

## **Public consultation**

### **on the draft Conceptual Framework for Public Accounts**

#### **Feedback Statement**

##### **Background**

In December 2014, the Public Sector Accounting Standards Council (CNOCP) organised a public consultation on the draft “Conceptual Framework for Public Accounts” open for comment until 30 April 2015.

The “Conceptual Framework for Public Accounts” sets out the principles applicable to all government units within the CNOCP’s jurisdiction. It sets out the concepts underlying the accounting standards applicable to government units. These elements of accounting “doctrine” should be viewed in the context of the French legal framework, including the Constitution which sets out quality requirements for general government accounts.

The “Conceptual Framework for Public Accounts” is not a standard in itself. It is intended to provide guidelines for the development of a consistent set of accounting standards and, as far as possible, the harmonisation of the standards applied by different government units.

The objective of the public consultation was to test the relevance of some specific proposals through the issue of a questionnaire before finalising the document. This open process aims to strengthen the legitimacy of the document as the basis for standard setting.

##### **Classification of responses**

The CNOCP received 19 responses to the public consultation, from institutions as well as from private individuals. The comments received take the form of replies to all or part of the questionnaire and/or of comment letters.

The respondents to the public consultation, presented in the chronological order of arrival of their comment letters are as follows:

	NAME OF RESPONDENT	REPLY TO QUESTIONS
1	Alain CAUMEIL	✓
2	Gilles CARREZ and Valérie RABAULT, of the National Assembly Finance Committee for Economic and Budget Affairs	
3	Danièle LAJOURMARD	✓
4	Jean-Bernard MATTRET	✓
5	Philippe LEGLISE-COSTA, Secretariat General of European Affairs	
6	Vincent MAZAUURIC, Public Finances Directorate General	✓
7	Jean-Luc MAHOUDEAUX	✓
8	Alexandre BULLIER	✓
9	Olivier NAAR	✓
10	Financial Jurisdictions Union	✓
11	Paul DRUCKMAN, International Integrated Reporting Council (IIRC)	
12	Gilbert GELARD	✓
13	Denis LESPRIT, National Company of Auditors (CNCC) and Philippe ARRAOU, Governing Council of Chartered Accountants (CSOEC)	✓
14	Jean-Jacques PERQUEL, Accountancy Academy (Académie de comptabilité)	
15	Philippe MASQUELIER	
16	Thomas FATOME, Social Security Directorate	
17	Aurélien CAMUS, Sébastien KOTT, Vincent MAZZOCCHI and Lionel ZEVOUNOU, Public Law Research Centre of University of Paris-Ouest Nanterre-La Défense	
18	Denis MORIN, Budget Directorate	✓
19	Didier MIGAUD, French Government Audit Office	

The working group that prepared the draft “Conceptual Framework for Public Accounts” examined the responses to the public consultation<sup>1</sup>. The resulting discussions established the need to highlight or clarify some proposals in the framework and to improve or rewrite some sections.

After detailed examination and discussion of these proposals in July 2015, the CNOCP Board defined guidelines for finalising the conceptual framework.

The final version is due to be submitted to the CNOCP Board for approval at the end of 2015. This will bring the first phase of the project to a close. This will be followed by a second phase dealing with consolidated, combined or aggregated accounts for government units, as well as dealing with the identification of the most relevant treatment for public policy sustainability issues. Accrual accounting would appear to be just one of the possible measurement and analytical tools for the latter.

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<sup>1</sup> The CNOCP has published the responses to the public consultation on its website. They may be accessed via the following address: <https://bo-economie.jouve-hdi.com/cnocp-en/comment-letters>. Certain remarks taken from the comment letters have been included below in the questionnaire feedback analysis.

## **Comments on and responses to Question 1: Do you agree with the introduction of a conceptual framework for public accounts?**

Respondents agree with the introduction of a conceptual framework, which is perceived as a source of progress and a positive contribution to the ongoing improvement of the quality of accounting for all French public sector entities. The framework is essential to enhancing the understandability of public accounts so as to enable citizens to exercise control over public policy implementation as well as contributing to the harmonisation and consistency of the set of standards applicable to public sector entities. By developing a common doctrine integrating the specific purposes and characteristics of accrual accounting for government units, the conceptual framework should facilitate the convergence of accounting standards towards the one or ones that provide citizens and their representatives with the best possible information, in accordance with the provisions of Article 47-2 of the Constitution. It is also noted that a stable conceptual framework should discourage over frequent changes in accounting policy and therefore encourage consistency.

However, several issues highlighted in the responses to the questionnaire or in the comment letters sent to the Chair of the CNOCP, raise questions or contain criticism that calls for clarification or amendment of the draft.

### **1. THE NOTION OF PUBLIC ACCOUNTS**

Several comments relate to the notion of public accounts first introduced in the title of the document “Conceptual Framework for Public Accounts”. Those comments equally question the accounting the framework applies to and the scope of the framework.

- > Some respondents suggest aligning the contents of the framework with its title, on the basis that the notion of “public accounts” is a reference to the definition in Article 55 of Order no. 2012-1246 of 7 November 2012 on budgetary management and public accounting requirements (“GBCP Order”). Article 1 of the “GBCP Order” refers to the European System of National Accounts Regulation which provides a definition of government units (“APU”). They therefore suggest extending the scope of the conceptual framework to include:
  - the accounting systems covered by the “GBCP Order”, including budget accounting;
  - financial reporting in the broad sense, which therefore covers financial forecasts, sustainability assessment, etc.

- > Other respondents believe that the conceptual framework should only apply to the accrual accounting (as proposed in the consultation paper). They stress that the generally accepted meaning of public accounts is currently national or budget accounts, which are outside the intended scope of the conceptual framework. The title is therefore misleading as it seems to cover a wider area than the contents: they therefore suggest clarifying that the objective is to develop a conceptual framework for accrual accounting standards applicable to government units.

## Discussion

- *To which entities does the conceptual framework apply? Questions about its scope*

The conceptual framework describes the entities within its scope. The resulting scope is very similar to that of government units (APU) as defined by the national accounts and referred to implicitly in Article 47-2 of the Constitution on “the accounts of government units”. Although Article 1 of the “GBCP Order” applies to government units, public sector accounting as referred to in the Order only covers some “APU”; it does not apply for instance to some private entities classified as “APU”.

The scope of government units (APU) defined by the national accounts is both that of IPSASs<sup>2</sup> and that of remit of the CNOCP. As these standards are based on different legal sources, a few scope differences may remain, but there is a firm intention to achieve convergence at national and international level on the broad notion of public accounts. The draft conceptual framework is a logical step towards achieving this goal.

- *To which accounts does the conceptual framework apply?*

The draft stipulates explicitly that the conceptual framework applies only to accrual accounting, and specifically excludes budget accounting, the national accounts system, management or cost accounting. In this respect, the scope of the conceptual framework is narrower than that of the “GBCP Order”.

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<sup>2</sup> IPSAS : *International Public Sector Accounting Standards*

Why focus on accrual accounting?

- > For practical reasons: accrual accounting is at the heart of the CNOCP's activity and efforts to achieve the convergence of accounting standards for government units and not just those subject to the "GBCP Order". In addition, of all the systems of accounting that could be implemented in APU, accrual accounting is the only one with principles common to all entities. This is because budget accounting may be either on a cash basis, an adjusted cash basis, an accrual basis or may not exist at all. Cost accounting is a management tool which is by definition entity-specific. Accrual accounting is by nature a universal tool.
- > In addition, we should remember the official position of France, which is constant in this respect: accrual accounting is the common source of financial reporting and as such provides input to other reporting systems after adjustment and additions where appropriate. It would be conceptually feasible to draw up the national accounts, at least for APU, by extracting totals from the accrual accounts and making a limited number of adjustments. For this reason the conceptual framework applies only to accrual accounting whilst recognising the need to establish links to other accounting systems.

## 2. RELEVANCE OF A FRENCH CONCEPTUAL FRAMEWORK

Several respondents commented on the relevance of a conceptual framework for public accounts in France. They suggested that the approach needed to be better explained and articulated to other conceptual frameworks (Framework of the IPSAS Board, of the Central Government Accounting Standards Manual<sup>3</sup>) or other current discussions at international level (work of the GASB<sup>4</sup>, EPSAS project<sup>5</sup>), and in particular to clarify:

- > to what extent the specificities of the public sector requires adjusting the framework applicable to private sector entities (in other words explain why the specificities of the public sector are so fundamentally different to those of the private sector that accounts prepared using the private sector conceptual framework would not provide a true and fair view);
- > to what extent the specificities of the French (or European) public sector are not correctly dealt with by the conceptual framework of the IPSAS Board.

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<sup>3</sup> This conceptual framework will subsequently be replaced by the Conceptual Framework for Public Accounts.

<sup>4</sup> GASB: *Governmental Accounting Standards Board*.

<sup>5</sup> EPSAS: *European Public Sector Accounting Standards*.

Some respondents noted that the explanations on the French legal background, whilst necessary to understand the approach adopted in France, may be difficult for international partners to grasp.

Others consider that a French conceptual framework is fully justified and will facilitate comparisons with other European countries.

## Discussion

In addition to the clarification required in response to the suggestions made, several points should be noted:

- > The CNOCP's conceptual framework project was conducted in parallel to the work of the IPSAS Board, whose standards do not have mandatory status in France, even if they are taken into consideration by the standard setter.
- > The objective is to provide well-established doctrine on the key elements of the substance of accrual accounting whilst establishing its foundation in the French institutional context in order to facilitate adoption by those concerned.
- > The project proposes a new approach to the accounting treatment of transactions that are not similar to those of private sector entities.

Indeed, for the IPSAS Board and for France, the development of public sector accounting standards is based on two assumptions: firstly, the standards applicable to private sector entities are the starting point; secondly, the need that the specificities of the public sector should be recognised by adapting or completing if necessary the standards applicable to private sector entities. Consequently, the rights and obligations recognised in the balance sheet of public sector entities are assumed to be of a comparable material to the assets and liabilities presented in the balance sheet of private sector entities. On the whole, the latter arise from contracts and legal provisions that are binding for the reporting entity. Transposing rules applicable to private sector entities with respect to elements arising from contracts is doable, even if not always easy. However, public action raises specific accounting issues; hence the conceptual framework should provide guidance on what to include in or exclude from the financial statements.

### 3. THE NOTION OF SOVEREIGN POWER

The introduction of the notion of “sovereign power” received considerable support and several respondents saw it as an interesting conceptual improvement, even if many comments included questions or reservations about its impact, operational nature and/or consequences as a concept. However, one respondent proposed to replace the term “sovereign power” by “the legislator” or “deliberative assembly” in the case of local and regional authorities.

- > Some respondents view the notion of “sovereign power” as helpful in separating out sovereign commitments from the scope of the accounts of government units. Whilst noting that it is essential to distinguish sovereign objectives from the action of government units in order to understand the specific nature of public policy and determine the scope of government units’ accounts, those respondents recognise that this raises significant issues of principle and application. Others draw attention to the risk that these specificities might provide a good excuse for not applying general accounting principles.
- > Some respondents consider that the notion of sovereignty requires clarification, noting that it is used with at least three different meanings in the draft conceptual framework. For those respondents, the notion of “sovereign power” is the fundamental concept underlying the specific nature of public action which makes it possible to define what is outside the scope of the accounts. Because of the tenuous nature of the drawing line, a solution could be to clarify that the purpose of the accounts is to represent administrative acts rather than institutional powers. A distinction between potential and effective (or materialised) rights and obligations is therefore proposed.
- > Some respondents note that the notion of sovereignty is too abstract a notion to be operational.

On this subject, others suggest that a better definition is required of the triggering event that converts “sovereign powers and commitments” into rights and obligations of government units. Those respondents believe that “maturity” is a key issue that requires further consideration in developing a rationale, all the more so because it is difficult to assess. Attention is drawn to the “formidable” gap that exists between the sovereign’s promises<sup>6</sup> and the rights and obligations of government units. Constitutional rights based on solidarity are not, for instance, rights for accounting purposes. This distinction is considered helpful. But when does the promise become a right and an

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<sup>6</sup> Several responses disagree with the use of the term “commitment” for the sovereign.

obligation? As a result of this distinction, those respondents consider that the main issue is the degree of maturity required for rights and obligations arising from public action to be recognised in the accounts. When does a right or obligation exist, and if it exists, when may it or must it be recognised? The conclusions and assertions based on this distinction in the framework stand out and, to say the least, need to be better supported and clarified.

Several other respondents or members of the working group suggest elaborating on the notion of enforceability with regard to government units and examining the need to develop the notions of probable as opposed to contingent liabilities.

Some respondents believe that the sovereign power is actually far less independent than implied in the draft conceptual framework; this is because it is accountable for its acts to national and international institutions that have their own specific powers which it has authorised.

- > Several respondents express their concern, or worry, that the sovereign power concept could be used to limit the recognition of liabilities. They are afraid it might be a device for justifying the non-recognition of certain elements whilst referring to private sector accounting principles. They note there is a possible contradiction between the concepts in the framework and the assertion that public sector transactions similar to those in the private sector should follow the same accounting. They take the example of post-employment benefits and wonder whether civil servants' pension commitments should be considered similar to pensions in the private sector, and if not why not?

Chapter 3 on the specificities of the government units' action, the most important chapter in the framework, requires further consideration and discussion to avoid the risk of leaving aside elements of public accounts that would undermine their credibility. Because the binding-on-public-authority feature appears to be a key concept, it requires further clarification.

- > Some respondents disagree with the use of the sovereign power notion as well as with a reference to an entity lacking legal status, but that would still bear commitments rooted in laws and regulations, distinct from government units merely acting as agents.

#### 4. INFORMATION ABOUT THE SOVEREIGN POWER

The proposal of extending the notes to include information about some sovereign powers and commitments is supported by some respondents but clearly rejected by others.

- > Different respondents put forward the following arguments.
  - Extending the notes to include information about some sovereign power commitments (not yet enforceable on the public entities) may improve the meaning of public accounts and provide useful information on the sustainability of public finance.
  - The disclosure of quantified information on pension commitments and related funding requirements, with a view to provide forecast of expected costs and revenue allocated to funding, is considered necessary.
  - The proposal is relevant, but care would be required, when developing standards, to ensure that the disclosure in the notes of sovereign promises not yet converted into rights and obligations does not duplicate other information received by the user that could be considered only remotely linked to the accounts. The same problem exists in private sector reporting in determining the drawing line between the notes to the accounts and the management report.
- > Other respondents consider the proposal to disclose information in the notes about some sovereign commitments to be debatable and even conceptually weak.
  - It might appear conceptually inconsistent to disclose sovereign powers and commitments within an entity's financial statements where the related rights and obligations are not those of the reporting entity.
  - Several respondents draw attention to the fact that including non-accounting information in the notes could raise auditing problems.
  - If the notion of commitment refers to an operating capacity and if the sovereign power itself is not in an operating capacity, then information on sovereign power commitments would not seem to be appropriately located within an accounting document.
  - Accrual accounting does not provide comprehensive information about private sector entities; therefore there is no reason why accrual accounting should do so for Central Government.

- > Several respondents, who disagreed with extending the notes, are in favour of an alternative proposal which consists of reporting sovereign power commitments that may potentially convert into rights and obligations of the reporting entity outside the financial statements and outside audit scope. This proposal consists of developing a specific new reporting statement to accompany the financial statements and that would have a different status and purpose (for sustainability reporting).

## 5. FOCUS ON THE REFERENCE TO PRIVATE SECTOR ACCOUNTING

Several respondents suggest that more emphasis should be placed on the fact that accrual accounting is the basic principle and that public sector accounting rules may depart only when it is made necessary by the specificities of public action. It is therefore necessary to ensure that any exceptions to private sector accounting rules are properly justified<sup>7</sup>.

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<sup>7</sup> By doing so, the framework may use argumentation based on the sovereign power concept for Central Government without departing from Article 30 of the Constitutional Bylaw on Budget Acts which is applicable.

**Question 2: The draft conceptual framework for public accounts justifies the purpose for its existence as the description of the specific characteristics underlying public action and their accounting implications. Can you think of any other elements that might justify its existence?**

Overall, respondents agree with the introduction of a conceptual framework subject to the above-mentioned remarks.

Other suggestions are to:

- > Limit the scope to what differentiates significantly the public from the private sector;
- > Highlight the lack of relationship between resources and funding in the public sector as opposed to the private sector;
- > Put more emphasis on the harmonisation of standards, considering that there are gaps in current information provided on a major category, that of public spending (social benefits).

**Question 3: In your opinion, should the conceptual framework for public accounts have the authoritative status of a standard (which is not proposed in the current draft)? If so, why?**

Most respondents agree with the proposal that the framework should not have the status of a standard.

The three main remarks are as follows.

- > As the regulator is unable to define the terms lawful, faithful and true and fair view used in the Constitution (proposed in the part dealing with general principles in Chapter 5), these definitions should be deleted if the conceptual framework were to acquire regulatory status.
- > Where preparers refer to the conceptual framework in the absence of a standard, respondents consider that this raises the issue of whether this effectively places the framework above the Standard and implicitly creates a form of hierarchy between them.
- > It is also suggested that the mandatory status of the framework for the standard-setter should be made explicit, as well as the use of the framework by public entities for interpreting Standards where necessary, but without giving rise directly to accounting requirements in the absence of a Standard.

**Question 4: Should the conceptual framework determine the entities within its scope? If not, why not? If so, do you consider the description given in Chapter 2 appropriate?**

Most respondents consider that the conceptual framework should contain a scope definition, in particular with a view to examining in depth the key issue of the specificities of public action.

Some respondents explicitly approve a scope definition based on government units as defined by the national accounts system.

Others stress that the need for a different conceptual framework to that of the private sector should be explained prior to setting up the scope that should be defined on conceptual grounds only (without reference to the remit of the CNOCP<sup>8</sup>).

It is however noted that the scope of the conceptual framework does not need defining as it may be readily deduced from the principles adopted or because either it is of a universal nature or ultimately the description of the scope is unnecessary. However, if a definition is to be made, one suggestion would be to base it on the notion of reporting entity applied in conjunction with the notion of government unit. In this context, an issue was raised about the possible oversimplified use of the term “core activity” in relation to the potentially non-secondary market activity of some entities nevertheless classified as government units. The proposed definition would not be totally suitable for determining the scope of the conceptual framework.

**Question 5: In Chapter 3, the draft conceptual framework for public accounts defines the common source of the key characteristics underlying public action. Do you agree with this analysis? Which changes or additions would you propose?**

In addition to the fundamental remarks set out above on the notion of sovereign power, different proposals should be mentioned.

- > Limit disclosures in the notes to commitments specific to the action of government units.

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<sup>8</sup> A respondent draws attention to the unclear borderline between APU and the CNOCP’s jurisdiction and raises a specific question about publicly funded associations.

- > Underline the fact that legal rules determine, by the exercise of sovereignty, the principles and form of public action.

Conceptually, the key characteristic of public action is that government units (APU) operate in an environment completely structured and determined by legal rules – and, in the case of social security organisations that provide legally defined social benefits, the sole purpose is in substance to implement legal legal rules through the service of legal social benefits.

- > Show that the issue is the determination of definition and recognition criteria suited to these structural differences;
- > Emphasise the importance of non-market transactions, authorised budgets, and the specific nature of public assets and liabilities, and links to statistical reporting.
- > Explain why the links to budget are important even if budget accounting is outside the scope of the framework.
- > Consider that the sustainability of government units is more a postulate than a principle.
- > Clarify some paragraphs (for example, paragraph 56).
- > Refer to Articles 14 and 15 of the Declaration of human and civil rights.

**Question 6: Chapter 4 on the users of accounting information considers that everybody is potentially interested in public accounts but clearly identifies citizens and their representatives as the primary users of accounting information. Do you agree with this approach specifically for government units?**

This question gives rise to different proposals, with the main purpose of either providing further information on the use of accounts or changing the user hierarchy:

- > Focus on the users of the accounts (supervisory authority and capital providers) as the primary users of accounting information.
- > Provide a better explanation of the links to other accounting systems, taking into account the different monitoring systems for public finance.
- > Examine the consequences of the potentially different purposes fulfilled by the accrual accounts as a monitoring tool according to the different government units concerned, as this will affect to some extent the rules for preparing them.

- > Not to set out to provide the information users need, which would be an obligation to achieve a result, but the best possible information, the quality of which is measured by reference to the conformity with rules and principles.

Other respondents note that the complexity of French accounting standards makes the interpretation of the accounts difficult for a citizen or its elected representative, so that identifying citizens as primary users implies a full revision of those standards. The purpose of the accounts could be to represent the implementation of the entity's rights and obligations. The entity could be an operator implementing policy in a regulated framework.

In addition, directing financial information to citizens is not specific to government units as an increasing number of private sector entities tend to communicate that way.

**Question 7: Chapter 5 presents the qualitative characteristics of accounting information and the constraints to be considered. Do you agree with the proposed definitions?**

Respondents broadly agree with this chapter. Some suggest reformulating the definitions (e.g. for a true and fair view, reliability, prudence, completeness). Other suggestions are to:

- > add a paragraph dealing more explicitly with the need for trade-offs between qualitative characteristics;
- > clarify the distinction between general principles and qualitative characteristics;
- > elaborate on the going concern principle<sup>9</sup>.

**Question 8: Chapter 6 deals with the definition of accounting elements and recognition criteria. Do you agree with these proposals? If not, why not? Are there other items you would like to see mentioned in this chapter?**

The following is a summary of the main suggestions received on Chapter 6 dealing with the definition of accounting elements and recognition criteria.

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<sup>9</sup> See above. It was also noted that a going concern is a postulate rather than a principle.

- > Improve the definition of equity, revenue and expense.
- > Elaborate on the relationship between net assets and equity and introduce the relationship with debt.
- > Clarify the relationship between right and asset.
- > Set apart the notion of economic benefit from that of service potential in the definition of assets.
- > Examine further the issue of constructive obligations arising from the specific action of government units.
- > Clarify the notion of triggering event and its relevance for the conceptual framework.
- > Check the treatment of “assets in use”, and receivables/revenue if receivables are only recognised when enforceable.
- > Suppress deferred items.

On the issue of revenue and expense definition, clarification was requested as to whether the conceptual framework adopts the balance sheet or income statement approach to defining revenue and expense.

It was also noted that the use of the term “resource” in the definition of an asset might be confusing because it may be used in financial analyses to describe funding resources (in a resources-and-funding analysis).

**Question 9: Chapter 7 lists different measurement bases and selects entry value, after deducting depreciation and impairment where appropriate, as the preferred basis for measuring assets at the reporting date. Do you agree with this list? Should a preferred basis be proposed? If not, why not?**

Most respondents agree with the chapter on measurement and suggest that no preferred measurement basis should be proposed (to be more flexible as measurement requirements are defined in the Standards).

Consequently, some respondents express outright disagreement with historical cost as the preferred measurement basis for assets.

In addition, a proposal was made to draw up a list of acceptable measurement bases for which the selection criteria would be determined by the standard-setter.

**Question 10: Chapter 8 on the presentation of the financial statements introduces a specific section in the notes disclosing certain sovereign powers and commitments. Do you agree with this presentation of the financial statements and the rationale provided for it? If so, are the objectives of this section sufficiently explicit or is further clarification of the conceptual framework required?**

Some respondents agree with this chapter, whilst others disagree with the proposal to extend the notes.

Other suggestions are:

- > To add a budget implementation statement;
- > To limit disclosures in the notes to the contingent assets and liabilities of government units;
- > That the accounts should only recognize sovereign power when it is effectively exercised;
- > To elaborate on the relationship between the reporting entity and the legal entity;
- > To define the components of financial statements within the scope of the framework.

**Question 11: Chapter 9 deals with the possible consolidation or combination of the accounts of certain accounting entities. Should this subject be dealt with in the conceptual framework? Do you agree with the guidelines and explanations provided? Which changes would you propose?**

Opinions are divided: some consider this chapter to be essential, as, in their opinion, a conceptual framework should address the issue of the reporting entity. Others consider it premature to examine those issues that are on the CNOCP's agenda, specifically the notion of control in the public sector. Some consider it unnecessary to devote a chapter to consolidation which is ultimately a choice of presentation for investments.

**Question 12: In your view, are there other issues that should be dealt with in the conceptual framework for public accounts? If so, which issues?**

The main proposals are:

- > to improve the argumentation in favour of accrual accounting (§1) and the non-recognition of constructive rights;

- > to change the order of presentation of the conceptual framework so that the reasoning behind the distinction sovereign power/government unit precedes the scope definition;
- > to distinguish the preparation and communication of information.

## Guidelines for finalising the framework

- > Keep the title in the CNOCP's draft, but add a subtitle or a note in the introduction indicating that the conceptual framework applies to the financial statements prepared on an accrual basis.
- > Provide an appropriate explanatory comment about the issue of scope.
- > Explain the approach adopted and how it compares to similar projects.
- > Distinguish two types of comments in the conceptual framework:
  - conceptual comments explaining choices of a conceptual nature
  - institutional comments that establish the basis for the conceptual framework in the French environment.
- > Improve the presentation of the specific features of public action. Put emphasis on longevity (which is different to the going concern principle), the importance of unallocated mutualised resources, on the fact that Central Government does not produce much in market terms but delivers services for no consideration and makes transfers. It should also be noted that whereas the activity of private sector entities is governed by contracts, the action of government units stems mostly from the exercise of sovereignty.
- > Elaborate on the notion of sovereign power, a distinctive feature of this conceptual framework, improve the definition and provide a better justification of its relevance, draw out the legal consequences of this notion in the French legal constitutional framework.
- > Expand on the argumentation relating to the degree of maturity of sovereign powers and commitments and improve the presentation.

Clarify the dividing line between sovereign power and reporting entity commitments by elaborating on the notion of legal enforceability. The conceptual framework should provide clear guidance on this dividing line.

Provide further explanations to show that beyond the general sovereign commitments, those commitments materialise in reporting entities overtime giving rise to obligations for those reporting entities, and that maintaining conditions allowing for the service of benefits is critical. So far this argumentation has been put forward in the CNOCP's projects, and requires development in the conceptual framework. After going through this process it will be possible to define an appropriate accounting treatment.

Characterise the triggering event as that of the reporting entity.

- > Give up on the idea put forward in the conceptual framework of extending the notes and therefore leave the current definition of the notes for private sector accounting unchanged.
- > Take into consideration the recommendation to produce a special report on sovereign commitments.

Define the type of information to be disclosed, the appropriate level of production, its status and relationship with existing sustainability data and financial forecasts.

This would be a separate phase in the finalisation of the conceptual framework.

- > Give further consideration to the issue of specific rights.
- > Examine in more detail the following technical issues:
  - the notion of net assets/equity
  - the definition of revenue and expense (the issue of balance sheet or income statement approach)
  - the selection and the drawing up of a list of measurement bases
  - deferred items, etc.