



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National accounts, prices and key indicators
Task Force EPSAS

EPSAS WG 17/16
Luxembourg, 08 November 2017

EPSAS Working Group
To be held in Luxembourg
on 21-22 November 2017, starting at 09:30

Item 4 of the Agenda

EPSAS impact assessment considerations

- for information

1. Introduction

This document follows up on the opinion of the EFC Sub-Committee on Statistics of 23 October 2017 that was endorsed by the ECOFIN on 7 November 2017¹:

"The Council TAKES NOTE of the work being done on European Public Sector Accounting Standards (EPSAS) principles and standards and on supporting Member States' current efforts to adapt and raise accounting maturity on a voluntary basis. The Council UNDERLINES that work in this area should respect the principles of subsidiarity and proportionality and be founded upon a clear legal basis, where relevant. It further UNDERLINES that work on EPSAS should also be informed by a detailed impact assessment. The Council therefore ACKNOWLEDGES the inception of Commission (Eurostat) work on this assessment and UNDERLINES that it should provide a comprehensive account of both positive and negative impacts."

It provides background information on impact assessments by the European Commission and would welcome feedback from EPSAS working group delegates. It also reviews possible impact assessment options for harmonising public sector accounting in the EU and outlines the expected scope of the technical proposal which the impact assessment would accompany.

2. Expected scope of the technical proposal

The core elements of the technical proposal may be structured as follows:

- Conceptual Framework
 - Purpose of EPSAS and its Conceptual Framework (CF). Aims and objectives, what it serves, users, GPFs, etc.
 - Definition of general concepts, Qualitative Characteristics, Application Principles, Constraints
 - Scope, reporting entity
 - Definition of elements, recognition, measurement, de-recognition
 - Public sector specificities
 - Presentation of financial statements
 - Requirement to develop standards consistent with the EPSAS CF
- Process for developing standards:
 - Governance principles, roles and responsibilities, principles for due process

¹ <http://data.consilium.europa.eu/doc/document/ST-14011-2017-INIT/en/pdf>

- Role of IPSAS and national standards: IPSAS as a first reference point and, as necessary, national standards as a secondary reference in developing EPSAS
 - IPSAS not to be a constraint on EPSAS and taking into account limitations of IPSAS
 - Identification of some confirmatory criteria which all specific standards should in addition to the CF fulfil (such European public good, prudence, potentially Smaller and Less Risky Entities (SLREs))
- Considerations and bases for conclusions for the treatment of key public sector specific issues under the proposed EPSAS due-process
 - Summary and conclusions on key technical issues

3. Impact assessments in the European Commission

Impact assessments are prepared for Commission initiatives expected to have significant economic, social or environmental impacts. Impact assessment is a tool to analyse the potential benefits and costs of different policy options to tackle a particular problem. It provides evidence to inform and support the decision-making process. Simply speaking it comprises an inception impact assessment and the impact assessment report.

An *inception impact assessment* is published by the Secretariat General on the Commission's website in agreement with the Commission's inter-services group responsible for preparing the IA and the initiative.

The inception impact assessment should be considered as an information tool addressed to the public and therefore it should be written in non-technical language, avoiding acronyms, jargon and detailed technical or legal analysis. It should be finalised at the earliest stages of the impact assessment process so that best use can be made of feedback from stakeholders.

Citizens and stakeholders are able to provide feedback for a period of 4 weeks. The recommended length for the inception impact assessment is about 3 to 4 pages. The length limit is indicative but it is considered essential to keep to an overall maximum of 3 to 4 pages in order to keep the text readable for the public.

The *impact assessment report* should describe the following:

- Political and legal context: What is the prevailing political/ legal context as to why the initiative is being brought forward now?
- Identification of the problem: What is the problem and why is it a problem? Who is affected? What are the main drivers?

- Assessment of the need for EU-level intervention: Why should the EU act? Does the EU have the right to act under the Treaty? Are there clear benefits from EU level action?
- Definition of objectives: What should be achieved? What are the Treaty-based goals which the intended policy contributes to? Set out concretely what the policy intervention is meant to achieve.
- Development of policy options: How can objectives be achieved? What are the possible regulatory and non-regulatory options for meeting the objectives and tackling the problem? Which options have been discarded at an early stage and why?
- Analysis of the impacts of the options: What are the economic, social and environmental impacts of each of the short-listed options? Who is affected and how?
- Comparison of the options: How do the different options compare in terms of their effectiveness and efficiency (benefits and costs)? What is the most effective & efficient option?
- Outline policy monitoring and evaluation: How to check that objectives are achieved? How will monitoring and subsequent retrospective evaluation be organised?

After the mandatory 12-week internet-based public consultation, the findings of the impact assessment process are summarised in the impact assessment report of circa 30-40 pages. The quality of each report is checked by an independent body, the Regulatory Scrutiny Board, which issues opinions.

The impact assessment report should be accompanied by an executive summary of circa 2 pages. Stakeholders should be consulted on all key aspects of an impact assessment. The timing of the publication of the inception impact assessment may coincide with the launch of the full mandatory 12-week public consultation on the initiative, in which case it is sensible and preferable to use the inception impact assessment as one of the supporting documents for the mandatory 12-week internet-based public consultation together with any other consultation documents. In such cases, stakeholder feedback on the inception impact assessment can be provided as part of the public consultation process.

4. Impact assessment options

An impact assessment should allow for an informed decision about the possible ways to achieve a given objective. To do so, available options should be identified and screened with a view to selecting the most relevant ones for further analysis and comparison. At the end of this process, the most relevant alternative policy options should have been identified for further examination in the impact analysis stage (in line with the structure presented in section 3).

Options for public sector accounting in the EU were already discussed at the April 2012 meeting of the Task Force IPSAS. The options presented in April 2012 included full IPSAS implementation, versions of partial IPSAS implementation ("common core"; "IFRS-type approach"), versions of combining IPSAS with EU-specific additions, implementation of accruals without harmonisation and an option to discontinue completely the work on accruals.

The Staff Working Document accompanying the 2013 Commission report on the suitability of IPSAS for EU Member States² only implicitly addressed options, in that it discussed the role that IPSAS may play in the future standard setting process, considered alternatives to IPSAS and identified moving towards implementing EPSAS as the preferable way forward.

Since the 2013 Commission report, IPSAS has developed for the better with respect to the governance, conceptual and some technical issues raised in the 2013 Commission report (e.g.: new governance structure, adoption of the IPSAS conceptual framework, new IPSASs, key public sector issues moved higher on the IPSAS Board work programme), but the main part of the report's conclusion concerning sovereignty issues concerning public sector standard setting and some technical issues remain valid. This means a direct endorsement of IPSAS without developing their European equivalents, even together with guidance on preferable IPSAS options and potential amendments, does not seem a promising way forward. However, the situation may be reassessed in the process of finalising the impact assessment and against the feedback that will be received via the necessary public consultation.

In Eurostat's view the impact assessment would analyse the following four options:

Option 1: Binding European Conceptual Framework (CF) and binding European Public Sector Accounting Standards, accompanied by technical and financial support to Member States.

Option 2: Binding European CF with recommended but voluntary European Public Sector Accounting Standards, accompanied by technical and financial support to Member States, and with a further review based on an assessment after some time of the effectiveness of the approach.

Option 3: Recommended but voluntary European CF with recommended but voluntary European Public Sector Accounting Standards, accompanied by technical and financial support to Member States and a further review based on an assessment after some time of the effectiveness of the approach.

Option 4: Discontinue work completely on EPSAS.

² "Towards implementing harmonised public sector accounting standards in Member States. The suitability of IPSAS for the Member States", COM/2013/114final