

XIIth Annual Symposium

Nouakchott – MAURITANIA – 29 - 31 October 2018

« What tools to support decentralisation? »

Terms of reference

DECENTRALISATION

The decentralisation of State missions to legally autonomous public authorities is an institutional movement that has become widespread in most countries in recent decades.

There are several reasons for this underlying trend:

- The promotion of a more democratic political life by developing the responsibilities of local stockholders,
- The search for better administrative efficiency by making the most of local networks, close to the expectations of citizens,
- The will to develop the territory taking into account all local specificities.

The concrete institutional modalities according to which decentralisation is gradually unfolding, are singular and belong to each State, according to its history and the choices of its authorities.

Thus, the transfer of missions is more or less fast and extensive, with or without a real allocation of financial resources contributing to a real financial independence of local communities, the responsibilities transferred to elected executives are broad or much more limited, and finally, relations with the State that deconcentrate or not its own services are organised in an easy or more complex way.

Many parameters, mainly resulting from the political choices of the rulers but also taking into account the processes of economic development and geographical and human realities, explain the multiplicity of forms taken by the decentralisation reforms. Whatever, these are progressing, certainly at different paces, on all continents.

Treasury services - a major financial administration - are by nature at the service of the elected authorities. It is not up to them to interfere in choices of opportunity but they must implement the major options chosen by governments. They must also facilitate and even enlighten them by focusing on playing a leading role in the implementation of efficient administrative processes using the most modern technologies.

ACCOUNTING AND FINANCIAL MANAGEMENT OF TERRITORIAL COMMUNITIES

The Treasury performs the functions of accountant of the State and local authorities. It is thus a stakeholder in the accompaniment of the decentralisation process in order to:

- Assess the cost of missions transferred from the State to local authorities,
- Translate into the balance sheet of the State and the communities concerned the accounting and budgetary availability of movable assets or real estate,
- Maintain the accounting records and produce the financial statements of these entities after defining the normative framework applicable to local authorities,
- Create the necessary structures and provide them with human, material and IT resources,
- Develop an accounting information system and management tools,
- Develop services offered and advice adapted to the needs of local authorities.

THE ACCOUNTING SYSTEM AND INFORMATION SYSTEM

Treasury structures

The management of local authorities is based on an adapted accounting organisation that meets the needs of local authorities. This organisation has long been structured according to the following criteria:

- a local implementation of the accounting structure to provide a management of geographical proximity both to the community and its users,
- the management within the same accounting structure of several local authorities within the jurisdiction,
- a territorial network of Treasury services more or less developed but covering the network of local authorities,
- mixed accounting structures that may also be charged in some countries of the collection of local and national taxes,
- the establishment of imprest accounts to ensure local recovery,
- the implementation of various management approaches depending on the level of independence: accountant officer of the Treasury for decentralized communities, accountant officer of the Treasury or accounting officer hierarchically attached to the Treasury for communities with functional independence.

The technological evolution with the spread of the Internet, the development of the digital administration, the modernisation of the accounting and financial system with the spread of dematerialisation and the deployment of modern means of payment lead to rethink the accounting organisations of the Treasury to ensure the management of local authorities. In fact, geographical proximity becomes relative with the digital administration and the dematerialisation of procedures and of accounting and supporting documents.

At the same time, the expectations of local authorities are increasingly demanding at the technical level facing ever more complex regulations and more and more specific skills.

Thus, knowing the expectations of the communities, taking into account the new technical environment and evaluating the cost and the provided service of the current structures imply to wonder about the management method of the Treasury services:

- Should we work towards the specialisation of accounting structures?
- Should accounting management in local authorities be integrated into accounting agencies?
- How should we organise the shared task between accounting and authorizing officers in the future?
- Should we create unique "billing service" structures?

The organisation of the Treasury's accounting structures is therefore a strategic issue for the State and the Treasury in terms of quality of service provided to local authorities and cost of the public policy called "bookkeeping".

The accounting system

The Treasury services must accompany the decentralisation movement by developing the normative framework of the accounts of local authorities:

- an accounting plan ;
- an appropriate accounting nomenclature ;
- an accounting document showing the operation of the accounts.

The accounting system enables the production of financial statements:

- the balance of accounts;
- the balance sheet ;
- an income statement;
- an appendix.

This accounting system should be based on accrual accounting which allows accounting operations to be recorded over the period of the financial year of the rights and obligations independently of that of payment or cashing.

Keeping accrual and stock accounting is an important issue for local authorities managers. Active and rationalised asset management must be based on appropriate accounting, a real management and decision-making tool for public decision-makers.

The development of the normative framework must be based on international standards, IPSAS or other, applicable to the public sector. The enforcement of these standards opens the field of the certification of the accounts of the local authorities - at least for the biggest local authorities.

The accounting system must also allow the cash management of local authorities.

FUNDING

Decentralisation means creating local authorities or other entities that will necessarily have investment and operating resources in line with the missions that the State has transferred to them.

The main sources of financing

They concern:

- the resources from taxation,
- the State transfers to local governments for operation and investment. These transfers may be assigned or not assigned,
- the Public domain management,
- the Revenue from the sale of products and services delivered by communities.

Other sources of funding may be allowed such as the ability to borrow to finance fixed assets or long-term investments.

The definition of financing needs for decentralisation and the appropriate level of transfer to local and regional authorities is a decisive issue for the further decentralisation process.

The resources invested at the level of local authorities contribute to the improvement of local public services, to the local and regional economic development, all of which will be levers for the creation of wealth at the national level and will contribute to the achievement of the defined objectives in national policies.

Financing issues

The level of resources to be mobilised to establish the decentralisation process is defined by:

- the evaluation of the cost of transferred missions,
- the assessment and evaluation of the evolution of the cost of transferred missions,
- the identification and upgrading of the goods, services and staff to be made available to local authorities,
- the transfer of the missions transfer resources.

The State guarantees the resources intended for local and regional authorities in a financial planning law.

The decentralisation process may lead to a review of the local tax system and take into account the potential of the territories: the overhaul of the tax system should permit to better distribute the yield of taxes between local authorities. Equalisation mechanisms must be put in place to better allocate resources among communities in a constrained budgetary framework for the State. Development funds can be created to help finance the decentralisation process.

The role of the Treasury

The Treasury services aim to provide a high level of local revenue collection and maintain accurate and high quality accounting.

The public accountant officer must take over the securities issued by the community. He must ensure that the allocation of revenues, particularly from State transfers and local direct taxation, is correct in order to properly trace State funding related to decentralisation.

When the community benefits from local taxes assigned and / or its own resources, the Treasury services must offer all the modern means of payment to the taxpayers and users: checks, direct debit, transfer, monthly payment, e-payment, credit card, mobile phone etc. and focus on reducing cash. This offer of services should improve the taxpayers and citizens tax compliance.

If the taxpayer or user does not spontaneously pay his debt, the services of the Treasury must implement all the necessary procedures to recover the funds. The Treasury information system must be efficient. The Treasury will recover the local public debt more easily using the enforced collection procedures if it has prerogatives derogating from the generally applicable rules of law. Service performance can be measured from performance indicators such as the Gross recovery rate for a given community and detailed by the nature of the products.

The Treasury services must meet the expectations of local authorities in terms of reporting and decision support tools such as “infocenter”. Reporting on revenue management and debt collection is important from both a performance and organisational point of view. It can relate to the volume of securities issued per month (which makes it possible to assess the issuing securities policy, the potential peaks of activity and the means of remedying them), the volume of cash inflows per month, the recovery rates, the volume and percentage of the means of payment used by the taxpayers / users, etc.

Partnership is also a way of improving the quality of the provided service: it makes it possible to make reliable the information transmitted to the accountant (third-party reference) concerning the taxpayers / users, develop a common prosecution policy based on selectivity according to the risks and stakes, define the modalities of waive debts for which the procedures were carried out without success etc..

Treasury services also play a financial advisory role when the community can finance its investments through borrowing. They can assess the sustainability of the debt, carry out retrospective or prospective financial analyses and assist the community in understanding the financial characteristics of the loan agreement.

TREASURY SERVICE OFFER

The common expectations to all local authorities:

- **Keeping and production of local authorities accounts**

The Treasury services are professionals of accounting: the initial and further training of the officers allow to acquire the expected skills.

The keeping of the accounts must comply with the normative framework and meet the criteria of quality and sincerity of the accounts. Compliance with standards and procedures is a guarantee for communities.

The role of the Treasury is not only to keep the accounts but also to produce readable financial statements for the local authorities and the citizen. The valuation of the accounts is a lever to make the understanding of the financial statements easier.

- **Accounting and financial advice**

Beyond the valuation of the annual accounts, the Treasury services must carry out financial analyses allowing communities to understand the major financial balances, explain the past and apprehend the future.

- **Reporting**

Accounting is an information, management and decision-making tool. The accounting system should help the production of decision support tools, management charts, management indicators. The reports have to be adapted to the needs of the communities and easily understandable and usable by the authorising officers.

- **The accounting information system**

The information system is structuring in the authorising officer / accountant relationship. This system may be an integrated or a non-integrated management software package ; it's an interfaced management system whose exchanges are defined in standard protocols. In order to constrain the number of remitting applications, the accounting system should keep the auxiliary accounts.

The accessibility of the authorising officer at least in consultation mode to the accounting system allows the exchange and information flow between authorising officers and accountants. It strengthens the relationship of trust between the authorizing officer and the accountant and gives meaning to the partnership.

The automation of controls in the accounting system consolidates the internal control system to ensure that accounting and financial procedures are understood.

- **Revenue collection**

Revenue collection is a major issue for the treasury of local authorities. The organisation of the Treasury services must enable to cash quickly the payments of the taxpayers and to speedily initiate prosecution in case of payment default.

- **Electronic banking**

The Treasury services must offer the taxpayers all modern means of payment available in the country. This multi-channel offer reflects a modern image of the Treasury, improves the taxpayers' compliance- by allowing them to remotely pay - and therefore the recovery of public debts.

- **Dematerialisation**

The dematerialisation of the accounting and financial chains is also eagerly awaited by local authorities to speed up procedures, benefit from savings and strengthen the security of procedures. The accounting system must make it possible to take into account the dematerialisation of the accounting and supporting documents accompanied by the electronic signature.

- **Partnership**

The establishment of partnership is a lever to personalise the offer of services according to the expectations of a given territorial collectivity. It integrates all the components of the Treasury service offer. It strengthens and fluidifies the relationship between the authorising officer and the accountant.

- **Payment of expenses**

When it comes to expenses, local authorities expect Treasury departments to have payment periods under control in order to avoid the accumulation of arrears. For example, the implementation of the hierarchical control of the expenditure, the dematerialisation of the records and an adapted organisation are among the key elements of the thinning of the systems.

- **Treasury**

Cash management is a crucial issue especially in the larger communities that may have problems. The Treasury should make cash management more fluid by organising exchanges of information, setting up a single treasury account, paying on time when the authorising officer requests it and, above all, by drawing up a common treasury plan with the community once a week minimum.

The specific expectations to the most important communities can therefore relate to a high level of expertise of the Treasury services in accounting, financial, legal and tax matters.