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.

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.
  - Innovative aspects: sovereign revenues (tax obligations); pensions scheme (financing deficit presented for the long term), concessions.
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...

2. 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.

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
3. Strong accounting standards backed by a strong audit structure: an efficient tool for reinforcement and transparency
4. Towards generalisation of Audit opinion, Financial audit in the EU to fight distrust in a period of crisis.