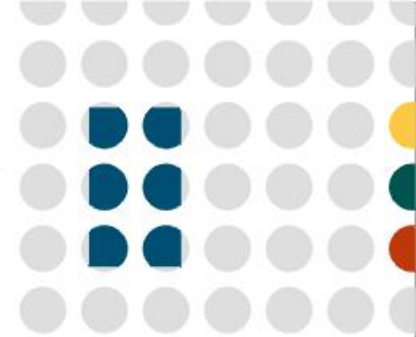


Regulation of Public Sector Accounting in Lithuania: Influence of International Public Sector Accounting Standards

Ingrida Muckutė
Ministry of Finance

AGENDA

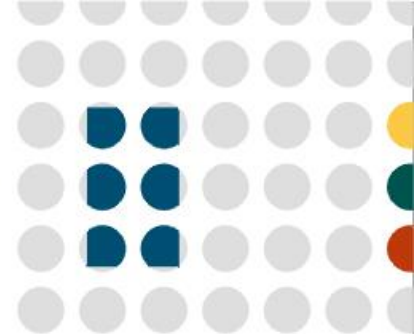
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- IPSAS in EU *acquis* and national legal acts
- EU initiatives:
 - Objectives
 - Study on suitability of IPSAS;
 - Transition to accrual accounting in EU: Impact assessment;
 - Approaches to Transition
- Comparison of IPSAS and Lithuanian public sector accounting and financial reporting standards (LPSAS)

PROVISIONS IN LEGAL ACTS

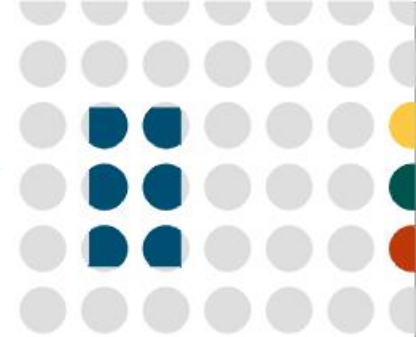
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- LPSAS are prepared in accordance to IPSAS and other materials prepared by IPSAS Board (Recommended Practice Guidelines)
 - (Article 3 in the Accounting Law.)
- By 31 December 2012, the Commission shall assess the suitability of the International Public Sector Accounting Standards for the Member States.
 - (COUNCIL DIRECTIVE 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States)

Objectives of Financial Reporting in Public Sector

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Harmonized Accounting and Financial Reporting

Completeness of information

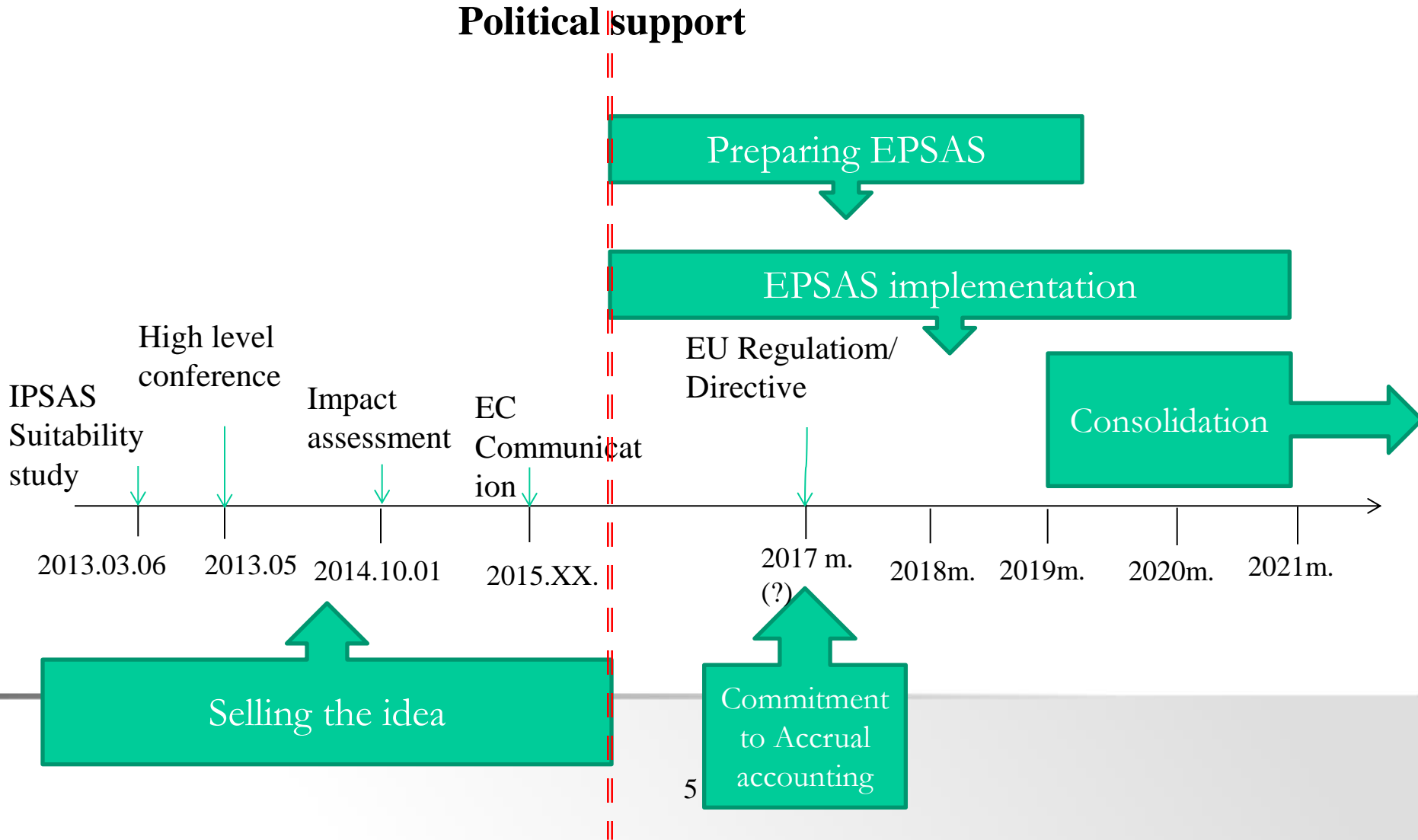
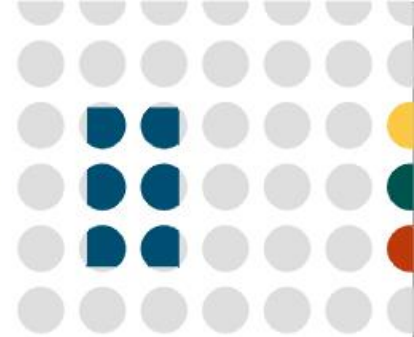
Comparability of information

Transparency

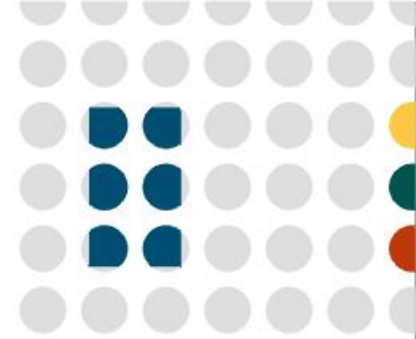
Fiscal stability and better accountability

EU initiatives: Plan at 2013

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Study on suitability of IPSAS^{MINISTRY OF FINANCE}

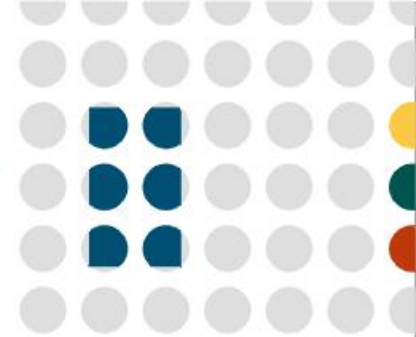


Main conclusions:

- **IPSAS cannot easily be implemented in EU Member States as it stands currently:**
 - Possibility to choose between alternative accounting treatments;
 - Public sector specific areas still not covered by IPSAS;
 - insufficient participation from EU public-sector accounting authorities in IPSAS governance
- **IPSAS standards represent an indisputable reference for potential EU harmonised public sector accounts (EPSAS)**

Impact assessment

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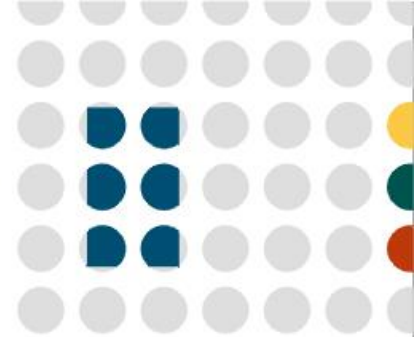


On 1 October 2014 EC published a study assessing the economic and social impacts of the proposed EPSAS reform:

- 1) assess the costs and benefits of EPSAS implementation at EU level;
- 2) analyse application of IPSAS by the Member States;
- 3) provide recommendations on the way forward

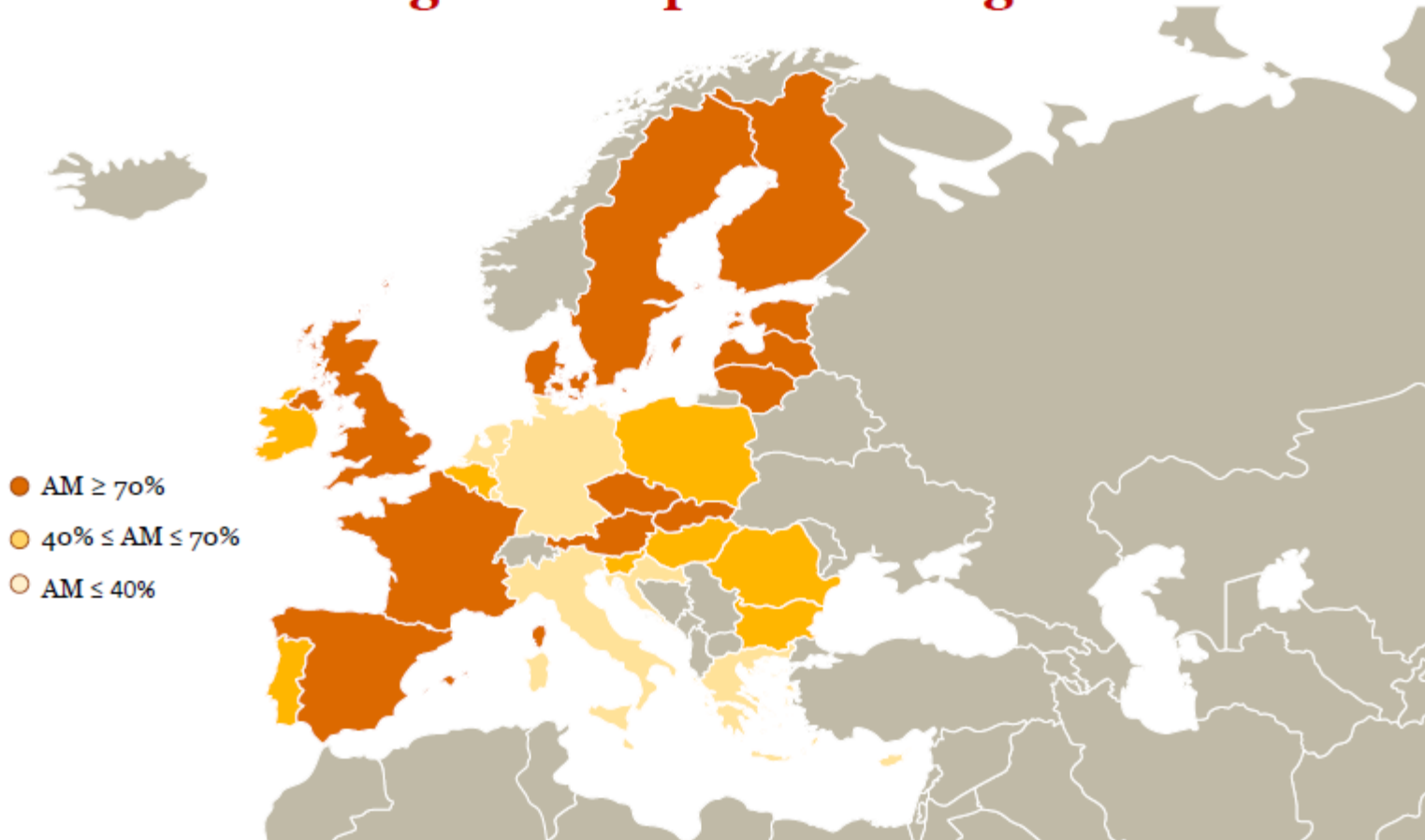
Accounting and IT maturity in EU

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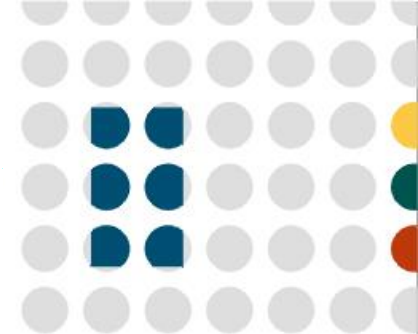
Accounting and IT maturity

EU accounting landscape - central governments



Accounting maturity by country and government sector

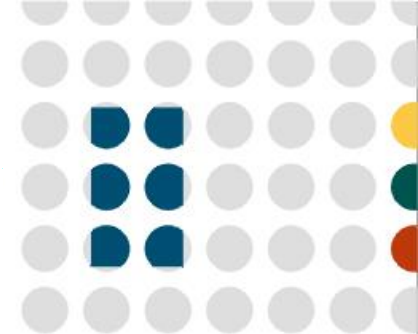
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Country	Central	Local	Social Fund
1. United Kingdom	96	95	-
2. Estonia	92	92	86
3. France	89	84	92
4. Lithuania	88	88	72
5. Sweden	81	81	71
(...)
26. Luxembourg	19	31	15
27. Cyprus	14	75	17
28. Greece	12	12	12

IT maturity by country and government sector

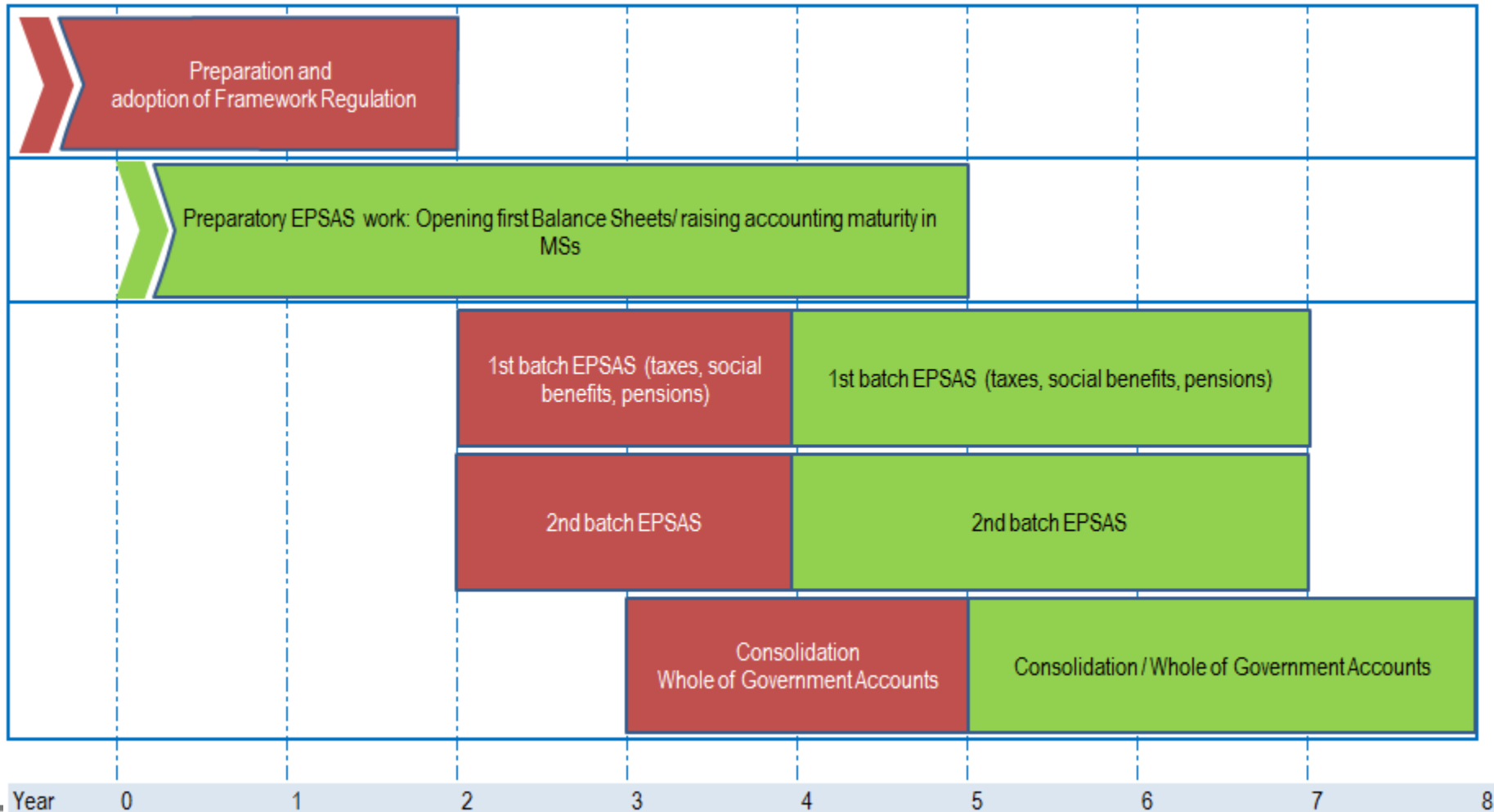
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Country	Central	Local	Social Fund
1. United Kingdom	96	95	-
2. Estonia	93	93	87
3. France	90	84	94
4. Lithuania	88	88	70
5. Sweden	81	81	72
(...)
26. Luxembourg	18	32	13
27. Cyprus	12	76	14
28. Greece	11	11	12

EU initiatives: Approach 1

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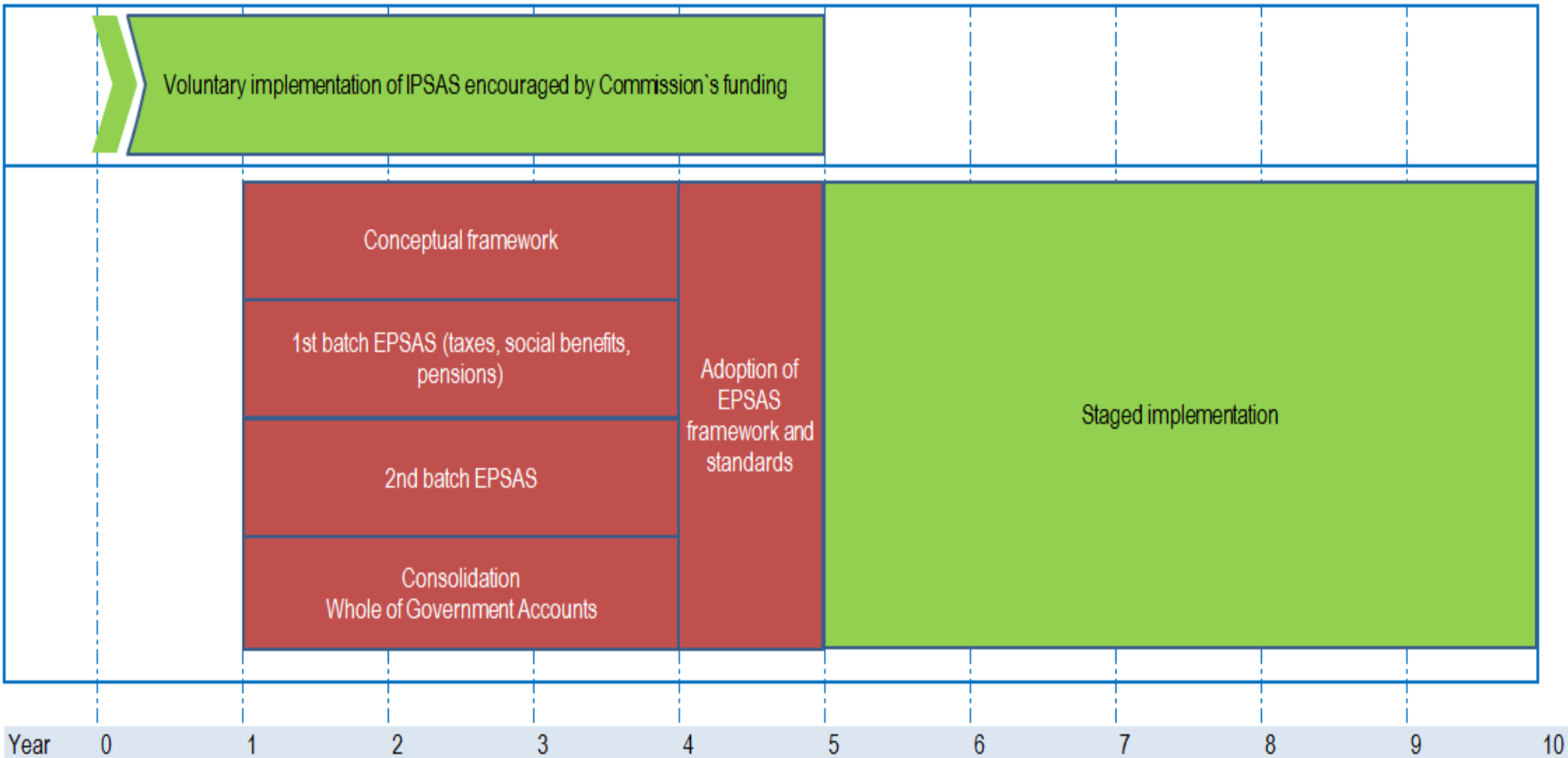


○ Development and legal endorsement

○ Implementation

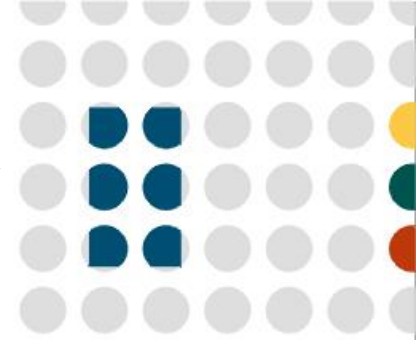
EU initiatives: Approach 2

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Development and legal endorsement

Implementation

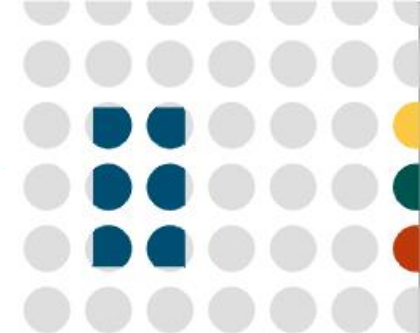


IPSAS: complexity of implementation

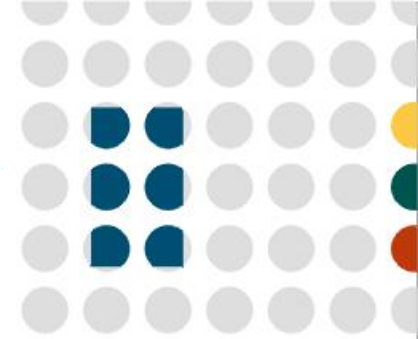
- I. Standards that might be implemented with minor or no adaptation;
- II. Standards that (may) need (some) amendments or for which implementation guidance is (may be) needed;
- III. Topics for which no standard exists yet but for which a standard or implementation guidance is needed

I: IPSAS comparison with NPSAS

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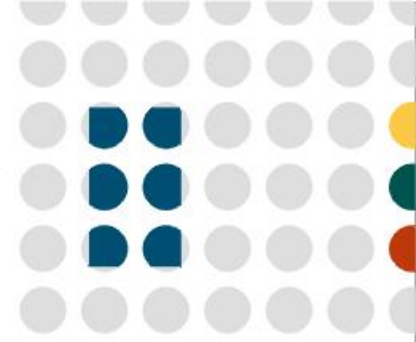


	IPSAS	NPSAS	Comments
1.	1 Presentation of Financial Statements	1 Presentation of Financial Statements	-
2.	2 Cash Flow Statements	5 Cash Flow Statements	According NPSAS there are two types of cash flows: direct and indirect
3.	3 Accounting Policies, Changes in Accounting Estimates and Errors	7 Accounting Policies, Changes in Accounting Estimates and Errors	According to IPSAS retrospective restatement is allowed, NPSAS does not provide for this
4.	4 The Effects of Changes in Foreign Exchange Rates	21 Transactions in Foreign Currencies	-



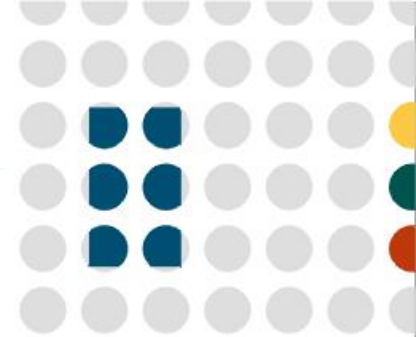
I: IPSAS comparison with NPSAS (2)

	IPSAS	NPSAS	Comments
5.	5 Borrowing Costs	-	IPSAS provides for two alternative treatments, NPSAS just for benchmark treatment.
6.	7 Investments in Associates	14 Investments in Associates	Concern: definition of the scope of consolidation and the application of the control concept. Currently being reviewed by the IPSASB.
7.	8 Interests in Joint Ventures	-	NPSAS will be supplemented in the future
8.	9 Revenue from Exchange Transactions	10 Other Revenue	



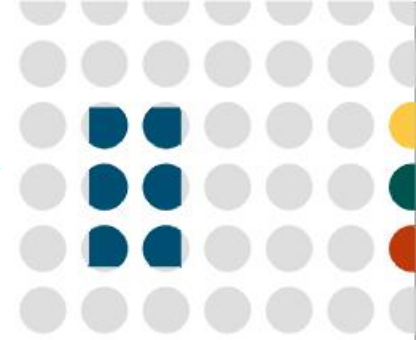
I: IPSAS comparison with NPSAS (3)

	IPSAS	NPSAS	Comments
9.	10 Financial Reporting in Hyperinflationary Economies	-	N/A
10.	11 Construction contracts	-	N/A
11.	12 Inventories	8 Inventories	-
12.	13 Leases	19 Leases and other asset transfer contracts	NPSAS provides for the accounting of cost-free leases



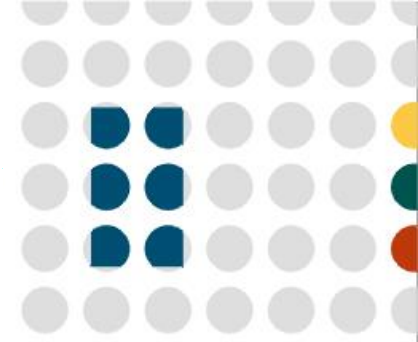
I: IPSAS comparison with NPSAS (4)

	IPSAS	NPSAS	Comments
13.	14 Events after the Reporting Date	18 Provisions, Contingent Liabilities and Contingent Assets and Events after the Reporting Date	-
14.	19 Provisions, Contingent Liabilities and Contingent Assets		
15.	16 Investment Property	-	-
16.	17 Property, Plant and Equipment	12 Property, Plant and Equipment	IPSAS allows for Cost model and Revaluation model, NPSAS allows for Cost model and fair value model



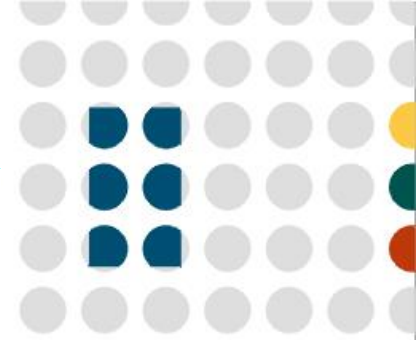
I: IPSAS comparison with NPSAS (5)

	IPSAS	NPSAS	Comments
17.	21 Impairment of Non Cash Generating Assets	22 Impairment	Making judgement is the most complex matter
18.	26 Impairment of Cash Generating Assets		
19.	27 Agriculture	16 Biological assets and Mineral resources	IPSAS have no provisions for mineral resources
20.	28 Financial Instruments: Presentation	17 Financial assets and financial liabilities	



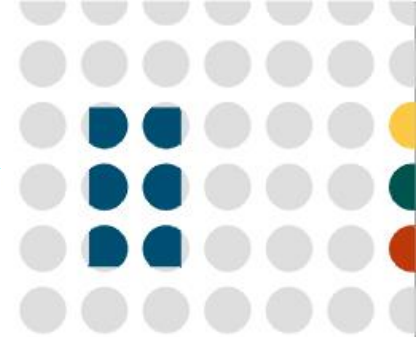
I: IPSAS comparison with NPSAS (6)

	IPSAS	NPSAS	Comments
21.	31 Intangible Assets	13 Intangible Assets	-
22.	32 Service Concession Arrangements: Grantor	27 Service Concession Arrangements and Public-Private Partnerships arrangements	
23.	33 First-time Adoption of Accrual Basis International Public Sector Accounting Standards (January 2015)	All NPSAS have transitional provisions./ Transition guidance	IPSAS allows for deemed cost, NPSAS allowed deemed costs in exceptional circumstances



II: IPSAS comparison with NPSAS (1)

	IPSAS	NPSAS	Comments
1.	6 Consolidated and Separate Financial Statements	15 Consolidated Financial Statements and Investments in Controlled Entities	NPSAS requires to consolidate only financial statements of public sector entities which are defined as such (financed from State or local budget or by Social Funds)
2.	18 Segment Reporting	25 Segment Reporting	According to NPSAS segments are based on state function
3.	20 Related Party Disclosures	-	-
4.	22 Disclosure of Financial Information about the General Government Sector	-	-

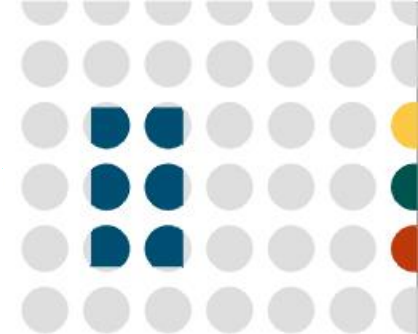


II: IPSAS comparison with NPSAS (2)

	IPSAS	NPSAS	Comments
5.	23 Revenue from Non-Exchange Transactions	9 Revenue from Tax and Social Contributions 20 Financing	-
6.	24 Presentation of Budget Information in Financial Statements	-	-
7.	25 Employee Benefits	24 Employee Benefits	-
8.	29 Financial Instruments: Recognition and Measurement	17 Financial Assets and Financial Liabilities	-
9.	30 Financial Instruments: Disclosures		

III: Topics for which no standard exists yet but for which a standard or implementation guidance is needed

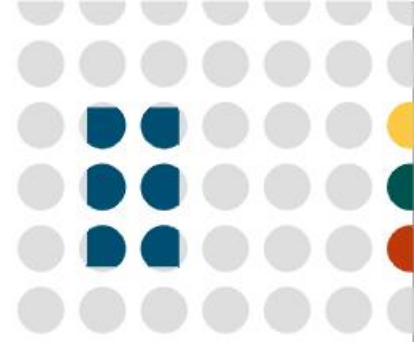
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	IPSAS	NPSAS	Comments
1.	Conceptual Framework	1 Presentation of Financial Statements, Public Sector Accountability Law	
2.	Social Benefits	-	IPSAS planned for 2017
3.	Expenses from Non-Exchange Transactions	11 Expenses	
4.	Heritage Assets	12 Property, Plant and Equipment	

CONCLUSIONS

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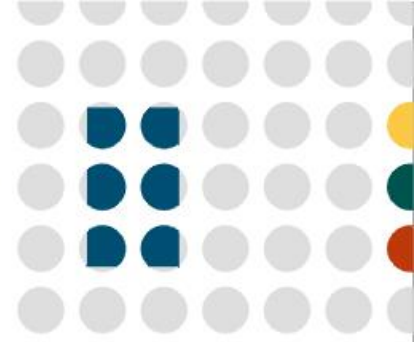


- NPSAS in principle do not contradict to the IPSAS.
- EU initiatives regarding accrual principle and EPSAS based on IPSAS would be acceptable to Lithuania and their cost would be relatively low:
 - 0,48 Eur cost per inhabitant or 0,004 **cost as a % of the GDP** during all EPSAS implementation period*.

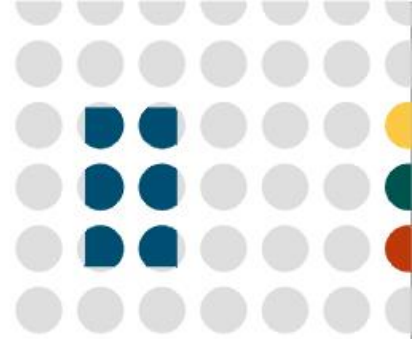
* *Based on PwC study*

CONCLUSIONS

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- The most probable amendments of NPSAS in the future:
 - Definition of Public Sector Entity;
 - Scope of consolidation;
 - Provisions on social benefits



Questions?

<http://www.epsas.eu/>

<http://finmin.lrv.lt/lt/veiklos-sritys/apskaita-ir-atskaitomybe/viesojo-sektoriaus-apskaita-ir-atsakomybe>

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