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International Public Sector Accounting Standards (IPSAS) Implementation in the European Union (EU) Member States

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The aim of this paper is to analyze the implementation level of International Public Sector Accounting Standards (IPSAS) in the member states of the European Union (EU). After an introduction of the legislative framework in the EU and a review of the literature about the implementation of IPSAS in the EU member states, this paper classifies, on the basis of a survey, the states according to their formal implementation levels of IPSAS. It also analyzes the types of accounting (cash basis accounting, modified cash basis accounting, accrual accounting, and modified accrual basis accounting) used by the states studied. The survey shows that there are important disparities among the member states, both for the application of IPSAS and for the type of accounting that is used. Furthermore, it appears that even if IPSAS is not legally adopted in most European member states, there is a tendency to use modern accounting systems based on accrual accounting close to IPSAS.

Keywords: International Public Sector Accounting Standards (IPSAS) implementation, accounting standards, European member states, legal adoption process

Introduction

The main objectives of International Public Sector Accounting Standards (IPSAS) are the international accounting harmonization and comparability, as well as the improvement of the reliability and transparency of public accounts. Based on accrual accounting principles, these standards could be an opportunity for the European Union (EU) member states to modernize their existing accounting systems. The interest to establish such an accounting framework would especially be justified, since the sovereign debt crisis requires a tighter fiscal and accounting discipline and a greater control of public accounts.

The EU is very interested in the implementation of IPSAS and particularly the relevance of these standards to its members. These standards seem to occupy an increasingly important role in the current debate on the reliability and transparency of public sector accounts. Therefore, it seems interesting to study the compatibility between accounting systems used by the EU member states and IPSAS in order to assess the degree of process in implementing these international standards, which could be an effective tool for accounting harmonization, transparency, and better control of public sector accounts.

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Thus, this paper will first present the legislative context relating to the implementation of IPSAS in the EU, namely, the Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the member states. Then, it will summarize the various studies realized on IPSAS implementation by focusing on the EU member states. Afterwards, the methodology and results will be presented.

Thus, through a survey, this paper identified the level of implementation of IPSAS in the countries concerned (at local and central levels), focusing on the "formal" or legislative part of this implementation. Then, it shows the type of accounting established within local and central governments of each state. On the one hand, it appears from the investigation that the public accounting systems are heterogeneous not only among the member states but also within the same country. On the other hand, although many states use a "modern" accounting system similar to IPSAS, they are not, or very little, the subject of official legislative or regulatory measures.

IPSAS Implementation in the EU Member States

Legislative Framework

The Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the member states emphasizes, among other things, the importance of the availability of fiscal data (established according to the principles of European System of Accounts (ESA) 95) which must be updated and be reliable in order to ensure the transparency and the proper functioning of fiscal supervisory framework of the EU. Transparency and reliability are essential to the achievement of realistic macroeconomic and budgetary forecasts in respect of budgetary discipline imposed on member states by the Treaty on the Functioning of the EU.

Under this directive, *Eurostat*, the Statistical Office of the EU, must make "Evaluation of the adequacy, for the member states, of international accounting standards for the public sector"[1]. The objective is to assess the appropriateness of these standards for the EU member states and to analyze the situation in each country. The assessment report, conducted through a public consultation document (European Commission, 2012a) which every European citizen and organization could answer until May 11, 2012, has been the subject of a summary in December 2012.

This European Commission initiative forms part of the legislation on strengthening economic governance of the Europe "Six-Pack", adopted by the Council of the EU on November 8, 2011 and entered into force on December 13, 2011. The "Six-Pack" includes six legislative texts (five regulations and the directive cited above) aimed at making the economic governance more rigorous in the EU and stabilizing the European economy and fiscal discipline. Three of these five regulations were first adopted to reform the Stability and Growth Pact. Thus, prevention is enhanced through a more rigorous monitoring of the member states' budgets and with the introduction of sanctions in case of non-compliance with fiscal targets imposed by the EU. Moreover, corrective measures in case of excessive deficits are tightened. The last two regulations include monitoring and effective correction of macroeconomic imbalances. The directive sets, for its part, common standards for the global account of the EU economies.

The EU seems sensitive to IPSAS application by its members and closely follows the possible implementation of these standards. The Federation of European Accountants also hopes that:

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[1] Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the member states, Art. 16. *Official Journal of the European Union*.

> The European leaders and those of public administrations and organizations which already have adopted similar standards encourage others to do the same, helping to increase the transparency, clarity, and comparability of financial reporting in the public sector in Europe and around the world. (European Commission, 2008, p. 2)

Moreover, the EU experienced an accounting reform in 2005 which led to a dual system of accounting based on budgetary accounting and general accounting (accrual accounting) and is now preparing its financial statements under the rules of accrual accounting inspired by IPSAS or International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS). These accounting standards adopted by the accounting officer of the commission must be implemented by all EU institutions and bodies within the scope of consolidation and, in order to establish harmonized rules of accounting, evaluation, and presentation[2].

Literature Review

In Europe (and on a global scale), public finance accounting systems vary not only among countries but also within the same country, from a level of power to another. Thus, there is a certain degree of heterogeneity of the rules and financial reporting. It is possible to classify public accounting systems into two categories: “Anglo-Saxons” accounting systems and “continental” accounting systems (Pina & Torres, 2003; Torres, 2004). The first category, including the United Kingdom, Australia, New Zealand, the United States, and Canada, corresponds to an approach based on the private accounting model that focuses on efficiency and effectiveness. Consequently, the adopted accounting system provides more accurate information, affected by rules in force for the private sector. The “continental” accounting system is not as sensitive to the private sector principles, and the budget remains the principal tool of the accounting system. This culture is present in Belgium, France, Germany, Greece, Portugal, Spain, Italy, and Switzerland. In addition, a Scandinavian tradition exists and is a hybrid form that combines both approaches. That is the case for Denmark, Finland, Sweden, and the Netherlands.

Traditionally, public accounting is a cash basis accounting, invented 250 years ago in Austria and established for the first time in Austria, Belgium, Finland, and Germany (Lüder, 2002; as cited in Organization for Economic Cooperation and Development [OECD], 2004). This system does not record some economic events and, therefore, does not provide information on management of debt and state assets (Lüder & Jones, 2003). However, in recent years, the development of accrual basis accounting and general accounts, inscribed within the broader framework of “New Public Management”, has been observed in several countries, including the EU. As mentioned above, IPSAS is also an opportunity to modernize the public sector and its implementation represents a major challenge for the success of this reform, particularly in Europe.

Various studies have been conducted on IPSAS implementation in many countries. Their aim is to develop a typology of the various studied countries according to the compliance of their accounting systems with IPSAS. Focusing on the EU member states, this paper will provide a description of the results of the abovementioned studies for these countries.

A study of Benito, Brusca, and Montesinos (2007), based on a 2003 survey sent to 30 countries (for most members of the OECD), shows that there is a great diversity among the countries studied in terms of compliance with the IAS[3]. Regarding the EU, Sweden, Portugal, the United Kingdom, and the Netherlands each has a high index of compliance (more than 70%) with IPSAS (for central and local governments). France and Italy do not comply very much with these standards (compliance index below 50%). Finland, Spain, and Belgium correspond

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[2] Retrieved from http://www.ec.europa.eu/budget/library/biblio/publications/2011/eu_annual_accounts_2011_en.pdf.

[3] The compliance index with IPSAS has been measured at both central and local levels for each country.

to an intermediate group of countries with a compliance index between 55% and 65% in accordance with IPSAS. As for Austria, the study reveals a small compliance index with IPSAS (less than 50%) at the local level, while the accordance with IPSAS at the central level exceeds 55%.

Thus, countries, which are the most in accordance with IPSAS, use a full accrual accounting, provide a lot of information, and draw up consolidated accounts. Nevertheless, the study shows that the accounting systems are very different from a country to another and that they do not really comply with IPSAS. The average compliance index is about 60% for local and central governments.

According to sources of 2008 (des Robert & Colibert, 2008; International Public Sector Accounting Standards Board [IPSASB], 2008), we could classify countries into five categories depending on their degrees of progress for IPSAS implementation. The studied EU member states are classified as follows:

(1) The first category: Slovakia, the country whose government wants to adopt IPSAS and has already started to reform its accounting system;

(2) The second category: Cyprus, Hungary, and Latvia, the countries whose governments have already begun a process of IPSAS implementation and have amended their legislations;

(3) The third category: France and Italy, the countries which started to adopt IPSAS in 2006;

(4) The fourth category: None of the EU countries belongs to this category. It refers to countries for which the IPSAS adoption is complete;

(5) The fifth category: Great Britain; the accounting system used by the government is compliant with IPSAS.

A study carried out by Christiaens, Reyniers, and Rollé (2010) in the EU shows that countries and entities that are globally in accordance with IPSAS are Latvia, Sweden, and the United Kingdom (for central and local governments) as well as France (at the central level only). At the local level in Belgium, Flanders globally complies with IPSAS. The central government in the Netherlands uses cash-based accounting but is planning to implement IPSAS in the near future. Other studied countries use a cash basis accounting system (planning or not to move from this system to accrual basis accounting) or use accrual basis accounting that is not in accordance with IPSAS. These include Denmark, Finland, Portugal, and Spain (for local and central governments) as well as Austria (for central government). About local governments only, France, the Netherlands, and Wallonia also use accrual accounting that does not meet IPSAS requirements.

Results of these various studies are sometimes conflicting, in particular for France, the Netherlands, and Portugal which are placed differently on the rating lists. It is important to note that since these studies have been carried out at different times and the accounting systems for each country have changed, the analysis of these systems leads to different results. Moreover, the criteria for the analysis and the classification are certainly different from a study to another, which makes it difficult to compare the results. However, these criteria allow us to affirm that the most advanced European countries in the implementation of IPSAS are the United Kingdom and Sweden. Indeed, accounting systems of these countries are, at both local and central levels, broadly compliant with IPSAS. As regards Belgium, Benito et al. (2007) argued that at the local level, the compliance index is around 55%, while central government uses only cash basis accounting. A survey carried out by Christiaens et al. (2010) placed Flanders within regions which globally comply with IPSAS, while Wallonia uses an accrual-based accounting system which does not comply with IPSAS. At the central level, this study also claims that the government uses cash basis accounting but is planning to introduce accrual-based accounting (not in accordance with IPSAS). According to Khrouz (2007), the federal state and the regions (except the Brussels-Capital Region) do not use an accounting system in compliance with IPSAS. Local authorities, for their part, are in accordance with IPSAS 1 (Presentation of Financial Statements).

Methodology

The studies mentioned above provide an overview of IPSAS implementation, particularly in the EU, at different times, the most recent dating from 2010. Public accounting is constantly changing, and it is obvious that the accounting systems have been upgraded since then, especially given the growing importance of IPSAS, particularly in Europe.

This paper focuses on the accounting systems used by different member countries of the EU. For this purpose, a questionnaire was sent, mainly electronically, to various competent authorities and various scientists working in the field of public accounting in the 28 member states. Eleven answers were obtained (corresponding to nine countries).

On the one hand, the aim of this survey was to measure the current level of IPSAS implementation in each country (at local and central levels) focusing on the legal framework. On the other hand, the study attempted to identify the type of accounting really used in each country (at local and central levels). To ensure consistency and harmonization of the results, several suggestions for each question were proposed.

The classification proposed about the implementation level of IPSAS is as follows:

(1) Level 1: No action was undertaken to adopt IPSAS and there is no project about that;

(2) Level 2: No action was undertaken to adopt IPSAS but such adoption is currently under discussion;

(3) Level 3: IPSAS is being adopted, the legislative process is undertaken, and public entities partly apply these standards;

(4) Level 4: IPSAS is adopted, the process is completed, and public entities apply these standards.

Respondents had the possibility to add comments to describe the eventual differences between the local and central levels and to describe the legislation adopted.

To analyze accounting systems used by public entities, the respondents had to choose, from the following propositions, the one that best describes the system they use (for local and central governments):

(1) Cash basis accounting (method that records revenues and expenses when cash is received or paid out);

(2) Modified cash basis accounting (“hybrid” method that is mainly based on cash basis accounting but that uses some specific elements of accrual basis accounting, such as accounts receivable at the end of the year);

(3) Accrual basis accounting (method that records revenues and expenses when they occur, regardless of when they are received or paid);

(4) Modified accrual basis accounting (method that is mainly based on “full” accrual basis accounting but with specific differences, such as the fact that it does not take into account some assets and liabilities classes).

If the accounting system, currently used by public entities, did not meet any of the methods described above, it was asked to choose the accounting system which was the closest of the one used and specify the differences with this one.

Thus, on the basis of the explanations given by the respondents, sometimes completed by the literature existing about the accounting systems in the countries studied, this paper describes the present level of IPSAS implementation in each EU member state studied and analyzes the accounting systems used within the central and local governments of these countries.

Results

On the first part of the survey, the results can be summarized as follows (see Table 1).

Table 1

IPSAS Implementation Level in the EU Member States

Present level of IPSAS implementation		Country
Level 1	No action was undertaken to adopt IPSAS and there is no project about that.	Austria (local level), Belgium (central level), Finland, France, Italy, the Netherlands, Portugal, the United Kingdom, and Sweden
Level 3	IPSAS is being adopted, the legislative process is undertaken, and public entities partly apply these standards.	Austria (central level) and Belgium (local level)

Thus, most of the EU member states have not yet taken any action to adopt IPSAS and do not plan to do it. This observation is valid both for central and local governments, except for Austria and Belgium. Various factors related to the characteristics of IPSAS and its difficulties of implementation may explain the reluctance of countries to adopt such standards. This point will be developed further.

As mentioned above, the implementation of IPSAS by Austria varies between the levels of power. Indeed, at the local level, this country is not involved in the process of implementation of these standards (except for one land which is reforming its accounting to implement an "oriented IPSAS" system, similar to the one used by the central government). At the central level, IPSAS is being implemented. IPSAS is used as a framework, but only those considered relevant for the country are used. Non-applicable standards have been excluded, and partially applicable standards are not fully adopted. As emphasized by Steger (2010), the Ministry of Finance wants to focus on the real benefits that each standard can bring and discard those that seem useless or too complex.

In Belgium, only some of the Flemish local entities apply an accounting system in accordance with IPSAS. Indeed, these standards are the bases of their policy and management cycle, according to the "*Besluit van de Vlaamse Regering betreffende de beleids-en beheerscyclus van de gemeenten, de provincies en de openbar centra voor maatschappelijk welzijn*" (June 25, 2010; as cited in Ghysels, 2012), a decree which will come into force by January 1, 2014. The accounting reform in 2003 about the organization of budget and accounting of the federal state and the Law of May 16, 2003[4] laying down general provisions on budgets, control of subsidies and accounting communities and regions, as well as the organization of the control of the Court of Audit came into force in 2012 and refers to private accounting but takes no initiative for IPSAS.

In Portugal, the IPSAS is not used. Nevertheless, the Portuguese Accounting Standardization Commission has mentioned the need to have an accounting system based on IPSAS for financial statements of public entities. Portugal is currently translating IPSAS, and a working group within the Accounting Standardization Commission plans to create a "system of accounting standardization for the public sector" based on IPSAS and the international private accounting standards (IFRS). No deadline has been set but according to experts, by 2014 or 2015, the new system should be implemented in accordance with the instructions of the EU.

The Netherlands is not currently engaged in any policy harmonization or convergence with IPSAS. However, a debate is open on the appropriateness of the use of these standards as a framework for the Netherlands. In this context, seminars on IPSAS are organized for various stakeholders in public accounting, such as the Dutch Accounting Standards Board and the Accounting Committee of Municipalities and Provinces. The Netherlands Institute of Accountants also often organizes seminars and training.

[4] Law of May 16, 2003 laying down general provisions for budgets, the control of subventions, accounting of communities, regions, and the Court of Audit's organization. June 25, 2003, *Moniteurbelge*.

According to our survey, the United Kingdom has taken no action to implement IPSAS. However, central and local governments use accounting in accordance with IFRS. This makes the transition to a system based on IPSAS less radical than in other European countries. Projects to compare IPSAS and the existing accounting systems were conducted, but there is no formal measure for the adoption of these standards.

In Sweden, although public accounts have been prepared in accordance with the accrual accounting standards for over 20 years and are strongly influenced by IPSAS, the country has not explicitly implemented these standards.

According to our survey, France is at the first level of the classification. Therefore, France does not take any action to adopt IPSAS and nothing is currently planned in this field. However, since 2006, new accounting standards inspired by IPSAS are applied (organic law concerning finance laws (LOLF)).

Finland does not apply IPSAS in local government, and although preliminary analysis has been made by the government's accounting board, these standards will not be applied at the central level as long as they will not be complete (Vinnari & Näsi, 2008).

The results are different from previous studies, but the angle chosen in this paper to analyze the implementation of IPSAS in the EU member states differs from the one used by most studies. Indeed, this study focuses on the formal implementation of these standards. Thus, it seems that most countries are not engaged in a legal adoption process. However, we can say that Sweden and the United Kingdom have a modern accounting system, based on IPSAS, which is in accordance with the studies cited above.

So it seems useful to consider, in addition to "formal" IPSAS implementation by the EU member states, what kind of accounting is used by them in order to refine the analysis and to know to what extent the accounting system implemented within each country is (or not) close to the IAS.

Table 2

Accounting Systems Used by the EU Member States

Accounting system currently used by the central government	Country
Cash basis accounting (method that records revenues and expenses when cash is received or paid out).	Italy
Modified cash basis accounting ("hybrid" method that is mainly based on cash basis accounting but that uses some specific elements of accrual basis accounting, such as accounts receivable at the end of the year).	Portugal, Finland, the Netherlands, and Italy
Accrual basis accounting (method that records revenues and expenses when they occur, regardless of when they are received or paid).	Portugal, France, Austria (since 2013), the United Kingdom, Sweden, and Belgium
Modified accrual basis accounting (method that is mainly based on "full" accrual basis accounting but with specific differences, such as the fact that it does not take into account some assets and liabilities classes).	Austria (until December 31, 2012) and Belgium
Accounting system currently used by the local government	Country
Cash basis accounting (method that records revenues and expenses when cash is received or paid out).	Italy
Modified cash basis accounting ("hybrid" method that is mainly based on cash basis accounting but that uses some specific elements of accrual basis accounting, such as accounts receivable at the end of the year).	Portugal and Austria
Accrual basis accounting (method that records revenues and expenses when they occur, regardless of when they are received or paid).	Portugal, France, the United Kingdom, Sweden, the Netherlands, and Belgium
Modified accrual basis accounting (method that is mainly based on "full" accrual basis accounting but with specific differences, such as the fact that it does not take into account some assets and liabilities classes).	Finland and Belgium

Note. Some states are mentioned several times in this table, due to the uncertainty of the respondents about their positions.

Regarding the analysis of accounting systems used within the central and local governments, our survey shows the following results (see Table 2).

In accordance with the literature, some differences of accounting systems can be observed within the countries and among them.

According to our survey, the Austrian central government has used, since 2012, modified accrual basis accounting (and is planning to adopt an accrual accounting system), while the local government is working with modified cash basis accounting. These results are close to those obtained by Christiaens et al. (2010). In 2007 and 2009, the Austrian Federal Parliament voted an important budgetary reform. The first step of this reform, implemented in 2009, was to introduce a medium-term expenditure framework and more flexibility for departments. The second step, which is coming into force, also forecasted the introduction of accrual accounting, applied to the general accounting and the budget (Steger, 2010).

Sweden is currently using accrual accounting in both national and local governments. Indeed, the country has met the principles of accrual accounting in its central government for 20 years. The system in place is very influenced by IPSAS and other similar standards. This result is confirmed by the literature (Mattison, Paulson, & Tagesson, 2003; as cited in Lüder & Jones, 2003; European Commission, 2008).

According to our survey, the United Kingdom also uses accrual accounting at both local and central governments. The British government began its accounting reform in 1995 to establish an accounting system based on accrual accounting (Livre Blanc "Resource Accounting and Budgeting in Government"). This reform aims to introduce more efficient management and greater accountability of departments. The principles of accrual accounting for the budget and the annual accounts were introduced into the "Government Resources and Accounts Acts" (GRAA) in 2000 (OECD, 2004). Therefore, in April 2001, the British government adopted an accounting system based on transactions (accrual accounting) (OECD, 2004). This reform, which ended the principle of cash basis accounting, puts the United Kingdom among the leaders of the public sector accounting reforms (Scheers, Sterck, & Bouckaert, 2005).

In Finland, the idea of accrual accounting was introduced in 1988 (OECD, 2004), and according to Blöndal, Kristensen, and Ruffner (2002), the country uses this type of accounting to establish annual accounts while the budget is based on a combination of systems of cash and accrual accounting. The results provided by our survey show that Finland uses a modified cash basis accounting at local government and modified accrual basis accounting in local entities. Vinnari and Näsi (2008) stated that the Finnish local government adopted in 1997 an accounting reform leading to the model of accrual accounting which is, however, different in some aspects from the one used in the private sector. However, our result for the central government is surprising as, according to a more recent source (European Commission, 2008), Finland prepares its consolidated financial statements in accordance with the principles of accrual accounting. Finally, we can say that the Finnish authorities are in favor of the full use of general accounting.

In France, accounting for central and local governments is kept on an accrual basis and therefore respects the principle of accrual accounting. Initially, French government accounting was a cash basis accounting kept on a "single-entry basis". Double-entry accounting began in 1957 and the process was completed in 1960. However, the principle of cash basis accounting is still in application.

In 1999, the government decided to implement a system of accrual accounting giving a picture of fixed assets, receivables, and payables (Lande & Scheid, 2003; as cited in Lüder & Jones, 2003). In 2004, the LOLF was adopted. This law came into force in 2006 and describes the principles regarding the content, preparation, adoption, and reporting of public accounts and aims to establish accrual accounting (Art. 30) (OECD, 2004). Therefore, the current accounting system of French public entities is similar to the one in force in the private sector with some differences due to the particularity of the public sector. For example, as outlined in the response to our survey:

> Some specifics related to the recovery, including products related to income tax, tend to impose an accounting adapted to the calendar in order to know with certainty the basis of assessment. However, these constraints calendars do not affect the quality of bookkeeping nor their sincerity. This is evidenced by the renewed certification of the accounts of the state since 2006.

It is worth noting that in November 2012, the French government adopted a comprehensive regulation on public financial management and accounting and financial control within government departments (Decree No. 2012-1246, November 7, 2012). This decree focuses, amongst other things, on the application of Securities and Exchange Commission (SEC) standards, the use of budget accounts, and general accounts based on accrual accounting, control, and internal audit.

The results of our study show that Portugal accounting systems used by governments are quite heterogeneous and sometimes combine the principles of cash and accrual accounting. The Portuguese government introduced accrual accounting in 1997, but only a few departments have set it up so far. In 2008, the government decided to introduce the principle of accrual accounting in the public administration by the introduction of software "Rede Integrada de Gestao Orçamental e dos Recursos de Estado" (RIGORE) (Curristine, Park, & Emery, 2008). Currently at central and local levels, the accounting system in place is an integrated system consisting of budget, financial statements, and management accounts in accordance with accrual accounting. This applies to local government (municipalities) and autonomous central government entities (universities, public schools, hospitals, etc.).

However, some departments of the central government do not have the financial independence, such as cabinets and some government agencies which are still working with cash basis accounting only. Concerning other entities (including local government), the current system can be described as a hybrid system, combining the principles of modified cash basis accounting for the budget (recognition of spending commitments) with those of accrual accounting for the financial statements and management accounting (including the identification of goods in the public domain and the allocation of costs by functions, activities, and projects).

In Italy, the central government is currently using the cash and accrual accounting method in which revenues and expenses are recorded when they are earned (when the right to receive money arises) or incurred (when the obligation to pay arises). Local governments also combine cash and accrual basis accounting systems. While budgets are based on accrual accounting, annual financial statements are prepared in accordance with the principles of cash and accrual basis accounting.

Traditionally, the budget and the financial statement[5] are prepared on cash basis accounting and based on obligations[6]. It is a system of single-entry bookkeeping that records financial transactions. In 1997 (Law of 3 April 1997, Decree of 7 August 1997, or Decree Lgs 279/97), the government decided to add accrual accounting to the traditional cash accounting system. The structure of accounts and the purpose of accounting

[5] The Annual General Statement of the national government (*Rendiconto generale dello Stato*) includes the financial statement and the state of assets and liabilities (*Conto generale del Patrimonio ou Rendiconto patrimoniale*), which shows the variation of assets and liabilities and the situation at the end of the year.

[6] An expenditure is recorded when the administration has a legal obligation.

entries are specified, but no procedure is described, which currently makes the reform uncompleted (Mussari, Grossi, & Castelnuovo, 2002; as cited in Lüder & Jones, 2003). In 1995, a decree reforming local government accounting was adopted (Decree Lgs 77/95). This decree encourages, among other things, the adoption of accrual accounting (without mandating it) in order to complete the accounting system originally based on the principles of cash and commitment. Indeed, until then, accounting for local government entities was limited to budget accounting whose main objective is to limit spending. However, the prescriptions of the Decree 77/95 are very general, and accounts and budgets of local governments do not fully comply with accrual accounting (Anessi-Pessina & Steccolini, 2007; Caccia & Steccolini, 2006).

In the Netherlands, it can be considered that the accounting system at the central government corresponds to modified cash basis accounting. The system used at the central level can be described as an "integrated system of cash and commitments", because it consists of two systems: one based on commitments and the other based on cash accounting. In 1994, the creation of agencies, semi-independent public entities, was the first step towards an accrual accounting system. These agencies must keep their accounts and budgets according to the principles of accrual accounting. In 2000, the Ministry of Finance announced the government's intention to introduce accrual accounting for the budget, replacing the existing cash accounting (Blöndal & Kristensen, 2002; Bac, 2001; as cited in Lüder & Jones, 2003). Currently, accrual accounting is used by a significant proportion of central government agencies, autonomous administrative authorities, and legal persons doing legal duties. About the Dutch local entities, accrual accounting appeared in 1979 for the provinces (with application in 1985) and in 1982 for municipalities (with application in 1985) (Bac, 2001; as cited in Lüder & Jones, 2003). Accounting and budgetary current standards came into force in 2004 and respect the principles of accrual accounting.

Finally, in Belgium, accrual accounting, and sometimes, modified accrual accounting are used, by the federal state, the Flemish, Walloon, and Brussels Capital Regions, the French, Flemish, and German-speaking communities, and at the local level[7], by the Brussels and Walloon entities. As mentioned above, the Flemish local entities apply an accounting system in accordance with IPSAS and therefore based on the principles of accrual accounting. Originally limited to cash budgetary accounting, the public accounting system evolved, and the various modifications have led to proposing a system of accounting in two parts: budgetary accounting and general accounting on an accrual basis, inspired by the one used by the private companies. Local government was the first to implement such a system (1995 for the municipalities, 1997 for the public social welfare centers, and 2003 for the provinces). The Brussels Capital Region reformed its accounting system in 2006, while other entities are currently upgrading their accounting systems. The Law of May 22, 2003[8], concerning organization of the federal government's budget and accounting system, introduced a system of accounting that combines general accounting and budgetary accounting, based on the principles of accrual accounting. Concerning regions and communities, the Law of May 16, 2003 also provides that communities and regions hold general accounting. The implementation has been delayed several times and was finally set at January 1, 2012.

At the end of this analysis, it can be said that IPSAS is not currently the subject of official measures to promote their application in the EU member states, with some exceptions (for Austria at the central level and Belgium in some Flemish local entities). However, accounting systems used by the studied countries are

[7] Local entities include provinces, municipalities, and public social welfare centers.
[8] Law of May 22, 2003 on the organization of the budget and the accounting of the federal state. July 3, 2003, *Moniteurbelge*.

sometimes close to the requirements of international standards. It is the case of Sweden and the United Kingdom. So, the adoption of IPSAS is often *de facto* rather than *de jure*, since most of the countries surveyed use a "modern" accounting system meeting some IPSAS requirements, without necessarily having a legislative or regulatory framework related to IPSAS. Chan (2010) also showed that some commonwealth countries (Australia, Canada, New Zealand, and the United Kingdom) have not developed a specific legislation to adopt IPSAS, as the governments of these countries are already using similar standards. In 2012, the United Kingdom is still in this logic. It is worth noting that according to the OECD, in general, countries based on Westminster model and Scandinavian countries are less likely to use a law to establish a budget or accounting reform than continental European countries.

Our study also reveals that the diversity of accounting systems is observed not only among states but also within the same country, which sometimes makes it difficult to classify the countries. This is the case for Belgium, Italy, and Portugal, for example.

Debate

While some countries are actively trying to modernize their accounting methods, others use more traditional public accounting systems without showing a real willingness to change, especially in terms of IAS. In the literature, accrual accounting usually appears as a key element of modern public management. It helps making government accounts more transparent and providing more complete information. This improves, among other things, decision-making at the government level and makes them more responsible. However, its usefulness in the public sector is sometimes questioned due to its specific characteristics. Thus, is accrual accounting actually appropriate to public entities whose purpose is primarily social or governmental (Christiaens & Rommel, 2008)? According to the authors, the conceptual accounting framework for private companies is incompatible with public sector activities. Indeed, the characteristics of the public sector require information that sometimes diverges from the accounting information required in the private sector. From this perspective, we can also wonder whether the IPSAS, based on the principle of accrual accounting, meets the needs of the public sector and whether it is relevant.

Several advantages may be associated with the implementation of IPSAS for public entities, including accounting harmonization, which allows better comparability of accounting systems in the world, the ability to use "preconceived" standards created by the most competent body in the field (IPSASB) rather than creating its own standards, and the possibility to consolidate financial statements. Moreover, these standards also aim to significantly improve the quality of financial information for a wide audience to improve decision-making regarding the allocation of resources, to ensure more transparency, and to increase the accountability of decision makers (Vlaamse Regering, 2010). The application of these standards could also improve the functioning of budgetary surveillance in the EU, as well as governance by providing consistent, clear, and concise accounting information comparable from one country to another. In addition, IPSAS could also be useful and provide an "input" for future developments in terms of audit in the public sector (European Commission, 2012b).

However, does IPSAS meet the expectations and requirements of the public sector, particularly in the EU member states? Can it ensure the transparency, necessary to good reporting and auditing? The public consultation conducted by *Eurostat*, on behalf of the European Commission, regarding the suitability of IPSAS for the EU member states, also covers the disadvantages of these standards. The analysis conducted in the context of this article also highlights the various obstacles to the implementation of IPSAS and the reluctance of states against these standards. Moreover, the expensive and tedious process of implementation, the abstract and complex nature of these standards, the lack of treatment of some public sector specificities, and the irrelevance of accrual accounting in political discussions are many arguments questioning these accounting standards.

Thus, the usefulness and relevance of IPSAS are not unanimous. Indeed, while for some, these standards are not at all suited to the public sector, others think that these high-quality standards meet the specific needs of this sector. Public authorities and other public bodies are mainly in disfavor of IPSAS, while experts from large audit firms or organizations or institutes active in the field of accounting are in favor of these standards.

Conclusions

The question of the use of IAS for the public sector is very active in the current debate on the reliability, consistency, and transparency of government accounts. IPSAS is the reference in terms of international accounting harmonization, but its use is not (yet) required. However, various supranational organizations, such as the EU, support these standards and are interested in their development and their relevance for the member states.

Within the EU, public accounting systems differ from one country to another and, while states such as the United Kingdom, Sweden, and France use accrual accounting, others are still working on a cash basis. This is the case of Italy, for example. However, in the EU, there is a tendency to use modern accounting systems based on accrual accounting close to IPSAS. This is a good point, because it should foster transparency and so improve governance and management of public funds. But the implementation of these standards, *stricto sensu*, is currently almost non-existent, since most member states have not adopted a specific legislation to implement these standards.

In addition to the reluctance of governments to face a costly and time-consuming implementation of international standards, we could also think that “advanced” accounting systems used in most central and local governments already meet the goals of transparency and reliability defined by the Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the member states. Moreover, the debate about the establishment of European Public Sector Accounting Standards (EPSAS) is increasingly present.

This article provides a picture of the implementation of IPSAS in the EU member states using a different approach than previously conducted studies on this subject. It focuses on the “formal” application of these standards, which shows that the willingness of governments to change their accounting legislations is not really present, although some states use accounting systems close to IPSAS. However, the relatively low response rate to the survey is a weakness and affects the completeness of our findings. A future article incorporating additional data could lead to a more exhaustive analysis and more robust conclusions.

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