

Public property management and accounting in France

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Cour des comptes

The notion of « public sector »

■ Public sector

- Central Government
- Local Governments (municipalities, intercommunities, « départements », regions)
- Social security
- Public establishments (agencies)

■ ESA, 1995

The « public domain » (1/4)

- An historical notion (refers to the Ancien Régime period), modified in 2006
- A law notion : public domain elements are allocated to public utilities and « specially designed »
- Some elements are directly integrated in the public domain by law (electromagnetic waves, 1996)

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The « public domain » (2/4)

- **Natural public domain**
 - Sea public domain
 - River public domain
- **Artificial public domain**
 - Allocated to the direct use of the public
 - Roads
 - Ports
 - Public markets, cemeteries, etc.
 - Allocated to public utilities
 - Buildings
 - Fortifications, naval and air bases
 - Railroad Network
 - Aerodromes

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The « public domain » (3/4)

■ Imprescribibility

- Special law regime

■ Inalienability

- In case of selling : need the disappearance of the affectation to public utility
- Or the intervention of the law

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The « public domain » (4/4)

■ Today : attempts to conciliate protection and management of the public domain

■ Extension of the private domain

- Possessions with no special arrangement
- Not allocated to a public utility
- Legislative provisions

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Ownership and management

■ Ownership

- Along legal capacity of each entity:
 - Central Government as a whole (ministries, central administration)
 - Or local Governments
 - Or public establishments (universities, hospitals, etc.)

■ Decentralized management

- The recent creation of « France Domaine »

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The new French Constitutional Bylaw on Budget Acts (2001)

■ Objectives of the « LOLF » reform

- Budget management : introduction of the notion of global programs (managers are free to reallocate budgetary appropriations inside each program)
- For each program : indicators and performance objectives and reporting
- Accrual accounting: development of new accounting standards

■ A strong political commitment

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Accounting questions (1/5)

■ Standards

- French Central Government accounting standards : inspired from IFRSs, French GAAPs and IPSASs
- Local Governments accounting standards : under review (convergence with Central Government when possible)

■ Adopted in 2004, first adoption in 2006

■ Certification by the Cour des comptes

- Qualified opinion (13 qualifications in 2006, 12 in 2007 and 2008)
 - Incl. qualifications on military assets and real assets holdings

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Accounting questions (2/5)

■ The control notion

- Assets are recognized in the balance sheet when controlled even if not owned
- Assets are not recognized in the balance sheet when not controlled even if owned

■ Examples :

- Buildings owned by municipalities but used and managed (including repairs) by Central Government are recognized in the Central Government's balance sheet
- Pieces of arts owned by the Central Government but managed by museums are recognized in the museums' financial statements

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Accounting questions (3/5)

■ Subsequent valuation : fair value or historical cost ?

- Offices and adaptable buildings (police stations, heritage buildings used for housing Government services) : fair value
 - historical costs are not well known ; the French office buildings controlled by the Central Government are often very old (60% has been built during the XIXth century or before);
 - no determinable useful life ; depreciable amount can not be estimated;
 - fair value is a significant information for managers

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Accounting questions (4/5)

■ Subsequent valuation : fair value or historical cost ?

- Specialized buildings
 - Prisons and roads : replacement depreciated cost
 - Heritage monuments and sites : 1€ if acquisition cost not known
- Pieces of art : 1€ if acquired before 2006, acquisition cost after 2006

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Accounting questions (5/5)

■ Concessions and PPPs

- IFRIC 12 : intangible or financial asset to be recognized in the private contractor's balance sheet
- Tangible asset in the public contractor's balance sheet ?
 - Highways and hydroelectric dams in the French Central Government's financial statements

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Capital investment

■ Budgetary management

- Appropriations allocated through the Budget Act
- Investment is a special budgetary category
- Budgetary accounting : cash and commitment based
- Link between the budgetary notion of commitment and accrual accounting
- Notion of « budgetary rents » (budgetary appropriations with no real cash movement)

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More on...

■ Cour des comptes

- <http://www.ccomptes.fr/en/JF/Accueil.html> (English pages)

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