



# Work Program of the Public Sector Accounting Standards Council for 2015-2016

The Work Program of the Public Sector Accounting Standards Council for 2015-2016 is to include the following topics.

## Topics common to different government units

### ■ The conceptual framework for public accounts

In order to validate the conceptual framework for public accounts, the Council organised a public consultation at the end of December 2014 to gather the comments of any person concerned with accounting standard-setting in France. On completion of the consultation, for which the comment period ends on 30 April 2015, the Council will issue a final Opinion on the conceptual framework for public accounts in France, and will publish a summary of respondents' comments. The Council will then assess whether any additions are necessary to cover issues specific to certain entities.

In the meantime, as an input to the discussion, a review will be carried out of the conceptual framework recently issued by the IPSAS Board<sup>1</sup>.

### ■ Review of the conceptual framework for public accounts with regard to the preparation of consolidated or combined accounts

A review of the usefulness of publishing consolidated or combined accounts for certain public sector entities could be undertaken.

User needs are a key issue which can be examined in the light of the experience of government units that already publish such

<sup>1</sup> IPSAS Board: International Public Sector Accounting Standards Board

accounts: for example combined accounts by branch and for the collection activity of social security organisations, or the consolidated accounts of certain public establishments<sup>2</sup>.

There is also the issue of whether the scope of consolidated or combined accrual accounting information for public entities would be consistent with that of data from the national accounts. As the accrual accounts do not have the same purposes as the national accounts and are not intended to replace the latter, this project would provide the opportunity to document how the two information systems may be linked up<sup>3</sup>.

This would effectively be an extension of the conceptual framework for public accounts project without other short term implications.

### ■ Pension commitments

The work on pension commitments for all public sector entities started in 2014 and will continue in 2015 with focus on the examination of existing schemes. An examination of the accounting treatment for pensions and the related disclosures in the notes has been undertaken for the relevant entities.

### ■ Finance leases

Once the international discussions for the private sector are finalised, it will be possible to take the topic of operating and finance leases onto the agenda. The objective would

<sup>2</sup> Certain interested parties, particularly at local level, have confirmed the usefulness of obtaining information on the financial situation and surplus/deficit of an entity and its "satellites".

<sup>3</sup> These issues are relevant to the discussion of public sector standard setting in Europe and it would be useful to bring the Council's work to the attention of Eurostat and of the Member States taking part in the Task Forces on these subjects.

be to publish specific standards addressing the recognition and measurement requirements for contracts with different components.

At present, Standard 6 of the Central Government Accounting Standards Manual "Tangible Assets" includes the requirement for assets held under finance leases to be capitalised when they are controlled by Central Government. There are currently no such requirements in the Public Establishments Accounting Standards Manual.

#### ■ **Greenhouse gas emission allowances**

Changes in the way emission allowance trading operates at European level made it necessary to define the accounting treatment to reflect European regulations for the period 2013-2020 in the accounts of Central Government, public establishments and other public polluting plant operators.

On completion of the project at the beginning of 2015, three Opinions were published by the CNOCP: Opinion n° 2015-01 relating to Standard 21 of the Central Government Accounting Standards Manual, Opinion n° 2015-02 relating to the Standard of the future Public Establishments Accounting Standards Manual and Opinion n° 2015-03 for public sector entities other than Central Government and public establishments.

## **Central Government Accounting Standards Manual**

The clarification of certain requirements of the Central Government Accounting Standards Manual will continue.

#### ■ **Standard 10 "Cash Components"**

The work on this Standard which started in 2014 includes an update of the requirements based on past experience as well as presentation improvements.

#### ■ **Standard 11 "Financial Debts and Derivative Financial Instruments"**

Standard 11 mainly addresses the accounting for the transactions of the central debt management agency ("Agence France Trésor"),

and more specifically loan issues and macro hedging of interest rate risk.

When dealing with hedge accounting, Standard 11 indicates that, under the bank regulations of 1990, there are four classes of interest-rate swap, even if macro hedging is the only one actually used. A review of the requirements of the Standard on the basis of the financing transactions actually carried out by Central Government has become necessary in order to determine whether the Standard can be simplified whilst integrating the relevant developments in accounting requirements both at national and international level.

#### ■ **Standard 7 "Financial Assets"**

Standard 7 distinguishes between equity investments in entities controlled by Central Government and those not controlled by Central Government, and sets out control criteria. When finalising Central Government's accounts for 2013, questions were raised by the preparers and auditors of the accounts of certain entities, in particular public healthcare establishments. Consequently, the Council will examine proposals for clarifying Standard 7.

#### ■ **Standard 1 "Financial Statements"**

Now that sufficient progress has been made with completing the Standards in the Central Government Manual, including the publication of two Opinions of the Council in October 2014, a review of Standard 1 Financial Statements may be envisaged. Standard 1 integrates all of the requirements of the Manual in a standard presentation of the financial statements. The Standard also includes general requirements for the notes.

#### ■ **Referral by budget department for "Air traffic operations and control"**

The budget department for "Air traffic operations and control" lodged an official request for guidance with the Public Sector Accounting Standards Council on the subject of the accounting treatment of air traffic fees and the adjustments arising under the European regulation Single European Sky II.

### ■ Standard 8 “Inventories”

A new version of Central Government Accounting Standard 8 “Inventories” was completed in January 2015. The Opinion published on this occasion clarifies requirements for inventories acquired, produced or held by Central Government in the course of its mission of public service, and improves the definition of inventories of a military nature.

## Public Establishments Accounting Standards Manual

### ■ Work prior to publication of the Manual

An overall review of the internal consistency of the Manual will be carried out prior to its publication and issue in the form of an Opinion.

In addition, three draft standards published as working documents in 2013 and 2014 could be updated to include the recent conclusions of the Central Government project which led to the revision of Standards 6 “Tangible Assets”, 8 “Inventories” and 18 “Contracts for the provision of public services”.

An amendment of the requirements of draft standard 14 “Changes in Accounting Policy, Changes in Accounting Estimates and Corrections of Errors” may be necessary to reflect the position of the tax authorities on whether revenue/expenditure arising from the correction of errors is taxable/allowable. This only applies to establishments which are subject to corporation tax.

Lastly, the terminology used for the title of the Manual and to describe the establishments within its scope needs to be discussed before publication.

### ■ Work after publication of the Manual

After publication of the Manual, the development of the following Standards will continue:

- > Medium and long term investments;
- > Biological assets / agriculture;
- > Jointly-controlled assets;
- > Operating and finance leases.

## Public healthcare establishments

In the light of the future publication of the Public Establishments Accounting Standards Manual, the Council will review the requirements of Budget and Accounting Regulation M21 applicable to Public healthcare establishments (EPS). The Council will compare the requirements of the Manual and the Regulation in order to determine whether any differences exist and, if so, whether these differences are justified because they reflect specific features of Public healthcare establishments or can be reduced in order to facilitate eventual convergence.

This approach could, where appropriate, be extended to other establishments subject to the Public Health Code.

## Local authorities and local public establishments

Two separate Council working groups will continue their work on the development of a presentation model for the financial statements of local public sector entities and the review of their accounting principles.

### ■ Presentation of the financial statements of the local public sector

The current project is aimed at enhancing the understandability of the financial statements of local public sector entities as well as developing a presentation model (balance sheet, income statement and notes), combining simplicity and clarity, and suitable for audit purposes.

### ■ Accounting principles for the local public sector

The working group on accounting principles is studying the relationship between general and budgetary accounting in local public sector entities. This approach involves analysing the main accounting principles currently applied in the local public sector and proposing changes where necessary.

Firstly, the Council examined the advantages and disadvantages of “single” and “dual” systems.



Secondly, the Council identified the main issues requiring attention, such as the notion of the control of assets, depreciation and its elimination for budget purposes, the disposal of fixed assets, the scope of provisions, the continued recognition as liabilities of certain subsidies received known as “non-transferrable to the operating section”, and the recognition of subsidies paid as assets.

This first stage should provide direction for future developments.

## **Social Security and Similar Organisations**

The Public Sector Accounting Standards Council will undertake the work described hereafter in response to possible referrals by the Social Security Directorate and/or the auditors of the Social Security Organisations (French Government Audit Office, National Company of Auditors), taking into account the principles adopted for the conceptual framework for public accounts.

### **■ Nature and scope of the obligations of Social Security Organisations for multi-year benefit awards**

The Council has requested the lawyers of the Social Security Directorate to provide a legal analysis clarifying the normative framework for the activities of Social Security Organisations. Such an analysis should also clarify the nature and scope of the legal obligations of Social Security Organisations with regard to insured persons, particularly for agreed multi-year benefit awards, and enable the definition of the relevant accounting treatment.

Subsequently, this analysis should lead to the definition of objectives and principles that should form the basis of accounting by Social Security Organisations with a view to drafting a conceptual framework for accounting standards for Social Security Organisations.

### **■ Recognition of recovery transactions**

Following the observation of disparities in the accounting policies adopted for recovery transactions by Social Security Organisations,

the Social Security Directorate plans to refer a draft order to the Council clarifying these policies in the Single Chart of Accounts for Social Security Organisations (PCUOSS). The primary goal of the draft would be to supplement and clarify recognition rules concerning recovery transactions. It will concern both general regime recovery organisations, for which recovery is the main activity, as well as organisations that manage compulsory social security schemes, which recover the levies that constitute the scheme’s resources as well as the resources allocated by law to other organisations.

### **■ Disclosures in the notes of Social Security Organisations**

Following on from the work on the conceptual framework for public accounts and on pension commitments, a project is to be undertaken on improving disclosures in the notes of Social Security Organisations. These disclosures would be both of a quantitative and qualitative nature and relate in particular to the different benefits awarded<sup>4</sup>.

## **European discussions on future public sector accounting standards**

The Council takes an active part in discussions on the development of European Public Sector Accounting Standards (known as “EPSAS”) applicable to the government units of Member States. These discussions are conducted by Eurostat within the framework of Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States.

> EPSAS Governance Task Force

The objective is, on the one hand, to examine the results of the public consultation on EPSAS governance principles and structures launched at the end of 2013, with a reply deadline fixed for mid-February 2014 and, on the other hand, to address all the issues raised by the introduction of EPSASs. The project is progressing in spite of the reservations expressed

<sup>4</sup> Excluding pension commitments.

by certain Member States on its ultimate purpose and objectives.

#### ■ **IPSAS Standards Task Force**

In spite of the reservations expressed by Member States, Eurostat seems to prefer an approach based on the assessment of IPSASs.

The Council takes part in these two working groups, in liaison with the Inter-Directorate Committee for International Public Sector Accounting Standards, for which it acts as secretary.

## **International Accounting Standards**

#### ■ **Response to the IPSAS Board's consultations**

The IPSASB has included the following topics in its work program for which consultation papers might be issued in 2015.

- > Consultation Paper – “*Social Benefits*”;
- > Consultation Paper – “*Public Sector Financial Instruments*”;
- > Consultation Paper or Exposure Draft – “*Public Sector Combinations*”.

#### ■ **Translation of IPSASs**

In addition, in conjunction with the Governing Council of Chartered Accountants (CSOEC) and the National Company of Auditors, the Council will pursue its project, which began in 2012, of translating IPSAS standards into French. The objective for 2015 is the publication of a complete set of IPSAS standards based on the publications of the

IPSAS Board up until 2013 (*2013 Handbook*). This process involves upgrading the translations of all the texts published since the outset by the IPSAS Board, that include one-off editorial improvements, successive amendments, and new standards (first part of the conceptual framework, key characteristics of public sector entities.) A review of standards IPSAS 1 to IPSAS 24, the translation of which dates back to 2007, has therefore been undertaken and is expected to be completed in early 2015. This review will include the harmonisation of terminology.

The question arises as to whether a new agreement with the IFAC for the translation of the *2014 Handbook* should be signed.

#### ■ **Participation of the General Secretariat in IPSAS Board meetings and working groups**

The General Secretariat of the Council prepares IPSAS Board meetings in close co-operation with the French member of the IPSAS Board and attends those meetings as an external observer. This enables the Council 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 2015, four four-day meetings will be held, mostly in Canada.

The General Secretariat of the Council also took part in the IPSAS Board working groups on “*Social Benefits*” and “*Emission Trading Schemes*”. In this role, the General Secretariat is called upon to review staff papers and make written contributions which have, on different occasions, been adopted.