

FRANCE PUBLIC SECTOR ACCOUNTING AND AUDITING PRACTICES : TEN YEARS AFTER

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- Two major reforms since 2001: a profound reshuffle in budgeting, accounting and auditing
- State of implementation :Where are we? Ten years afterwards?
- Lessons learned and future steps.

Major reforms

- The 2001 constitutional bylaw: dedicated only to central government. In 2005 and 2008 public accounts 'sincerity and fair view' introduced in constitution including regional/local entities and social security.
- Three accounting systems : Budget on cash and commitments; general accounts on accrual ; a cost accounting .
- Main actors : Parliament ; Ministry of budget ; Cour des comptes.
- A more transparent and comprehensive budget presented by public policies (missions; programs; actions). New tools for the performance-based budget : objectives and indicators.

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3

Implementation

- **Accrual accounting set in place**
 - Objective set by Parliament : same standards for public transactions as for enterprises except when specificities. Desire to comply with international standards (IFRS, IPSAS) and to converge .
 - Implementation : a complete set of 15 accrual based standards for central government. A new accounting body.
 - Innovative aspects : sovereign revenues (tax obligations) ; pensions scheme (financing deficit presented for the long term), concessions..

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4

Lessons learned

- 1. An enormous increase in extent and quality information. Accrual shed light on patrimony, financial situation (net assets/equity), crucial information on payables and more generally non financial debts, receivables, depreciation...
- Enormous gain in accountability toward Parliament, citizens : cf 3 reports of Cour (certification, budgetary control, situation and perspectives of public finances).
- 2. A challenge
 - A challenge for government and the public entities : necessity to adopt a solid base of accounting beyond cash , to build internal controls/internal audits, to improve accounting quality : a tool to steer management
 - Importance of IT systems cf Chorus
 - A challenge for the auditor : Cour des comptes in charge of certification : 30 posts + external assistance, 9.000 days/year. ISA standards used . A quality control process introduced.

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5



Some Warnings

- Takes time and political commitment : 9 years after being launched central government financial accounts are certified but with 12 qualifications of whose 9 of substantial nature (IT systems inadequacy, military assets ..).
- Also
 - managers giving priority to budgetary aspects of the reform
 - Managers need detailed cost accounting , only due towards 2015
 - Issue of uniform system of accounting for all public entities (cf a new french standard setter for public sector)
 - For the auditor a new role : opinion on public policies ; evaluation: another challenge.



FUTURE STEPS

- Cost accounting , urgent
- IT system totally operative
- Going beyond towards a dedicated organisation for the auditor, Cour des comptes, to assess public policies.
- Towards a new perspective in Europe



Financial audit with an audit opinion : in a period of crisis a tool for a stronger financial information on central government ?

1. Greek move: twice in recent years Greek government reveals and correct huge miscalculation in statistics for Maastricht indicators
2. Eurostat indicators: quality credibility largely improved since 1980 except for public finance
2. Strong accounting standards backed by a strong audit structure : an efficient tool for reinforcement and transparency
- 3 Towards generalisation of Audit opinion , Financial audit in the EU to fight distrust in a period of crisis.