of separate themes to be analysed using both theoretical perspectives and knowledge of the policy communities.
Section 2 of this paper reviews the developments of government financial reporting and statistical accounting and sets out the Miller and Power framework. After considering different interpretations of austerity and assessing its influence on the reform of European public sector accounting, Section 3 tracks EPSAS developments. Section 4 reflects on whether austerity might be a critical juncture in the development of public sector financial reporting in the EU. Section 5 provides some conclusions and suggests areas for related research.

2. Public sector financial reporting and statistical accounting

There are two distinct forms of government accounting leading to external reports. First, there are government financial reporting statements, which may be produced for individual public sector entities, such as departments and agencies, and may lead to some type of whole of government accounts (WGA) based on the consolidation of those entities deemed to be within the consolidation boundary (e.g. Treasury, 2015; European Commission, 2014). Second, there are statistical accounting statements which represent government within a whole of economy perspective (e.g. Eurostat, 2013a; Office for National Statistics, 2014).

The foundational basis of financial reporting is entity accounts. Two organizations that transact with each other will not necessarily treat the transaction in a symmetrical way, for example, in the case of Public-Private Partnerships (PPPs) (Hodges and Mellett, 2012). This is a bottom-up system of accounting where consistency of treatment is sought within reporting entities, without concern for what other entities do. In contrast, statistical accounts take a top-down view, conceptualizing the economy into sectors that articulate with each other. Accordingly, symmetric treatment of transactions is essential, otherwise the national accounts will not balance. In the EU context, the overall quality of statistical information is dependent upon processes at both the EU level and those within Member States (European Commission, 2011). Recent governance reforms of the statistical system in Europe have included the adoption of a Code of Practice (European Commission, 2005) and the creation of an Advisory Board to provide independent supervision of Eurostat and the statistical system (European Commission, 2009). The sources of data for the national accounts include entity financial reports but also rely upon surveys and estimation.

Although it has long proved difficult to find many direct users of public sector financial reports, they are used as inputs to statistical accounting systems. For example, the EC, referring to the sources of data used for developing government financial statistics, states:

The main sources of these statistics are the accounting records and reports of the various government entities, supplemented with financial information. Reliable government financial accounts are essential for the preparation of national accounts and, of course, for fiscal planning, coordination and supervision (European Commission, 2013a, p. 3).

It is this link between government financial reporting and statistical accounting which helps explain the political and economic importance of the recent proposals to establish accrual accounting, based upon EPSAS, across the EU. The comments of Hermann Van Rompuy at a conference on the EPSAS project in May 2013, when he was President of the European Council, give further indications of the perceived importance of these reforms:

[...] inaccurate accounting contributes to ill-founded policy decisions, insufficient consolidation efforts when deficits and debts are underestimated, and eventually to a total collapse of confidence leading to refinancing problems. This, unfortunately, is what we
experienced in Europe. Europe has had its day of reckoning for inaccurate reporting of government accounts and we have learnt the lesson. [...] Harmonising public sector accounts, moving towards harmonised public sector accounting standards in European member states: no doubt this is easier said than done. Today my message is: we need harmonised public sector accounts in Europe [...] (Eurostat, 2013c, p. 3).

The policy community for financial reporting centres around private actors: professional standard setters; professional accountancy bodies; their members working in industry, commerce and the profession; accountancy and audit firms, particularly the “Big 4”; the accounting regulatory bodies; and capital market regulators. Accounting standard setting for the private sector has globalized (Bozem, 2014), making IFRS and US GAAP dominant in the listed company sector, while accounting standard setting in the government sector in many countries has become increasingly influenced by the International Accounting Standards Board (IASB) and the IPSASB (Ernst and Young, 2012). The common language of government financial reporting is that of accounting, with its community internationalized and influencing public sector practice through diverse channels.

In contrast, the policy community for statistical accounting centres around public actors: national statistical offices such as the Office for National Statistics, Statistics Canada and the Australian Bureau of Statistics; international/supranational organizations such as the United Nations, the International Monetary Fund (IMF) and Eurostat; and governments which sign up to successive versions of these international standards (United Nations, 2009). The common language is that of economic statistics. The status of statistical accounts stems from their use for the management of public finances in each country and from the dense network of fiscal surveillance – for example, the IMF’s Article 4 consultations and the EC’s monitoring of country compliance with the Stability and Growth Pact.

Historically, these two policy communities have had limited communication with each other, in part because they spoke different “languages” and in part because their oversight arrangements and clients were different (Jones, 2003). Several factors are now contributing to more communication between them and to some convergence of their standards. In an interconnected world, macroeconomic shocks transmit across major economies, especially when economic cycles become synchronized and portfolio benefits are lost when peaks and troughs of cycles coincide (Égert and Sutherland, 2014). Moreover, the scale of banking and financial sector liabilities relative to the GDP of host countries has become so large that country public finances can be ravaged by actual or anticipated collapse. These systemic risks make it likely that severe macroeconomic shocks cannot be contained within particular national borders. Consistent and transparent disclosure of the financial and fiscal positions of countries is needed, particularly in closely connected economic and political regions such as the EU.

In this context, the activities of the two policy communities have been rendered more visible. The closer attention derived from controversies about austerity puts pressure on both communities to articulate their expertise and knowledge base to an extended audience. However, both find difficulty in explaining to the media and to their publics why the “numbers” can be so different. The IPSASB has been working for some years with the statistical community to harmonize public sector accounting and to narrow the differences between government financial reporting and statistical accounting (IPSASB, 2012, 2014a).

Austerity has conferred a higher profile on the roles and governance of the two communities. Questions are asked about governance arrangements and independence from the accountancy profession, audit firms and large private corporates on the one
hand, and from governments on the other (Humphrey and Loft, 2009). The tension between technocratic expertise and democratic governance is pronounced and socially significant. One view is that independence is enhanced through oversight by multiple interest groups and organizations that reflect technical expertise and user representation. The IPSASB (2014b), in carrying out a review of its own public interest oversight arrangements, is moving to the formation of an oversight board under the auspices of the International Federation of Accountants (IFAC). An alternative perspective is that public sector accounting should be governed through arrangements that represent democratically elected governments; for example, the EC (Eurostat, 2013c) proposes EPSAS governance arrangements that are heavily influenced by representatives of EU Member States.

The adoption of accrual accounting by governments in Europe is far from complete (Ernst and Young, 2012), but its basis is well established in EU budgetary frameworks:

As concerns national systems of public accounting, Member States shall 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 [ESA]. These public accounting systems shall be subject to internal control and independent audits (European Council, 2011, Article 3.1).

Similarly, its application is unquestioned in EC documentation:

Accruals accounting is the only generally accepted information system that provides a complete and reliable picture of the financial and economic position and performance of a government [...] (European Commission, 2013a, p. 3).

Nevertheless, there has been resistance to the trend towards accrual accounting in many countries. For example, in a European context, Christiaens and Rommel (2008) report on limited adoption in Belgium; Hyndman and Connolly (2011) suggest that it is “a road not always taken” in a comparative assessment of adoption by the public sectors of the UK and Ireland; while Portal et al. (2012) discuss the contrasting fates of accounting reform programmes at national/federal government level in France and Germany.

There has been considerable academic criticism of the use of accrual accounting in the public sector, including concerns over its use for intensified hierarchical control and the construction of quasi-markets (Ellwood and Newberry, 2007); the inappropriate use of the profit motive as a performance measure (Pallot, 1992); and the absence of consistency with budgeting practices (Jones et al., 2014). Another concern has been the extent to which public sector financial reporting standards relate to their private sector counterpart: should they be derivative, adhering as closely as possible to IFRS; should they use IFRS as an anchor for interpretations and adaptations; or should they proceed on an entirely separate path? This is an issue that has confronted the IPSASB (2011), which has continued to base its own standards on IFRS.

There is increased interest in seeing the whole picture of government finances, a concern that aligns with the intensified focus on fiscal transparency (IMF, 2012, 2014). Where accrual accounting is in place, some governments have paid attention to the preparation of consolidated government financial statements: for example, in Australia (Barton, 2011); New Zealand (Newberry and Pont-Newby, 2009); and the UK (Chow et al., 2007). In contrast, France, which has implemented accrual accounting and is highly compliant with IPSAS (Ernst and Young, 2012), does not regard municipalities as controlled by the state (hence no vertical consolidation) and does not see any logic in the horizontal consolidation of municipalities. Analyses of published studies suggest
that most surveys are aimed at potential, rather than actual, users (Walker, 2009) and do not consider how consolidated financial reports are used to hold governments to account (Aggestam et al., 2014). Nevertheless, the impact of adopting accrual accounting may be more significant in the reform of financial management in the public sector than its financial reporting processes (Ball, 2013); what receives political attention is the multi-year spending framework and the annual budgeting process.

For Miller and Power (2013, p. 579) the issues are more systemic. They emphasize that the “techniques of accounting do not simply inform economic decision-making, but in many cases constitute the domain of economic activity itself […]”. They perceive that accounting processes lead to the economization of organizational life, by which is meant:

[…] the processes and practices through which individuals, activities, and organizations are constituted as economic actors and entities, rather than the popular sense of reducing costs or making savings (p. 560).

In their view, accounting leads to economization through four interacting roles:

Territorializing refers to how accounting constitutes “calculable spaces”, defined on the basis of physical space or abstractly conceived space, which are perceived and self-perceived as economic entities. Organizations, including many in the public sector, which are now considered as economic entities, would not have been so in the past.

Mediating refers to how accounting links together actors and organizations with different interests in collective endeavour. Accounting, for which neutrality is claimed, provides numbers which are then treated as comparable, even when the activities to which the numbers are attached are not comparable.

Adjudicating refers to how accounting provides measurement bases on which the performance of calculable spaces can be evaluated. There has been an intensification of adjudication in its traditional arenas and a seemingly irresistible spread into new arenas. Because of loose coupling between measures of performance and organizational and social outcomes, the effects of such adjudication processes are uncertain.

Subjectivizing refers to how organizations and individuals, constituted as calculable spaces, are rendered subject to regulation and control by others, while remaining “free to choose” within the constraints of financial norms or standards.

Although Miller and Power (2013) variously refer to these as “roles” (p. 558), “themes” (p. 563), “core features” (p. 563) and “thematic clusters” (p. 579) and do not analyse potential linkages in detail, they “[…] are clearly related and we do not wish to suggest that they exhaust the roles of accounting […]” (p. 563). One interpretation is that territorialization creates the environment for stronger application of the other three roles. Their example is of a hospital or museum being “territorialized” as an economic or financial entity, resulting in their activities being configured into profit centres, cost centres or service lines. Mediation then occurs when individuals or groups combine to make decisions or policy from the alternatives made available as a result of recognizing these calculable sub-spaces. They suggest that “[…] the adjudicatory role of accounting […] is particularly interesting when organizations are under stress” (p. 584) because this role generates pronouncements of “success” or “failure”. Through subjectivization, managers appear to have alternatives in decision-making, but they learn that the gathering of particular types of information (especially financial data) is needed to support authorization and action.

In these terms, this paper’s focus is on the territorialization of sovereign states which then facilitates or enhances mediation, adjudication and subjectivization. Miller and Power analyse, rather than commend, these four roles: their cited paper and their other...
writings exhibit considerable unease about the substantive implications of their analysis. There is a research tradition of interpreting accounting as a disciplinary technology, facilitating processes of subjecting employees to market forces (Hopper and Armstrong, 1991). When the calculable spaces are sovereign but unequal states, complex, sensitive and potentially intractable issues are unavoidable. Discipline is applied to sovereign states and public institutions within them, with far-reaching implications for citizens.

The reactions of those subject to fiscal surveillance, both to its existence and to the accounting systems on which it is based, become critical to outcomes. There is a risk that the behavior of those under surveillance changes, in order to circumvent rules and standards by the use of regulatory arbitrage, misrepresentation and creative reporting (Irwin, 2012). Miller and Power (2013, p. 587) recognize that “The subjectivizing role of accounting does not in any way suggest that organizational agents are dupes”, but rather that there are calculable spaces where multiple logics may compete, with the implication that there is no single, irrefutable outcome to be determined from the interplay of the four roles.

In this paper the Miller and Power framework is used as a theoretical lens to help focus on the relationships between austerity and EU government accounting reforms. Although this application may cast light on the framework itself, we do not intend to critique or evaluate it. Our concern is to investigate public sector accounting developments, in which task we have found the framework useful.

3. Austerity and the development of EPSAS

Austerity is the context of, and stimulus for, these EU developments in public sector accounting. A necessary point of departure is clarity about the meanings attached to austerity. There are several closely-related expressions: some have differentiated technical meanings, yet the labelling of government policies is often a matter of presentation, designed to influence perceptions. There is a large economics literature on fiscal consolidation, among which the work of Alesina and Ardagna (2009) is the most famous. Although a technical-sounding term, fiscal consolidation has come to be understood as reducing spending and increasing taxes (Mauro, 2011). Austerity has become associated with a strong preference for fiscal consolidations to take the form of mostly spending cuts. Posner and Sommerfeld (2013) and Hood et al. (2014) explored the politics of fiscal squeeze, understood to mean the political effort deployed to reduce spending and increase revenues.

The term “austerity” has acquired new resonance in the aftermath of the 2008 global financial crisis. Governments and central banks put the public sector balance sheet – not that one formally existed in most countries – behind the banking and financial sector, for fear of the economic and social disruption that might result from bank collapses, empty cash machines and failed supply chains. The role of austerity for a Eurozone economy in difficulty is to drive down domestic costs relative to stronger countries, particularly Germany, and to readjust relative costs within those economies in which pre-crisis construction booms had created severe distortions (Bertola et al., 2014). In the case of Ireland, the Government guaranteed the banks’ debts, not just their deposits, pushing the country into an adjustment programme run by the “troika” of the EC, European Central Bank (ECB) and the IMF (Hardiman, 2013). The attribution of blame for the necessity of austerity is contested and unsettled; debates look back to earlier fiscal decisions affecting deficits and debt and forward to the alleged unsustainability of existing levels of public expenditure. There is much talk of
“re-imagining the state”, often on the assumption that governments should do less for their citizens and that accumulated entitlements will be eroded.

Both systems of accounting are implicated because they are seen as the dominant measurement systems, on the basis of which policy justifications are constructed. What is expected of these accountings derives in considerable part from what is identified as the problem that austerity will address. The four roles that contribute to economization will have differing prominence according to the view taken about austerity.

Three broad groupings can be identified. First is the view that the fiscal crisis derived from an over-large, badly regulated banking and financial sector in which organizations had become “too big to fail” and threatened the well-being of their host economies. Bankers’ greed and light-touch regulation have been set up as culprits. This view encompasses those who see it as a culmination of avoidable public policy failures and those who consider it an inevitable feature of the self-destructive properties of globalized capitalism (Blyth, 2013). On this view, austerity is the wrong policy response and changes in public sector accounting would be of marginal relevance, except to the extent they improved value-for-money.

Second is the view that the post-2008 fiscal crisis derives from over-extended states that were constructed after 1945 under the malign influence of Keynesian ideas. There is an explicit or implicit recourse to public choice theory, contending that private action is economically and politically superior to public action. Austerity therefore brings an opportunity (“never waste a crisis”), not only to restore the public finances but also to shrink the state (Wagner, 2012). Whatever the “size” of governments, some adherents to this view would consider this “too big”; austerity is desirable. Implementation would draw heavily on the four roles of accounting: re-territorializing the existing public sector into a much smaller state; increasing reliance on marketized forms of mediation in place of hierarchy and non-market co-ordination; intensifying performance management for adjudicating non-marketized activities; and revisiting the subjectivization of those entities that governments wished to retain. There would be a strong centralizing thrust until activities could be liberated to the private sector.

Third, intermediate positions are possible, in terms of identifying the source of fiscal problems and of determining fiscal policy responses. If austerity includes cutting back on prior expectations of levels of public services and cash benefits, then austerity is necessary on the grounds of affordability when projected economic growth does not materialize. On this view, austerity is necessary, though not desired for its own sake, and should be carefully timed in the light of macroeconomic conditions (Wren-Lewis, 2011). The accounting technologies that deliver economization (in the Miller-Power sense) may help governments to secure reductions in the cost of government (i.e. improve efficiency and effectiveness), without there being the presumption that reducing what government does is desirable per se.

Accounting is thereby implicated in the social construction of austerity in two senses: first, it provides languages in which perceptions of fiscal sustainability are conveyed; and, second, accounting numbers are the basis for external surveillance of the public finances of sovereign states by international and supranational agencies, by other sovereign states, and by capital markets. Fiscal transparency would be impossible without these accountings. There are implications for understandings of democracy at sovereign-state level and for the governance of international agencies that have acquired powers to override elected governments. This is the context in which the EPSAS project is being developed.
The fiscal crisis and recovery packages of Eurozone countries have raised doubts about the quality of financial data and about their comparability across EU Member States. This has led to proposals for reform of public sector accounting systems, summarized in Table I.

The EC published proposals on requirements for the budgetary frameworks of Member States, which were to become part of the “6 pack” in September 2010. The proposals (European Commission, 2010) included putting public accounting systems in place to cover all sub-sectors of general government and subjecting them to internal control and audit. It was proposed that Member States should publish cash-based fiscal data on a monthly basis and a detailed reconciliation with ESA 1995.

<table>
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<tr>
<th>Date</th>
<th>Event description</th>
<th>Notes/reference</th>
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<tr>
<td>15 Apr 2011</td>
<td>Eurostat states its intention to play an active role to promote accrual-based public accounting to support the quality of ESA data</td>
<td>European Commission (2011) COM(2011) 211</td>
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<tr>
<td>8 Nov 2011</td>
<td>Directive on requirement or budgetary frameworks of Member States requires the EC to assess the suitability of IPSAS for Member States</td>
<td>European Council (2011) 2011/85/EU</td>
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<td>15 Feb 2012</td>
<td>Start of the public consultation of the suitability of IPSAS for EU Member States</td>
<td>Eurostat (2012a)</td>
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<td>18 Dec 2012</td>
<td>The summary of responses to the public consultation on the suitability of IPSAS is published</td>
<td>Eurostat (2012b)</td>
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<tr>
<td>19 Dec 2012</td>
<td>Overview and Comparison of Public Accounting and Auditing Practice in 27 EU States – prepared for Eurostat</td>
<td>Ernst and Young (2012)</td>
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<tr>
<td>21 May 2013</td>
<td>Regulation to implement the European system of national and regional accounts (ESA 2010)</td>
<td>European Council (2013) SWD(2013) 57</td>
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<td>2 Oct 2013</td>
<td>EPSAS Governance Task Force – first meeting</td>
<td>Eurostat (2013b, d)</td>
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<tr>
<td>12 Feb 2014</td>
<td>EPSAS Standards Task Force – first meeting</td>
<td>Eurostat (2014a)</td>
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<tr>
<td>13 Feb 2014</td>
<td>EPSAS Governance Task Force – second meeting</td>
<td>Eurostat (2014b)</td>
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<tr>
<td>27 Mar 2014</td>
<td>EPSAS Governance Task Force – third meeting</td>
<td>Eurostat (2014c, d)</td>
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<td>1 Aug 2014</td>
<td>Report on the potential impact, including costs of implementing accrual accounting in the public sector, including individual IPSAS</td>
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<td>20 Nov 2014</td>
<td>EPSAS Governance Task Force – fourth meeting</td>
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<tr>
<td>17 Mar 2015</td>
<td>EPSAS Governance Task Force – fifth meeting</td>
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Table I. Events table
At this stage there was no proposal for harmonized accrual accounting standards (Article 3).

The European Parliament (EP) recognized the importance of the package of proposed reforms: “A comprehensive and integrated solution to the euro area debt crisis is needed since a piecemeal approach has not worked so far” (European Parliament, 2011, p. 7). The EP amended the proposals, including, in Article 3, requirements for the Member States to ensure the professional independence of their national statistics authorities and that “Member States shall move to adopt IPSAS within three years of this Directive coming into force” (p. 14). This appears to be to the first formal statement positioning IPSAS, and by implication accrual accounting, at the heart of Member States’ government accounting, although the EC had adopted IPSAS for its own financial reporting since 2005 (European Commission, 2002; Grossi and Soverchia, 2011).

The Directive, published later in 2011, made clear the importance of public accounting systems in generating accrual data for the ESA. However, the requirement to adopt IPSAS standards was removed, being replaced with a provision that “By 31 December 2012, the Commission shall assess the suitability of the IPSAS for the Member States” (European Council, 2011, Article 16.3).

Eurostat, on behalf of the EC of which it is part, began the consultation process by issuing a questionnaire and supporting document which describes the reasons for reform:

The need to assess a new approach to government accounting arises because high quality government financial statistics GFS data is needed to ensure a proper functioning of EU fiscal surveillance, particularly given recent economic developments. The implementation of uniform and comparable accruals-based accounting practices for all sectors of General Government […] can help ensure high quality statistics (Eurostat, 2012a, p. 2).

The results of the consultation give an indication of the varied perspective of respondents to the suitability of IPSAS for Member States. Of the 68 respondents, 26 (38 per cent) believed IPSAS to be suitable for adoption, 21 (31 per cent) believed them to be partly suitable and 19 (28 per cent) thought them unsuitable. Generally, professional associations, standard setters, accounting/audit firms and statistical offices were positive towards the suitability of IPSAS, while public audit offices and other public bodies were not (Eurostat, 2012b, pp. 3-5).

The main advantages of IPSAS are described (pp. 6-7) as: providing a uniform accounting framework; reducing uncertainty in the adoption of accrual accounting; facilitating public sector consolidations including government business enterprises; promoting improved accounting expertise; and reducing the risk of political interference in accounting standard setting. The main obstacles and disadvantages to IPSAS implementation included (pp. 8-10): the lack of involvement of governmental organizations in the IPSAS process; the need for national legislation to modify existing laws and regulations; institutional differences between the IPSASB as a private sector standard setter and EU Member States; gaps in the coverage of the IPSAS framework; the need for different standards for types and sizes of public bodies; the risk to EU implementation posed by the limited resources of the IPSASB; the need to assess the quality and applicability of each IPSAS standard; the cost of implementation to Member States; the desire of each Member State to choose and adapt its own systems of accounting; and technical issues such as concerns over the use of fair value accounting.

While most respondents accepted that IPSAS adoption would improve the quality of the underlying accounting data, making them more transparent and comparable, there were considerable doubts as to whether IPSAS would be a cost-effective solution to
support the reporting of government finances. The majority of respondents expected that more than ten years would be needed to implement IPSAS across the EU (pp. 11-12).

By the following year, when reporting to the European Council and the EP, the EC rejected the direct application of IPSAS (European Commission, 2013a, b). The official narrative for why IPSAS were rejected is that: they did not describe sufficiently precisely the accounting practices to be followed; some standards needed development and updating; and the IPSASB conceptual framework was incomplete. Various IPSASB governance issues were also raised, including insufficient participation from the EU public sector accounting authorities, the need to ensure that public sector specific needs are addressed, and concerns that the IPSASB had insufficient resources to act with speed and flexibility to meet the demand for new and improved standards (European Commission, 2013a, p. 8). The decisive reasons for the emergence of EPSAS were: widespread political and governmental resistance to having public sector standards set by a private sector standards body; and the resonance of earlier debates about having EU endorsement of private sector accounting standards (the Maystadt (2013) Report urging greater EU control was contemporaneous).

The EC Report proposed a move towards harmonized EPSAS, with IPSAS possibly being used as a reference framework for future development. A three-stage process was envisaged: preparation of more detailed proposals; establishment of framework regulation; and gradual implementation of EPSAS (European Commission, 2013a, pp. 11-12). Eurostat commissioned Ernst and Young to analyse the existing legal requirements for government financial reporting in the then 27 Member States, including methods of accounting (cash, accruals or modified systems) and audit regulations. They used survey methods to estimate that compliance with IPSAS financial reporting regulations[3] ranged from 95 per cent to 21 per cent with an average of 63 per cent across EU central governments (Ernst and Young, 2012, p. 23). Their report provides a detailed description of the heterogeneity of government financial reporting systems across Member States.

At a conference in Brussels in May 2013 “Towards implementing European Public Sector Accounting Standards”, the emphasis was no longer on whether or not EPSAS should be developed, but rather on the key principles of EPSAS governance that would underpin such development. The consultation paper on the governance principles and structures for EPSAS is based on seven principles: professional independence, impartiality, legitimacy, transparency, competence and capacity, cost effectiveness and accountability (Eurostat, 2013b, pp. 4-5). However, these are all contestable terms and it is by no means certain that there will be a sufficient degree of political support to achieve them.

The principles of “professional independence” and “legitimacy” lead to the question of whether the development of public sector accounting standards is primarily a technical exercise or a democratic process. The former might suggest that EPSAS should be controlled through structures that are independent of the bodies subject to its regulation. The latter implies that approval of EPSAS by those representing the governments of EU Member States should be an essential pre-requisite for application of standards. The Eurostat (2013b) proposals adopt the latter approach. The proposed governance structure includes an EPSAS Committee, composed of “high-level representatives of the Member States’ public administration” (p. 7). The EC would take a significant and direct role, providing the Chair and the secretariat of the Committee and each of its working groups and task forces (pp. 8-9). An EPSAS Governance
Advisory Board was proposed, with its “independent” members appointed by the EC, the EP and the European Council (p. 10). Only the proposals for the EPSAS Technical Advisory Group appear to broaden participation, with promise of “a wide range of stakeholders, including the accountancy and the audit professions, preparers, statisticians and academia”. Members would be appointed by the EC which “would endeavour to ensure the fair representation of users, preparers and other stakeholders” (p. 11).

One possible outcome of this structure is that the EPSAS processes will become overtly political, with each Member State seeking to protect its own position. This might result in certain powerful members, such as France and Germany, having an effective veto over the development of EU accounting, while other Member States form alliances to promote their joint influence over the process. If the starting point of EPSAS were the existing set of international standards from the IPSASB, there might develop a series of “EU carve-outs” equivalent to that taken in accounting for financial instruments in the corporate sector. This could result in a growing divergence between EPSAS and other international accounting standards.

The submissions to the EPSAS governance consultation indicate the difficulty of making headway against the interests of particular Member States. Of the 203 responses to the consultation, 141 (69 per cent) were from Germany, and there was particular disagreement on the governance principles and the oversight function of the EPSAS Governance Advisory Board (Eurostat, 2014c). The response category “local or regional authority (Germany)” contributed 110 of the 141. Interviews indicate that there was a write-in campaign by sub-national authorities in Germany, possibly organized by the professional associations for the counties (Landkreise) and small- and medium-size cities (Staedte und Gemeinden). These responses are said to be nearly identical in wording. The Eurostat (2014c) analysis of responses indicates near uniformity of position on the consultation questions. In May 2015, more than one year after this Draft Report, the responses are not on the EC’s web site.

Such disagreements reflect concerns over the usefulness of accrual accounting for governments and the likely costs of transferring systems from cash to accruals, as much as direct concerns about the governance of the EPSAS regulatory system. There is strong resistance in some countries to the IFRS anchor used for standards development by the IPSASB; those resisting see themselves as protecting European public sector financial reporting from Anglo-Saxon private sector accounting, which gives primacy to decision-usefulness and downgrades stewardship. For example, the French delegation at an EPSAS Task Force meeting is reported to have strongly opposed any reference to IPSAS in an EU legal text (Eurostat, 2014b). Eurostat harmonization proposals might thus be interpreted as conditioned on this defensive reaction to the roles of the IPSASB and the IASB.

PricewaterhouseCoopers (2014) were commissioned by Eurostat to analyse the impact, including the costs, of implementing the individual IPSAS across EU Member States. Their report is based upon a methodology of determining the accounting and information technology maturity of each Member State, essentially where maturity is based upon the application of accrual accounting in line with IPSASB standards. Costs are estimated under two scenarios: the first excludes IT development (on the basis that IT to provide accrual data is required in any event to meet ESA requirements); and the second includes estimates of IT costs to establish such accrual accounting systems. The report estimates that the total cost for all 28 countries will be between €1,192 and €2,113 million on the first scenario and up to €6,885 million, including IT costs, on the second. Furthermore, the costs expected to be incurred by some EU Member States are
much larger than others; for example, the costs for Germany are estimated to be €644 million on the first scenario and €2,355 million on the second. The equivalent figures for Italy are €565 million and €2,567 million (pp. 82-85[4]). Such substantial and uneven costs represent a barrier to the adoption of full accrual accounting across Europe.

Two “Task Forces” have been established for the EPSAS project. The Task Force on EPSAS Governance has a remit to identify key issues on governance and assist Eurostat in the development of an EPSAS governance structure (Eurostat, 2013d). The Task Force on EPSAS Standards is to analyse IPSASB standards to consider difficulties in their implementation and to work with Eurostat on the implementation of standards in the future (Eurostat, 2014a). Both task forces have a membership that is representative of each of the Member States, together with various observers from organizations such as the IMF, IPSASB, ECB and European Court of Auditors.

The implementation of EPSAS is scheduled for 2020; it is characteristic of the EC that programmes are given titles with round-number dates. Given that the consultation on IPSAS started in early 2012, 2020 was taken as a target date that would have credibility: not too remote as to be ignored; not so close as to be impractical. Although it seems unlikely that there would be full implementation by 2020 in 28 Member States, reducing the number of EU countries where data quality is inadequate would simplify Eurostat’s tasks.

Much remains to happen before 2020, yet the dividing lines are already drawn. The “official” narrative is that the fiscal health of the EU and its Member States has been severely damaged by unreliable and misreported ESA data derived from public sector accounting systems. The fiscal transparency benefits of data that are harmonized and of good quality are thus indisputable. However, application of the Miller-Power framework, as a means of interpreting the developments described above, illuminates a picture that is denser and more complex.

These reforms, if implemented, represent an example of accounting territorializing spaces which have hitherto been part of the sovereign right of national authorities to determine their own approaches to public sector financial reporting. This two-tiered centralization (from Member State to EU, from sub-national governments to Member States) will affect existing interests, some constitutionally entrenched. In the context of political conflicts about austerity and the size of the state, there will be suspicion of the future uses of improved data. The positioning of stakeholders (governments, public bodies, accounting and audit firms, regulators and standard setters) can be interpreted as early stages of the mediating process, during which actors seek to link their own interests with public values such as fiscal transparency, and with the interests of others in the network. Participants seek to provide themselves with future opportunities to influence regulation, for example, through its governance structures and by participation in the review of existing IPSAS standards.

What is explicit in the motivation of the EPSAS project is that the resulting numbers will improve the information base used for external fiscal surveillance, itself a powerful example of the adjudicating role of accounting. Given the top-down nature of fiscal surveillance, attitudes towards it might be expected to differ across Member States according to their commitment to EU processes and obligations, and to their own macroeconomic vulnerability. The intensification of subjectivization through external fiscal surveillance based on more uniform, reliable and timely data will have differential effects on Member States, including implementation costs (e.g. low in the UK, high in Germany where there will be low self-perceived domestic benefits). On the other hand, some national elites might welcome the resulting external pressure, as a counterweight to domestic interests.
4. Considering austerity as a critical juncture

“Critical juncture” is the term used by historical institutionalists for landmark events that are deeply consequential for policies and institutions long into the future (Cappoccia and Kelemen, 2007). Critical junctures are difficult to identify in real time, however significant a supposed trigger event might seem contemporaneously. Even the direction of change may be uncertain: Crouch (2011) and Blyth (2013) despaired that the 2008 global financial crisis did not lead to a reversal of the neoliberal policies that had become dominant over the previous 30 years. Indeed, they feared that austerity had brought intensified policies to shrink the state and increase inequality.

What would EPSAS being a critical juncture in European public sector accounting look like in terms of the Miller-Power framework?

The territorializing role of accounting is seen in the potential for accrual accounting, harmonized under EPSAS, to be extended to all government entities within the EU. In some Member States the replacement of national and budget-centred cash accounting systems by accrual accounting will constitute a different style of accounting quantification perceived to be “amenable to the narratives of market and economic rationality” (Miller and Power, 2013, p. 580).

There might be a decisive change of direction or a stepped intensification of an existing direction. There are various possibilities, not necessarily mutually exclusive. One outcome might be the ending of path dependence on national traditions of public sector accounting. There remains much diversity within the EU 28 (Ernst and Young, 2012), and pressures for harmonization will confront issues of resources and capacity. A landmark event would be Germany adopting accrual accounting for the Federal Government, representing a significant new territorialization by accrual accounting into the central government sector. Of course, central governments have long been represented as economic units in the context of statistical accounting, but the adoption of accrual accounting, with its affiliation to private sector accounting, might be interpreted as moving government financial reporting towards a stronger emphasis on information for hierarchical fiscal surveillance and for capital markets, and away from traditional budget-centred accounting.

The mediating role of accounting is illustrated by the network of relations created as a result of the EPSAS proposals and designed to reconcile differentiated interests. The results of networking are impossible to predict and the relationships between actors within the network cannot be assumed to be permanent. Potential outcomes range from the adoption of a complete and harmonized EPSAS-based government financial reporting system to a failure of implementation, with renewed reliance on nationally determined standards. In the latter case, it seems unlikely that long-term stability in government accounting methods would be achieved; as Miller and Power suggest “[...] failure is the norm, failure which sets in train further reform and new efforts to account” (p. 583). From this perspective, we may expect that a failure to implement reforms now will result in amended reform proposals in the future.

There might be a breaking or weakening of the link with private sector financial reporting, which has been used by the IPSASB as its anchor for public sector standards. The country pioneers of accrual accounting in government linked first to national standards, then to either IFRS or IPSAS. Some of the current opposition to IPSAS derives from the view that public sector accounting should be entirely different. While accrual accounting might seem likely to bring government financial reporting closer to private sector accounting, a movement in the opposite direction is possible if the EU went its own way on public sector financial reporting, with EPSAS becoming...
disconnected from IPSAS and IFRS. Obtaining a consensus on the role of Member States in the EPSAS governance structure and in determining the extent of reliance on IPSAS are strong examples of the mediation inherent in the application of accounting regulation.

There could be closer alignment of public sector financial reporting with statistical accounting, which Eurostat’s bid for leadership of EU-wide harmonization might suggest. In extreme form, this might involve the assertion that public sector financial reports have no external users but are feedstock for hierarchical expenditure control and national accounts. For example, the decision of the Australian Government to abandon the presentation of its budget on the basis of Australian Accounting Standards in favour of a budget based on Government Financial Statistics (Barton, 2011) indicates the potential threat to the IPSASB if statistical accounting gains primacy over government financial reporting.

More likely would be an attempt to eliminate those differences that stem from path dependence but which do not impinge on the achievement of the distinct objectives of the two systems. For example, greater comparability of financial reporting numbers would be achieved if the preparers’ choices that exist within IFRS and IPSAS were eliminated. Much depends on whether these choices are historical legacies or reflect current interests-based disagreements. If Eurostat can mobilize the financial resources and political authority of the EU, it holds an advantaged position for securing its preferred approach relative to the fragmented and nationally based government financial reporting community. The work of the IPSASB has been handicapped by its inferior resourcing compared to that of the IASB and to international institutions such as the EC, IMF and OECD. In contrast, it has been made clear to the researchers, in interviews, that funding would be made available at EU level to support an approved EPSAS project, although the high implementation cost in some Member States constitutes a significant barrier.

The adjudicating role of accounting derives from the demand for homogeneous forms of accounting to support fiscal transparency across EU Member States. The results of such accounting “do not so much represent organizational health as define the success and failure of organizations” (Miller and Power, 2013, p. 585). The metrics of adjudication are unknown at this stage, hence the desire of Member State governments to control the rule-making processes which will determine the accounting technologies used to define “success” and “failure” in the future. EU Member States may seek to block reforms expected to lead to undesired results from adjudication.

A potential outcome is that EPSAS will have a symbolic role in making the financial performance of Member States comparable, but that differences in social structures, regulations and how government accounting is applied at local, regional and national levels will limit the potential for this adjudicating role of accounting. As a result, the mediating role of accounting “which allows the incomparable to be made comparable” (p. 562) may be achieved only at a rhetorical level.

The subjectivizing role of accounting relates to the forms of measurement used to quantify the results of decisions. Subjectivization, irrespective of the precise technologies adopted, may promote structured responses to justify decision-making and to create audit trails of justifiable performance (Power, 1996). We may see an extension of the roles and authority of statistical bodies and auditors of public bodies, at EU and national levels, to support the harmonization of statistical accounts and government financial reports. A related issue is whether the economically stronger countries in the EU see it worthwhile to accept the subjectivizing nature of harmonized government accounting, because that would also subject other states to the same reforms.
The current proposals, if accepted, will have far-reaching implications for subnational levels of government; in federal countries, these raise constitutional as well as political issues. Another possible outcome is the harmonization of accounting across tiers of government and entity types within a single country. This is appealing in terms of public expenditure control and fiscal planning within a nation state, though it would not necessarily lead to more comparability between EU countries. Such reforms fit the subjectivizing role of accounting because changes would likely be part of a centralization of accounting technologies, enabling tighter control from higher tiers of government, perhaps through consolidation practices.

Subjectivization also stresses the responses of policy actors. During conditions of austerity, there are particular incentives to hide risks and obligations behind the veil of contractual relationships and commercial-in-confidence restrictions. Off-balance treatment as a form of creative accounting has been criticized by staff of international agencies such as the OECD (Koen and van den Noord, 2006) and the IMF (Irwin, 2012). What constitutes a liability in accounting is problematic, as evidenced by inconsistent definitions across IFRS standards (Barker and McGeachin, 2013). The public sector extends these challenges, in respect to recognition and measurement.

The much-cited government debt figures derived from national accounts exclude future obligations such as those to pay public employee pensions and state retirement pensions. In contrast, unfunded public sector employee pension schemes and deficits on funded pension schemes are recognized as liabilities in consolidated statements for general government under IPSAS and IFRS. The reconciliation of UK public sector net debt to WGA net liabilities includes £1.302 billion in pension obligations (Treasury, 2015). Proponents of WGA suggest that this wider recognition of liabilities may strengthen financial decision-making within government (Hodgkinson and Wheatcroft, 2015). However, governments may have opportunities and powers to change these obligations in ways not necessarily available to the private sector. For example, the UK 2010-11 WGA (Treasury, 2012) shows that the UK Government used its power unilaterally to reduce pension liabilities by changing the indexation of employee pension benefits. This resulted in a one-off gain of £126 billion that passed through the WGA Consolidated Statement of Revenue and Expenditure. Examples like this give an indication of how difficult the mediation and adjudication processes might be with accrual accounting under EPSAS or some other form of harmonization.

What most differentiates government is the power to tax, which does not meet the recognition criteria for accounting as an asset. Governments have commitments to provide welfare benefits, such as state retirement pensions, out of future taxes, but there is reluctance to recognize such social benefits as liabilities in the absence of recognition of the sovereign power to tax.

Various contingencies may delay or prevent the development of EPSAS and result in continuation of path dependencies rather than the reaching of a critical juncture. The positional advantages currently held by Eurostat need to be balanced against whether such an initiative can be maintained in the face of setbacks and institutional fatigue. The timescales to complete the EPSAS project are challenging: adoption of framework regulation by 2016; EPSAS standards adoption by 2018; and implementation by 2020, to be followed by “Consolidation (and potentially whole of government accounts)” (Eurostat, 2014d, p. 5). These targets may be optimistic in the face of sustained political opposition, capability shortfalls or simple lethargy.
5. Concluding remarks

The Miller-Power framework, identifying the four roles of accounting that contribute to economization, provides an analytical structure and language through which important developments in public sector accounting can be discussed. Although the term is not used in public debate – where it might convey the sense of cost reduction – the concept of economization is helpful in two distinct ways. First, the EPSAS developments can be interpreted in terms of how they relate to territorializing, mediating, adjudicating and subjectivizing. This holds whether or not the EPSAS project comes to fruition in 2020 or later. Second, consideration of these roles sheds light on how interpretations may condition the responses of policy actors who have stakes in public sector accounting. Recourse to EPSAS implies not only upwards migration of standard setting to the European level, but also the centralization of standard setting within each EU Member State. Such re-territorializing would disrupt national systems that exhibit strong path dependence: actors in national accounting communities may only see disruptive change and additional costs, the postulated benefits being elsewhere.

In several countries EPSAS would extend accrual accounting to hitherto unaffected parts of the public sector, leading them to be viewed in more business-like terms. One source of opposition is less concerned with the techniques themselves, but rather with suspicions that accrual accounting provides an information platform that would make possible later marketization and privatization. The fact that some actors perceive an association of accrual accounting with neoliberalism and austerity (Biondi, 2014) leads to all four roles being contested: territorializing (reconfiguring the public domain); mediating (Member State engagement in the EPSAS governance process vs “independent” technical specialists); adjudicating (technocracies thought to be unaccountable substitutes for democratic legitimacy (Barber, 2011)); and subjectivizing (threats to the autonomy of sovereign states might provoke dysfunctional political and economic choices).

While there can be no definitive counter-factual history, it is unlikely that either the current EPSAS project or its 2020 completion schedule would be in place without the shock of post-2008 austerity and the crisis in the Eurozone. Once an EU project of this scale starts, resourcing is unlikely to be a problem after a political decision to go ahead.

However, the conditions of austerity also increase the incentives for accounting arbitrage. Projects to improve accounting run side by side with attempts to circumvent both financial reporting and statistical accounting standards (Heald, 2013). While EPSAS are proclaimed as a means to increase comparability and hence fiscal transparency, the EC and EU Member States develop mechanisms of off-balance sheet financing which exploit weaknesses in government financial reporting and statistical accounting. Actor responses to the subjectivizing role of accounting can run counter to the proclaimed objectives. At national level, there are off-balance sheet devices such PPPs and government guarantees and, outside the Eurozone, the quasi-fiscal mechanism of Quantitative Easing (QE) by central banks, blurring the distinction between fiscal policy and monetary policy. At the EU level there is QE by the ECB (European Central Bank, 2014) and the EC’s off-balance sheet infrastructure plan leveraging on the non-consolidated European Investment Bank (European Commission and European Investment Bank, 2014).

If EPSAS implementation goes ahead, this will constitute a critical juncture in European public sector accounting. This would break the path-dependent characteristics in many EU countries in a relatively short period (2012-2020). A substantial number of full country implementations would be regarded as a major achievement, even with some drift in the timetable. If EPSAS implementation does not proceed, the framing of the debate will still have changed, with the link to statistical
accounting more clearly established and accrual accounting in government regarded less as an Anglo-Saxon peculiarity.

The proposed harmonization of European public sector accounting will provide an array of opportunities for accounting researchers. Thus far there has been limited engagement, notwithstanding the prominence of Europe-based researchers in the Comparative International Governmental Accounting Research network. We identified three academics out of 68 respondents to the 2012 IPSAS consultation, and five academics out of 203 respondents to the 2013 EPSAS consultation (reporting March 2014). More active academic participation in these policy development processes would be assisted by a commitment by Eurostat to timely release of future consultation responses. Eurostat has communicated that responses to the 2013 EPSAS governance consultation will be made public when the Final Report on EPSAS governance is published later in 2015. The unconvincing explanation is that March 2014 was only a Draft Report on EPSAS, that the submissions have to be translated, and that the finalization of EPSAS proposals awaited decision by the incoming Commission which took office on 1 November 2014.

We have shown the analytical usefulness of the Miller-Power framework and commend this as a viable research approach to public sector accounting change. We found it helpful to distinguish between the framework’s four roles of accounting. This led us to view the territorializing role as pre-eminent as it creates an environment which may enhance the other three roles of accounting. We interpreted current and potential future events in the EPSAS project in terms of these roles. For example, the mediating role is evidenced by the positioning of stakeholders and the network of relations created to support or oppose the EPSAS proposals. The availability of EPSAS data will strengthen the process of external adjudication (fiscal surveillance) as a result of its input into the statistical accounts, even though the reliability and legitimacy of these data, and their interpretation for policy, might be contested by national governments or citizens. The subjectivizing role may be promoted through increased centralization of authority at EU level and within individual EU Member States, supported by the implementation of uniform accounting systems. However, analytical approaches which reflect the broad spirit of the Miller-Power framework, without interpreting the individual roles of accounting, may also be effective.

The following suggestions for future research are illustrative rather than comprehensive. First, it is important that there is tracking and analysing of what happens to the EPSAS project, in terms of whether the governance structure is established and whether standards are developed and later implemented in EU countries. There will be opportunities for studies within Member States, and also for systematic comparisons between them.

Second, if EPSAS are implemented, the question arises of whether these standards differ from IPSAS. The EU might become detached from the non-US public sector accounting world if EPSAS diverged substantially from IPSAS, whether in the form of stricter standards (by the removal of accounting options currently available in IPSAS) or standards weakened by the removal of requirements unpleasant to some Member States. There would also be implications for the IPSASB itself, if EU countries either withdrew or had no intention of implementing IPSAS.

Third, researchers could examine whether there is adoption of EPSAS across the tiers of the public sector, an important issue in countries where accounting currently differs across tiers, either for constitutional reasons (the federal government cannot impose) or for practical reasons (large numbers of small municipalities lacking accounting capability).
Finally, despite the policy thrust of harmonization and comparability, there is the question of whether Member States will have recourse to widespread arbitrage of EPSAS and ESA standards, through off-balance sheet mechanisms such as PPPs and government guarantees. Researchers would find it valuable to analyse the contrasting perspectives which government financial reporting and statistical accounting cast on such transactions.

Notes

1. The complexity stems in part from requirements imposed on all EU Member States (“Six Pack”) and those only applicable to Eurozone countries (“Two Pack” and the Treaty on Stability, Co-ordination and Governance, the latter being an intergovernmental agreement, not EU law): http://ec.europa.eu/economy_finance/articles/governance/2012-03-14_six_pack_en.htm (last accessed 27 May 2015).


3. The survey is limited to IPSAS regulations on presentation, the bases of accounting and recognition and measurement of property, plant and equipment and provisions for liabilities (Ernst and Young, 2012, p. 22).

4. Costs per inhabitant are also estimated (p. 87) with the highest being Luxembourg (up to €133.8), Italy (up to €43.0), Greece (up to €41.2), Austria (up to €28.9) and Germany (up to €28.7).

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**Corresponding author**
Professor David Heald can be contacted at: d.heald@abdn.ac.uk