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Comparability in IPSASs: Lessons to be Learned for the European Standards

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ABSTRACT In 2013 the European Commission started addressing issues concerning public sector accounting harmonization across EU Member States, embarking on a project to develop European Public Sector Accounting Standards (EPSASs). Although acknowledging the indisputable reference of the existing International Public Sector Accounting Standards (IPSASs), it highlighted that IPSASs, as they were, could not be suitably applied in the EU context (European Commission, 2013a). IPSASs were considered as not covering specific important matters of public sector accounting, not showing enough stability due to the need of constant convergence with IFRSs, and offering several options that compromised comparability.Comparability of public sector accounts across Member States is one of the main objectives of EPSASs (EUROSTAT, 2016, 2019), clearly established as a qualitative characteristic in the draft EPSAS Conceptual Framework (EUROSTAT, 2018). It is critical for EU economic and fiscal convergence that countries' accounts allow for substantial comparison and standardized transition to the National Accounts (Jorge et al., 2014).The IPSAS Conceptual Framework (IPSASB, 2014), meanwhile issued, sustains that adopting these standards would improve comparability of General Purpose Financial Reporting (GPFR), in this way strengthening transparency and accountability of public sector finance. Given that, despite the above concerns, EPSASs are to be developed on the basis of IPSASs (European Commission, 2019), the purpose of this paper is to show that IPSASs are not an adequate reference for EPSASs in terms of allowing the desired comparability of countries' accounts in the EU. It relies on evidence gathered from IPSAS-based financial reports prepared by some Agencies of the United Nations System and from audit reports of the UN Board of Auditors.The research illustrates that IPSASs only allow for *de jure* comparability of financial reports at a very broad level. Their implementation and interpretation in practice (due to the options permitted and the judgement required) does not allow for *de facto* comparable GPFR. European standard-setters need to be aware that the comparability EPSASs need to address across EU Member States' accounts must go beyond the one that is permitted by IPSASs – EPSASs need to stretch IPSASs harmonization to a higher level of standardization.

Keywords: financial statements; *de jure* comparability; *de facto* comparability; accounting policy-making; EPSASs

1. Introduction

Comparability is one of the qualitative characteristics of financial information which the accounting standard-setters of both private and public sectors have focused on. It has generally been acknowledged (e.g. by Mukaddas & Sulaimon, 2014) that, without a widely accepted set of

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definitions, principles and guidelines, financial reporting data cannot be accurately compared between organizations around the world. Nevertheless, the overall accepted guidance might allow for several accounting methods, in a harmonization process, or instead, pursuing a single accounting method, in a standardization process (Cole et al., 2009).

The international harmonization process of accounting standards started some time ago in the business sector, with the mandatory adoption of the International Financial Reporting Standards (IFRSs) by specific types of companies. In the public sector it started more recently, when the International Public Sector Accounting Standards (IPSASs) – that are not mandatory – started to be issued in the late 1990s.

Harmonization issues in public sector accounting may be said to have emerged as it drew closer to business accounting within the New Public (Financial) Management trend. Moreover, governments and public sector entities are increasingly included in international communities (e.g. OECD, EU, UN) which they are accountable to; also, there are investors investing in public administrations internationally, namely in public debt; and public money is distributed across governments, jurisdictions and entities, whose financial performance must be compared. These conditions, among other, create requirements for public sector financial information to be comparable across jurisdictions, namely internationally, pushing for harmonization (Benito et al., 2007; Christiaens et al., 2015). In the EU, financial information comparability requirements are particularly striking, as there are convergence demands within the Stability and Growth Pact underlying the Euro currency, requiring continuous monitoring of fiscal discipline. Although the convergence criteria are assessed on the basis of figures coming from National Account aggregates, public sector accounting information is the input for those (Jorge et al., 2014, 2016). These specificities in the EU context have called for regional harmonization (Aggestam & Brusca, 2016) and for EPSASs, which makes the context of public sector accounting harmonization and comparability across EU Member States different than that of business accounting. Additionally, while globalization and IFRSs have been overall accepted, such is not happening with IPSASs in Europe (Brusca et al., 2015).

The potential of IFRSs to increase comparability has been addressed in many studies mostly demonstrating how, following the mandatory adoption of these standards, there has actually been an improvement in the comparability of financial information (DeFond et al., 2011; Hoogendoorn, 2006; Liao et al., 2012; Márquez-Ramos, 2011; Neel, 2017; Yip & Young, 2012). However, as highlighted by Nobes (2013), despite overall adoption of the IFRSs, differences still remain in financial information, and accounting harmonization has not brought all of the advantages one could expect. Harmonization is more apparent than real, as country-specific attributes make complete comparability in financial reporting difficult to achieve across all countries, even after adopting the IFRSs (Chand & Patel, 2008).

In the public sector, the IPSAS Board recurrently insists that the adoption of the IPSASs contributes to greater comparability of financial reporting and increases transparency and accountability (IPSASB, 2017, Preface, paragraphs 21-22). Over the years, several scholars (e.g. Alshujairi, 2014; Brusca et al., 2015; Chan, 2008; Christiaens et al., 2015) have also referred to IPSASs as tools to improve, among other things, comparability of the financial information presented by public sector bodies, entities and agencies throughout the world. Benito et al. (2007) explain that, in the future, countries will progressively tend to move towards IPSASs, in view of the need to increase the comparability of public sector accounting information, demanded by academics, professionals and different international organizations. However, in recent years, other researchers started to question whether the IPSAS-based claimed comparable financial statements are indeed comparable (Bellanca, 2014).

Despite some debate on whether EPSASs should follow IPSASs (e.g. European Commission, 2013b), IFRS-based IPSASs are to be taken as reference for EPSASs (EUROSTAT, 2019). Therefore, one may wonder whether the IPSASs provide suitable grounds, given that EPSASs call for a harmonization process that takes into account EU-specific financial information requirements, implying substantial comparability between the Member States' accounts.

Accordingly, the objective of this research is to understand whether using IPSASs as the basis for developing EPSASs will help to achieve further the objective of ensuring GPFR comparability under the European standards. More specifically, the paper analyzes IPSASs to understand whether they allow for enough comparability of financial statements to be taken into account in the context of the EU public sector. The analysis particularly addresses comparability 'in space', given that comparability across Member States is the most important perspective to be considered when establishing EPSASs to be applied to different countries in the same international community. Moreover, it focuses on *de facto* comparability (Chand & Patel, 2008), considering the way standards are actually applied, addressing financial statement presentation and content (substance) issues, as these are the most important for comparability in the EPSASs context.

The analysis concentrates on certain elements of selected IPSASs that may prevent the intended comparability from being achieved, and it uses agencies of the United Nations (UN) System to make its case.

This is an important issue for EPSASs, considering that comparability of public sector accounts across Member States is indeed a priority of the European Commission (EUROSTAT, 2016).

This paper contributes by providing a critical analysis of the IPSASs context, consequently filling the existing gap in the literature on the improvement of financial information comparability as a result of the application of those standards. Furthermore, by critically analyzing IPSASs it is possible to provide support to the process of drawing up the EPSASs, since the problem of lacking *de facto* comparability of IPSAS-compliant financial statements is brought to light.

Hereafter, the paper is organized as follows. Section 2 provides the conceptual background of the research and a brief literature review, describing how comparability issues have been addressed in the literature about international accounting standards and highlighting how this paper adds to that. Section 3 briefly explains the methodological issues. Section 4 explores some issues in IPSASs that, in the authors' view, create great problems to *de facto* comparability. Section 5 presents the empirical evidence derived from the exploratory-illustrative case study that can explain some comparability-related critical issues when applying the IPSASs. Finally, Section 6 discusses the findings and implications of the empirical analysis and concludes with final reflections and lessons to be learned from IPSASs for the development of EPSASs.

2. Background and Literature Review

2.1. Comparability, Related Concepts and Perspectives

Comparability is pointed out as one of the qualitative characteristics of financial information – together with other, such as understandability, relevance, faithful representation, verifiability and timeliness (EUROSTAT, 2018; IPSASB, 2014; Rodríguez Bolívar et al., 2015).

According to paragraph 3.21 of the IPSASs Conceptual Framework (IPSASB, 2014), comparability is

> the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is not a quality of an individual item of information, but rather a quality of the relationship between two or more items of information.

> Comparability differs from consistency. Consistency refers to the use of the same accounting principles or policies and basis of preparation, either from period to period within an entity or in a single period across more than one entity. Comparability is the goal, and consistency helps in achieving that goal. In some cases, the accounting principles or policies adopted by an entity may be revised to better represent a particular transaction or event in GPFRs. In these cases, the inclusion of additional disclosures or explanation may be necessary to satisfy the characteristics of comparability. (IPSASB, 2014, CF paragraph 3.22)

Comparability must also be distinguished from uniformity:

> For information to be comparable, like things must look alike and different things must look different. An over-emphasis on uniformity may reduce comparability by making unlike things look alike. Comparability of information in GPFRs is not enhanced by making unlike things look alike, any more than it is by making like things look different. (IPSASB, 2014, CF paragraph 3.23)

Therefore, while comparability, consistency and uniformity might be related concepts, they are in fact, all different. Consistency is a requirement for comparability – if the accounting principles or policies and bases of preparation are not consistently applied, either to the same entity along time, or across entities, information users will not notice the progress of the entity or the relative position of several entities. However, this does not mean that the policies and principles cannot be changed in the same entity or vary across entities. In fact, they must change and be diverse, if needed, to better reflect the transactions or the different circumstances, for matters of relevance and faithful representation. In this case, despite the flexibility allowed, consistency continues to exist and comparability is assured by the additional disclosures to help information users understand the differences. Uniformity, in turn, because it implies all entities use the same accounting methods under the same circumstances (Cole et al., 2009), if exaggerated, can compromise comparability; if there is not some flexibility in using different policies and criteria, users might not be able to realize the differences and the similarities, either along time or across entities.

Comparability of financial information can be addressed from different perspectives. One that immediately arises from the above definition is that comparability can be understood as internal (or ‘in time’) or external (or ‘in space’), given that identical accounting principles and policies are consistently applied either over time in the same entity or across entities.

In the business sector, frequently, financial information comparability over time and in the same industry or country (Cole et al., 2011) is considered the most important, focusing on ‘in time’ comparability. In the public sector, ‘in time’ comparability is important, but comparability ‘in space’ plays a bigger role, especially considering the international harmonization goal of the IPSASs, as well as the role of regional harmonization of the EPSASs project (Aggestam & Brusca, 2016), underlining the importance of ensuring a high degree of comparability of financial statements prepared by the different EU Member States (EUROSTAT, 2017a).

Another perspective distinguishes between *de jure* or formal comparability and *de facto* or material comparability (Chand & Patel, 2008; Cole et al., 2009, 2011; Van der Tas, 1988). While the former means comparability of the standards (consistency in form or rules) and may be said to provide for the formal comparison of GPFRs, the latter refers to the comparability of practices (consistency in interpretation and application of the standards) and it may be seen as truly comparable accounting (Chand & Patel, 2008), namely within GPFRs. Harmonized accounting standards do not mean harmonized accounting practices (Saudagaran, 2004).

Within *de facto* comparability, a more refined distinction can be made between comparability concerning financial statement presentation (formats and terminology) and comparability of their substance or content (related to recognition and measurement criteria).

Comparability can be difficult when the terminology adopted by two entities is not exactly the same (Fragoso et al., 2012; Zeff, 2007); this might happen when entities belong to different jurisdictions or even if, in the same jurisdiction, they use different accounting systems. This is also one of the reasons why the problem of terminology homogeneity in public sector accounting reforms undertaken in recent years has taken a key role in the debate. In the EU, harmonized charts of accounts are starting to be considered (EUROSTAT, 2017b), as they are deemed important to enhance GPFR comparability.

Figure 1 summarizes the outlooks for the financial information comparability described above. Considering the purpose of this paper, comparability 'in space' and *de facto* comparability are the focus of the empirical analysis.

2.2 International Accounting Standards and Information Comparability

Comparing accounting statements prepared by different entities worldwide has become a need. It is also perhaps the main reason why many entities, the public sector included, began using international accounting standards. International accounting principle-based standards, IASs/IFRSs in the private sector and IPSASs in the public sector, are very close, exception to be made for the criteria to treat transactions that are specific to the public sector, which cannot be included in the business accounting framework. Indeed, IPSASs have been largely derived from IFRSs, initially with slight adaptations to the government and public sector context, and only more recently setting standards for public sector specific matters. Moreover, in its strategic plan, the IPSASB (2019) clearly stated the purpose of maintaining IPSAS-IFRS alignment.

Regarding the actual success of the process of international harmonization in accounting for financial information comparability, there have been many studies, the great majority analyzing the context of IFRSs and private companies. The reason why several scholars have discussed the comparability of the financial information provided by companies is justified by the assertion that

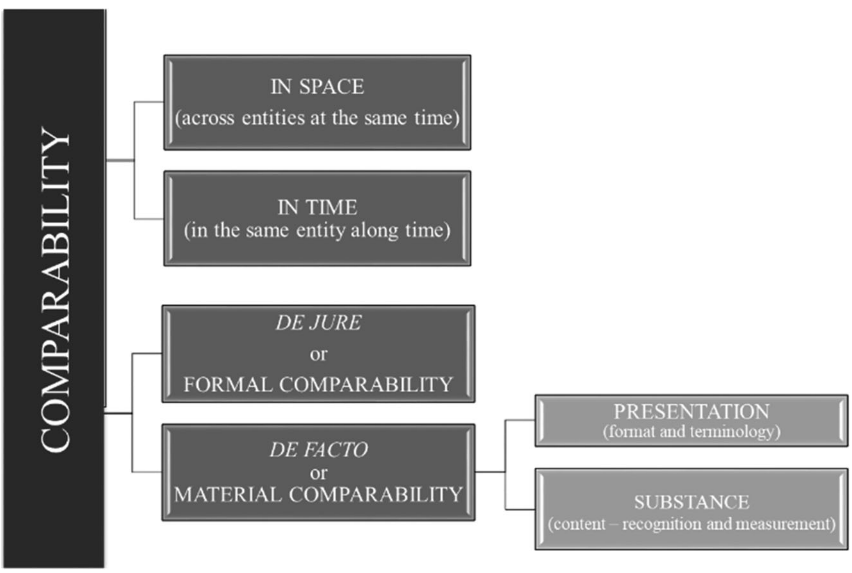

Figure 1. Financial information comparability framework

it is one of the primary benefits obtainable by the adoption of IFRSs, therefore, becoming important to understand the role played by IFRSs in shaping financial information. Even if scholars have approached the topic in different ways, most of the conclusions are similar: after the adoption of IFRSs, comparability has improved. Evidence from various studies (e.g. Brochet et al., 2013; Neel, 2017; Soderstrom & Sun, 2007) showed that the adoption of IFRSs indeed increase financial information comparability, providing both economic and market benefits. Such benefits relate to enabling the investor to have access to less asymmetric information than before, bringing important consequences also in terms of the cost of capital for firms (Armstrong et al., 2010). Yet, while the adoption of IFRSs improves comparability, this may be affected also by the institutional environment (DeFond et al., 2011; Yip & Young, 2012) or may depend on the quality of the existing financial reporting when the IFRSs were adopted (Neel, 2017).

However, there are also studies that conclude otherwise, pointing out that enhanced comparability deriving from the adoption of IFRS is only marginal (Cascino & Gassen, 2015) or even negative (Callao et al., 2007) or, over time, is only limited to the early times of adoption, decreasing later (Liao et al., 2012).

From a public sector standpoint, an analysis of the existing literature shows that very few studies address the issue of comparability from the IPSASs perspective. Several authors overall discuss the harmonization process started by the implementation of the IPSASs, often focusing on what these standards differ from the existing diversity in the national roots of accounting practices and peculiarities of each country (Brusca et al., 2015; Manes-Rossi et al., 2016; Oulasvirta, 2014), or on the development of the process of regional harmonization in the EU (Aggestam & Brusca, 2016). But those studies rarely refer to the impact of the adoption of the IPSASs on financial information comparability. Literature provides only two contributions about this: one concerning the complexity of the IPSASs and the potential to develop into a weakness that could jeopardize information comparability (Bellanca, 2014), and another analyzing the different options provided, and judgements allowed, by the standards, to verify whether and how comparability could be assured (Adam, 2018).

Despite this significant gap in the literature, public sector specificities and country membership in international communities and organizations (such as the EU, where financial and fiscal monitoring is constantly done in a comparative-international perspective across Member States) makes it important to compare public sector financial information. This is perhaps more significant than comparing the financial information of private companies, which explains the need to call attention to this matter and to look into it in the public sector setting. Accordingly, the present study contributes to the development of such literature, and may also be of much use to Eurostat in the process of drawing up and developing the EPSASs.

3. Methodology

The analysis first addresses some critical issues in certain IPSASs taken as reference, highlighting how they hinder *de facto* comparability of financial information. The IPSASs considered were *IPSAS 1 – Presentation of Financial Statements*, *IPSAS 17 – Property, plant and equipment* and *IPSAS 39 – Employee Benefits* (that superseded IPSAS 25). The critical issues analyzed relate to the presentation of the statement of financial position, and measurement criteria for discount rates and asset recognition. Evidence collected from an overall initial assessment of the financial and audit reports of some UN entities showed material issues, concerning non-current assets related to property, plant and equipment and pension-related liabilities. Given their major impact on the entities' net financial position, these matters were considered 'most influential' because of the possibility of interfering with *de facto* (material) comparability.

These issues are then analyzed and illustrated with examples of inconsistencies and comparability problems in the financial statements available by middle 2017 (concerning the fiscal year 2016) for all UN Specialized Agencies. Only 13 out of these 15 Agencies had published (on the Internet) that year's financial statements, and 3 Agencies were not IPSAS-compliant. Consequently, the group to be finally analyzed consisted of 10 Agencies: ILO, UNESCO, ICAO, WHO, UPU, WMO, IMO, WIPO, UNIDO and UNWTO (see Appendix).

Following these procedures, this study sought to understand where the weaknesses are in terms of comparability regarding the issues of the accounting standards adopted, so that they may be avoided when developing EPSASs.

A deductive research design (Feilzer, 2010) is used in this paper to 'zoom in' on an emblematic case – the United Nations (UN) System. As explained further in Section 5, apart from the UN Secretariat, the so-called UN Family is composed of many affiliated programs, funds and specialized agencies. All of these entities are connected to the UN under different types of collaboration agreements, but they are independent in terms of governing bodies, budgets and secretariats. They also prepare their own accounts and financial reports according to an IPSAS-based system, which all UN System agencies are expected to follow. By the end of fiscal year 2014, all 24 agencies had completed the transition to the IPSASs (Bergmann & Fuchs, 2017).

Given the overall structure of the organization, financial information comparability should be an important matter for the 'System' as a whole. Therefore, this paper analyzes 'in space' comparability, compounded by the fact that the entities in the 'System' are located in different countries and jurisdictions. This view of financial information comparability is also the most important when establishing the EPSASs to be applied to different countries in the same international community. Moreover, as explained, the analysis focuses on *de facto* comparability, i.e. resulting from the application of the standards, and addresses both presentation and content (substance) issues, as these will be the most important in the context of the EPSASs.

In summary, the case study of the UN System will offer evidence of problems regarding 'in space' comparability allowed by the IPSASs framework as a whole. For the purpose of this analysis, agencies of the UN System located in different countries can be considered parallel to public sector entities and governments located in different EU countries. The case of the UN can therefore be used to compare hypothetical situations that could arise in Europe.

The research is in the form of a case study, which is a combination of an exploratory case and an illustrative one (Scapens, 2004): it intends to generate ideas to trigger future research, but at the same time, it provides empirical examples of the embodiment of particular phenomena (in this case, the problems that still exist regarding financial information comparability under the IPSASs). The use of a case study methodology usually does not allow for the results to be generalized, but the importance of a case such as the UN System, might still justify the analysis that may produce significant learning outcomes. Additionally, as some scholars claim (e.g. Hagg & Hedlund, 1979; Lodhia, 2003), if there are laws pertaining to all phenomena of a given nature, these laws are operative in all 'cases' and should therefore be detectable in all cases. A statistically representative sample of this phenomenon is therefore not required.

4. Critical Issues of IPSASs

Even knowing that it is extremely difficult to reach a consensus on a common financial language for the public sector to be used in all countries (Asselin, 2000), the IPSASB claims that '… the adoption of IPSASs, together with the disclosure of compliance with them, will lead to significant improvements in the quality of the general purpose financial reports by public sector entities' (IPSASB, 2017, Preface, paragraph 21). Better financial information helps to strengthen public financial management, improving decision-making regarding resource allocation, and '… increasing transparency and accountability'.

However, standards based on broad principles (instead of on more inflexible rules), such as the IPSASs, despite having the purpose of reflecting the economic substance of transactions in a truthful way:

- provide broad guidelines and diverse alternatives to reflect the transactions;
- require (sometimes substantial) professional judgement in the implementation of many policies and criteria; and
- make material comparisons between entities more difficult.

Additionally, the quest for professional judgement to make accounting choices brings to the IPSAS-based financial reports a substantial dose of subjectivity, as a result of a 'wide margin of discretion' in interpreting such choices. 'Also, complex estimates involve a high degree of specialized knowledge and professional judgment' (Cenar, 2012, p. 355). Subjectivity seriously compromises the comparability of financial information that professionals prepare using personal judgement.

Considering IPSASs, one must thus acknowledge their particular nature regarding harmonization and the impact this has on the accounting systems and financial information comparability. If, on the one hand, the need for global implementation requires broad flexible standards, on the other hand, such broadness may have to be limited, so preparers of public sector GPFRs restrict their action while applying the standards at their will. Therefore, it seems clear that IPSASs as they are, allow for formal or *de jure* comparability of GRFRs, but *de facto* financial information comparability based on these standards, as the empirical analysis in Section 5 will evidence, may not be achieved.

4.1 Comparability in the Presentation of the Statement of Financial Position

On the substance of the content of IPSASs, with respect to compliance with IPSASs and comparability, the first standard to be analyzed is IPSAS 1. This standard reads in paragraph 1 that 'The objective … is to prescribe the manner in which general purpose financial statements should be presented to ensure **comparability both with the entity's financial statements of previous periods and with the financial statements of other entities**'. To achieve the objective of comparability of GPFR, IPSAS 1 establishes ' … overall considerations for the presentation of financial statements, **guidance for their structure, and minimum requirements for the content** of financial statements prepared under the principle of accrual accounting' (IPSASB, 2017, IPSAS1.1) [underlined by the authors]. Accordingly, the minimum elements to be included in the face of the statements are: (i) assets; (ii) liabilities; (iii) net assets/equity; (iv) revenue; (v) expenses; (vi) other changes in net assets/equity; and (vii) cash flows.

The net financial position is a key measure to be compared between public sector entities, perhaps more important than the financial performance which, according to some (e.g. Oulasvirta, 2019), must be carefully interpreted due to the controversial application of the matching principle.

IPSAS 1 foresees, *inter alia*, that:

> As a minimum, the face of the statement of financial position shall include line items that present the following amounts: (…) (g) Recoverables from non-exchange transactions (taxes and transfers); (h) Receivables from exchange transactions; (…); (j) Taxes and transfers payable; (k) Payables under exchange transactions; (…); (n) Non-controlling interest, presented within net assets/equity; and (o) Net assets/equity attributable to owners of the controlling entity. (IPSASB, 2017, IPSAS 1.88)

However, additions to all financial statements are allowed. Regarding particularly the statement of financial position, IPSAS 1 considers the possibility of 'Additional line items, headings and subtotals [to] be presented on the face of the statement of the financial position when such presentation is relevant to an understanding of the entity's financial position' (IPSASB, 2017, IPSAS 1.89). Furthermore, 'An entity shall disclose, either on the face of the statement of the financial position or in the notes, further sub classification of the line items presented, classified in a manner appropriate to entity`s operations' (IPSASB, 2017, IPSAS 1.93).

Accordingly, despite *de jure* (formal) comparability assured for IPSAS-based GPFR, the broad guidelines and the additions allowed compromise *de facto* (material) comparability, in this case regarding presentation (format) of the financial statements.

In the same standard, there is a section reserved to the 'comparative information' (IPSASB, 2017, IPSAS 1.53-1.58). In these paragraphs, indications are given on how to process information to ensure 'in time' comparability. Indeed, paragraphs 53 and 55 explain:

> Except when an IPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. (IPSASB, 2017, IPSAS 1.53) When the presentation or classification of items in the financial statements is amended [in respect of the preceding period], comparative amounts shall be reclassified unless the reclassification is impracticable. (IPSASB, 2017, IPSAS 1.55)

However, comparability 'in space' is not addressed and therefore remains unresolved. As it has been underlined, this perspective of comparability is the most important to be respected with a view to adopting a single set of international accounting standards (IPSASs) and, in the EU context, future EPSASs.

4.2. Comparability in the Measurement Bases Used in the IPSASs

In order to gather financial information that will facilitate comparability, an appropriate basis for measurement is necessary for preparing the financial statements (Rodríguez Bolívar et al., 2015).

Several IPSASs provide the possibility of using different bases or criteria for measurement. In this analysis, taking into account initial evidence of the case study explained in the Methodology, let us consider the examples of *IPSAS 39 – Employee Benefits* (that superseded IPSAS 25) and *IPSAS 17 – Property, plant and equipment* (PPE).

With regard to IPSAS 39, focusing on the 'discount rate', it is explained that:

> The rate used to discount post-employment benefit obligations (…) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations. (IPSASB, 2017, IPSAS 39.85)

Accordingly, IPSAS 39 is open to different approximations of the value at the reporting date, for the discount rate. Referring to IPSAS 39.88, these might be market yields on:

(a) government bonds;
(b) high-quality corporate bonds; or
(c) another financial instruments; or

(d) in cases where there is ‘no deep market in government bonds’, with sufficient long maturity, an entity could use ‘market rates of the appropriate term to discount shorter term payments (…)’.

In fact, it is considered that the ‘actuarial valuation method’[1] used by actuaries to calculate the liability[2] is heavily influenced by Key Actuarial Assumptions (KAMs) in which different elements may be considered (IPSASB, 2017, IPSAS 39.77-39.100):

i mortality;
ii the discount rate; and
iii salaries, benefits and medical costs.

These KAMs highly influence the level of liabilities included in the financial statements, leaving room for maneuver. Additionally, recalling the issue of comparability, *a fortiori* reference to ‘high quality corporate bonds or by another financial instruments’ provides a broad choice of these financial instruments, also impacting the amount of liabilities accounted in the financial statements.

Another ‘indictment’ case relates to IPSAS 17, on PPE, where estimations are implicit in the authorized use of fair value. For instance, amongst several paragraphs related to fair value in IPSAS 17, paragraph 40 states that:

> The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset, or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If an entity is able to determine reliably the fair value of either the asset received or the asset given up, then the fair value of the assets given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident. (IPSASB, 2017, IPSAS 17.40)

Furthermore, IPSAS 17 does not prescribe a precise threshold for the capitalization of assets, nor the life span or depreciation coefficients.

This clearly indicates that these two standards contain highly discretionary definitions, with non-mandatory provisions as permitted requirements (Fuertes, 2008), therefore showing that, at least in these cases, the IPSASs are greatly permissive to different practices and judgement. Such flexibility hampers *de facto* comparability, particularly regarding the content of financial statements.

The above considerations might be rejected by those who are staunch advocates of the assumption that the IPSASs implementation shall lead to a financial reporting harmonization process (only assuring *de jure* or formal comparability) and not to standardization (also assuring *de facto* or material comparability), and that ‘stricter’ standards are associated with uniformity, while harmony points to ‘less strict’ standards (Tay & Parker, 1990). Along with these lines, referring to the special type and diversity of revenues in the UN System’s agencies, Bergmann and Fuchs (2017) sustain that the flexibility of IPSASs is adequate in this case. They argue that ‘IPSAS shall not be seen as a mere technical exercise, but as a management tool to ensure a flexible funding scheme to successfully achieve an entity’s long-term objectives’. Additionally, they defend that the IPSASs have ‘the capacity to increase overall financial accountability’ (Bergmann & Fuchs, 2017, p. 26).

Notwithstanding, some scholars (e.g. García, 1994) sustain that, while a harmonization process helps make the task of comparing financial information easier (*de jure* comparability only), it does not allow for true (*de facto*) comparability, unlike a process towards more standardization. In other words, the potential of comparability differs according to harmonizing or standardizing procedures. As expected, staying somewhere in between is not easy, but perhaps this could be a possible solution for EPSASs – to reduce the flexibility allowed by IPSASs, so 'in space' *de facto* comparability among the financial statements of Member States can be better attained.

5. Empirical Case Study

5.1. Overview of the UN System

The UN is an international organization founded in 1945 and currently made up of 193 Member States.[3] According to the UN Charter, the Secretary-General is the 'Chief Administrative Officer' of the Organization and the Chairman of the UN System Chief Executives Board for Coordination (CEB),[4] which gathers the 31 Executive Heads of all UN funds, programs and specialized agencies that make part of the UN System.[5] All of these entities have their own membership, leadership, and budget.

The Specialized Agencies are autonomous organizations working with the UN. They all entered into a relationship with the UN under negotiated agreements. Some existed before World War I; some were associated with the League of Nations; others were founded in tandem with the UN; and others were created by the UN to meet emerging needs. Consequently, these Specialized Agencies enjoy independence in their accounting and in reporting of their activity results to their governing bodies.[6]

Prior even to the creation of the CEB in 2001, an institutional mechanism of 'consultation and recommendation' has been in place to draw the disparate parts of the decentralized system of the Specialized Agencies into a cohesive and functional whole. According to this, '… no central authority exists to compel compliance by organizations of the system to act in a concerted manner. Coordination and cooperation are contingent upon the willingness of system organizations to work together in pursuit of common goals'.[7]

One of the important pillars of the CEB structure is 'The High-Level Committee on Management', which identifies and analyzes administrative management reforms, including accounting issues, with the aim of improving efficiency and simplifying business practices.[8]

In 2006, the General Assembly approved the adoption of the IPSASs accounting principles and reporting model; 25 UN System organizations started to implement the IPSASs, with several deadlines, and were expected to prepare the first IPSAS-compliant financial statements by the end of 2014 (UN, 2013). Despite being at different stages of IPSASs compliance at that date, nowadays, 21 entities already present their financial reports according to IPSASs, obtaining unqualified audit opinions.[9]

When the UN System decided to adopt IPSASs, *ad-hoc* working groups were created to prepare some internal guidance for assuring homogeneity of a group of specific entities. Under the CEB, a Task Force on Accounting Standards was created, meeting twice a year and being supported by the UN System IPSAS Project Team. This Task Force sought to respond to different issues, including:

> … a forum for exchanging ideas, clarifying positions, interpreting and providing guidance on the standards; […] facilitate and coordinate dialogue amongst UN System organizations on accounting and financial reporting issues and practices; […] promotes consistent interpretation and application of IPSAS requirements across the UN System; and […] facilitates IPSAS implementation and post implementation activities through systematic and practical exchange and deliberation of substantive issues'.[10]

> The adoption of the International Public Sector Accounting Standards (IPSAS) was recommended by the High-level Committee on Management to **improve the quality, comparability and credibility of financial reporting across the United Nations system**.[11] [underlined by the authors]

Therefore, as in other entities, in order to be able to state they are IPSASs adopters, the accounting officers of international organizations such as these of the UN System should firstly comply with all IPSAS pronouncements applicable to these entities, according to the request mentioned in IPSAS 1 (IPSASB, 2017, IPSAS 1.28).
However, it should be noted that, since individual agencies are autonomous organizations, as stated above, even though the Task Force draws up specific and highly detailed procedures to ensure the homogeneity of the accounting treatment and the comparability between the various financial statements (UN, 2013), there is the risk that each agency might apply IPSASs recommendations according to its convenience, and therefore may interpret an accounting transaction differently to the internal guidelines.

5.2. Presentation of GPFRs in the UN System

Relatively to the Specialized Agencies of the UN System (15 entities), most of them are IPSASs compliant since 2008, therefore one would expect full compliance with the 'minimum' requirements as stated in IPSAS 1 (IPSASB, 2017, IPSAS 1.88), across entities. However, in fact, despite several years of constant work of the IPSAS Task Force, inconsistencies are still present, starting with the face of the statement of financial position according to the minimum requirements of IPSAS 1.88. For example, as Table 1 shows, currently there is no consistency in the presentation of information on:

- *'(o) Net assets/equity attributable to owners of the controlling entity'*, which are presented with different descriptions in the statement of financial position of the UN System organizations.
- *'(g) Recoverables from non-exchange transactions (taxes and transfers)'*, which are a common way for Member States to fund the UN System organizations, and therefore should ideally be linked to 'assessed contributions'. However, not all entities place 'assessed contributions' under the same label (for instance, some of them mention 'receivables' or 'other receivables' or 'contribution receivables'). Moreover, in relation to 'voluntary contributions', they may be labeled as 'contributions receivables' or 'non-exchange transactions' or only 'receivables', as reported in different financial statements prepared in the UN System.
- *'(j) Taxes and transfers payable'* are a minimum presentation requirement under IPSAS 1.88, but one rarely finds such descriptions in the statement of financial position of the UN System organizations. Often, this is not really a failure as it results from the nature of these entities, which are tax exempt; but sometimes it is a deficiency.

Table 1 summarizes examples of inconsistencies in the above categories.[12]
Overall, in the UN System, one can conclude that, in some line items in the statement of financial position, the classification adopted by the UN agencies is not always aligned with the minimum requirements of IPSAS 1 or it does not match IPSAS 1.88 entirely.

Furthermore, different organizations in the UN System present additional line items in the statement of financial position, which once more contribute to increasing inconsistencies and may reduce the comparability of the statements, in particular for similar phenomena that are

Table 1. Summary of the inconsistencies in the presentation of the statement of financial position

Name of agencies	(o) Net assets/Equity attributable to owners of the controlling entity	(g) Recoverables from non-exchange transactions (Taxes and Transfers) and Recoverables from exchange transactions (in Current Assets)	(j) Taxes and transfers payable (in Current Liabilities)
ILO	**Net Assets:** 1. Reserves; 2. Accumulated balances.	1. Contributions receivables - Assessed Contributions; 2. Contributions receivables - Voluntary Contributions; 3. Other receivables.	1. Payables and accruals; 2. Deferred revenue; 3. Due to Member States.
UNESCO	**Net Assets/Equity:** 1. Reserves; 2. Fund balances.	1. Accounts receivable from non-exchange transactions; 2. Receivables from exchange transactions.	1. Accounts payable (exchange transactions); 2. Transfers payable; 3. Conditions on voluntary contributions; 4. Advance receipts.
ICAO	**Net Assets (net accumulated deficit):** 1. Reserves; 2. Accumulated deficit.	1. Assessed contributions receivable from Member States; 2. Receivables and Advances.	1. Advanced receipts; 2. Accounts payable and accrued liabilities; 3. Credits to contracting/servicing governments.
WHO	**Net Assets/Equity:** 1. General Fund; 2. Member States-other; 3. Fiduciary fund.	1. Receivables-current; 2. Prepayments and deposits.	1. Contributions received in advance; 2. Accounts payable; 3. Deferred revenue -current; 4. Inter-entity liabilities.
UPU	**Net Assets:** 1. Accumulated surplus/deficit Union funds; 2. Accumulated surplus/deficit other funds; 3. Accumulated surplus/deficit controlled entities; 4. Reserves	1. Accounts receivable (non-exchange transactions); 2. Accounts receivable (exchange transactions).	1. Accounts payable and accrued expenses; 2. Deferred revenue; 3.Advance receipts.
WMO	**Net Assets** **Fund Balances and Reserves:** 1. Capital Fund; 2. Accumulated surplus; 3. Employee benefits reserve.	1. Assessed contributions receivable; 2. Voluntary contributions receivable.	1. Payables and accruals; 2. Deferred income; 3.Contributions received in advance.
IMO	**Net Assets:**	1. Contributions receivable;	1. Payables and accruals –

	1. Fund balances and Reserves; 2. Surplus for the year.	2. Other receivables-exchange transactions; 3. Other receivable-non exchange transactions.	exchange transactions; 2. Payables and accruals – non exchange transactions.
WIPO	**Net Assets:** 1. Accumulated surpluses; 2. Special projects Reserve; 3. Revaluation Reserve Surplus; 4. Working Capital Funds.	1. Contributions receivables; 2. Exchange transactions receivables.	1. Payables and accruals; 2. Transfers payable; 3. Borrowings; 4. Advance receipts.
UNIDO	**Net Assets/Equity:** 1. Reserves; 2. Accumulated surpluses/deficits and fund balances.	1. Accounts receivable from non-exchange transactions; 2. Receivables from Exchange transactions.	1. Accounts payable (exchange transactions); 2. Transfers payable (non-exchange transactions); 3. Advance receipts.
UNWTO	**Net Assets/Equity:** 1. Reserves; 2. Accumulated surplus/(deficit).	1. Members assessed contributions receivable, net; 2. Other contributions receivable, net; 3. Other receivables, net.	1. Payables and accruals; 2. Transfers payable; 3. Advance receipts.

possibly accounted for in different ways: a large diversity of designations for similar type of transactions. Therefore, *de facto* comparability of GPFR presentation (format and terminology) is difficult to obtain.

In this case, to ensure *de facto* comparability of financial information there must be less 'openness and flexibility'. On the contrary, it requires further convergence or even full uniformity of format and terminology, perhaps supported by similar IT systems. Otherwise, comparability may be compromised (being only apparent), consequently jeopardizing faithful representation and financial information transparency, and ultimately having a negative impact on the accountability of UN System organizations.

5.3. The Measurement Bases Used in the UN System

Taking IPSAS 39 and IPSAS 17 as reference, this section tries to identify their impact on the accounts of the organizations of the UN System under analysis.

As explained, IPSAS 39[13] provides very wide 'flexibility' in the methodology of calculating the liabilities deriving from the Employee Benefits. To analyze this example in UN System organizations, the case of the 'After Service Health Insurance Scheme' (ASHI) fund was considered.

ASHI, as one of the employee benefits granted to UN staff, generates liabilities, which have a different weight on the total amount of liabilities and a different impact on the net assets, according to the level of benefits granted by the Secretariat and by the Agencies. In the UN System, UN Specialized Agencies recognized these liabilities for the first time when the IPSASs were introduced and implemented. Their management realized that the amount of liabilities now accounted for in the financial statements was so material (see Table 2) that it could have a relevant impact on the net assets. In several cases, the recognition resulted in negative net assets, which brought to light the issue of underfunding of certain benefits to UN Staff.

Subsequently, the CEB established a Working Group and produced several documents and recommendations to tackle the issue of underfunding (UN System, 2017), which differs from agency to agency. These differences are due to the fact that different specific schemes in the UN ASHI Framework have been implemented, with dissimilar eligibility criteria or benefits granted to staff, which *per se* already affect the comparability of these schemes.

Moreover, all such criteria for calculating the discount rate, which, as highlighted, have an important impact on the calculation of these liabilities, create an impairment in their substantial comparability of different UN Agencies.

Table 2. Materiality of employee benefit liabilities

Name of agencies	Employee benefit liabilities (A) on Total liabilites (B) (in Million) (*100) = [(A)/(B)] %
ILO	USD: (A) 1340 on (B) 1984.1 = 67.5%
UNESCO	USD: (A) 820.9 on (B) 1044 = 78.6%
ICAO	USD: (A) 142 on (B) 494 = 28.7%
WHO	USD: (A) 1578 on (B) 3638 = 43.4%
UPU	USD: (A) 135.6 on (B) 313.1 = 43.3%
WMO	USD: (A) 72.9 on (B) 158.4 = 46.0%
IMO	GBP: (A) 41 on (B) 50 = 82%
WIPO	CHF: (A) 159.6 on (B) 715.9 = 22.3%
UNIDO	EUR: (A) 258 on (B) 416 = 62%
UNWTO	EUR: (A) 18.9 on (B) 22.3 = 84.7%

Additionally, in the UN System, the ASHI Framework has specific and different characteristics when implemented at the Secretariat level or at the level of Specialized Agencies, according to their specific requirements and 'business model'. Considering the 'actuarial valuation method' used by actuaries to calculate the liabilities, it is possible to empirically observe that Key Actuarial Assumptions (KAMs) do affect the level of liabilities in the financial statements greatly, as one can also realize by the standards. In fact:

- Mortality, and salaries, benefits and medical costs, are different benefits granted according to the 'business model', location of the Headquarters of different UN Agencies and geographical dispersion of their regional offices, or the volume of activity on the field of their staff; and
- The 'discount rate' is a financial parameter that should reflect 'the time value of the money', which might be ultimately case-influenced by the location.

Table 3 presents some examples that explain the aforementioned differences and diversity.

As it is possible to observe, Agencies use different discount rates to calculate total liabilities of employee benefits. It is very likely that these different rates compromise the possibility to compare, in substance, the Agencies' financial statements.

For instance, in relation to the effect of the 'discount rate' on financial information comparability, one should refer to the aforementioned paragraph 88 of IPSAS 39,[14] where a lot of possibilities are afforded, and judgement is required to select the discount rate to be used to best approximate the time value of money.

Therefore, the findings reported in Table 3 show that only one Agency (UNWTO), among those analyzed, determined the discount rate by 'best approximation' as suggested by the IPSASs (IPSAS 39.88), reflecting the 'time value of money'; all other Agencies used as reference 'market yields on high quality corporate bonds', built on different curves with different assumptions.

In this case, since a few decimals in the discount rate may change significantly the value of employee benefit liabilities, the fact that the IPSASs leave management free to exercise their judgment undermines *de facto* comparability of information of UN Agencies. Nonetheless, some of the differences may result from currency and geographical location.

As for IPSAS 17, this standard does not prescribe a precise threshold for asset capitalization, nor the lifetime or depreciation coefficients. Therefore, in the UN System, Agencies, according to their 'business models', have capitalization thresholds and depreciation coefficients linked to the useful life of assets that may differ by category (Table 4). As a result of such differences:

- the same PPE asset may or may not be capitalized in an Agency whose capitalization threshold may be lower than another's capitalization threshold; and
- the same PPE assets may be considered having a longer useful life than a similar one in another Agency (Table 5).

Such situations have Agency Management, depending on their strategies and 'business model', choose a capitalization threshold or a different depreciation coefficient that may influence the amount of non-current assets disclosed in the statement of financial position, hence the net assets/equity. Even if some flexibility could be admitted due to the nature of each agency and the diversity in the use of the assets, *de facto* comparability demands for closer convergence, e.g. using a tight interval of minimum capitalization values and useful lives, according to the categories of assets.

Table 3. Items that can influence the total amount of employee benefit liabilities

Name of agencies	Ashi discount rate	Repatriation entitlements, other employee benefits, and end of services discount rate	Rate of pension increase	Medical cost inflation	Salary Scale	Inflation rate
ILO	1.34%	– Repatriation entitlement: 3.94%; – End of service payment: 1.42%;	3.00%	3.80%	Not clearly specified.	Not clearly specified.
UNESCO	3.10%	– Repatriation Benefits and – Accumulated annual leave: 1.40%	2.00%	4.25%	2.00%	1.75%
ICAO	N/A	N/A	N/A	N/A	N/A	N/A
WHO	1.1% Europe 4.3% Americas 4.6% Other Countries	– Terminal payments: 2.8% – Special fund for compensations: 3.4% – – Accident and illness insurance: 0.6%	Not clearly specified.	Not clearly specified.	General inflation, plus 0.5% per year productivity growth, plus merit component.	2.2% Various rates applied considering various part of the world outside Switzerland
UPU	0.65%	0.65%	Not clearly specified.	3.50%	2.00%	Not clearly specified.
WMO	0.60%	– Repatriation: 3.40% – Annual leave: 3.20%	Not clearly specified.	Not clearly specified.	Not clearly specified.	Not clearly specified.
IMO	3.60%	Not clearly specified.	Vary according to age, gender and length of service	Not clearly specified.	Professional Staff: - 10.00% at age 20 - 4.9% at age 60 General Staff: - 7.8% at age 20 - 4.9% at age 65	3,40%
WIPO	0.75%	Not clearly specified.	Not clearly specified.	Not clearly specified.	Not clearly specified.	Not clearly specified.
UNIDO	1.94%	– Repatriation: 1.10% – Annual leave: 1.10% – End-of-service allowance: 1.10%	Not clearly specified.	4.77%	2.00%	Not clearly specified.
UNWTO	2.56%	– Annual leave: 1.88%; – End of service Benefit: 1.88%	Not clearly specified.	5.1% Initial 3.1% Ultimate Year	1.60% inflation rate + 0.50% productivity growth rate plus merit component	1.60%

Table 4. Capitalization thresholds in different agencies

Name of agencies	Equipment	Leasehold improvements
ILO	US$5000	US$50,000
UNESCO	$1000 Small Attractive Item (such as PCs, laptops, cameras, printers, personal digital assistants) for which a threshold of $300 or more per unit is applied	Not specified
ICAO	n/a	n/a
WHO	US$ 5000 (Property Plant & Equipment)	Not specified
UPU	CHF 1000	CHF 50,000
WMO	CHF 5000	Not clearly specified
IMO	£500, this threshold is not applied to library collections	Not specified
WIPO	CHF 5000	Not specified
UNIDO	EUR 600	Not specified
UNWTO	EUR 1500	Not specified

The above examples show that IPSASs allow too many possibilities for measurement. While, on the one hand, this may help provide a truthful representation of the management facts, on the other, it highly compromises *de facto* comparability of statements and financial information disclosed overall by the UN System organizations. Again, the IPSASs scenario allows only for a superficial or formal (*de jure*) comparability between these organizations, whereas the context of the UN System seems to require further and deeper *de facto* comparability, e.g. by auditors. This perhaps can only be reached with considerable additional cost.

Backing this statement, it is important to point out that some UN Agencies called the attention of the respective governing bodies to the need to draw up more precise implementation guidance for each standard (for more straightforward implementation), in order to support the introduction of IPSASs in the UN.[15] Only in this way would it be possible to achieve the main goal and key elements that translate into benefits for their own organization, derived from improved consistency and comparability of the financial statements.

The above analysis, once again, highlights the fact that broad guidelines, multiplicity of options and professional judgement in accounting policy choices, which are characteristics of IPSASs, jeopardize *de facto* comparability of financial information, especially 'in space' comparability. The findings point to the need to reduce the diversity of options and degree of required judgement, in order to improve financial comparability of UN Agencies, for enhanced transparency and accountability.

In the EU context, where comparability of Public Administration accounts across countries is of crucial importance, the evidence highlighted in this case study for IPSASs should be taken into account in the development of EPSASs.

6. Discussion and Conclusion

Comparability of financial information is considered to be one of the strengths of the accounting harmonization processes under IFRSs and IPSASs. However, focusing on the business sector, studies have evidenced that the desired comparability is not always attained, as IFRS harmonization effects are sometimes not as expected.

In the public sector, despite some literature on harmonization and IPSASs, the topic of financial information comparability has hardly been addressed. This research made an attempt to fill this gap. Financial information comparability across public sector entities and governments of different countries has been acknowledged as a crucial objective in the EU context, whose

Table 5. Useful life (years) considered in different agencies

Name of agencies	Buildings	Equipment	Communications and IT equipment	Vehicles	Furniture and fixtures	Machinery
ILO	15–150	5–10	Not indicated	Not indicated	Not indicated	Not indicated
UNESCO	15–50	5	4	5	5	Not indicated
ICAO	n/a	n/a	n/a	n/a	n/a	n/a
WHO	60	3	3	5	5	Not indicated
UPU	20–100	2–10	2–5	8	10 (chairs: 5)	Not indicated
WMO	15–50	5	3	5	8	5
IMO	Not indicated (building is leased)	7	3–5	4–7	5	Not indicated
WIPO	20–100	Not indicated (as equipment)	5	5	10	
UNIDO	15–100	Not indicated (as equipment)	3–7	3–10	5–12	4–15
UNWTO	50	5	5	10	12	10

macroeconomic and fiscal realities require a high level of convergence between fiscal, accounting and financial reporting practices. That being considered, this paper questions the comparability fostered through the IPSASs for the adequate development of EPSASs.

A preliminary analysis of the accounts of the UN Agencies in several parts of the world showed materiality of issues, such as non-current assets related to property, plant and equipment, and pension-related liabilities, indicating that comparability in these matters is sensitive.

The critical analysis of IPSASs related with those topics, as well as the empirical illustration, provided in this paper, helped to understand that IPSASs are not, in all cases, the right tools to reach *de facto* comparability in public sector accounting. When applied to a particular, albeit global, organization like the UN, IPSASs appear not to be sufficient to allow *de facto* financial information comparability.

One of the major critical issues is the flexibility provided by those standards, allowing for a high number of accounting treatments, and often requiring professional judgement for the choice of accounting policies. By adopting IPSASs as they are, GPFRs *de jure* 'in space' comparability is assured, but *de facto* (deeper and more substantial) comparability is compromised. For this reason, it is believed that the process of harmonization sought by IPSASs should be taken further (Adam, 2018). The comparability issue implies that when auditing and supervising bodies, for example, must compare IPSAS-compliant accounts across different entities in different jurisdictions, they may have to incur considerable costs to get additional calculations and information, in order to get *de facto* comparability, in substance. Considerable costs, in terms of time and expertise, sometimes burdensome for most types of financial report users, are further compounded when an entity decides to change the accounting principles or policies adopted. Despite IPSAS requirements to specify the consequences of such changes in the additional disclosures or explanations, these requirements can be interpreted as just a first step, which is still not enough to compare financial statements, 'in space' and *de facto*, in a material and substantial way. Based on the information disclosed, putting the data of different entities in sufficient consistency, often implies bearing costs that not everyone can handle. Therefore, not all users may be capable of comparing *de facto* data from different entities. Due to the costs, consistency is difficult to be achieved and comparability will not result automatically (Gordon & Gallery, 2012).

Accordingly, it comes clear that a harmonization process as that stemming from IPSASs is not enough to guarantee *de facto* comparability of public sector entities' GPFRs. Therefore, considering the EU context, where *de facto* comparability of financial information is deemed as necessary under EPSASs, at reasonable cost, IPSASs do not seem a suitable reference for EPSASs in terms of the level/type of comparability they allow financial information to reach. This also applies considering the link to the convergence criteria between Member States assessed on the basis of the National Accounts (Aggestam & Brusca, 2016; Bellanca & Vandernoot, 2014; Sforza & Cimini, 2017). Actually, although they are considered to be a good benchmark (European Commission, 2013a), IPSASs have largely been criticized for many things in the EU, almost since EPSASs started to be considered (e.g. Aversano et al., 2019; Caruana & Grima, 2019; Grossi & Steccolini, 2015).

In the EU, regional specific financial information requirements, namely to monitor fiscal convergence and support the Euro currency, require distinctive 'regional' standards (Aggestam & Brusca, 2016), extending international harmonization further. There seems to be a need to move towards more convergence and uniformity, i.e. undertaking a process beyond harmonization towards standardization and unification (Mussari, 2014), where there is a trend to reduce the diversity of behavior, while offering more specific guidance on information disclosure (Adam, 2018).

It is indeed clear that the European Commission, namely the Eurostat, wants to reduce diversity between Member States concerning public sector accounting systems and practice, which explains the whole EPSASs project. There will be a need to restrict options and judgement under EPSASs compared to IPSASs, as it has been acknowledged in the pilot EPSASs screening reports, especially in relation to IPSASs options. For example, regarding IPSAS 17 it is said that: '[I]n order to achieve consistent application of the new standard within the EU context and therefore better address the comparability objective of EPSAS financial statements, additional guidance and improvements in certain areas might be desirable' (PwC, 2019).

If IPSASs are to continue to be convergent with IFRSs, reducing options and professional judgement is unlikely to happen, again indicating that IPSASs may not be a good reference for EPSASs, as expected. EU public sector accounting policymakers must be aware of this.

This paper attempts to make several contributions to the literature. First, by providing a critical analysis of the IPSASs context, as per the evidence highlighted in the UN system agencies' accounts. Second, it helps to fill the gap in literature on public sector accounting, particularly regarding the study of comparability deriving from the use of international accounting standards. Third, the study points to potential policy implications, namely by telling the EU public sector accounting standard setters to not follow IPSASs so closely when drawing up EPSASs, as they may not lead to the expected results in terms of allowing *de facto* comparability between Member State public sector accounts. Eurostat seems to need to go one step further in harmonizing with IPSASs (allowing some formal convergence of standards) towards a process of public sector accounting system standardization (allowing for further convergence of practices when applying the standards), in order to achieve the much-desired comparability.

Despite the important contributions, this research presents some limitations. It broadly addresses the topic of financial information comparability in public sector accounting, using a 'desk case study' and with a very reduced number of illustrative examples: only the statement of financial position was considered, and the authors chose to focus on IPSAS 17 and IPSAS 39, in particular, on just a few situations that can lead to possible inconsistencies under these standards.

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Disclosure Statement

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Notes

[1]Refer, in particular, to paragraphs 89–100 of IPSAS 39.
[2]Refer to paragraphs 69–71 of IPSAS 39.
[3]http://www.un.org/en/about-un/index.html
[4]https://www.un.org/sg/en/content/role-secretary-general
[5]https://www.unsystem.org/content/who-we-are
[6]http://www.un.org/en/sections/about-un/funds-programmes-specialized-agencies-and-others/
[7]https://www.unsystem.org/content/ceb
[8]http://www.unsystem.org/content/structure
[9]http://www.unsceb.org/tags-fb/accounting-and-financial-reporting
[10]https://www.unsystem.org/content/task-force-accounting-standards
[11]https://www.unsystem.org/content/international-public-sector-accounting-standards-1
[12]In Table 1, for completeness reasons, receivables from exchange transactions were also included, considering that often it is not possible to assay whether each of the classifications presented refer specifically to non-exchange transactions; they might actually include receivables from both types of transactions.
[13]Considering that IPSAS 39 was published in July 2016, and applicable from January 2018, the accounts analyzed were still based on the superseded IPSAS 25. However, no significant differences exist regarding the matters under discussion in this paper.
[14]IPSAS 39 has not modified substantially the related paragraphs in IPSAS 25 (IPSAS 25.91-25.95 and IPSAS 39.85-39.88).
[15]See, for example, documents from UNESCO and WHO in http://www.who.int/about/resources_planning/ipsas-en.pdfhttp://unesdoc.unesco.org/images/0018/001869/186938e.pdf

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Appendix

	Name of agencies http://www.unsceb.org/members/specialized-agencies	Country	Link to financial statement of 2016	FINANCIAL STATEMENT PUBLIC AVAILABLE FOR YEAR 2016
1	International Labour Organization (ILO)	Geneva, Switzerland	http://ilo.org/wcmsp5/groups/public/—ed_norm/—relconf/documents/meetingdocument/wcms_552809.pdf	x
2	Food and Agriculture Organization (FAO)	Rome, Italy	———	N/A
3	United Nations Educational, Scientific and Cultural Organization (UNESCO)	Paris, France	http://unesdoc.unesco.org/images/0025/002592/259253E.pdf	x
4	International Civil Aviation Organization (ICAO)	Montreal (Quebec), Canada	https://www.icao.int/annual-report-2016/Pages/financial-overview-extracts-of-audited-financial-statements.aspx	x
5	World Health Organization (WHO)	Geneva, Switzerland	http://www.who.int/about/finances-accountability/reports/SHI_Report_2016.pdf	x

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	Name of agencies http://www.unsceb.org/members/specialized-agencies	Country	Link to financial statement of 2016	FINANCIAL STATEMENT PUBLIC AVAILABLE FOR YEAR 2016
6	World Bank Group (World Bank Group)	Washington, USA	https://financesapp.worldbank.org/en/summaryinfo/previous-financial-statements/	NOT IPSAS COMPLIANT
7	International Monetary Fund (IMF)	Washington, USA	https://www.imf.org/external/pubs/ft/quart/index.htm	NOT IPSAS COMPLIANT
8	Universal Postal Union (UPU)	Bern, Switzerland	http://www.upu.int/uploads/tx_sbdownloader/financialStatements2016En.pdf	x
9	International Telecommunication Union (ITU)	Geneva, Switzerland	———	N/A
10	World Meteorological Organization (WMO)	Geneva, Switzerland	https://library.wmo.int/opac/index.php?lvl=notice_display&id=19888#.WwxF-FIUncs	x
11	International Maritime Organization (IMO)	London, United Kingdom	http://www.imo.org/en/OurWork/Documents/Financial%20Statements/IMO%20Financial%20Statements%202016.pdf	x
12	World Intellectual Property Organization (WIPO)	Geneva, Switzerland	http://www.wipo.int/edocs/pubdocs/en/wipo_pub_finstatements_2016.pdf	x
13	International Fund for Agricultural Development (IFAD)	Rome, Italy	https://www.ifad.org/en/corporate-finance	NOT IPSAS COMPLIANT
14	United Nations Industrial Development Organization (UNIDO)	Vienna, Austria	https://www.unido.org/sites/default/files/2017-05/PBC.33_3_E_REPORT_OF_EXTERRNAL_AUDITOR_2016_1701756_0.pdf	x
15	World Tourism Organization (UNWTO)	Madrid, Spain	http://cf.cdn.unwto.org/sites/all/files/pdf/ce105_07_b_unwto_financial_report_and_audited_financial_statements_for_the_year_ended_31_december_2016_en.pdf	x
				10