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Tuesday, 02 June 2015

Press Release

Introduction of the International Accounting Standards in the Public Sector

A substantial reform is implemented at the Ministry of Finance with the **introduction of the International Accounting Standards in the Public Sector and the reform of the financial legislation**. In the General Accounting Office, by virtue of a decision of the Deputy (or Alternate) Minister of Finance **Dimitris Mardas**, working groups are set up for accelerating the work of forming of a new framework for monitoring the public accounting. In particular:

International Accounting Standards in Public

The public sector in Greece consists of the General Government, the independent legal entities of public law, as well as the independent Public Enterprises and Organizations. The General Government consists of the Central Government, part of which is the Central Administration, including the Presidency of the Republic, the Ministries, the Independent Authorities and the Devolved Administrations. Currently, there is a set of accounts projects (sectoral accounting projects and budget numbers code systems) that concern the General Government in Greece.

The adoption of the International Accounting Standards for the Public Sector (International Public Sector Accounting Standards - IPSAS) stands out as the most important step forward and step of progress in financial accounting, enhancing the transparency and credibility of public finances, while contributing to global growth and prosperity through the convergence and harmonization of public accounting systems in the various countries and organizations.

The adoption of IPSAS provides the opportunity for more efficient management of public finances with multiple benefits, including:

- reduction of the operating cost of the public administration and government,
- reduction of the state borrowing and hence reduction of its corresponding costs,
- better allocation and release of public funds, which may help to boost employment,
- reduction of the cost of public goods and services,
- greater transparency and accountability through the disclosure of all transactions conducted,
- improvement of quality and enhancement of the credibility of public accounts,
- improvement of economic competitiveness, indirectly favoring the private sector companies,
- obtaining of comparative advantage in the international market.

In contrast, the absence of public accounting standards such as IPSAS, imposes a substantial cost on public bodies, while implying the lack of reliable data, the decision making under conditions of incomplete information and the utilization of public resources in the wrong direction, with all that this means for the entire economy. The desired therefore for the public administration, is the design and development of a new unified accounting project, which shall be adopted by the entire public sector, based on international accounting standards. For this purpose, a working group of highly qualified personnel of the General Accounting Office is set up in cooperation with the Accounting Standards Board, in order to study and design the new Unified Accounting Project.

Through the new Accounting Project of the General Government, the correct representation of the financial situation and the asset structure of the General Government, the best estimate of the creditworthiness, the accounting treatment of the General Government transactions in a uniform way, the facilitation of the transactions with it, the pumping of reliable information for the policy development and the decision making, the simplification and facilitation of all forms of control, the increase of productivity, as well as the connection, as far as possible, of the accounting framework of the State with the accounting framework of the private sector shall be pursued. The new accounting framework must be organically interconnected with the monitoring of budget execution and of course must serve informational needs for its drawing up.

Overall, the issue is of major importance and presents an important opportunity for a truly substantive long term reform. There are at least two studies (British Treasury, 2002 and IMF, 2005) for Greece, as well as recorded significant international experience. This material indicates the course to be followed by the project, whilst the developments in the EU in relation to the accounting of the public sector, and especially the question from the apparent adoption of EPSAS (European Public Sector Accounting Standards), as well as the country's obligation to provide the European Union with information for its public finance under the rules of the ESA 2010 should be taken into account.

Amendments to financial legislation

Starting with the country's obligation to incorporate Directive 2011/85 into national law, as well as to specify certain provisions of the European Regulations, the law of public accounting 2362/95 was repealed and replaced by the new legislative framework of law 4270/14, which was adopted in June 2014 by the Greek Parliament. We are now in the second phase of some amendments to the financial legislation. The points on which the necessary amendments focused, are *inter alia* the control issues and the payment process of expenditure, the next steps for the role of the accounting officer in payments of PIP and as far as the Independent Authorities are concerned the transparency in the preparation and the approval of budgets in the framework of strengthening their independence.
