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Briefing - IMF Fiscal Transparency Assessment Report

Summary:

- In late 2012, the Departments of Finance and Public Expenditure and Reform invited the IMF to conduct a review of Ireland's fiscal reporting, fiscal forecasting and budgeting, and fiscal risk disclosure practices. An expert mission from the IMF conducted the review during March and April 2013 including a field visit from 12 March to 25 March. The review was carried out within the framework of the Fund's Review of Observance with Standards and Codes (ROSC) and resulted in the presentation of a *Fiscal Transparency Assessment Report* which put forward 10 recommendations to improve Ireland's fiscal transparency.

- The purpose of the *Assessment Report* is to help ensure that Ireland's fiscal reporting is fit for purpose in terms of international standards and investor expectations. This exercise was entirely separate from and additional to our engagement with the IMF under the programme for assistance.

- The Report concluded that "Ireland is now approaching best practice in fiscal reporting and forecasting and meets the basic requirements for fiscal risk disclosure under the IMF's Fiscal Transparency Code."

- The Report contains 10 recommendations for Ireland to bring its Fiscal Reporting up to best international practice. The 10 recommendations have been broken down into steps to be carried out over 5 years.

- **NOTE:** The recommendations are not compulsory and Ireland is not legally obliged to implement them. The EU will be introducing a set of harmonised accounting standards for all member states from early 2015. Ireland will be legally obliged to comply with these new standards and must implement any new standards and/or procedures once they come into effect. There is likely to be significant overlap between the recommendations of the IMF and the new EU standards.

- Full implementation of each individual step is a big undertaking and despite having spent some months considering how best to go about it, a Steering Group comprising Finance, PER, CSO and others have yet to precisely agree the full scope and scale of what's involved but agree that its likely to be considerable.

- A number of the recommendations were already under consideration by D/Finance and D/PER prior to the IMF's Report. For example:

    - D/Finance had already started the process of collecting information from the Local Government and some non-Commercial Semi-State bodies. This ensures that the information required to satisfy Recommendation 1 (Expand Institutional Coverage of Budgets, Statistics and Accounts) is available to present a more comprehensive overview of all gross revenues and expenditures of Central Government and its subsectors in the budget documentation.

    - Furthermore, the budgetary timeline has already been brought forward (as per Recommendation 5) and the Budget was published on the 15th October 2013 with the Revised Estimates published 2 months later on 18th December.

Issues to Note:

- The EU will be introducing a set of harmonised accounting standards for all member states in the short term (from early 2015). Ireland will be **legally** obliged to comply with these new standards and must implement any new standards and/or procedures once they come into effect.

- PwC have been contracted by Eurostat to undertake further analysis related to the potential benefits and costs of implementing the European Public Sector Accounting Standards (EPSAS) and of the suitability of the International Public Sector Accounting Standards (IPSAS). The work is currently underway and will run to July 2014. This involves collection of information from all Member States and will involve visits to some member states.

- Once the standards have been finalised, an EU directive is expected to be published in early 2015. Once the directive has been published, member states will have 5 years to fully implement the necessary standards and procedures.

- It is highly probable that there will be overlap between some of the recommendations put forward by the IMF and the new EU harmonised accounting standards that we will have to adhere to.

- For this reason we will continue to progress those recommendations that have already been prioritised by D/Finance and D/PER and are currently underway.

- D/PER and D/Finance are considering postponing the implementation of some recommendations until such a time as the new EU Directive is released. Once this happens we will be able to cross reference this with the IMF recommendations in order to identify what the discrepancies and the overlaps are. It remains our priority to ensure that we adhere to EU standards and procedures at all times.