

CNOCF

Conseil de normalisation
des comptes publics

WORK PROGRAM
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Relationship between general accounting and budgetary and national accounting

The general government accounting system is complex. The three main accounting methods serve specific objectives and are based on different standardised principles: budgetary accounting, similar to cash accounting by function and by nature; general accounting, accrual accounting of amounts identified by nature; and national accounting.

However, these accounting methods are not all applied in the same manner in the main general government sectors. In particular, the abovementioned difference between budgetary accounting and general accounting depends on the category of government entity involved.

The relationship between these three accounting methods raises questions that require closer examination:

- > the first question that needs to be asked is whether we can improve the definitions and consistency of the basic concepts and thereby facilitate the processing of information and interpretation of results;
- > the second question relates to the preparation of financial statements in order to harmonise the conditions for reconciling the general accounts and the budget accounts (already carried out for central government);
- > lastly, the third question concerns the publication in the notes to the financial statements, prepared in accordance with the general accounting provisions, of information that can be used to analyse the sustainability of public policies.



Grouping of accounts

The widespread preparation of financial statements by all non-market public sector entities, in accordance with similar general accounting standards, opens up new possibilities with respect to the grouping of accounts and the clarification of public management. International organisations (such as the European Commission, OECD and IMF) are paying increasing attention to this issue, but do not always take into account the institutional data that may determine the nature of these groupings.

An initial analysis may result in a distinction being drawn between the case of the government and its public institutions, which may be subject to consolidation, the case of local bodies, which may warrant a combination of accounting methods depending on the ties between the entities concerned, and the case of all general government entities subject to national accounting.

While these consolidation and combination efforts are likely to be standardised, their relevance is dependent on an in-depth needs analysis, given the burden involved.



Financial statements and additional information

The transparency and sustainability requirements with respect to public finances can prompt public entities to provide additional information to facilitate the reading of their financial statements. Thus, among the financial information associated with public sector general accounting, it is worth including in the notes to the financial statements, data concerning the relationship with the budgetary accounts and/or provisional data relating to near-commitments, both issues that are not covered in company accounts.

However, the definition provided of “notes to the financial statements” in the Commercial Code is restrictive¹, including only notes about transactions that are actually recorded in the balance sheet or the income statement. The broadening of the scope of the Statutory Auditors’ involvement in the certification of the accounts of non-market public entities also raises the question of the nature of the obligations imposed on them by the Commercial Code to audit the information contained in the notes to the financial statements. The legal risks associated in this day and age with the certification of public entities’ financial statements by referring to the provisions of the Commercial Code have unfortunately led to the adoption of a conservative stance, resulting in a loss of information and the censorship of certain financial statements.

In this context, an ad hoc solution to this problem should be sought, no doubt based on the specific nature of public management.

¹ Article L.123-13 of the Commercial Code: “The notes to the financial statements supplement and comment on the information provided in the balance sheet and income statement.”



Leases and similar operations

The accounting requirements for leases and similar operations in the public sector are currently inconsistent and incomplete. At present, the Central Government Accounting Standards Manual includes some provisions on financial leases, operating leases, and sale and leaseback transactions. As for the Public Establishments Accounting Standards Manual, it does not include any such provisions at this in point in time. Similarly, no opinion has been issued for application at local level, where this type of contract is common.

The first phase of identification of public sector contracts brought to light a number of specific features that take various forms (transfers of skills, long administrative leases, temporary occupation permits with or without property rights, etc.). The interested parties, often public entities, have separate rights and obligations which range from the right of use/usage without control over the physical asset to legal arrangements granting the physical control of said asset, and which may or may not include the payment of royalties (or other fees, sometimes for a token amount). This type of transaction includes proper leases as well as the different forms of transfer commonly found in the public sector: availability, allocation, etc. Therefore, the project covers agreements that do not have the legal form of a lease but provide for the right to use an asset in exchange for different forms of benefit.

The work undertaken since 2016 could lead to the proposal of a Council opinion in 2020 on all of these transactions. The provisions of this future opinion would be included in the Central Government Accounting Standards Manual, the Public Establishments Accounting Standards Manual and the future Accounting Standards Manual for Local Public Entities (Social Security Organisations would not appear to be concerned by this topic).

The future Standard 18 on contracts for the provision of public services (a standard that mainly covers concession and public-private partnership contracts) for local public entities and, where applicable, for social security bodies, will be examined in the context of this work, the provisions of Standard 18 being linked to the discussions on leases and similar operations.



The Central Government Accounting Standards Manual

Potential areas for improvement for certain existing standards have been identified and may be worked on.

Standard 7 – “Financial Assets”

This standard makes no provisions for funds without legal personality. As such, the standard may be amended to incorporate this aspect.

Standard 3 – “Sovereign Revenues”

Following work that began in 2017 on the tax treatment of income tax revenue withheld at source, it became apparent that some provisions could be clarified, including for example the treatment of deductions from state revenues.

Standard 6 – “Tangible Assets”

Some property assets are currently recorded at their market value on the reporting date; this accounting method may not be the most appropriate for property assets that are not actively managed (with proceeds from disposals or rental income). Depreciation of property complexes is another question that could be addressed.

Standard 16 – “Segment Reporting”

Standard 16 took effect for the financial year ending 31 December 2013. However, some questions have now arisen about the format and relevance of the segment reporting published by Central Government. Therefore, a proposal has been made to review this standard to see to what extent it should be updated.



Public Establishments Accounting Standards Manual

Public land banks

The activities of public land banks include specific features that are not properly reflected in ordinary accounting standards. Work has since been undertaken, mainly focusing on the issue of land acquisitions carried out by these banks on behalf of local public entities in particular. The work undertaken will make it possible to complete the provisions of the Public Establishments Accounting Standards Manual on the recognition of assets in the accounts of public land banks.

Operations relating to the Campus Plan

Work has begun on the recognition of funding provided, in particular, to public institutions under the Ministry of Higher Education and Research as part of the “Invest for the Future” programmes. Given the complexity and originality of these programmes (usable and non-usable allocations that only generate cash flows equivalent to the amount of interest to which they give rise), questions have been raised about the accounting treatment in university and government accounts.

Consolidated financial statements of public establishments

Due to legislative and regulatory provisions, some national public establishments submit consolidated financial statements. The work undertaken by the Council concerns the methods used to prepare these consolidated financial statements and, where applicable, questions relating to the harmonisation of the accounting principles of the entities included in the scope of consolidation. This work will make it possible to update old provisions, initially based on regulations set by the Accounting Regulation Committee that have since evolved. It will also make it possible to integrate the specific features of public management that were not included in the above-mentioned regulations. This work could lead, in the long term, to the development of a new accounting standard on the grouping of accounts, which would also be a useful addition to the Public Establishments Accounting Standards Manual.



Future Accounting Standards Manual for Social Security Organisations

In a letter dated 7 October 2016 addressed to the Chair of the CNOCP, the Director of the Social Security Directorate requested the creation of an accounting standards manual for social security organisations, based on the content of the Single Chart of Accounts for Social Security Organisations (PCUOSS), “in order to improve the visibility and practicality of these standards for those who use them, and to adapt to recent changes in the standards applicable to public sector accounting practices”.

Scope of the future Manual

A scope definition identifying the social security organisations required to apply the manual will be drawn up after developing the standards. This is because a comprehensive view of the full set of standards is needed before it can be determined whether this manual can apply, in all or in part, to the social security organisations that currently refer to the Single Chart of Accounts for Social Security Organisations (PCUOSS). For the time being, the standards being drafted refer to “social security organisations” in a generic sense.

Publication of draft standards

Draft standards are published progressively, as working documents, for preliminary examination by the CNOCP Board so as to familiarise the parties concerned with their contents and enable the latter to anticipate, where necessary, any proposed new requirements. When the drafting of the standards is complete, the CNOCP Board will formally adopt the Accounting Standards Manual for Social Security Organisations after checking its overall consistency.

The work commenced by the CNOCP in 2019 will continue, with priority given to the standards for social security organisations, as this system has specific features and requires a longer development period.

Standard 2 – “Expenses”, Standard 12 – “Non-Financial Liabilities” and Standard 13 – “Commitments to be Disclosed in the Notes to the Financial Statements”

Work will continue on these three standards. The most difficult aspect concerns the commitments requiring disclosure in the notes to the financial statements. In addition to commitments that meet the definition provided in general accounting, the project may also address information on sustainability, focusing on the following questions:

- > Should this information be part of the financial statements in the traditional sense of the term or should it be included in a supporting document to the accounts?
- > Should this information be published at the level of an accounting entity or should it be reserved for the combined or consolidated financial statements, where they exist?
- > In the absence of combined or consolidated financial statements, is this additional information relevant? Should such information be published on a separate basis from the combined or consolidated financial statements?

Standard 4 – “Revenue” and Standard 9 – “Current Receivables”

Work will mainly focus on the accounting treatment of revenue and receivables related to technical management, with particular attention being paid to the triggering event.

Cash flow statement

The publication of such a table has the advantage of providing useful information on cash expenditure during the financial year. However, for some social security bodies, its publication may require a disproportionate amount of effort in relation to its use. The purpose of the work is to see in which cases the publication of such a table should be recommended, and what form it should take.

Standards relating to physical assets

Before finalising the Accounting Standards Manual for Social Security Organisations, the publication of standards relating to physical assets should be considered: the main standard

is Standard 6 on tangible assets, as social security bodies are not particularly concerned by Standard 8 on inventories or Standard 17 on historical and cultural assets.

Standard 14 – “Changes in accounting policies, changes in accounting estimates and the correction of errors”

In the course of the preparation of the standards contained in the Manual, work has shown that amendments may be made to Standard 14 in an attempt to clarify the scope of changes in accounting policies, changes in accounting estimates and the correction of errors, based on cases already encountered, which are sometimes open to diverging interpretations.

Standard 1 – “Financial Statements” and Introduction to the Manual

When all of the main standards have been drafted, Standard 1 on financial statements, which provides an overview of the full set of standards, will be drafted in accordance with the requirements of the other standards.

In addition, the introduction to the Accounting Standards Manual for Social Security Organisations will provide an overview of the legislative and regulatory environment and the key operating characteristics of social security organisations in order to clarify the main accounting policies used in the Manual.

Standards to be considered after the initial publication of the Manual

Some standards require a longer period of reflection due to their complex nature. They include:

- > the standard relating to leases and similar operations (see above);
- > Standard 18 – “Contracts for the Provision of Public Services”, the provisions of which are linked to the creation of the standard on leases.

The following three standards would appear not to concern social security organisations:

- > Standard 19 – “Long-term Contracts”;
- > Standard 20 – “Asset Funding”;
- > Standard 21 – “Greenhouse Gas Emissions Quotas”.

Standards that do not affect social security organisations

Three standards featured in other manuals do not concern social security organisations and should therefore not be included in the Accounting Standards Manual for Social Security Organisations:

- > Standard 16 on segment reporting;
- > Standard 22 on investment subsidies provided; and
- > Standard 23 on development operations.



Future Accounting Standards Manual for Local Public Entities

In accordance with Law 2015-991 of 7 August 2015 defining a new territorial organisation for the Republic, known as the NOTRÉ Law, the French Government Audit Office (*la Cour des comptes*) is organising audits of local authorities' accounts on an experimental basis in cooperation with the regional audit offices. As part of this project, the CNOCP has begun work on an Accounting Standards Manual for Local Public Entities.

The drafting of this Manual is part of a process to create a harmonised accounting framework common to all local public sector entities. Priority is given to a thematic approach common to all authorities instead of the current situation which favours a rules-based approach for each type of authority. The Accounting Standards Manual for Local Public Entities should, in the long term, constitute the accounting standards framework for local public entities, based on which the financial statements of the single financial account will be drawn up and certified. A budget and accounting regulation will set out, in operational terms, the provisions contained in the Manual, in particular by describing the charts of accounts, explanatory notes and accounting frameworks, in line with the approach taken upon the publication of the Central Government Accounting Standards Manual and the Public Establishments Accounting Standards Manual.

It is proposed that a first draft of the Manual be published once a consistent set of standards has been compiled. This will be the first step in defining the scope of entities subject to this Manual. Work will continue to develop the standards contained therein and extend them to other entities where appropriate.

Publication of draft standards before the initial adoption of the Manual

Draft standards are published progressively, as working documents, for preliminary examination by the CNOCP Board so as to familiarise the parties concerned with their contents and enable the latter to anticipate, where necessary, any proposed new requirements. When the drafting of the standards is complete, the CNOCP Board will formally adopt the Accounting Standards Manual for Local Public Entities after checking its overall consistency.

Scope of application of the initial draft of the Manual

The draft scope of the Manual covers local authorities and their public establishments. However, the scope of application of the initial draft of the Manual will define the public entities that will have to apply it first. The questions to be examined for this initial publication concern both the size of the entities affected and any local specificities that may require adjustments to the standards contained therein. Thus, small entities, as well as local public entities with industrial and commercial activities, may be excluded at first.

Standards to be completed before the initial publication of the Manual

Some standards subject to work commenced in 2018 or 2019 should be finalised before the publication of the Manual:

- > Standard 2 – “Expenses”, Standard 12 – “Non-Financial Liabilities” and Standard 13 – “Commitments to be Disclosed in the Notes to the Financial Statements”
- > Standard 4 – “Revenue” and Standard 9 – “Current Receivables”
- > Standard 17 – “Historical and Cultural Assets”
- > Standard 20 – “Asset Funding”, it being specified that this standard includes in its scope the provisions relating to the VAT compensation fund².

When all the standards have been drafted, Standard 1 on financial statements (which provides an overview of the full set of standards) will be revised in order to incorporate changes made to the other standards.

Lastly, before the publication of the Manual, the general introduction must be prepared.

Standards to be considered after the initial publication of the Manual

Some standards may be deferred for two reasons: either because they require a longer period of preparation due to their complexity or because they concern market operations that are, in principle, carried out by local industrial and commercial public entities that were initially excluded from the scope of the Manual.

² The questions relating to the VAT compensation fund relate, on the one hand, to the clearance of amounts shown in equity and, on the other hand, to the accounting treatment of this fund at “cruising speed”. Should the examination of these complex issues require a considerable period of time, the CNOCP Board may then decide to publish a draft version of Standard 20 without waiting for the completion of the work on the VAT compensation fund.

They include:

- > the standard relating to leases and similar operations (see above);
- > Standard 18 – “Contracts for the Provision of Public Services”, the provisions of which are linked to the creation of the standard on leases;
- > Standard 19 – “Long-term Contracts”;
- > Standard 23 on projects carried out by local public development establishments.

Lastly, Standard 21 – “Greenhouse Gas Emissions Quotas” was not deemed to be a priority for the local public sector.



Accounting Framework for Public Health Establishments

The CNOCP created a working group tasked with analysing the accounting framework for public health establishments with regard to the accounting frameworks applicable to the public sector. In 2019-2020, the Council's work will focus on:

- > Social liabilities: in addition to its opinion on the valuation of the provision for time savings accounts, the Council will examine the report on the valuation of the financial and practical challenges of recognising the liabilities in relation to deferred leave and to compensated, unpaid overtime.
- > The grouping of accounts in the hospital sector, in conjunction with its work on national public establishments (see above).



Participation of the CNOCP in the work of the IPSAS Board

IPSAS Board's consultations in 2019-2020

In 2019, the IPSAS Board is planning to make a certain number of public consultations, on which the CNOCP intends to comment.

These consultations are set out below in chronological order of their expected publication date in 2019:

- > Exposure draft “Collective and Individual Services and Emergency Relief”
- > Consultation paper and exposure draft relating to the “Measurement” project
- > Exposure draft on improvements to existing standards: Improvements to IPSAS, 2019³
- > Exposure draft on public sector specific financial instruments: Public Sector Specific Financial Instruments
- > Exposure draft on revenue from contracts and on public sector performance obligations: Revenue from Contracts with Binding Arrangements/Public Sector Performance Obligations
- > Exposure draft on IPSAS 23 “Revenue from Non-Exchange Transactions”
- > Exposure draft on Grants, Contributions and Other Transfers

Translation of IPSAS Standards

In conjunction with the Governing Council of Chartered Accountants (CSOEC) and the National Company of Auditors (CNCC), the Council will pursue its project, which began in 2012, of translating IPSAS standards into French. With the “Handbook 2013” and “Handbook 2015” translations now complete, the Council is planning a third phase of translation for “Handbook 2018”.

³ The CNOCP may not reply to this consultation if the amendments proposed by the IPSAS Board are merely of a written nature.

Participation in IPSAS Board meetings and working groups

The General Secretariat of the CNOCP prepares these meetings in close cooperation with the French member of the IPSAS Board and attends them as an external observer. This enables the CNOCP to maintain relations with all the members of the IPSAS Board, as well as with the institutional observers (World Bank, IMF, Eurostat, OECD), and to take part in discussions at the earliest possible stage. In 2019, four four-day meetings will be held.

Meetings of the IPSAS Board Consultative Advisory Group

In 2016, the CNOCP was appointed as member of the IPSAS Board Consultative Advisory Group (CAG). This membership was renewed for a further three years in 2019. The group is composed of 20 members. It advises the IPSAS Board on its strategy and work programme and provides advice on any matter of relevance to the standard-setting activities of the IPSAS Board. It is not a decision-making body. The CAG meets twice a year, in June and December.



Participation of the CNOCP in the work of the European Commission

The European Commission launched the EPSAS (European Public Sector Accounting Standards) project in the wake of its report assessing the suitability of International Public Sector Accounting Standards for Member States, drawn up in application of the provisions of Article 16-3 of Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States.

Eurostat presides and coordinates the work of different bodies on behalf of the European Commission. A Working Group is made up of the representatives of Member States, as well as observers mainly from international institutions and organisations. In addition, Eurostat has set up various “cells”. These cells serve as think tanks and are designed to tackle specific issues through the contribution of a limited number of members. The General Secretariat of the Council is a member of the French delegation, He takes part in the Working Group and is represented in the cells.

In 2019, the “Cell on principles related to EPSAS standards” is continuing the work it began back in March 2016. This cell is working on a set of general accounting principles, with particular inspiration being drawn from the Conceptual Framework for Public Accounts published by the CNOCP. The cell’s scope of work was extended in 2018 to include definitions and principles for the valuation of balance sheet and income statement items. The cell is pursuing its technical work in 2019 on valuation principles and the definition of “Other Comprehensive Income”. The objective of Eurostat is to create an EPSAS Framework that could serve as a basis for a European regulatory framework were the project to be completed.

In addition, as part of the project, Eurostat has engaged a consultancy firm to prepare reports on various topics. The CNOCP has been asked to provide comments on the parts describing the French system, in conjunction with the Public Finances Directorate General. Within the context of the new European Commission, Eurostat announced that it would publish a progress report on the EPSAS project in 2019 and an update to the mapping of Member States’ accounting maturities, which had initially been compiled by a consulting firm in 2014.

The CNOCP takes part in this work in liaison with the Interdirectorate Committee for International Public Sector Accounting Standards, which is responsible for coordinating the positions of French participants. The General Secretariat of the CNOCP acts as secretary to this Committee.



Other international activities

Annual Meeting of OECD Senior Financial Management and Reporting Officials

Each year, the Council has the opportunity to provide input to all public sector standard setting issues at the OECD meeting initially called “Annual OECD Public Sector Accruals Symposium” and since renamed the “Annual Meeting of Senior Financial Management and Reporting Officials”. This meeting, which takes place each year at the start of March, provides an opportunity for the representatives of the ministries of finance of OECD member countries to discuss current accounting reforms. During the meeting that took place in March 2019, the Council highlighted the difficulties raised by the consolidation of public entities’ financial statements with regard to general accounting provisions. This event has been chaired by Michel Prada since 2012.

International Forum of Public Sector Accounting Standard Setters

A forum for public sector accounting standard setters met for the first time in March 2016 in Norwalk in the United States. The second edition was held in July 2017 at the Zurich University of Applied Sciences and the third edition was held in Toronto in July 2019. The CNOCP is a member of this Forum, which provides the opportunity to make connections with other national standard setters. It also provides the opportunity to bring important issues to the attention of the IPSAS Board. The fourth edition of the forum will be organised by the CNOCP in 2020 and will be held at Bercy.

Translation of the Accounting Standards Manual into English

In the context of the debate on public sector standard setting in international bodies and as part of the EPSAS project managed by the European Commission, the Central Government Accounting Standards Manual and the Public Establishments Accounting Standards Manual were translated into English in order to make all the stakeholders aware of the accounting framework adopted in France.

In addition, all of the other CNOCP documents that must be communicated to stakeholders in the context of international discussions – in particular, the Conceptual Framework for Public Accounts, the CNOCP annual reports and CNOCP work programmes – are also translated into English.

International cooperation projects

The Council receives an increasing number of requests to take part in international cooperation projects in countries wishing to modernise their system of public administration and which are therefore interested in public sector accounting standards. As part of these exchanges, members of the General Secretariat team are invited to share their experience of the French system or provide training on public sector accounting standards. Delegations from these countries also come to France, and in some cases have taken part in the Council's meetings.



In 2019, the General Secretariat will continue its support role in the State Budget Constitutional Bylaw implementation project in Tunisia, funded by the European Union, and will be in charge of the Accounting Standards component.

In 2019, a delegation from Turkey will be hosted to discuss the standard setting process in France, convergence with international accounting standards and specific technical points.



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