FRENCH STATE’S ACCRUAL ACCOUNTING

EUROPEAN COURT OF AUDITORS

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* This presentation reflects personal views of the author and does not reflect a public position of the Cour des comptes
THE ACCOUNTING REFORM PROCESS

- **Late 1990’s**
  - State’s accounting system perceived as obsolete

- **2001**
  - Accounting section of the « LOLF »

- **2006**
  - First « LOLF » financial statements + certification

- **2016**
  - Reform assessment

- **Needs**
- **Solution**
- **Implement.**
- **Benefits & limits**
INITIAL NEEDS (LATE 1990’S)

- True and fair view of financial position
- Assets evaluation
- Budget sincerity
- Management by performance
- Long term sustainability
- Consolidation of public administrations

- International movement towards accruals
- Resource allocation
- Cost indicators
- Best practices in the private sector
THE « LOLF » ACCOUNTING SECTION (2001)

- No accrual budgeting
- No consolidation
- No ministerial financial statements
- No sustainability analysis

- Full accrual accounting…
- … for the State as a whole…
- … with specific accounting standards…
- … certified by the Cour des comptes
IMPLEMENTATION – 1ST PHASE (2002-2007)

Success

- Significant involvement of the administration
- Results are compliant with legislative obligations and targets

Solution

Implem.

- Standard-setting
- IT systems
- Opening balance sheet
- Public accounting service (Treasury)
- Certification team (Cour des comptes)
- First financial statements
- Qualified opinion
BENEFITS

Better information on the financial position of the State

- **Assets:** property, financial participations, concessions, roads, etc.
- **Liabilities:** non financial debts, provisions, etc.
- **Commitments:** pensions, etc.
- **Financial position**

Financial function modernization

- Better cooperation betw. managers & accountants
- Process assessment
- IT modernization
- Internal control and risk management
- Certification

Other benefits

- Better budgetary accounting
- Positive effects on national accounts
- Confidence in the financial statements
- Other administrations involved (public establishments, local governments)
Difficulties and constraints on public managers

Need of financial expertise, complexity, administrative organization

Qualified opinion

Use for internal purposes

Too limited use in financial management

Use for external purposes

Limited exploitation by public finance observers; budgetary accounting and national accounts more used

5 Qualifications (2014)
WHAT SHOULD BE DONE NOW?

**Improve the production process of financial statements**
- reduce the cost
- enhance effectiveness
- in order to reallocate resources to …

**Improve the use of accrual accounting**
- internally and externally
- in order to improve the quality of financial statements
THANK YOU