

The public sector accounting standard-setting

Marie-Pierre Calmel,
General Secretary
Conseil de normalisation des comptes publics

Association Internationale des Services du Trésor

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1. Presentation of the French Public Sector Accounting Standards Council

Presentation of the CNOCP

- The ‘Conseil de normalisation des comptes publics’ (CNOCP) is the French Public Sector Accounting Standard-Setter.
- The Council is an advisory body under the authority of the Minister of the Budget and Public Accounts.
- This Council is in charge of setting the accounting standards of all entities with a non-market activity and primarily funded by public funding, including contributions.
- It was established by the annual Budget Act on the 30th December 2008.
- The Opinions are available to the public.

The Council publications

	2009-2010	2011	2012	2013	Mid-2014	Total
Opinions issued as supplements or amendments to existing standards	5	10	7	5	0	27
Preliminary Opinions on draft legislative and regulatory texts	4	2	4	3	3	13
Responses to IPSAS Board consultations	8	6	6	4	4	24
Responses to other international consultations			2	1	2	3
Total	17	18	18	13	9	67
Draft Standards for the Agencies Accounting Standards Manual				10	7	17

2. Public and private accounting

Public and private accounting

- Private and public accounting have long been distinct because they deal with different needs:
 - ✓ 'Traditional' public accounting is limited to the bookkeeping of budgetary operations,
 - ✓ Private accounting seeks to provide information on the entity's financial position (total assets versus total liabilities).
- Convergence between both accounting systems is an asymmetric process: public accounting aligns on private accounting.
- Convergence does not suppress public accounting specificities.

This evolution entails two consequences:

- Adapt the organisation: adopting accrual accounting necessitates adaptations of the accounting organisation and an evolution of the accounting profession and related statuses.
- Define adequate sets of standards (accounting standards, bookkeeping standards, auditing standards, ec.).
 - Accounting is no longer a verification tool only, it also provides financial information to third parties.

3. Central Government Accounting Standards

The Central Government Accounting Standards

**Constitutional Bylaw on Budget Acts (LOLF) of 1st August 2001
requires the Central Government to keep general accounts**

Article 30 stipulates that :

- The financial statements are based on the accrual accounting principle.
- Transactions are recognised in the financial year to which they are related, independently of the date of payment or receipt.
- The Central Government are the same as those for business, except when differences are warranted by the specific nature of the Central Government's activity.

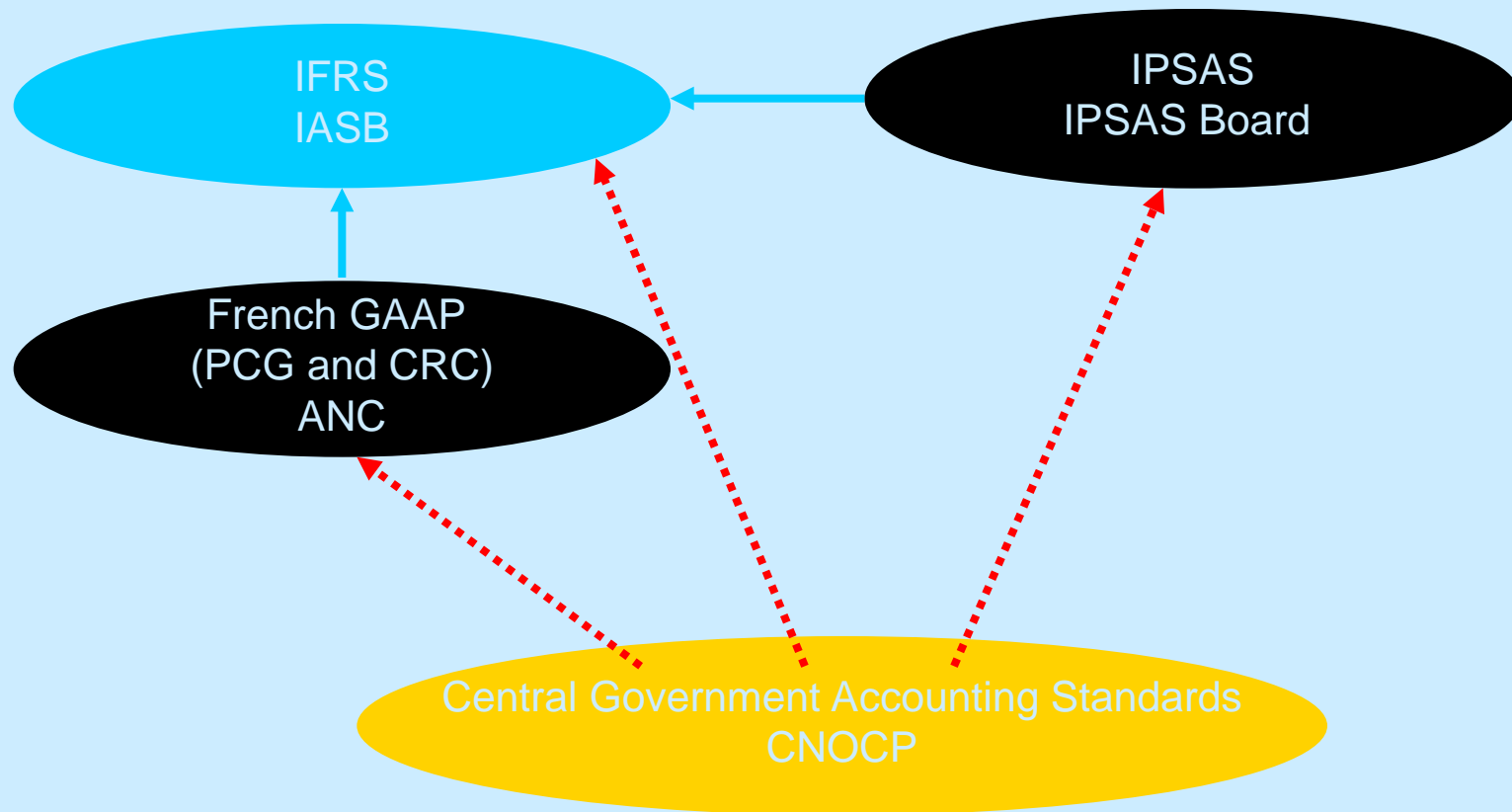
- A conceptual framework
 - 17 standards:
 - STANDARD 1: FINANCIAL STATEMENTS
 - STANDARD 2: EXPENSES
 - STANDARD 3: SOVEREIGN REVENUES
 - STANDARD 4: OPERATING REVENUES, INTERVENTION REVENUES AND FINANCIAL REVENUES
 - STANDARD 5: INTANGIBLE ASSETS
 - STANDARD 6: TANGIBLE ASSETS
 - STANDARD 7: FINANCIAL ASSETS
 - STANDARD 8: INVENTORIES
 - STANDARD 9: CLAIMS RELATED TO CURRENT ASSETS
 - STANDARD 10: CENTRAL GOVERNMENT CASH POSITION COMPONENTS
 - STANDARD 11: FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS
 - STANDARD 12: PROVISIONS FOR RISKS AND LIABILITIES, NON-FINANCIAL LIABILITIES AND OTHER LIABILITIES
 - STANDARD 13: COMMITMENTS TO BE DISCLOSED IN THE NOTES TO THE FINANCIAL STATEMENTS
 - STANDARD 14: ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS
 - STANDARD 15: EVENTS AFTER THE BALANCE SHEET DATE
 - STANDARD 16: SEGMENT REPORTING
 - STANDARD 17: HERITAGE ASSETS
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I- Introduction

II – Requirements

- (i) Scope
- (ii) Recognition
- (iii) Measurement
- (iv) Disclosures

III - Examples



Reference to 

Convergence 

4. IPSAS Board Presentation

(International Public Sector Accounting Standards Board)

The IPSAS Board

- The IPSAS Board is supported by the *International Federation of Accountants* (IFAC)
 - Members :
 - 15 members from IFAC member bodies and 4 “public members”
 - Switzerland (Andreas Bergmann, Chairman), South Africa, Australia, Germany, Brazil, Canada (2 members), China, United States, France, Italy, Japan, Kenya, Malaysia, Morocco, New Zealand, Panama, Pakistan, United Kingdom, Romania
 - Observers : Asian Development Bank, European Union, Eurostat, IASB, FMI, INTOSAI, OCDE, United Nations Development Programme, World Bank.
 - Limited means : 6 permanent staff and annual budget of 1,7 M USD (50% from IFAC, 50% others)
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- Public consultations :
 - Different documents :
 - ❖ Consultation Papers
 - ❖ Exposure-Drafts
 - Generally, 4 months to comment
 - 30 to 40 comment letters for each IPSAS Board consultation

- 4 IPSAS Board meetings per year during 4 days

The IPSAS Board standards

- IPSAS Board standards are not legally enforceable.
- Generally, the law, or other legislative text (decrees, etc.), requires the use of public sector accounting principles for general government entities and other public entities. Standard-setters propose accounting standards in this legal context.
- Very few countries require that financial statements of public entities be based on the accrual accounting principle.
- Few international organisations financial statements are compliant with the IPSAS Board standards.

The review of the IPSASB's governance

- Governments are of the view that sound governance for the international public sector accounting standard-setter should result from carefully processed objectives that take roots in priority in the identification and description of the public sector features.
 - A Review Group proposed a public consultation on IPSASB's governance
 - Members : World Bank, FMI, OCDE, International Organization of Securities Commissions (IOSCO), International Organization of Supreme Audit Institutions (INTOSAI)
 - Observers : Eurostat, IFAC
 - Deadline for comments : 30 April 2014
 - The international organisations are working on a proposal.
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5. Assessment of the suitability of International Public Sector Accounting Standards (IPSAS)

The CNOCP and the IPSAS Board

- As the French accounting standard-setter for the public sector, the Public Sector Accounting Standards Council provides responses to each of the IPSAS Board's consultations ;
- 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.
- The CNOCP alerts the IPSASB on the necessity to focus on those issues that are of prominent importance for public sector accounting standard-setting.
- The CNOCP believes that the IPSASB's activities need to remain focused on the public sector specificities, yet to be fully identified and addressed from an accounting perspective.

Assessment of the suitability of IPSAS (1/2)

- The analysis of the IPSAS Board's set of standards strengthens the CNOCP's position that it should not be possible to use IPSASs as the sole starting point for developing the European public sector accounting standards.
- The CNOCP underlined the absence of standards in IPSASs on critical issues for the public sector:
 - social benefits as provided by social security, and more specifically pension scheme issues other than State civil servants' on the one hand, and other social benefits on the other hand ;
 - transfer expenses such as subsidies and grants, other than social benefits.

Assessment of the suitability of IPSAS (2/2)

- **Two-third of IPSASs requires adaptation or amendments.**
Amongst the most controversial standards are those dedicated to :
 - *financial instruments*
 - *and consolidation*
- Eventually, **only a third of IPSASs raises very few comments**, and those standards deal with very minor financial items.
- Three further matters were also identified as topics that call for standards: entity combinations in the public sector, heritage assets and emission trading schemes.

Appendix

Classification of IPSAS standards by the CNOCP

Classification of IPSAS standards (1/4)

Standards to be implemented with minor or no adaptation	Standards requiring adaptation before implementation	Standards that require amendment for implementation in Europe
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Presentation of financial reporting			
IPSAS 1 — Presentation of Financial Statements		x	
IPSAS 2 — Cash Flow Statements	x		
IPSAS 3 — Accounting Policies, Changes in Accounting Estimates and Errors	X		
IPSAS 10 - Financial Reporting in Hyperinflationary Economies	X		
IPSAS 18 - Segment Reporting		x	
IPSAS 20 - Related Party Disclosures		x	
IPSAS 22 - Disclosure of Financial Information about the General Government Sector			To delete
IPSAS 24 - Presentation of Budget Information in Financial Statements			To delete

Classification of IPSAS standards (2/4)

	Standards to be implemented with minor or no adaptation	Standards requiring adaptation before implementation	Standards that require amendment for implementation in Europe
Income and expenditure			
IPSAS 4 - The Effects of Changes in Foreign Exchange Rates	x		
IPSAS 9 - Revenue from Exchange Transactions		x	
IPSAS 11 - Construction Contracts	x		
IPSAS 23 - Revenue from Non-Exchange Transactions (Taxes and Transfers)		x	
Employee Benefits			
IPSAS 25 - Employee Benefits		x	
Consolidation and Controlled Entities – under revision			
IPSAS 6 - Consolidated and Separate Financial Statements			x
IPSAS 7 - Investments in Associates			x
IPSAS 8 - Interests in Joint Ventures			x

Classification of IPSAS standards (3/4)

Standards to be implemented with minor or no adaptation	Standards requiring adaptation before implementation	Standards that require amendment for implementation in Europe
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Financial position			
IPSAS 5 - Borrowing Costs			X
IPSAS 12 - Inventories	X		
IPSAS 13 - Leases	X		
IPSAS 14 - Events after the Reporting Date	X		
IPSAS 16 - Investment Property		X	
IPSAS 17 - Property, Plant, and Equipment		X	
IPSAS 19 - Provisions, Contingent Liabilities and Contingent Assets		X	
IPSAS 21 - Impairment of Non-Cash-Generating Assets		X	
IPSAS 26 - Impairment of Cash-Generating Assets		X	
IPSAS 27 - Agriculture	X		
IPSAS 31 - Intangible Assets		X	
IPSAS 32 - Service Concession Arrangements: Grantor		X	

Classification of IPSAS standards (4/4)

Standards to be implemented with minor or no adaptation	Standards requiring adaptation before implementation	Standards that require amendment for implementation in Europe
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Financial instruments			
IPSAS 28 - Financial Instruments: Presentation			X
IPSAS 29 - Financial Instruments: Recognition and Measurement			X
IPSAS 30 - Financial Instruments: Disclosures			X
TOTAL CNOCP	9	13	9