



# PRODUCING ACCOUNTS AND NOTES

by Amadou Birahim Gueye, Treasury Inspector  
Head of the Studies and Regulations Bureau at the  
Directorate General of Government Accounting and the Treasury

# OVERVIEW OF THE PRESENTATION



## Introduction

I – The General Account of the Finance Administration (CGAF) and the *loi de règlement* (Budget Review Act): Budget implementation reporting documents.

II – The future of financial statements: A shift towards reporting on the Government's net worth and financial situation.

## Conclusion

# INTRODUCTION



- The Preamble of the Constitution of the Republic of Senegal affirms the sovereign people of Senegal's adherence to the 1789 French Declaration of the Rights of Man and the Citizen, Article 15 of which states that society has the right to ask a public official for an accounting of his administration.
- As regards public accountants, who are responsible for Government revenues received from citizens, this right has become a reporting obligation. It represents the expression of their objective responsibility, owing to their theoretically exclusive authority to collect amounts and make payments on behalf of the Government and public bodies.
- The Government and, chiefly the executive, remains accountable vis-à-vis those responsible for upholding the sovereignty of the Senegalese people (MPs), concerning implementation of the parliamentary authorisation via the CGAF and Budget Review Acts.

# INTRODUCTION (continued and end)



- In Senegal, the obligation to report on implementation of the Budget and Budget Acts is codified in Constitutional Bylaw 2001-09 of 15 October 2001 establishing the Constitutional Bylaw on Budget Acts and by Decree 2003-2001 establishing General Regulations governing Public Accounting.
- In 2009, in line with the global trend for reforming public finances, the WAEMU adopted new Directives which distinguish between the trial balance (*états comptables*) and financial statements (*états financiers*) for producing accounts. With accrual accounting, the financial statements are comprised essentially of the balance sheet, income statement and cash flow statement.
- The legislation transposing the WAEMU Directives into domestic law will take effect in 2016 with a view to preparing the 2017 Budget Act. Pursuant to this new legislation, accounts must contain information on the Government's net worth and financial situation.

## **I – The CGAF and the Budget Review Act: Budget implementation reporting documents**



In spite of the clear standards for establishing and producing accounts, there have been delays. The resulting shortcomings led to the authorities introducing an additional system which is now up and running.

### **A- A system which complies with current regulations**

- Regulations shaped by the WAEMU framework.
- Article 36 of the Constitutional Bylaw on Budget Acts makes the Budget Review Bill (PLR) an instrument for recognition, ratification, approval and for drawing up income statements. These represent reporting attributions.
- Article 37 provides that the PLR has explanatory appendices detailing the source of appropriation overruns and the nature of profits and losses.
- After describing the composition of the CGAF, Article 203 of the Financial Decree (General Regulations governing Public Accounting, 2001) provides for it to be sent to the *Cour des comptes* (Government Audit Office), in support of the PLR.

## **I – The CGAF and the Budget Review Act: Budget implementation reporting documents (continued)**



- The system is unsatisfactory as Government accounts and Budget Review Acts may take more than ten years to be produced or drawn up.
- Reasons include the lack of specific staff, of a set of procedures and cumbersome relations between the directorates responsible for preparation and drafting.
- In spite of these delays, the authorities rejected the proposal to write off the backlog for previous financial years in favour of producing the CGAF and the PLRs for all the years in question.

The resulting organisational structure made up for regulatory shortcomings.

## **I – The CGAF and the Budget Review Act: Budget implementation reporting documents (continued and end)**



### **B – Controlled organisation and conclusive results**

- All the stakeholders (Directorate General of Government Accounting and the Treasury - DGCPT, Finances Directorate General - DGF) have committed to settling the problem with significant involvement from the Government Audit Office (Saly declaration).
- The DGF is recruiting specific staff for reporting work.
- A committee was set up to assess the CGAF and the PLR for the benefit of smooth relations between the departments of the Ministry responsible for producing documents.
- The interim deadlines that were set for stakeholders were generally complied with for the 2009 and 2010 financial years.
- The backlog has been cleared (February 2012, adoption of Budget Review Acts for 2008, 2009 and 2010).
- The 2011 PLR is being reviewed by the Government Audit Office with a view to establishing a report on the implementation of Budget Acts.

## **II – The future of financial statements: A shift towards reporting on the Government’s net worth and financial situation**

The domestic legal framework has been overhauled by the transposition of the WAEMU Directives. However, this does not mean that implementation is trouble-free.

### **A – An overhauled legal framework**

- Producing financial statements is enshrined in the legislation:

The Constitutional Bylaw on Budget Acts specifies that Budget Review Bills are supported by accounts and financial statements originating from cash-based budgetary accounting and government accrual-based accounting.

Article 188 of Decree No 2012-1880 establishing General Regulations governing Public Accounting (RGCP) provides that “the Government’s annual accounts are drawn up by the Finance Minister and are comprised of the CGAF and the financial statements”.

The financial statement production obligation results from adoption of a government general accounting system that aims to provide a “true and fair view of the Government’s net worth” and accounting quality.



## II – The future of financial statements: A shift towards reporting on the Government's net worth and financial situation (continued)

- Constituent elements of financial statements

Article 24 of Decree No 2012-92 establishing a Government chart of accounts states that *“the financial statements comprise the balance sheet, the income statement, the cash flow statement, the statement of the Treasury's financial transactions and the notes appended to Article 27 of this Decree. They constitute an indivisible whole”*.

- The balance sheet shows Government assets and liabilities and provides a snapshot of its net worth at a given moment
- The income statement shows revenues and expenses
- The cash flow statement provides details of cash inflows and outflows
- The notes set forth the information required to understand and use the financial statements and explain and cost, inter alia, off-balance sheet commitments

## II – The future of financial statements: A shift towards reporting on the Government's net worth and financial situation (continued and end)

### B– Criteria for success

- Ensuring political endorsement of reforms
- Consolidating the implementation of a regulatory framework with accounting policies:
  - Involving the *Conseil national de la comptabilité* (National Accounting Board - CNC)
  - Adopting accounting standards (standard No 1: financial statements)
  - Drafting accounting instructions
- Ensuring accounting quality:
  - Opening balance sheet
  - Matching revenue against expenditure for a given financial year
- Involving managers
- Addressing obstacles to applying current regulations, to allow the pitfalls of the past to be avoided
- Conducting gradual implementation

# CONCLUSION



- Establishing a legal and regulatory framework has not allowed for the timely production of Government accounts. However, once this framework was supplemented by documents akin to a set of procedures and a forum for discussion was set up, the whole backlog was able to be cleared.
- Besides learning from past mistakes, to ensure successful implementation of accounting reforms with overhauled financial statements, we have to consider restructuring accounting departments and processes. This will require political endorsement and change-management tools.



**Thank you for listening**