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STRUCTURAL REFORM SUPPORT SERVICE

Design of the IPSAS/EPSAS accrual-based accounting reform in Italian Public Administration

Action Plan

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1. Introduction

1.1 Overview

A comparative analysis of the development process for the public accounting systems in the countries of the European Union shows that there is a gradual and continuous process of convergence towards the adoption of accounting schemes based on the accrual of data, with different methods and timescales. The path already taken by many European countries in the implementation of Directive 2011/85/EU and the emphasis with which the European Commission is implementing actions aimed at improving transparency and accountability, make it likely that, in the near future, the process of reform aimed at creating an accounting system consistent with IPSAS/EPSAS standards will become binding.

The "*Gap Analysis between the current accounting framework of the Italian General Government Sector and an accrual-based accounting framework based on IPSAS/EPSAS*" and the "*Technical Note*", carried out as part of the SRSS project "*Design of the accrual IPSAS/EPSAS based accounting reform in the Italian public administration*", show delays and inconsistencies in the implementation of the accounting reform. In this process, although Law no. 196 of 2009 has been implemented behind schedule, the time horizon set for the implementation of the accrual-based reform enables Italy to be in line with the EUROSTAT objectives of comparability of Member States' financial statements by 2025.

Both documents identify a **Governance model** as the central point and essential prerequisite for addressing the constraints faced in the on-going reforms, where the coordination of the process of the development and implementation of accrual-based accounting standards is entrusted to a single structure with recognised experience and professional skills.

The gap analysis and the technical note highlight a series of tasks for the Action Plan, including:

- coordinate the actions of the accounting reform using a different approach from the current one (new Governance);
- carefully assess the opportunity to continue investing in the current accounting scenario;
- reduce differences between accounting systems by adopting a single set of accounting standards;
- clarify the purpose and objectives of the two different accounting systems (cash/commitment budgetary accounting and accrual basis accounting) while avoiding overlaps;
- provide a single conceptual framework for the General Government Sector (GGS);
- harmonise the reporting structure (budgetary frameworks) for the entire GGS;
- define a new and single chart of accounts for the whole of the GGS, without transition matrices;
- manage change by considering all aspects such as IT, training, controls, and management of public resources.

Following the process of composition of the new governance model and once the main characteristics of the economic and asset accounting model have been defined, it will be necessary to focus on the following areas, also following the experiences of countries that have already implemented accounting reforms with an accrual logic:

- **Conceptual framework:** the definition of a conceptual framework would represent the basis for the IPSAS/EPSAS accrual-based accounting reform in Italian public administration. The purpose of the conceptual framework (CF) is to guide standard setters in developing consistent

accounting standards and application guidelines, and support in the preparation of general-purpose financial reports (GPFRs) where advice on standard levels is missing. The users of the GPFRs could also refer to the CF when looking for guidance in the interpretation of the information presented in the financial reports.

- **Adoption of accrual-based accounting standards:** once the single conceptual framework for the Italian General Government Sector has been developed, the next step in the standard-setting process involving the development of accrual-based accounting standards. IPSAS/EPSAS standards would be the central point of reference, accompanied or replaced by EPSAS standards, once they are developed, depending on their future legally binding nature in terms of the development of accounting standards within the Italian context.
- **Chart of accounts:** the Italian Chart of Accounts (hereafter also “CoA”) plays a crucial role in the Italian public finance accounting harmonisation initiative, being a general criterion in the three legislative provisions of Law no. 196 of 2009. The CoA represents an element of the technical coordination of the harmonisation process of Italian public administration, and is an essential tool for classifying and integrating commitment/cash accounting and accrual-based accounting transactions.
- **IT systems:** IT is one of the main pillars of these reforms and its purpose is to **support these reforms without subjecting it to its methodological choices**. Therefore, from the start, it is necessary to share with the IT sector the accounting reform process and all the information that is required in order to achieve the objectives that are established in order to find the IT solutions most suited to needs. Integrated IT systems have been used in the implementation of the accounting reforms that have seen the introduction of economic and asset-based accounting systems. The main benefits of using such systems are increased visibility and information sharing, coordination of decision-making processes, support for building a shared vision, and the elimination of duplication of data. The choice of information systems is the responsibility of IGICS, the *Ispettorato Generale per l'Informatizzazione della Contabilità di Stato* (General Inspectorate for the Computerisation of State Accounting).
- **Training:** generally managed directly by the finance ministries or by the technical bodies that are entrusted with this responsibility by said ministries, through various training methods (seminars, intensive training courses, conferences, e-learning, instruction manuals to guidelines, “training of trainers”, “calls” for retraining and professional reconversion) and support through help-desks. The training would be targeted at all accountants and all those involved in some way in public sector accounting, also providing “simplified” training for senior management and policy makers. IGICS would manage the online training part.

1.2 Timeframes and deadlines for the reform

In order to adopt the IPSAS/EPSAS accrual-based accounting reform, two macro-implementation phases have been identified: a **preparatory phase** for the definition of the new accounting structure and a **first-time implementation (FTI) phase** for the start of the application.

Figure 1 illustrates the high-level roadmap with the main reform deadlines in relation to the various phases described above, about the action plan that will be described in this document:

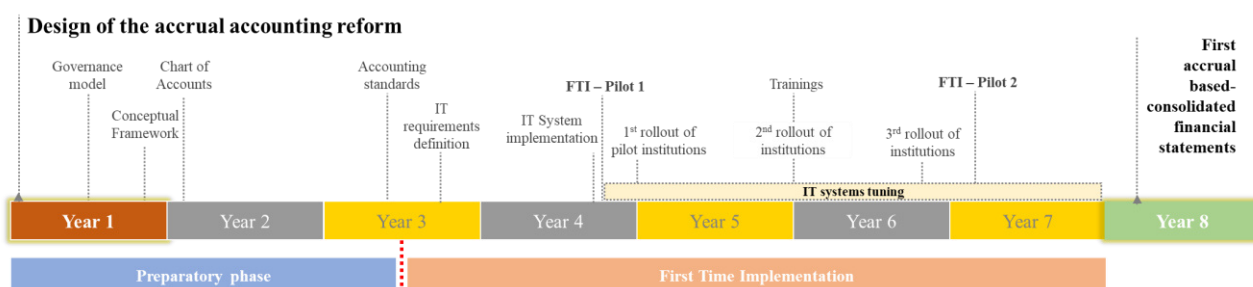


Figure 1 High-level roadmap

As illustrated in **Figure 1**, the major timeframes of the reform are detailed below (*M= Months, Y= Year*):

- **Governance Model** (M6/Y1 – M7/Y1)
- **Conceptual Framework** (M7/Y1 – M11/Y1)
- **Chart of Accounts** (M1/Y1 – M1/Y2)
- **Accounting Standards** (M10/Y1 – M5/Y3)
- **IT Systems**¹ (M9/Y3 – M9/Y4)
- **Training** (M5/Y3 – M12/Y5)

1.3 Objective and structure of the Action Plan

This document combines the analysis that was performed and the results discussed in the “*Gap Analysis between the current accounting framework of the Italian General Government Sector and an accrual-based accounting framework based on IPSAS/EPSAS*” and the “*Technical Note*.” The objective of the **Action Plan** is to suggest the right sequencing to follow for implementing a full accrual-based accounting system based on IPSAS/EPSAS for the entire GGS.

The document is structured in the following sections:

- **Section 2: Governance** (also includes the section related to Training)
- **Section 3: Conceptual framework**
- **Section 4: Accounting standards**
- **Section 5: Chart of accounts**
- **Section 6: IT Systems**
- **Section 7: Other enabling factors**
- **Section 8: First Time Implementation pilots**
- **Section 9: Impacts of the proposal on the current regulatory framework**
- **Section 10: Conclusions**
- **Annex 1 - Plan of activities and timeframes**
- **Annex 2 – GANTT of the implementation activities**

¹ In the last phase (FTI) the role of IT systems will be essential in order to support the new accounting model starting from the FTI phase. IT Plan and the related annual plans will be adjusted to take account of the new accounting model, to ensure that the necessary investments are made for the development of IT systems in line with the degree of implementation of the new accounting framework

2. Governance

2.1 Objectives

As outlined in the *“Technical Note,”* a process of accounting harmonisation requires an adequate Governance Model that provides common standards and rules to guide the preparers of all the entities of the GGS.

The outcomes that the reform should achieve in terms of governance are:

- the creation of a “unique voice” granted by an Independent Board (hereafter “the Standard Setter Board” or “the Board”) undoubtedly supported by a Technical Structure that will perform specific standard-setting activities as part of the broader preparation, consultation, and proposal function;
- the creation of a Steering Committee (with executive function) that would be responsible for decision-making and approval in relation to the work conducted by the Board with the relevant technical structure;
- improved coordination between the key stakeholders of the reform (i.e., preparers, the parliament, ISTAT).

2.2 Implementation proposal of the Governance Model

As defined in the *“Gap Analysis between the current accounting framework of the Italian General Government Sector and an accrual-based accounting framework based on IPSAS/EPSAS”* and in the *“Technical Note”*, an essential prerequisite for the desired reform outcomes is a governance model where the coordination functions of the process of formation of the accrual basis accounting rules are entrusted to a single structure with recognised experience and professional capacity.

In line with the *Principles underlying EPSAS governance*², the governance model must respect independence and professional capacity criteria, thus ensuring a process of implementation of the reform without representation constraints. Therefore, two possible options may be pursued:

- establishment of a completely independent Standard Setter Board EXTERNAL to the MEF-RGS;
- creation, WITHIN the MEF-RGS, of an independent Standard Setter Board (composed by non-RGS members). The final decisions on standards (and related documents) pertain to a RGS steering committee.

In both cases, the Board should represent a synthesis of high-profile skills in the field of accrual-based public accounting systems.

Below, for each option proposed, the Organisational Model for the Governance and the process to set accounting standards and regulations.

2.2.1 (Option A) Completely independent Standard Setter Board EXTERNAL to the MEF-RGS,

As shown in Figure 2.1, the key players of the governance model are described below:

- **Technical Structure:** responsible for production, through studies and researches, of the preparatory work necessary for Standard Setter Board;

² *Cell on Principles underlying EPSAS governance: Final Report*. Eurostat, EPSAS Working Group. April 2017.

- **Standard Setter Board:** assigned the task of drafting the standards (and other related documents), evaluating the comments and opinions provided by stakeholders, issuing the final version of the standards (and related documents);
- **Institutional Stakeholders:** assigned the task of providing opinions on the draft of the standard (and related documents). The Court of Auditors and ISTAT will be permanent members of the external stakeholders' advisory group from which an opinion on the work of the Standard Setter Board will be requested. Depending on the issues addressed, in addition to the two institutions mentioned above, other opinions may be requested from the following stakeholders:
 - Regions;
 - Health authorities;
 - ANCI (Associazione Nazionale Comuni Italiani - National Association of Italian Municipalities);
 - INPS (Istituto Nazionale della Previdenza Sociale - National Social Security Institute);
 - CNDCEC (Ordine dei Dottori Commercialisti e degli Esperti Contabili - Order of Chartered Accountants and Accounting Experts);
 - Universities, etc.;
- **RGS Advisory Group:** it has the task of providing opinions on the standard draft (and documents related);
- **IGB/IGEPA/IGF/IGESPES:** they support public administrations in the application of principles and standards.

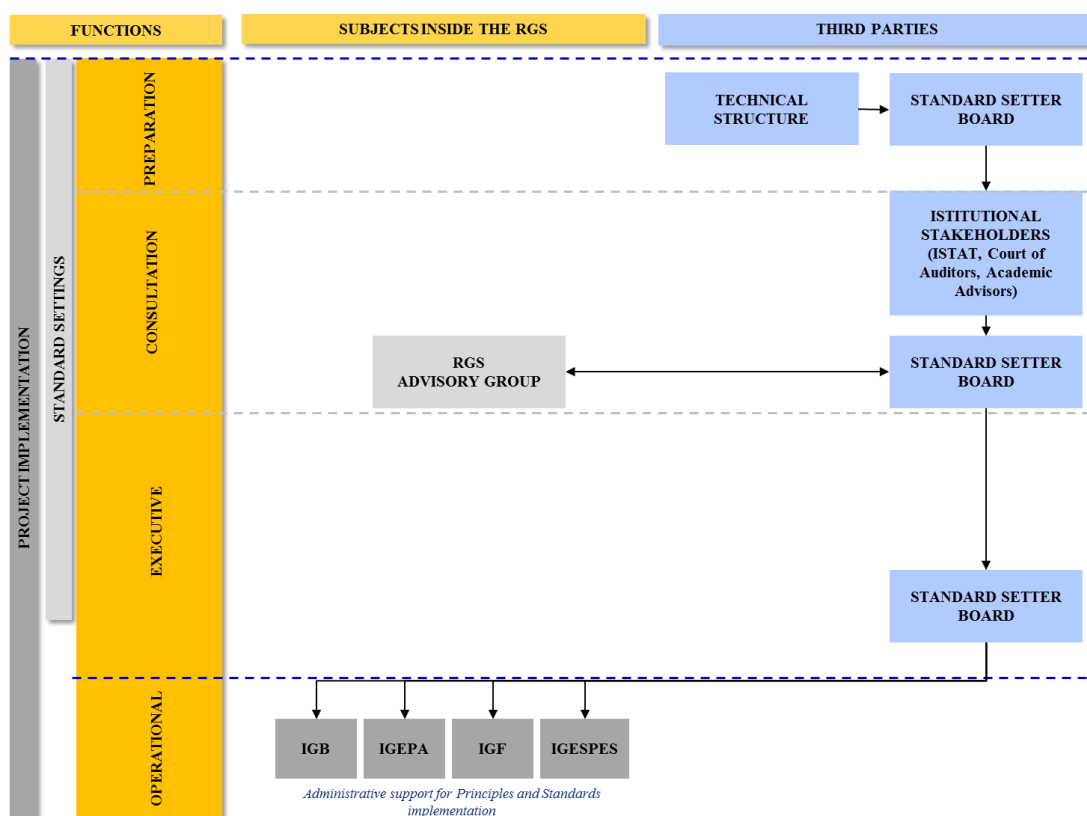


Figure 2.1. Organisational Model for the Governance (External Approach – Option A)

The proposed process (Figure 2.2) for setting accounting standards and regulations considers the following activities:

- **Activity 1:** The process starts with the input of the Technical Structure, which prepares the preliminary studies and researches necessary for the work of the Standard Setter Board.
- **Activity 2:** Based on the documentation collected, the Standard Setter Board prepares a draft of the Standard (and other documents related), i.e., a “draft standard” (or an “intermediate document”).
- **Activity 3:** The “draft standard” (or the “intermediate document”), therefore, must be submitted for consultation/opinion to the main stakeholders interested in accounting matters (ISTAT, Court of Auditors and Academic Advisors), and the RGS Advisory Group. This task should not take more than two months.
- **Activity 4:** Once the opinions have been delivered by the competent bodies (*See Activity 3*), they are sent to the Standard Setter Board for analysis and the acquisition of any proposed amendments and/or additions. The opinions are not binding.
- **Activity 5:** Subsequently, the draft standard and the opinions provided by stakeholders are examined by the Standard Setter Board.
- **Activities 6 and 7:** The Standard Setter Board may, as an alternative, approve the “draft standard” (or the “intermediate document”) in its original version or modify it, taking into consideration the opinions and the amendments.
- **Activity 8:** Once the accounting framework (standards and other related documents) has been defined, the RGS (through the sector-based working groups led by IGEPA, IGF, IGB, IGESPEs) will implement it, providing all the necessary support to the administration for the relevant sector.

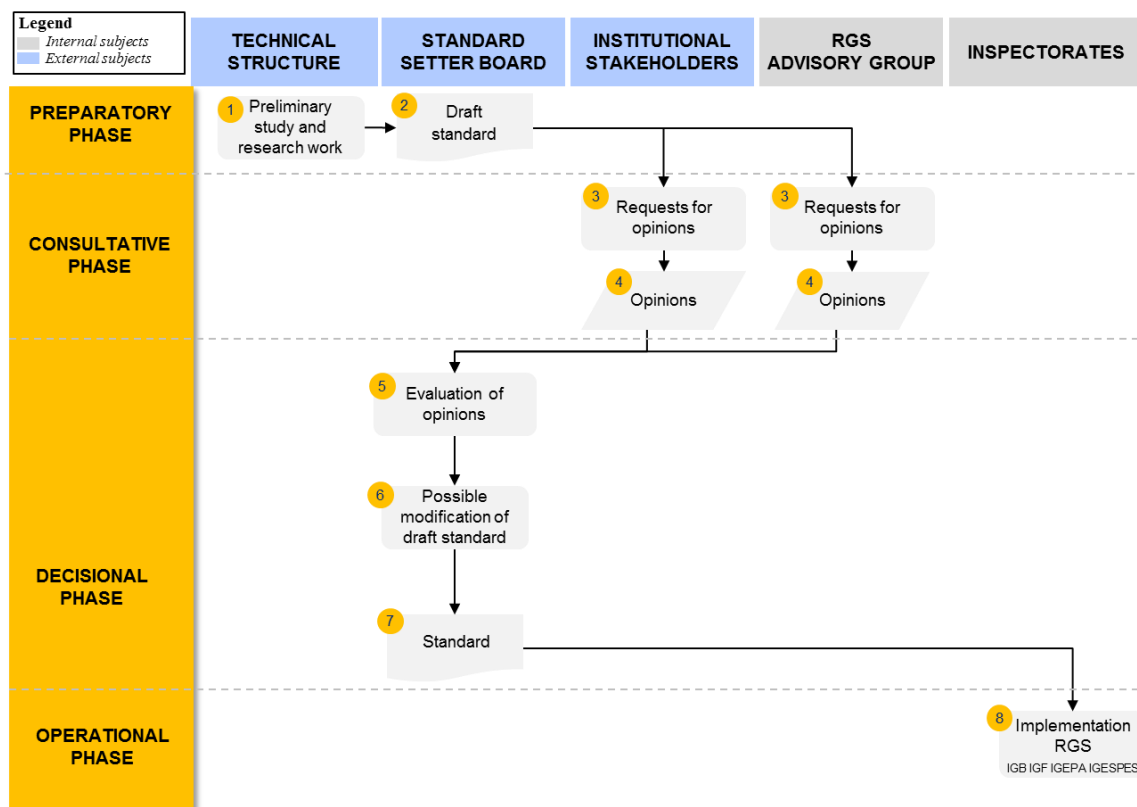


Figure 2.2 Process for setting accounting standards and regulations (External Approach Option A)

2.2.2 (Option B) Standard Setter Board WITHIN the MEF-RGS, composed of non-RGS members with “professional independence” and “competence and capacity.”

As shown in the figure above (Figure 2.3), the main actors of the governance model are described below:

- **Standard Setter Board:** the Standard Setter Board should be composed by non-RGS members (or in any case with a large majority of non-RGS members). It is established by Determination of the State General Accountant, after identifying its members through a selection procedure based on curricula by a special Commission (supported by an RGS structure completely dedicated to the reforming process: e.g., SeSD). The Chair of the Board defines the agenda and coordinates the activities of the Board.
- **Technical Structure:** the Technical Structure is composed by an external expert (at least 5 experts who are chosen based on their different accounting profiles), identified through the same selection procedure applied for the Standard Setter Board, and coordinated by a representative of the structure completely dedicated to the reforming process;
- **Institutional Stakeholders:** see above (option A);
- **RGS Advisory group:** the members of the RGS Advisory Group may be identified by the State General Accountant as members of the working group established by Disposition No 35 of 2017.
- **Steering Committee:** the Steering Committee is constituted by the State General Accountant, who chairs said committee, the RGS General Inspectors (IGF, IGB, IGEPa, IGICS, IGECOFIP, and IGESPEs) and the General Director of the Research Division (SeSD).

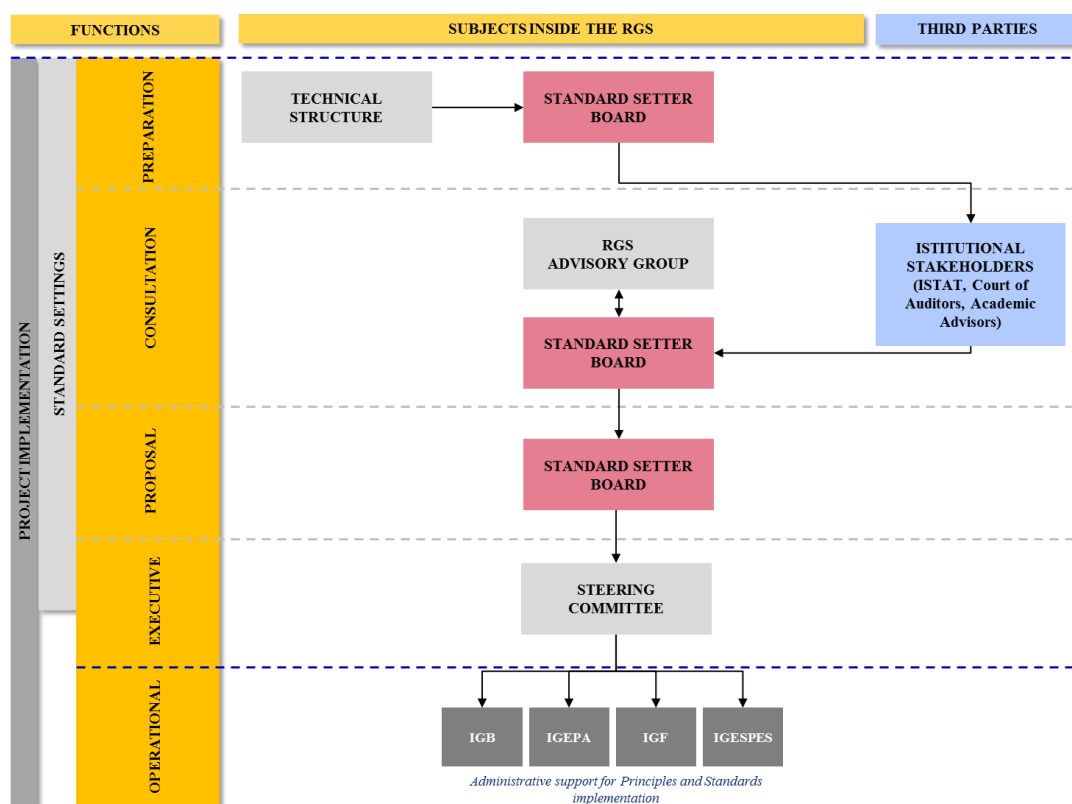


Figure 2.3. Organisational Model for the Governance (Internal Approach Option B)

The process of setting accounting standards and regulations is formal (*governed by specific Regulations*), transparent and open to contributions from stakeholders.

The proposed process (**Figure 2.4**) for setting accounting standards and regulations considers the following activities:

- **Activity 1:** The process starts with the input of the Technical Structure, which prepares the preliminary studies and researches necessary for the work of the Standard Setter Board.
- **Activity 2:** Based on the documentation collected, the Standard Setter Board prepares a draft of the Standard (and other related documents).
- **Activity 3:** The “draft standard” (and related documents), therefore, must be submitted for consultation/opinion to the Stakeholders interested in accounting matters (i.e., ISTAT and Court of Auditors) and the RGS Advisory Group. This activity should not take more than two months.
- **Activity 4:** The opinions expressed by the Stakeholders must be delivered to the RGS Advisory Group.
- **Activity 5:** The RGS Advisory Group takes into account the Stakeholders opinions, formulates its own opinion, and delivers it along with the opinions of the Stakeholders to the Standard Setter Board. These opinions are not binding.
- **Activity 6:** Subsequently, the opinions, and the amended “draft standard” (and related document) are examined by the Standard Setter Board. After that, the Board sends the “draft standard” (or the “intermediate document”), eventually amended, to the RGS Advisory Group.
- **Activity 7:** the RGS Advisory Group analyses the “draft standard” (and other related documents) for further possible adjustment proposals.
- **Activity 8:** The Standard Setter Board should take into consideration the possible proposals for amendments of the RGS Advisory Group before defining the final standard to be submitted to the Steering Committee for approval. In its final draft Standard, the Standard Setter Board may deviate from the RGS Advisory Group opinions by giving reasons.
- **Activity 9:** The final documents of the Board typically take the form of “proposals” and are submitted to the Steering Committee, which, at its discretion, makes the necessary steps to translate the statutes of the Board into legal regulations.
- **Activities 10a and 10b:** The Steering Committee may approve the proposed final version of the standard (and other related documents) or may request modifications. The requests for changes made by the Steering Committee are binding.
- **Activity 11:** Once the accounting framework (standards and other related documents) has been defined; the RGS (through the sector-based working groups led by IGEPA, IGF, IGB, IGESPEs) will implement it, providing all the necessary support to the administration of the relevant sector.

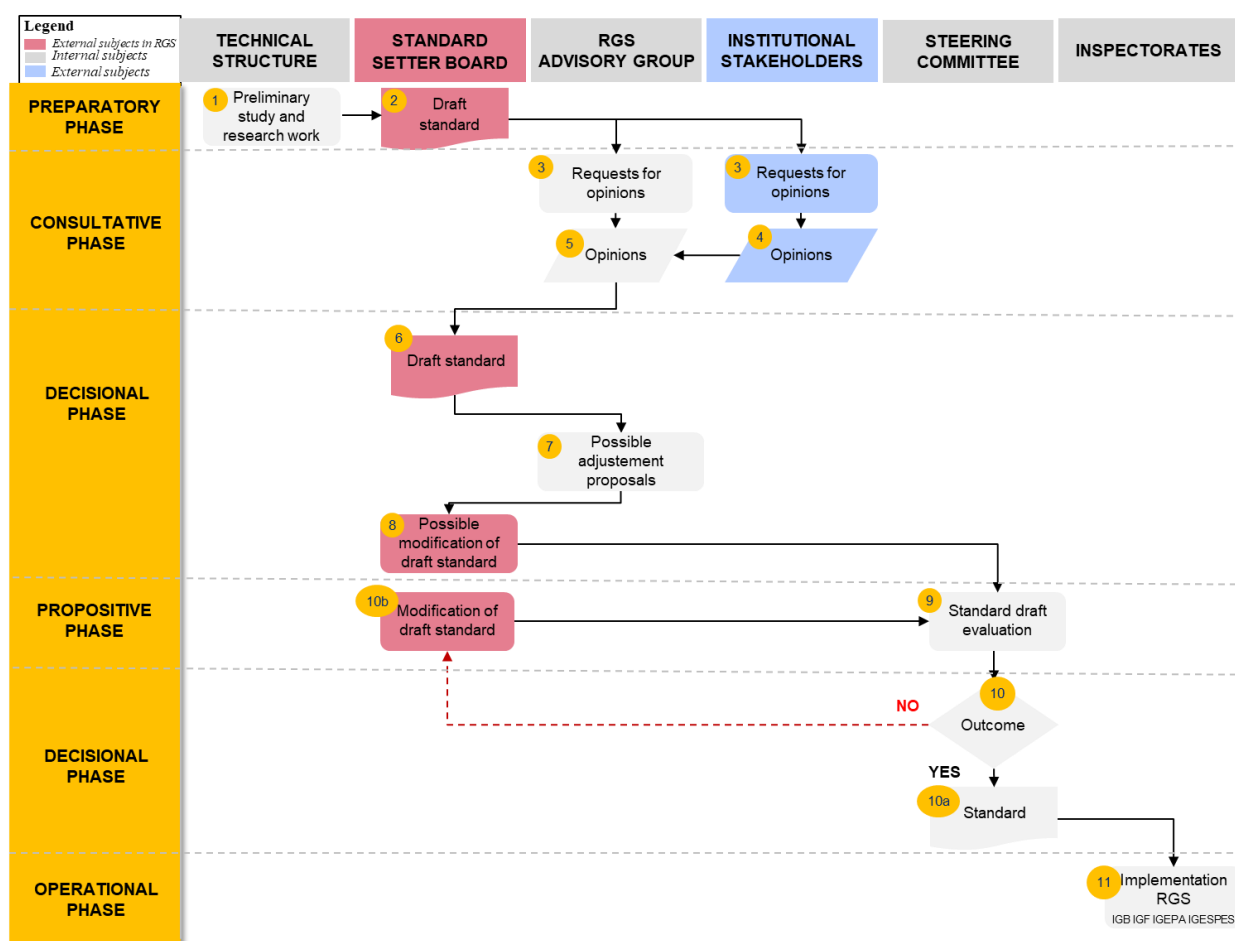


Figure 2.4. Process for setting accounting standards and regulations (Internal Approach Option B)

As indicated in the “Technical Note,” some countries have adopted an independent Standard Setter Board for the public sector. The Australian Accounting Standards Board, the Public Sector Accounting Board in Canada, the National Council of Accounting Harmonisation in Mexico, and the New Zealand Accounting Standards Board³ are some examples of independent standard setter boards, which are consistent with Governance Option A.

Given the complexity of the Italian context and considering what has been achieved by other similar countries (e.g., Unileo in Portugal and the Conseil de normalisation des competes publics (CNoCP) in France), and in order to facilitate the implementation of the reform, it is advisable to adopt Option B, which provides for an internal Standard Setter Board as part of the Ministry of Finances.

³ OECD/IFAC (2017), *Accrual Practices and Reform Experiences in OECD Countries*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264270572-en>.

3. Conceptual Framework

3.1 Objectives

The implementation of an accrual IPSAS/EPAS based accounting reform must achieve the following outcomes in terms of the Conceptual Framework:

- Enablement of the harmonisation process in the Italian public administration.
- Guidance for the Standard Setter in developing consistent standards.
- Guidance for those who prepare financial reports.
- Guidance for end users with regard to understanding the financial reports.
- Reduction of material inconsistencies in the general accounting rules between subsectors of the GGS.
- Added value to the international standard setters' community in offering a clear linkage and definition of roles between commitment/cash budget accounting and accrual-based accounting and providing guidance for budget preparation, execution, and reporting. Although it can be argued that covering the linkage between accounting and budgeting is not a task of an accounting conceptual framework, there is a need for such guidance in the Italian public sector. For this reason, if such guidance were incorporated in the CF, it would represent a reference point for other countries dealing with similar issues.

3.2 Implementation proposal for the definition of the conceptual framework

The implementation proposal consists of two major phases described below:

- **Adaptation** of the IPSAS/EPAS Conceptual Frameworks to the Italian context: the Conceptual Framework, adapted by the Standard Setter Board, contains the general principles of financial accounting, the procedures for establishing accounting principles and standards, etc.
- **Approval** of the Conceptual Framework: specific regulations will establish the approval procedures (see figure 2.2).

4. Accounting Standards

4.1 Objectives

The implementation of an IPSAS/EPSAS accrual-based accounting reform should achieve the following outcomes in terms of the accounting standards:

- Guidance for those preparing financial reports;
- Reduction of material inconsistencies in the general accounting standards between sub-sectors of the GGS;
- Improved transparency of financial reports;
- Improved reliability and comparability of financial reports between sub-sectors;
- Increased accountability of those managing public resources.

4.2 Proposal for the adoption of accrual-based accounting standards

To achieve the desired public finance management outcomes, the development of a single set of accrual-based accounting standards is proposed for the GGS based on IPSAS/EPSAS standards. This reform should have a high priority, but only after the development of the conceptual framework.

Two possible options can be pursued:

Option A

Considering that several accounting-related technical issues are seen as problematic in the IPSAS standards, the IPSAS standards might be arranged as follows⁴:

- Standards that might be implemented with minor or no adaptation
- Standards that need adaptation, or for which a selective approach is needed
- Standards that are needing to be amended for implementation

Eurostat drafted the proposed groups considering the views of Member State experts in the Task Force on IPSAS. Note that experts' opinions on the suitability of some IPSAS standards may change and therefore this proposal is preliminary and needs further technical discussion with accounting experts.

Standards that may be implemented with minor or no adaptation	Standards that need adaptation, or for which a selective approach is required	Standards that are seen as requiring amendment for implementation
IPSAS 1 - Presentation FS IPSAS 2 - Cash flow IPSAS 3 - Fundamental errors and changes in accounting policies IPSAS 4 - Changes in foreign exchange rates IPSAS 5 - Borrowing costs	IPSAS 7 - Investments in associates IPSAS 8 - Interests in joint ventures IPSAS 13 - Leases IPSAS 15 - Financial instruments: Presentation IPSAS 17 - Property, plant and equipment	IPSAS 6 - Consolidated financial statements IPSAS 28 - Financial instruments: Presentation IPSAS 29 - Financial instruments: Recognition and measurement IPSAS 30 - Financial instruments: Disclosure

⁴ COMMISSION STAFF WORKING DOCUMENT Accompanying the document: *Report from the Commission to the Council and the European Parliament, with a view to implementing harmonised public sector accounting standards in Member States, the suitability of IPSAS for the Member States*. Brussels, 06.03.2013

IPSAS 9 - Revenue from exchange transactions	IPSAS 18 - Segment reporting	
IPSAS 10 - Hyperinflationary economies	IPSAS 20 - Related party disclosures	
IPSAS 11 - Construction contracts	IPSAS 21 - Impairment of non-cash-generating assets	
IPSAS 12 - Inventories	IPSAS 22 - Disclosure general government sector	
IPSAS 14 - Events after the reporting date	IPSAS 23 - Revenue from non-exchange transactions ¹⁰⁹	
IPSAS 16 - Investment property	IPSAS 24 - Presentation of budget information	
IPSAS 19 - Provisions, contingent liabilities, contingent assets	IPSAS 25 - Employee benefits	
IPSAS 27 - Agriculture	IPSAS 26 - Impairment of cash-generating assets	
IPSAS 32 - Service concessions	IPSAS 31 - Intangible assets	

Considering the complex Italian context, if option A is not feasible, the following (Option B) would be a plausible alternative.

Option B

The implementation proposal consists of the elaboration of the following set of standards:

- preparation of the 1st set of standards for asset accounts;
- preparation of the 2nd set of standards for the liability accounts;
- preparation of the 3rd set of standards relating to expenses and charges;
- preparation of the 4th set of standards for income and expenses;
- preparation of the 5th set of standards for equity accounts;
- revision of the standards;
- approval of the standards.

The decision to associate the 1st set of standards for asset accounts is based on the fact that it is crucial for initiating implementation tasks with the inventory of fixed assets.

- Each administration will have to record its own tangible and intangible assets, according to the indications provided by the Standard Setter Board.
- Moreover, assets will be reviewed on a three-yearly basis.

5. Chart of Accounts

5.1 Objectives

As indicated in the Gap Analysis, *“...An effective common chart of accounts can be a key tool for an effective government accounting and reporting system. It is necessary to overcome the critical issues embedded in the current “integrated chart of accounts”: one single list of accounts should be defined for the whole of the government sector, with the same coding and hierarchical structure and with a limited degree of granularity. No separate modules and no “transition/connection matrixes” should be used. Each entity (or each government sub-sector) should be granted some flexibility in order to develop its own specific accounting codes at a more detailed level to capture/ record specific information. Clear institutional, legal, and procedural frameworks should be established in order to prevent the CoA structure from becoming fragmented...”*

The current Chart of Accounts was developed for implementing a so-called “integrated accounting,” and in the case of local authorities sub-sector, a so-called “enhanced legal accrual-based accounting.” In both cases, the rules underlying the functioning of the Chart of Accounts recognise, according to legal basis principles only, all the accounting transactions simultaneously in the traditional accounting system on a legal basis and in non-orthodox accrual-based accounting (due to the predominance of legal basis principles). Consequently, the current rules governing the use of Chart of Accounts cannot assure a full accrual-based accounting system and a financial reporting system in compliance with the Council Directive 2011/85/EU.

Clearly, in the light of the forthcoming adoption of an IPSAS/EPSAS based full accrual-based accounting, this means the revision of the current CoA and, generally, a radical change in the principles established for its use.

5.2 Proposal for the adoption of a multi-dimensional Chart of Accounts

This led to a project that was already started, whose purpose it was to prepare a multi-dimensional Chart of Accounts for all the sub-sectors of Italian public administration as a key harmonisation instrument for the financial accounting system, in accordance with the two phases prefigured in the deadlines set out by the European Union in the roadmap for EPSAS adoption: “phase 1” for increasing fiscal transparency in the short to medium term (by 2020); and “phase 2” for addressing comparability within and between the Member States in the medium to long term (by 2025).

The multi-dimensional chart of accounts is considered as an instrument to address different information needs and contributes to the efficient generation of budgetary, financial, fiscal, and management information for different purposes. Therefore, it includes codes for the budgetary process, along with budget classifications (these may include economic, functional, administrative, program and regional classifications and codifications), and for financial reporting (assets, liabilities, net worth, revenues and expenses).

The development of a CoA is a key step in the adoption of accrual-based accounting and may be of great benefit for efficient production of financial information for a variety of purposes. Some illustrative examples of the multi-dimensional chart of accounts have been reported within the document *“Technical Note”*.

6. IT Systems

6.1 Objectives

The outcome of the reform is the adoption of IT system(s) capable of efficiently and effectively supporting the accrual reform by achieving harmonisation between different sub-sectors of the GGS.

6.2 Implementation proposal for the identification of the IT system requirements

The process of accounting harmonisation is not achievable without an integrated and effective IT infrastructure. Only when the methodology is designed will it be necessary to develop the information systems for more effective accounting processes.

To support the new accounting model in the testing phases, the IT systems will have to develop in line with the project outputs. To this end, it will be essential to ensure a continuous flow of information to IT experts, thus allowing them to be continuously updated on decisions that will be made during the process of defining the accounting rules. Consequently, RGS's Strategic IT Plan and the related annual plans will be adjusted to take into account the new accounting model, to ensure the realisation of the investments necessary for the development of the IT systems in line with the degree of implementation of the new accounting structure.

The steps to be taken to achieve the objectives should be as follows:

- immediate start-up of the dedicated team for the preliminary execution of the most important choices to be suggested by the Standard Setter Board, to the different sectors, concerning:
 - ERP "make" or "buy" choice after defining the methods of application of the reform (standard or customised);
 - choice of infrastructure ("on-premise" or "cloud") and application architecture model (interoperability, integration, modules, etc.);
 - definition of the IT requirements for the implementation of the accrual reform; enable specific interoperability's between the new IT system that will be implemented and systems for entities that have already implemented accrual based IT systems.

As a result of the above:

- identification of intervention priorities;
- budget forecast at the central/individual authority level;
- preparation and issue call for tenders in compliance with the provisions of current legislation on public procurement (in the case of the involvement of external IT consultants).

7. Other enabling factors

Other enabling factors to be implemented, which are essential for the correct implementation of the reform, are as follows:

1. Definition of reporting through:

- Harmonisation of the reporting activities (through the adoption of a common general purpose financial reporting system) for the entire GGS;
- Reduce administrative burden in the preparation and presentation of financial reports;
- Development of financial statement items using the formats prepared in order to provide guidance not only to those preparing the financial reports but also for end users in the interpretation of the financial reports.

2. Analysis of assets through:

- Inventory recognition of the tangible and intangible assets of public authorities according to the indications provided by the Standard Setter Board;
- This inventory recognition will require a review by the same authorities that carry out the census by recording their own assets on a yearly basis.

3. Operating manuals through:

- Development of operating manuals for the application of standards, accompanied by examples and practical representations to support operators.

8. Training

To ensure the effectiveness of the proposed governance model, the establishment of a specific budget for the development of skills among the members of the standard-setting body is suggested. The budget should include participation in training, conferences, exchange of experience with peers in advanced countries in the standard-setting process.

It is fundamental to establish a training path at both theoretical and practical level, for all relevant stakeholders, according to the training needs identified in each stakeholder group.

8.1 Objectives

Given the system used to date (commitment/cash accounting), while the “accrual” concept has only recently been introduced, it will be necessary to proceed with in-depth training to all entities of the GGS personnel on the new accounting principles and processes. Therefore, an accrual-based reform process will require investment, in training to ensure all the entities of the public administration have the appropriate expertise for the correct and accurate application of the accounting standards.

The objective is the definition of training and change management models capable of guaranteeing full, accurate, and timely adoption of the reform.

8.2 Implementation proposal for the adoption of the accrual-based training plan

It is fundamental to establish a training path at both theoretical and practical level, for all relevant stakeholders, according to the training needs identified for each stakeholder group. The development of a training curriculum for each stakeholder group should contribute to reducing the gap in knowledge and experience on accrual-based accounting, by defining the:

- methods by which training is provided (web-based and in-class sessions);
- contents handled;
- participants involved in each established training path.

The proposed training plan and implementation are as follows:

- Training activities of the RGS accrual Advisory Group;
- Planning and content of training activities: defined by the General Accounting Office in collaboration with the National School of Administration (SNA) and the Standard Setter Board;
- Training for trainers: carried out by SNA and external advisors;
- Training for accountants: carried out by SNA and external advisors;
- Training for other subjects: carried out by the SNA and external advisors;
- On-line training: provided by IGICS;
- Training updates: defined by the General Accounting Office in collaboration with the SNA and the Standard Setter Board;
- Dissemination of the culture of economic and asset accounting: entrusted to IGICS and SeSD and carried out through the organisation of seminars.

Therefore, this training plan provides for the involvement of **external personnel (consultants) to the ministry**, with the aim of entrusting the functions of coordination of the training process to a single structure with recognised experience and professional skills.

9. First Time Implementation

The First Time implementation phase and the related testing is noted for its progressive nature and should be articulated as follows:

- **Design of the pilot phases:** the aim is to test the model and to build the first opening balance sheet (accrual-based opening balance sheet).
- **First implementation phase:** involves a (1st pilot) administration for each sector (Regions, Ministry, Local Health Authority, University). It will be fundamental to implement the IT systems before the initiation of the present phase.
The 1st pilot will have the above-proposed GGS due to its familiarity with accrual-based accounting.
- **Second phase of implementation:** this phase aims to continue the test on a further block of administrations (Non-territorial Public Body, Municipality), considering any changes and corrective actions identified based on previous experience.
- **Third phase of implementation:** extension (2nd pilot) of the new model to all public administration. This last implementation phase concerns all public administrations and aims at consolidating and improving the quality of the data provided to produce the first consolidated account on an accrual basis.

As also found in the experiences of other countries, the process of improving and refining the accounting system does not end after the first phases of experimentation but continues over time with subsequent developments. Therefore, the degree of maturity of an accounting system increases over the years and the increasingly complete and correct application of standards.

Concerning the opportunity to implement an accrual-based accounting system in small public entities, the result of a future specific cost-benefit analysis should be carefully evaluated.

10. Conclusions

The all-encompassing objective of the IPSASB is to strengthen the Public Financial Management (PFM) globally through increasing adoption of accrual-based IPSAS/EPSAS delivered through two main areas of activity, both of which have a public interest focus:

- Developing and maintaining IPSAS/EPSAS and other high-quality financial reporting guidance for the public sector;
- Raising awareness of IPSAS/EPSAS and the benefits of accrual adoption.

The implementation of the above Action Plan will have the objective of enhancing the quality and transparency of reporting, thereby strengthening the climate of public confidence in the public administration. One of the cornerstones of this process is, therefore, the promotion of convergence of national and international public accounting standards.

To implement a subsequent action plan for the main topics analysed, the following operational guidance and benefits can be considered:

- Implementing accrual-based accounting goes beyond adopting new standards. Numerous challenges reside in applying these accounting principles. This requires the assortment of additional data, reforms to business processes, implementation of adequate IT systems and capacity building both within and outside the government instruments, in order to gain significant benefits from the implementation;
- the timeframes, area of intervention and progression of the reform depend crucially on the desired objectives. Concentrating on remodelling and improving management of government assets may prioritise recognition of fixed assets over recognition of financial instruments in government balance sheets. Supervision enhancement of public enterprises may consolidate these entities in financial statements before bringing in local governments;
- preserve the benefits of cash/commitment accounting even after completing the transition to accrual-based accounting. Adopting accrual basis accounting does not imply an end to reporting “hard” data on government cash flows and reserves. It is fundamental to preserve the financial statements in line with international standards and does not imply the presence of data in comparable formats with the annual budget;
- ensure an integrated set of economic data at each phase of the conversion from cash/commitment to accrual-based accounting. This requires a one-to-one correspondence between the additional stocks being recognised in balance sheets and the other flows being recorded. This enables regular consistency checks and audit techniques to be applied;
- carefully assess the opportunity to continue investing in the current reform course(s). This statement is intended for covering all the sub-sectors of governments. Nevertheless, it is particularly suitable for those sub-sectors that are at an early stage in the adoption of accrual-based accounting. The rationale for further investment in the current reform course(s) should be carefully considered in the light of the critical issues emerging from the Gap analysis (see paragraphs 2.5 and 5.2) as well as of the future development of the EPSAS project, and whatever significant change to the courses of the accounting reform is under consideration.

Annex 1 - Plan of activities and timeframes

ID	Tasks/Milestones	Responsability	Start (M=Month / Y=Year)	Finish (M=Month / Y=Year)	Duration (months)	Duration (day)
1	Governance		M6 / Y1	M7 / Y1	1	30
1.1	Constitution of the Standard Setter Board	RGS	M6 / Y1	M7 / Y1	1	30
1.2	Constitution of the Technical Structure	RGS	M6 / Y1	M7 / Y1	1	30
1.3	Constitution of the Advisory Group RGS	RGS	M6 / Y1	M7 / Y1	1	30
1.4	Establishment of a permanent external advisory group (ISTAT and CdC)	RGS	M6 / Y1	M7 / Y1	1	30
1.5	Constitution of the Steering Committee	RGS	M6 / Y1	M7 / Y1	1	30
1.6	Training		M9 / Y1	M12 / Y5	52	1552
1.6.1	Training activities of the RGS Advisory Group	ECSRSS (project)	M1 / Y1	M9 / Y2	12	366
1.6.2	Planning and content of training activities: defined by the General Accounting Office in collaboration with the National School of Administration (SNA) and the Standard Setter Board	Standard Setter / SNA / RGS	M5 / Y3	M7 / Y3	2	61
1.6.3	Training for trainers: carried out by SNA and external advisors	SNA / RGS	M7 / Y3	M10 / Y3	3	92
1.6.4	Training for accountants: carried out by SNA and external advisors	SNA / RGS	M10 / Y3	M12 / Y3	2	61
1.6.5	Training for other subjects: carried out by the SNA and external advisors	SNA / RGS	M11 / Y3	M1 / Y4	2	61
1.6.6	On-line training: provided by IGICS	RGS	M7 / Y3	M1 / Y4	6	184
1.6.7	Training updates: defined by the General Accounting Office in collaboration with the SNA and the Standard Setter Board	Standard Setter / SNA / RGS	M1 / Y4	M12 / Y5	23	699
1.6.8	Dissemination of the culture of economic and asset accounting: entrusted to IGICS and SeSD and carried out through the organization of seminars.	SNA / RGS	M11 / Y3	M12 / Y5	25	760
2	Conceptual Framework		M7 / Y1	M11 / Y1	4	123
2.1	Conceptual Framework development	Standard Setter	M7 / Y1	M10 / Y1	3	92
2.2	Conceptual framework approval	RGS	M10 / Y1	M11 / Y1	1	31
3	Accounting Standards		M10 / Y1	M5 / Y3	19	578
3.1	Preparation of the 1st set of standards for asset accounts	Standard Setter	M10 / Y1	M1 / Y2	3	92
3.2	Preparation of the 2nd set of standards for the liability accounts	Standard Setter	M1 / Y2	M4 / Y2	3	91
3.3	Preparation of the 3rd set of standards relating to costs and charges	Standard Setter	M4 / Y2	M7 / Y2	3	91
3.4	Preparation of the 4th set of standards for income and expenses	Standard Setter	M6 / Y2	M11 / Y2	5	153
3.5	Preparation of the 5th set of standards for equity accounts	Standard Setter	M11 / Y2	M1 / Y3	2	61
3.6	Revision of the standards	Standard Setter / RGS	M1 / Y3	M4 / Y3	3	90
3.7	Approval of the standards	RGS	M4 / Y3	M5 / Y3	1	30
4	Reporting		M10 / Y1	M1 / Y2	3	92
4.1	Development of schemes	Standard Setter	M10 / Y1	M12 / Y1	2	61
4.2	Approval of schemes	RGS	M12 / Y1	M1 / Y2	1	31

ID	Tasks/Milestones	Responsability	Start (M=Month / Y=Year)	Finish (M=Month / Y=Year)	Duration (months)	Duration (day)
5	Multidimensional Chart of Accounts		M1 / Y1	M1 / Y2	12	365
5.1	Design of the Chart of Accounts	EUROSTAT project	M1 / Y1	M10 / Y1	9	273
5.2	Revision of the Chart of Accounts	Standard Setter	M10 / Y1	M12 / Y1	2	61
5.3	Approval of the Chart of Accounts	RGS	M12 / Y1	M1 / Y2	1	31
6	Analysis of assets		M6 / Y2	M1 / Y4	19	579
6.1	Census of administrations assets	Administrations / RGS	M6 / Y2	M6 / Y3	12	365
6.2	Revision of the census of administrations assets	Administrations / RGS	M6 / Y3	M1 / Y4	7	214
7	Operating Manual		M5 / Y3	M10 / Y3	5	153
7.1	Development	Standard Setter	M5 / Y3	M9 / Y3	4	123
7.2	Approval	RGS	M9 / Y3	M10 / Y3	1	30
8	Legal Transposition		M6 / Y3	M6 / Y5	24	730
8.1	Proposed of the Regulatory Framework	Standard Setter	M6 / Y3	M11 / Y3	5	153
8.2	Approval of the Regulatory Framework	RGS	M11 / Y3	M12 / Y3	2	61
8.3	Revision (experimentation outcomes)	Standard Setter	M1 / Y5	M4 / Y5	3	90
8.4	Approval of the Regulatory Framework	RGS	M4 / Y5	M6 / Y5	2	61
9	Preparatory Phase (FTI)		M5 / Y3	M1 / Y7	45	1341
9.1	Experimental design		M5 / Y3	M12 / Y3	7	214
9.2	1st phase of implementation (pilot administrations 1 for each sector)	Administrations / RGS	M1 / Y4	M1 / Y5	12	365
9.3	2nd phase of implementation (additional pilot administrations)	Administrations / RGS	M1 / Y5	M1 / Y6	12	365
9.4	3rd phase of implementation (all public administrations)	Administrations / RGS	M1 / Y6	M1 / Y7	12	366
10	IT System		M9 / Y3	M9 / Y7	48	1440
10.1	Definitions of functional and technical requirements	IGICS / External consultants	M9 / Y3	M11 / Y3	2	60
10.2	"Make" or "Buy" a single system	IGICS / External consultants	M12 / Y3	M2 / Y4	2	60
10.3	Preparation and issue call for tenders	RGS	M3 / Y4	M9 / Y4	6	180
10.4	1st implementation	IGICS / External consultants	M10 / Y4	M12 / Y6	26	780
10.5	Tuning/Evolutive maintenance	IGICS / External consultants	M1 / Y7	M9 / Y7	8	240
10.6	Go Live	IGICS / External consultants	M10 / Y7	M9 / Y7	2	60

Annex 2 – GANTT of implementation activities

[illegible]