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## EDITORIAL

# ‘The Challenging Task of Developing European Public Sector Accounting Standards’

GUEST EDITORS: SUSANA JORGE \*, JOSETTE CARUANA \*\* and EUGENIO CAPERCHIONE<sup>†</sup>

*\*University of Coimbra, Portugal, \*\*University of Malta, Malta and <sup>†</sup>University of Modena and Reggio Emilia, Italy*

The European Commission has embarked on the project to develop harmonised public sector accounting standards, that will be applicable for all EU member states (EC, Eurostat, 2013). According to Eurostat, the EPSAS are a necessary tool for fiscal and budgetary integration in the EU, and are required for more rigorous, transparent and comparable reporting of financial information (ibid.). The ultimate objective is to have more reliable reporting by EU member states, regarding the debt and deficit levels as required by the Maastricht Treaty (EC, Eurostat, 2017). In order for the EPSAS to achieve the ambitious target of being viewed as building blocks that could bridge the gap between micro- and macro-reporting levels, the input of various disciplines is required.

The EPSAS might be seen as a multi-disciplinary project, in which actors from different fields work together, each drawing on their disciplinary knowledge and methods, using a real synthesis of approaches. By their name, EPSAS would naturally involve the accountancy profession, i.e. the experts in the production and use of accounting information systems at micro-level. These would include auditors as well, for their role in ensuring that accounting systems and the ensuing financial reports are reliable. Since EPSAS are dealing with public financial management systems, the expertise of lawyers is also required, together with the practical knowledge of national budget-setters and policy makers. Given the intertwining of the micro- and macro-systems, the know-how of economists and statisticians cannot be referred to as an afterthought, but their disciplinary expertise needs to be taken into consideration at the outset. Such effort would be required so that there is conceptual harmonisation to the extent that the targets specified at both micro- and macro-levels use a common language.

This context constitutes a breeding ground for arguments and discussions, especially since national governments do not seem to perceive their reporting systems as static, and are always seeking ways to improve and innovate them (Brusca, Caperchione, Cohen, & Manes Rossi, 2015). The papers included in this Special Issue tackle matters at the very heart of this discussion, following qualitative methodological approaches. These pieces of research will offer some

enlightenment and contributions to the development of EPSAS, which should be considered by standard-setters and other stakeholders in the process.

The need for a concerted multi-disciplinary approach is, in fact, one of the requirements for the proper development of EPSAS that Caruana, Dabbicco, Jorge and Jesus identify in their paper. Their analysis of 20+ years of publications on this topic highlights how academics and practitioners discuss the same topics and issues, without any tangible co-operation between them. These researchers hail from various professions – not just accountants and statisticians, but also public administrators, lawyers and economists. The wealth of their combined knowledge would be priceless for the EPSAS project, but only if they are holistically involved. The other requirement of the development of EPSAS suggested by the authors is for the process not to lose sight of the particular characteristics of public sector accounting, which would place budgeting, rather than the balance sheet, at the heart of the process. Furthermore, whatever reporting requirements may be envisaged by the future EPSAS, the reliability of the reports can only be assured through proper audit procedures that secure the required public oversight. Otherwise, the arguments about concepts and objectives; the struggles of one profession to dominate the others – these would seem fragile and petty in the eyes of the citizens who may be observing the developments.

Indeed, after analysing different accounting conceptual frameworks, Haustein, Mann, Lorson and Oulasvirta conclude that the primary purpose of EPSAS should be accountability. The authors emphasise how important it is for the EPSAS developers to focus on accountability as the key objective in order to avoid arbitrary standards that would necessitate a high degree of subjectivity from the preparers. Financial reports and other data based on EPSAS need to ensure that EU member states are properly accountable to the EU Commission for how they are managing the finances of their economy in view of the agreements that exist between the EU jurisdictions.

The fact that EPSAS are being developed by referring to IPSAS may be undermining the importance of accountability as the primary objective. Being based on private sector accounting standards, IPSAS support the preparation of financial statements that aim to fulfil both accountability and decision making needs. As a result, sometimes the IPSASB appears to make extended manoeuvres in order to accommodate private sector concepts in public sector settings. This is evident from some preliminary views that the Board expresses in consultation papers that deal with accounting issues that are quite particular in the public sector. For example, revenue from non-exchange transactions cannot be dealt with through a private sector accounting lens without some ostensible difficulty. This is revealed by Bisogno, Aggestam-Pontoppidan, Hodges and Manes Rossi, following their investigation of the said IPSASB consultation.

Lowensohn and Kidwell take the view that whoever is interested in the IPSASB's consultations would also be interested in the EPSAS process, and therefore, the developers of EPSAS should pay attention to who actually is participating in the IPSASB's consultations. The authors observe lack of participation from EU member states, which should serve as an eye-opener to the EPSAS developers as to the lack of legitimacy that the IPSASB suffers from, in an EU context. In this respect, then, the EPSAS developers should pay attention when treading in the IPSAS footsteps.

Unlike the IPSAS, the future EPSAS should not have any legitimacy issues because it would be expected that they are enshrined in EU law. Some argue, however, that according to the current legislation the European treaties have to change in order to make the EPSAS legally binding in this way, and that this would not be an easy journey (Gröpl, 2014). It appears doubtful whether seeking legal legitimacy and imposing EPSAS is the best way to achieve harmonisation and ensure accountability by EU governments. Gaining recognition in the larger and more influential member states would seem to be a more rational way for the EPSAS project to proceed. This can only happen, however, if the benefits of the adoption of EPSAS become apparent, and outweigh the costs involved.

Despite the fact that the subject of harmonisation of public sector accounting and the interaction with macro-reporting has been widely researched, it seems that the arguments are still ongoing (e.g. Manes Rossi, Cohen, Caperchione, & Brusca, 2016). The papers in this Special Issue contribute to the debate by highlighting the challenges facing the process of the development of European standards, which may have policy relevant implications in order to obtain more transparent and comparable financial information across European countries.

## ORCID

Susana Jorge  <http://orcid.org/0000-0003-4850-2387>

Josette Caruana  <http://orcid.org/0000-0002-6099-1577>

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