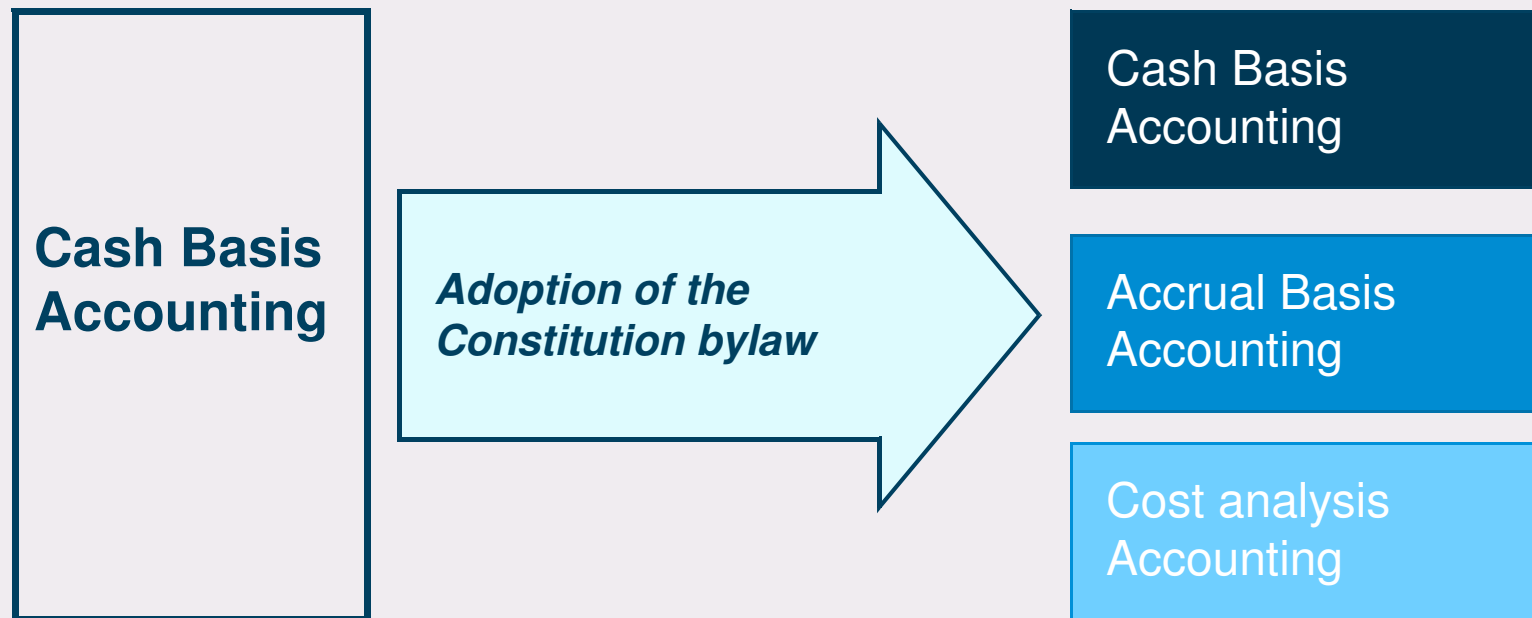


Accrual Accounting and Budgeting Developments- State of play of the French accounting reform

Challenges of the accounting reform

The successful challenge of French accounting reform

Constitutional Bylaw (2001) enhances a new accounting system for France based on **accrual accounting** in order to make financial information **more transparent** for the Parliament and the public.



Agenda

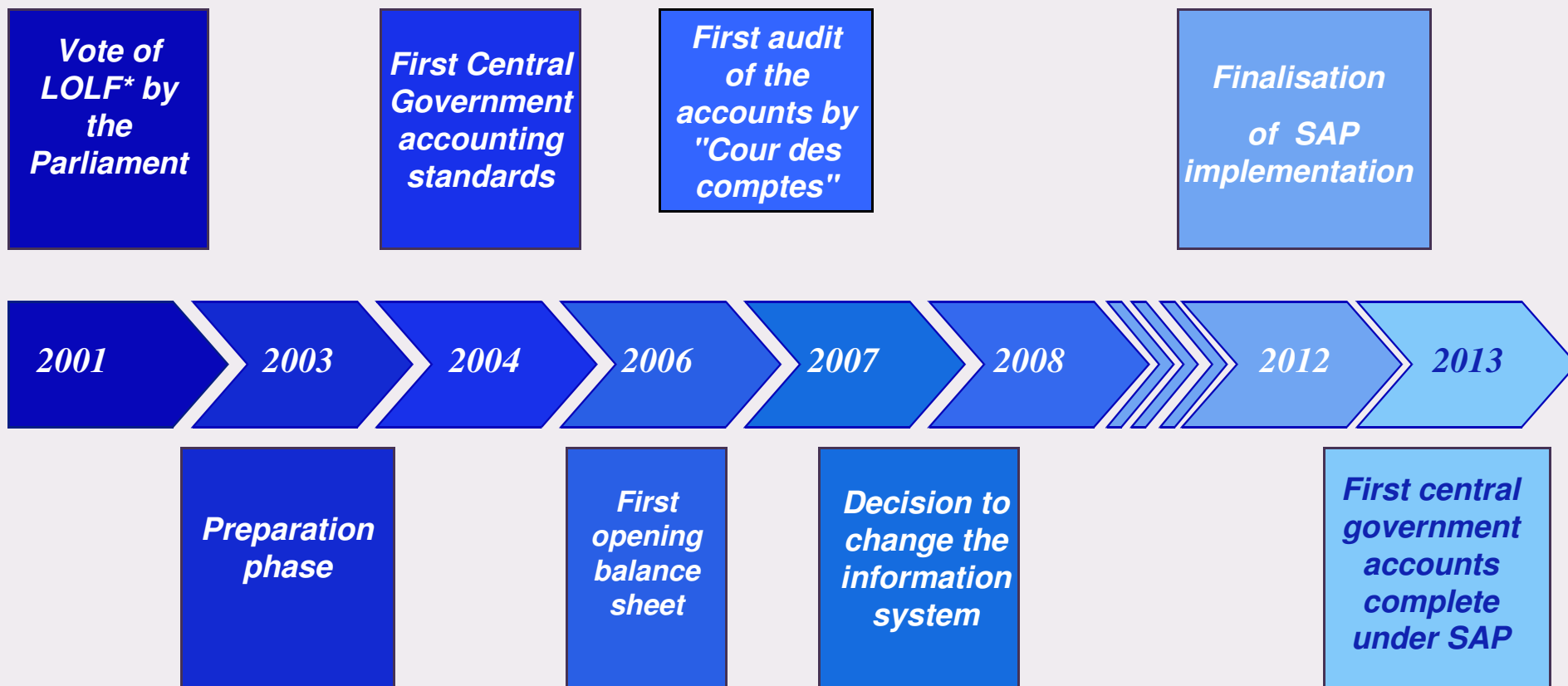
Introduction

1. State of play of the accounting reform

2. The objectives of accounting quality

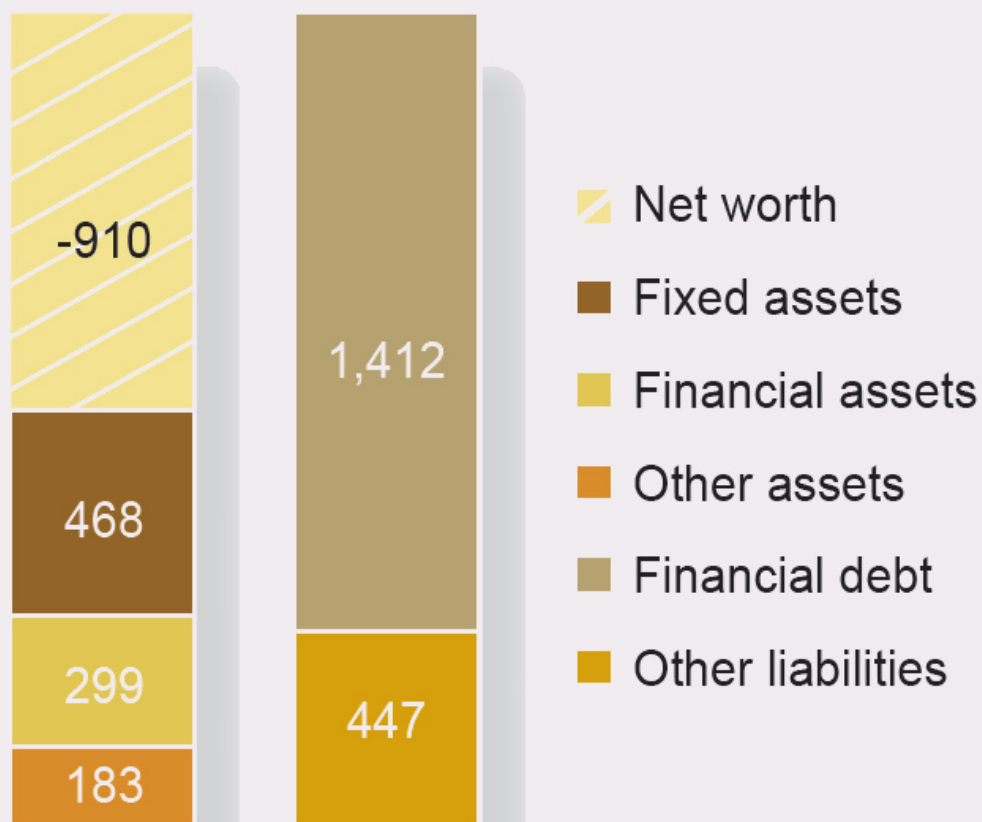
Conclusions

French reform: key dates for transition to accruals for central government accounts



The French accounting reform: 2012 Central government financial statements

Balance Sheet (in billions of euro)



→ Net worth represents 45 % of gross domestic product (GDP) in 2012.

High transparency on off balance sheet commitments

- Disclosures of the main **off-balance sheet commitments** in a summary table so as to enlighten the key figures.

- **A complete information** on:
 - State pension commitments,
 - Commitments granted under clearly defined agreements,
 - Commitments resulting from the economic and social regulator role of the central government.

- **A key information read in detail by Parliament.**

Agenda

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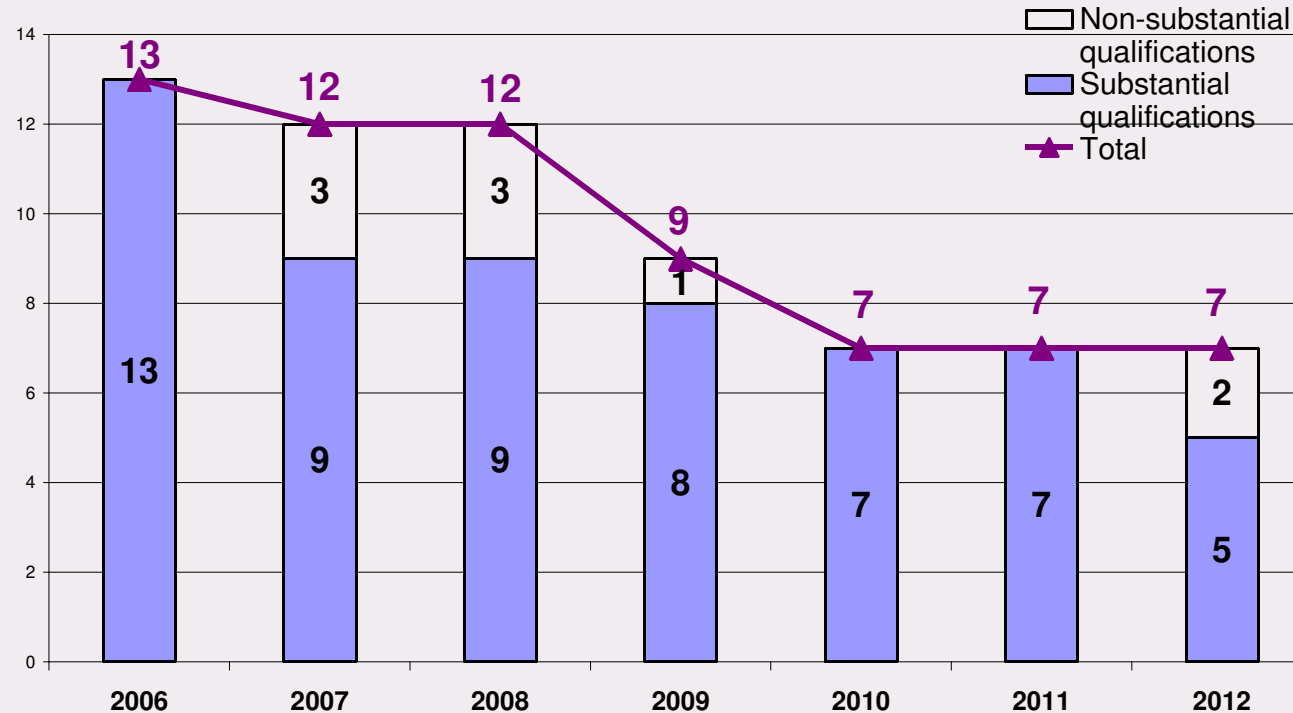
The French accounting reform: A tighter internal control to ensure quality of accrual basis accounting

- Implementation of reference **framework for accounting and financial internal control** (reference to COSO standard):
 - Since 2004 for central government,
 - Gradually extended to its public bodies (universities...) and local authorities.
- Rely on the **set out of internal audit** :
 - At the level of the central government and its establishments, each ministry has to establish an **audit committee** and action plans.
- **Annual internal control report** : a key factor to improve the quality of financial statements.

The French accounting reform: certification

→ External audit: an evidence of the improvement of the quality of the central government accounts.

Opinion of the national audit office: qualifications



→ From 2006, the number of qualifications has kept reducing (from 13 qualifications to 7 qualifications for the 2012 financial statements).

New IT system

- **A new ERP** (Enterprise Resource Planning), “Chorus”:
 - Dedicated to financial, budgetary and accounting management,
 - Based on S.A.P.
 - Shared at central and decentralized level,
 - Improvement of the audit trail.

- **50 000 daily users**, for a total of €700 million cost.

- **Full implementation from 1st January 2012.**

The French accounting reform: Convergence process

- **Accounting quality objective** has been extended to the whole general government (decree n ° 2012-1246 of 7 November 2012 on the public budget and accounting management).
- **Convergence process for accounting standards** applying to the whole general government:
 - Central government and its public bodies,
 - Social security organisms,
 - Local authorities and hospitals
- **Accounting rules largely based** on those apply to central government accounts.

The French accounting reform consistency with Council directive of 8 November 2011 (2011/85/UE),

France ties in perfectly with the approach of the Council directive of 8 November 2011 (2011/85/UE), which provides that State members must implement reliable public accruals accounting system (art 3) :

- Harmonisation of general government accounting standards,
- Strengthening the process and the quality of internal control in all public entities,
- Enlargement of the scope of certification.

Thank you very much for your attention.

