

Cour des comptes



**XTH EUROSAI CONGRESS**

**MAY 23, 2017**

# **FRENCH STATE'S ACCOUNTS CERTIFICATION**



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**Introduction**

# **THE FRENCH SAI: A JURISDICTION**





## THE FRENCH SAI: A JURISDICTION

The French SAI (Cour des comptes) is a jurisdiction : it assesses, it judges, and it can impose sanctions.

### Judging the accounts of public accountants

#### **Scenario 1: no mistake:**

The control leads to a release of the accountant who is « discharged ».

#### **Scenario 2: irregularities have been identified:**

The control may lead to a declaration of financial liability (« débet ») or to a fine.

*The decision is made after a public hearing.*



# THE FRECNH SAI'S ASSIGNEMENTS

## Judging public accountants

- « *The Court of Auditors judges the accounts of public accountants.* »

## Enforcing the legality and utility of expenses

- « *The Court of Auditors asserts (...) the legality of revenues and expenses (...) and enforces the good use of the wealth managed by the administration.* »

## Evaluating public policies


## Certifying the State's and Social Security's accounts



## ■ 423 officers in charge of a control duty

- including 225 magistrates & 51 financial statements auditors
- + network of regional chambers of accounts

## ■ Seven chambers, specialized

1st chamber	2nd chamber	3rd chamber	4th chamber	5th chamber	6th chamber	7th chamber
Economy and Finances	Military Energy	Culture Education Research	Security Foreign relations Justice	Workforce Housing Public generosity	Health Social security	Environment Agriculture
						



**Part I**

# **ACCOUNTS CERTIFICATION IN THE PUBLIC SECTOR**





## DEFINITION

**« The accounts certification is a written opinion in which an independant body, stating its reasons, asserts the conformity of financial statements to a given set of accounting principles and rules »**

### Highlights:

- « A written opinion »
- « independant body »
- « stating its reasons »
- « financial statements »
- « accounting principles and rules »





# ACCRUAL BASIS OF ACCOUNTING INTRODUCED IN 2006 (STATE)

« The State keeps (...)  
general accounts for all of  
its transactions »  
(LOLF - article #27)

« The rules applicable to  
general public accounting  
only differ from those  
applicable to companies in  
terms of the specific nature  
of government action. »  
(LOLF - article #30)

*State*



## General accounting

<i>Balance Sheet</i>	<u>Assets</u>	<u>Liabilities</u>
<i>Profit / Loss</i>	<u>Expenses</u>	<u>Income</u>
<i>Cashflow</i>	<u>Inflows</u>	<u>Outflows</u>



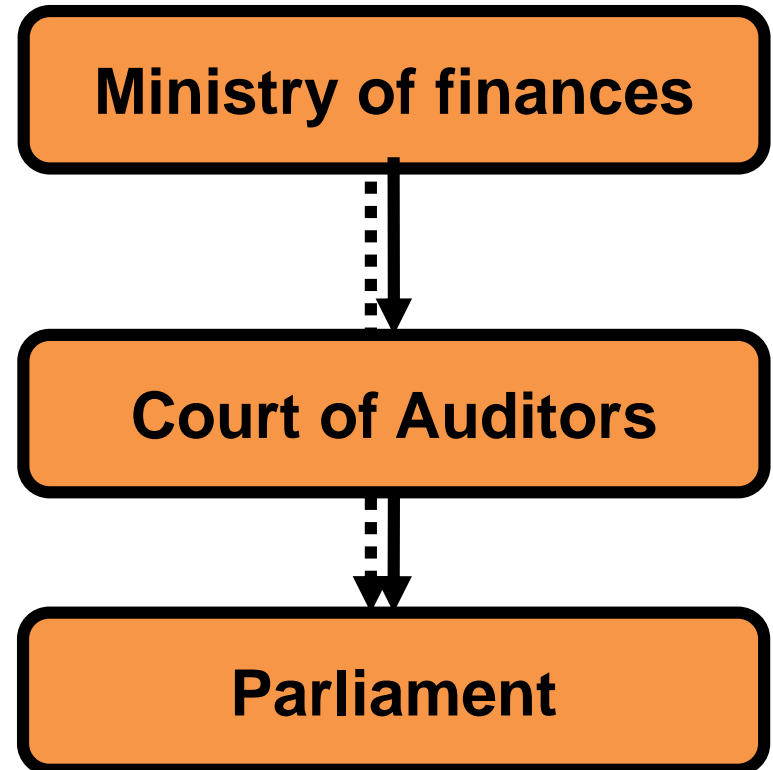
# ROLE OF THE FRENCH SAI

« The Parliamentary assistance task (...) comprises, in particular :

- 5° Certification that the State's accounts are lawful, faithful and present a true and fair view. This certification is appended to the budget review bill and is accompanied by the report on the audits conducted »

Publication, every year, of the « act of certification »

*State*





# THE EXTENSION TOWARD OTHERS ADMINISTRATIONS

**Most French public financial statements are nowadays independently certified**

Total public expenses	Certified by the French SAI	Certified by other external auditors	Not (yet) certified
100%	55%	18%	27%



**Part II**

# **AUDIT STANDARDS**





# AUDIT STANDARDS

## **The Standards Framework**

### **The Initial Phase (2006) : Highlights**

### **After the Peer Review (2012) : Consistency between the French Legal Framework and ISSAI/ISA**

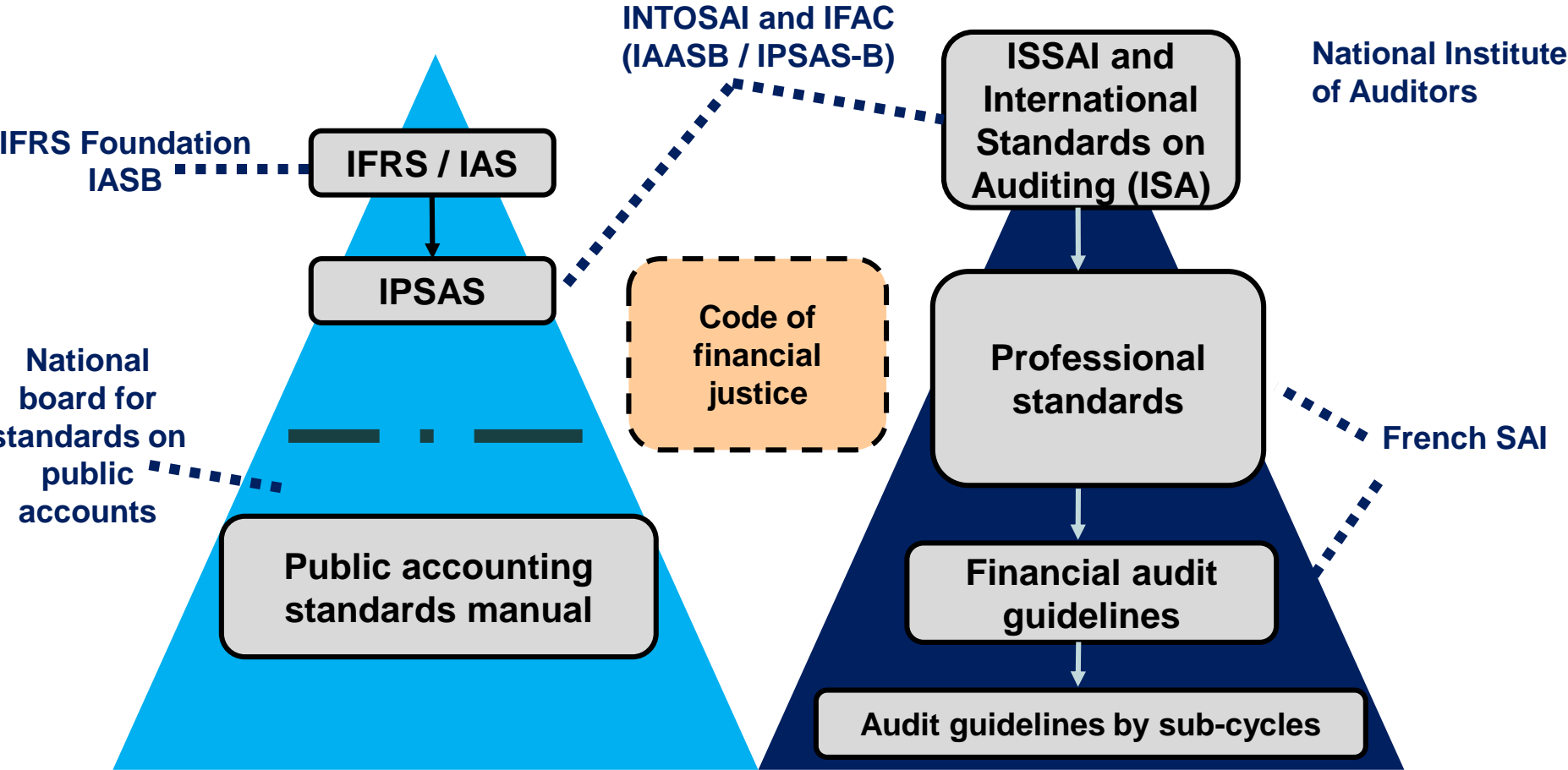


# FRAMEWORK



## Accounting framework

## Auditing framework





## **AUDIT STANDARDS – INITIAL PHASE**

**Application of ISSAIs and International Standards on Auditing (ISA) – ISSAI/ISA are implemented in the French SAI professional standards**

**In the initial phase (2006), as the certification activity was new in the SAI context, some priorities were highlighted:**

- Audit files (ISA 230);
- Materiality thresholds (ISA 320) ;





# AUDIT STANDARDS – INITIAL PHASE

(cont'd)

- Reporting of analytic procedures, samples, estimates, and fair value evaluations (ISA 500 and following);
- Physical inventories of assets (ISA 501) ;
- External confirmations (ISA 505) ;
- Letter of representation (ISA 580) ;
- System of quality control (ISQC1).





## **AUDIT STANDARDS – PEER REVIEW**

**A peer review took place in 2012 (SAI of Finland) regarding implementation of**

- **ISA 220**
- **ISQC1**

**Ouptut: formal description, in the audit report, of situations where the french Legal Framework is not fully consistent with the ISSA/ISA Framework**





# AUDIT STANDARDS

## **Conflict between French Legal Framework and some ISA provisions :**

- **ISA 210 : Agreeing the Terms of the Audit Engagement (certification relies on a Constitutional Bylaw)**
- **ISA 220 and ISQC1 : monitoring of internal differences of opinion (secret of deliberation)**
- **ISA 402 (Service Organizations) : not relevant in the French State's context**
- **ISA 510 (Opening Balances) : relevant only in 2006 (opening balance sheet) and 2012 (SAP implementation)**



# AUDIT STANDARDS

**Conflict between French Legal Framework and some ISA provisions (cont'd) :**

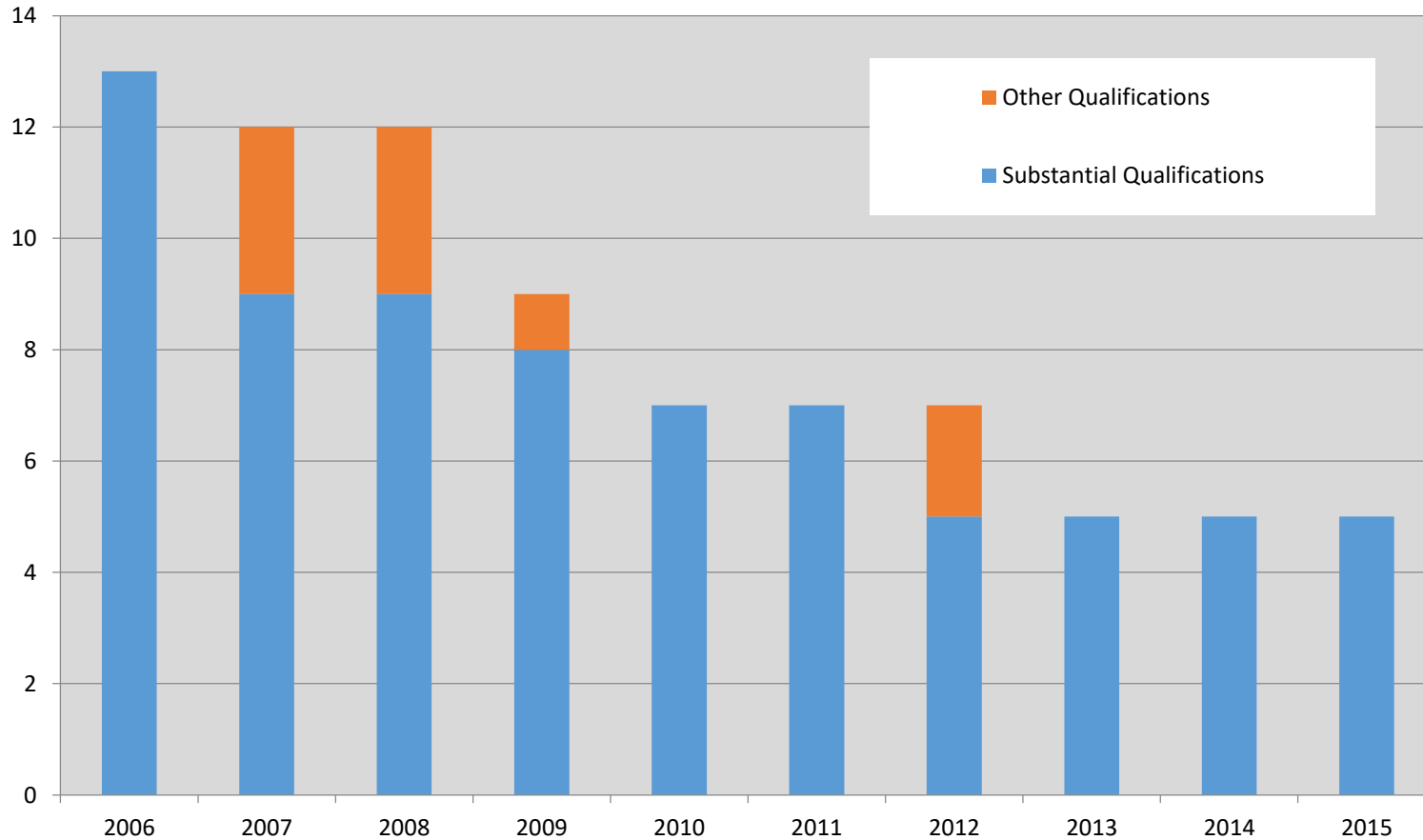
- **ISA 570 (Going Concern): not relevant**
- **ISA 800 and 805 (Special Considerations), ISA 810 (Summary Financial Statements) : no equivalent in the French public sector**

**All these ISA are reported in the audit report of the French SAI**





# AUDIT OPINION ON THE FRENCH STATE'S FINANCIAL STATEMENTS





# CONCLUSION

## Lessons learned:

- **Recruitment of Audit Professionals makes it easier to implement ISSAI/ISA;**
- **At the beginning: work under the watchful eyes of private auditors;**
- **But private auditors can adapt their own practice regarding public sector auditing;**
- **Certification implies the adaptation of the SAI quality control system**
- **After 10 years : capitalisation on experience is significant.**