Accrual Accounting and Budgeting
Developments-
State of play of the French 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.

**Challenges of the accounting reform**

- Cash Basis Accounting
- Adoption of the Constitution bylaw
- Accrual Basis Accounting
- Cost analysis Accounting

Cash Basis Accounting

Adoption of the Constitution bylaw

Cash Basis Accounting

Accrual Basis Accounting

Cost analysis Accounting
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

Vote of LOLF* by the Parliament

First Central Government accounting standards

First audit of the accounts by "Cour des comptes"

Finalisation of SAP implementation


Preparation phase

First opening balance sheet

Decision to change the information system

First central government accounts complete under SAP

*LOLF : Loi organique relative aux lois de finances, Constitutional Bylaw on budget acts
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

Introduction

1. State of play of the accounting reform

2. The objectives of accounting quality

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

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