MINISTÈRE
DE L'ÉCONOMIE,
DES FINANCES
ET DE LA SOUVERAINETÉ
INDUSTRIELLE ET NUMÉRIQUE

Liberté
Égalité
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Conseil de normalisation
des comptes publics

WORK PROGRAM 2024 - 2026

Contents

Relationship between general accounting, budgetary accounting and national accounting

The government accounting system is complex. The three main types of accounting serve distinct objectives and have different standardised principles of preparation: budgetary accounting (akin to cash accounting by function and type), general accounting (accrual accounting by type), and national accounting.

However, these accounting methods are not uniformly applied across major government sectors. In particular, the aforementioned distinction between budgetary and general accounting is implemented differently depending on the categories of public entities.

The relationship among these three methods raises several questions that warrant further consideration:

> First, can the definitions and coherence of basic concepts be improved to facilitate the processing of information and interpretation of results?

> Second, how can financial statements be constructed to harmonise the reconciliation conditions between general and budgetary accounting (as already performed for the Central Government)?

> Last, should financial statements prepared according to general accounting provisions include information in the notes that is useful for analysing the budgetary sustainability of public finances?

Combined financial statements

The preparation of financial statements by all non-market public sector entities in accordance with similar general accounting standards opens up new possibilities for combining financial statements to inform public management. International organisations (such as the European Commission, OECD and IMF) are increasingly focusing on this issue, although they do not always consider institutional data that may influence the nature of these groupings. Devising such standards will require careful consideration on the scope of combination and the format of financial statements to be produced.

Initial efforts to aggregate accounts have been limited and well-defined, such as the update of standards on preparing combined financial statements for social security branches, combination of public health establishment financial statements, and combined accounts of Agirc-Arrco. However, further discussions will be needed for other areas.

For local public entities, considerations will address the challenges posed by budget architecture, which distinguishes main budgets from specific budgets, even though the financial statements of the government entity should reflect the operations carried by all budgets. This is essential for finalising the definition of financial statements for a local entity, adhering to the first standard of the Accounting Standards Manual for Local Public Entities.

Further work might include combining the accounts of a local public entity with those of exclusively or jointly controlled entities and integrating useful elements for the reader into the entity's financial statements, such as risk factors (e.g. commitments made by the entity’s “satellites”) and total debt contracted by the entity and its controlled “satellites”.

A longer-term project may also explore, following a thorough needs analysis, the aggregation of Central Government financial statements with those of certain national public establishments. This project requires an in-depth analysis to determine the scope (as the aggregation may not involve all national public establishments controlled by the Central Government) and nature of published information.

The Conceptual Framework for Public Accounts, published in 2016, does not go into much detail on the combination of public entity financial statements (Chapter 9 – Consolidation and Combination of Reporting Entities). Future work should deepen the conceptual reflection and enhance this framework.

Financial statements and additional information

Transparency and sustainability requirements in public finances can prompt public entities to provide additional information alongside financial statements to facilitate the reading of their financial statements. Thus, financial information related to general accounting in the public sector should include, in the notes to the financial statements, data on its relationship with budgetary accounting and forecast data related to near-commitments, issues not addressed in corporate accounts.

However, the Commercial Code's definition of notes is restrictive,1 including only notes about transactions recorded in the balance sheet and income statement. The broadening scope of statutory auditors in certifying non-market public entity financial statements also raises questions about the nature of their obligations under the Commercial Code to verify information in the notes to financial statements. The legal risks associated with the certification of public entity financial statements under Commercial Code provisions have unfortunately led to conservative positions, impoverishing information or censoring some financial statements.

An ad hoc solution should be sought, likely based on the specificity 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".

Environmental issues

Regarding "extra-financial" information on sustainability, various European and international initiatives have been undertaken for businesses. Internationally, the International Sustainability Standards Board (ISSB), established by the IFRS Foundation at the COP26 summit on climate change, published two standards in June 2023: IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures).

In the European context, the Corporate Sustainability Reporting Directive (CSRD) led to the development of the European Sustainability Reporting Standards (ESRS) by EFRAG,[2] technical advisor to the European Commission. These standards were adopted by delegated acts at the end of July 2023 as the new reporting framework for corporate sustainability.

For the public sector, the IPSAS Board[3] was invited by the World Bank in 2022 to conduct a public consultation on developing a sustainability reporting framework for public authorities. Following positive feedback, the IPSAS Board decided in June 2023 to continue its work by developing two standards aligned with the ISSB's scope (general requirements on sustainability reporting and climate-related disclosures) and to explore the recognition of natural resources.

The French Accounting Standards Authority (Autorité des normes comptables - ANC) has also addressed the matter of standardising sustainability reporting for quite some time, having heavily contributed to EFRAG's work on ESRS. The ANC's role has expanded to cover corporate sustainability reporting matters as part of the CSRD implementing act.

In this respect discussions need to also centre on the public sector, and they must internalise the sovereign role of the State in defining public policies, rather than merely transposing corporate sustainability requirements (e.g. environmental impact of business activities and impact of sustainability issues on their activities).

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2 EFRAG: European Financial Reporting Advisory Group.

3 IPSAS Board: International Public Sector Accounting Standards Board.

The initial work will focus on environmental components, such as climate and natural resources, that align with sustainable development goals.

Early steps will include:

- Inventorying public entities' environmental obligations, distinguishing between those met and unmet (e.g. GHG emission levels under Article L.229-25 of the Environmental Code).
- Reviewing publications on these issues, such as green budget, data in Central Government financial statements, and local authorities information.
- Identifying tools available to public entities (e.g. carbon accounting, taxonomy).

The focus will be on determining financial information useful for understanding policy outcomes in public environmental policies, considering the diversity of related obligations.

For financial information, it will be essential to differentiate:

- Information in financial statements: balance sheet and income statement (recognition of natural assets and of asset impairment, specific risk provisions like climate risks), notes (contingent assets and liabilities);
- Information potentially extending financial statements (e.g. “quasi-assets” or “near-commitments”) including related to public policies;
- Information enhancing financial statements, termed extra-financial, in a specific report (management report or similar).

An analysis of corporate disclosure obligations will inform these reflections, with some obligations potentially applicable to different types of public entities.

Central Government Accounting Standards

Except for the potential launch of a consolidation standard, the Central Government Accounting Standards Manual is comprehensive.

Identified improvements to existing standards aim to simplify and modernise older standards based on cost-benefit analysis[4], reclassifications, or presentation.

Standard 1: "Financial Statements" – Updated financing needs

Standard 1 requires that the Central Government publish updated financing needs for its civil servant pension scheme. This need represents the difference between the present value of pensions to be paid and the present value of contributions to be received. Questions arise about the relevance and value of such a disclosure in Central Government financial statements.

Standard 6: "Tangible Assets" – Depreciated replacement cost

Discussions are underway on the accounting for certain assets at depreciated replacement cost (e.g. prisons, road infrastructure, and related dams and structures). The cost-benefit analysis of adopting the recognition principle for depreciated replacement costs for particular assets should be explored in line with the 2021 revision of Standard 6.

For roads, these issues should be addressed in close consultation with the Local Authorities and Local Public Establishments Committee, given the transfers made to local and regional authorities in recent years.

Standard 7: "Financial Assets" – Funds without legal personality

The Manual does not have any provisions for funds without legal personality. As a result, work has begun on the accounting nature and recognition criteria for such funds in the Central Government's financial statements.

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[4] "Accounting information has a cost: the benefits derived from this information should justify the cost" (Paragraph 2.3 of the introduction to the Central Government Accounting Standards).

Standard 11: "Financial debts and derivative financial instruments"

Reviewing the accounting of premiums and discounts on the balance sheet is suggested.

Standard 16: "Segment Reporting"

Questions have surfaced about the format and value of segment reporting data released by the Central Government pursuant to Standard 16. This standard, which took effect in the year ending 31 December 2013, needs to be reviewed and aligned with discussions on the relationship between budgetary and general accounting relations mentioned earlier.

Aggregation of Central Government and National Public Establishment financial statements

Exploring aggregation beyond the initial test at the Ministry for Europe and Foreign Affairs5 is proposed. This project requires an in-depth needs analysis to determine the scope and nature of published information (as the aggregation may not involve all national public establishments controlled by the Central Government).

[5] This test could also be an opportunity to revisit Standard 7 on financial assets in light of the cost-benefit analysis of producing accounting information.

Standard 13: "Commitments to be Disclosed in the Notes"

The first edition of the Accounting Standards Manual for Social Security Organisations was published following the Board meeting held on 13 January 2022, without the standard on commitments to be disclosed in the notes (Standard 13). Adding Standard 13 on commitments made as defined under accrual-based accounting is suggested.

Future work could focus on public finance sustainability reporting. Key questions include:

> Should this information be part of the financial statements in the traditional sense, or should it be included in a supporting document to the accounts?

> Should this information be published at the level of a reporting entity, or should it be reserved for the combined or consolidated financial statements, where applicable?

> Should information of this nature be published on a separate basis from the combined or consolidated financial statements?

Standard 18: "Contracts for the Provision of Public Services"

The Accounting Standards Manual for Social Security Organisations is the only Manual without a standard on lease contracts and similar transactions. In the absence of such a standard, entities rely on the ordinary law provisions of the French General Chart of Accounts (Plan comptable général - PCG).

The standard covers proper leases and all transfers commonly found in the public sector: "provision" (mise à disposition), allocation, etc. These agreements do not have the legal form of a lease but confer the right to use an asset in exchange for different forms of benefit. The public sector involves many varied specificities (transfers of powers, administrative emphyteutic leases, temporary occupation authorisations, whether or not they constitute real rights, etc.). The two parties concerned–often public entities–have separate rights and obligations that range from the right of use or usage without control over the physical asset to legal arrangements granting the physical control of said asset, which may or may not include the payment of royalties (or other fees, sometimes for a token amount).

Standard 6: "Tangible Assets" – Assets Held under a Finance Lease

The Accounting Standards Manual for Social Security Organisations does not include provisions on assets subject to a finance lease, unlike the Central Government and public establishments manuals, whose provisions require these assets to be recognised as both an asset and a liability for equal amounts at the start of the lease, at the market value of the leased property or, if lower, at the present value of the minimum lease payments. A finance lease is therefore recognised as both an asset and an obligation to make future lease payments, split between the finance charge and the reduction of the lease liability.

Individual Accounts of Agirc-Arrco

Agirc-Arrco's[6] accounts are based on the Single Chart of Accounts for Social Security Organisations (Plan comptable unique des organismes de sécurité sociale - PCUOSS), adapted by regulations No. 2005-08[7] and No. 2009-02[8] of the Accounting Regulation Committee (Comité de la règlementation comptable – CRC) detailing Agirc-Arrco's specific accounting under Article R. 922-549 of the Social Security Code.

Following the merger of Agirc and Arrco on 1 January 2019, and since Agirc-Arrco falls within the scope of the Manual, a review of this system based on old Accounting Regulation Committee regulations will be undertaken to finalise Agirc-Arrco's accounting framework after Opinion No. 2024-03 of 26 February 2024 on combined accounts.

Individual Accounts of Supplementary Pension Institutions

Social security covers major social risks via contributions based on the principle of national solidarity implemented by mandatory basic schemes and associated branches.

So-called "supplementary" schemes provide mandatory additional coverage for the major social risks covered by social security, particularly old age.

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6 Agirc: General Association of Pension Institutions for Executives, supplementary pension scheme for executives. Arrco: Association of Supplementary Retirement Schemes, supplementary pension scheme for employees

7 Regulation No. 2005-08 of 3 November 2005 on accounting provisions for supplementary pension institutions with federations.

8 Regulation No. 2009-02 of 3 December 2009 on the impairment of investment securities of supplementary pension institutions with federations.

9 Article R.922-54 of the Social Security Code: "Supplementary pension institutions and their federations apply the chart of accounts mentioned in Article L.114-5. Federations may make any necessary adjustments reflecting their specific mission, subject to approval by the Public Sector Accounting Standards Council (*Conseil de normalisation des comptes publics*)".

These schemes are outside the scope of Social Security Budget Acts, which aligns with the social security perimeter, and have a conventional nature distinct from the legal nature of mandatory basic schemes. As per constitutional bylaw,[10] they are included in the social security budget bill as an appendix, detailing their contours and financial situation.

Building on Agirc-Arrco's work, a broader reflection on a unified accounting framework for the individual accounts of supplementary pension institutions is proposed.

[10] Constitutional Bylaw No. 2022-354 of 14 March 2022 on Social Security Budget Acts, Article LO 111-4-1, paragraph 8: "The annual budget bill contains annexes that: [...] Display the revenue, expenditure, and balance forecasts of the unemployment insurance scheme and legally mandatory supplementary pension schemes for the current and following year, the impact of the proposed new measures on these forecasts, including the number of active contributors and, for each supplementary pension scheme, the number of retirees with own rights".

Standard 1: "Financial Statements" – Aggregation of main and specific budgets

Future work is needed to define the scope of the accounting entity that publishes financial statements according to the conceptual framework for public accounts.

Consequences should be drawn regarding services and activities recorded in budgets separate from the main budget based on the financial and accounting organisation of the local public entity concerned.

Additional work could also be pursued to provide users of financial statements with more informative and relevant disclosures on cash and how it was spent during the year.

Aggregation of local public entity accounts with controlled entities

Efforts will focus on combining local public entity accounts with the accounts of controlled entities, assessing both the usefulness and methods of such aggregation. The objective of the aggregation is to have a comprehensive view of risks, including commitments borne by the "satellites" and total debt contracted by the entity and its controlled "satellites".

Standard 6: "Tangible Assets" – Provisions (*mises à disposition*) following the transfer of powers

Work will continue to clarify the section relating to "provisions" (mises à disposition) following the transfer of powers, which are prevalent in local public entities.

Standard 6: "Tangible Assets" – Valuation of roads and networks

As part of the experimentation with the certification of local accounts, addressing difficulties in determining the book value of roads and networks from physical inventories is proposed, maintaining historical cost accounting.

Standard 22: "Investment Grants" – Review of the standard's application

Investment grants are funds provided by local public entities to support projects and are approved by their decision-making bodies. They are conditioned on public interest and allocated to financing a specific asset's creation, acquisition, or enhancement. They may be subject to conditions related to the project's use and long-term commitments.

The local public entity awarding the grant views it as an indirect investment device, expecting service potential for its constituents. Such grants meeting the standard's characteristics are considered specific assets without direct counterparty for the awarding entity.

Concerning amortisation, the useful life of an investment grant for the awarding entity aligns with the anticipated use of the financed asset.

Given the questions that have arisen regarding the application of this standard as part of the experimentation with the certification of local accounts, it would be interesting to review this standard, specific to local entities, with the various stakeholders to examine to what extent normative amendments should be made.

Accounting framework for public health establishments

There is a need to determine whether public health establishments should adhere to one of the three existing accounting standards manuals (with necessary adjustments and enhancements). While they have close financial ties to social security organisations, their governance is locally anchored and has a status akin to national public establishments.

Pending work on such a framework, the CNOCP will continue to provide opinions as needed.

Accounting framework for social and medico-social establishments and services

A review of accounting practices in social and medico-social establishments is proposed. It was discovered that many of these establishments prepare several sets of accounts due to their legal status (non-profit private sector entity), social security affiliation (Accounting Standards Manual for Social Security Organisations and Single Chart of Accounts for Social Security Organisations), or for budgetary and financing considerations (M21[11] and M22(a)[12] budgetary and accounting regulations). The work could start by taking stock of the situation, before determining if simplification measures are possible to prevent these establishments from having to prepare their annual financial statements according to several different accounting frameworks.

11 Regulation M21: Accounting for Public Health Establishments.

12 Regulation M22 bis: Accounting for private social and medico-social establishments and services under France's Family and Social Action Code.

Participation of the CNOCP in IPSAS Board activities

IPSAS Board consultations

The CNOCP plans to respond to IPSAS Board consultations on sustainability standards that will be published from 2024 to 2026. The IPSAS Board's 2024-2028 work programme, to be finalised in the second half of 2024, marks a significant shift with expanded focus on sustainability reporting standards while maintaining financial reporting standardisation.

Translation of IPSAS Board Standards

Although IPSAS standards do not apply in France, the CNOCP supports the IPSAS Board’s initiative to develop international accounting standards. Accordingly, the CNOCP launched a major revision of the French translation of these standards in tandem with the International Federation of Accountants (IFAC) and its two French members, the National Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes - CNCC), and the National Council of Chartered Accountants (Conseil national de l’Ordre des experts-comptables - CNOEC).

The translation of the 2022 Handbook of International Public Sector Accounting Standards (“2022 Handbook”) was completed in December 2023. The focus is now on the translation of the 2024 Handbook.

It should be noted that these translations are carried out with the financial support of the CNCC and CNOEC.

IPSAS Board meetings and working groups

The CNOCP prepares meetings in close cooperation with the French member of the IPSAS Board and attends these meetings as an observer. This allows the CNOCP to maintain relationships with members of the IPSAS Board and institutional observers (World Bank, IMF, Eurostat, OECD) and participate in discussions at the earliest possible stage. The IPSAS Board generally meets four times a year in four-day sessions in addition to three one-day virtual meetings.

Meetings of the IPSAS Board Consultative Advisory Group

The CNOCP has been a member of the IPSAS Board Consultative Advisory Group (CAG) since 2016 and has chaired it since June 2023. The CAG, comprising about twenty members, advises the Board on its strategy and work programme and shares its experience on relevant accounting standardisation issues. The CAG is only involved in an advisory capacity; it does not have a decision-making role. It meets publicly twice a year, in June and December, and additional meetings are scheduled regularly.

Participation of the CNOCP in European Commission activities

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, recently renamed Expert Group, gathers representatives from all Member States and observers from international institutions and organisations. "Cells" also exist, serving as think tanks and designed to tackle specific issues through the contribution of a limited number of members. For example, the "Cell on principles related to EPSAS standards" has been pursuing the work it began in March 2016. With a draft conceptual framework in place, members are tasked with reviewing compliance of IPSAS standards with the conceptual framework and European public good. Based on documents prepared by consulting firms commissioned by Eurostat, the reviewed IPSAS standards are deemed compliant.

Eurostat's objective is to create an EPSAS framework and a set of standards that, if the project is completed, could serve as a basis for a European regulatory framework.

The CNOCP is a member of the French delegation, participating in Expert Group meetings and represented in the cells.

To date, four options developed by Eurostat await a decision from the European Commission:

- Option 1: binding conceptual framework and binding set of standards;
- Option 2: binding conceptual framework and non-binding set of standards;
- Option 3: non-binding conceptual framework and non-binding set of standards;
- Option 4: project abandonment.

In the context of the Stability and Growth Pact reform, the CNOCP will participate in the European Commission's 2025 study on the suitability of IPSAS for EU Member States.

The CNOCP participates in these activities in liaison with the Interdirectorate Committee for International Public Sector Accounting Standards, which coordinates the positions of French participants. The CNOCP serves as this Committee's secretariat.

Other international activities

OECD Annual Meeting

Each year in early March, the CNOCP has the opportunity to provide its input on public sector standard-setting issues at the "Annual Meeting of OECD Senior Financial Management and Reporting Officials", a symposium organised by the OECD on the annual accounts of public entities. The meeting provides an opportunity for Ministry of Finance representatives of OECD member countries to discuss current accounting reforms.

International Forum of Public Sector Accounting Standard Setters

The International Forum of Public Sector Accounting Standard Setters first convened in March 2016 in Norwalk, Connecticut. The next three meetings took place in Zurich in July 2017, Toronto in June 2019, and Lisbon in September 2022. The CNOCP is a member of the Forum, which provides an opportunity to network with other national standard setters and bring topics to the IPSAS Board's attention.

EU Advisory Group of Experts

In September 2020, the CNOCP was invited to join the European Union's Expert Advisory Group on accounting rules applicable to the European Commission as an institution (distinct from the accounting rules that may be recommended or imposed on Member States within the framework of the aforementioned EPSAS project).

Translation of CNOCP documents into English

In the context of discussions within international bodies and the EPSAS project led by the European Commission on public sector accounting standardisation, the conceptual framework for public accounts, the Central Government Accounting Standards Manual and the Public Establishments Accounting Standards Manual were translated into English in order to inform all stakeholders about the public accounting framework adopted in France.

Additionally, to raise awareness of the CNOCP's activities among stakeholders in the context of international exchanges, the CNOCP's activity reports and work programmes are also translated into English.

International Cooperation Projects

The CNOCP participates in international cooperation projects with countries wishing to modernise their public management system and interested in public sector accounting standardisation. As part of these exchanges, French experience is shared, and specific public sector accounting standards training is provided. Delegations from these countries also travel to France, with some having the opportunity to participate in the CNOCP's meetings.

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