



Accounting for « Social Benefits »

**Marie-Pierre Cordier,
France (Cour des comptes,
membre de l'IPSAS Board)**

Additional thoughts from a both French and International point of view

The fact: Cf. OECD agenda on « accounting for social benefits »:

- *« A very significant share of total government activity although their design features vary grantly across countries ».*
- *However, « no agreed international public sector accounting standard »*

- **I.- Scope**
- **II.- Key characteristics**
- **III.- Accounting implications**

1. Scope of « Social Benefits »

- **1. French definition in the Central Government Accounting Standards. Focus on the non-exchange transactions and reference to the role of Gvt, wider than « social benefits » (in line with April 2011 IPSASB ED on Key Characteristics of the Public Sector with Potential Implications for the Financial Reporting – Point 2 on « the volume and financial significance of Non-Exchange transactions » and point 7 on « The Regulatory Role of the Government »).**

■ 2. IPSAS Definition

- 1. IPSAS 19 definition : a) health, education, housing, transport and other social services provided to the community; b) payment of benefits to families, the aged, the disabled, the unemployed, veterans and others. (Social benefits are defined but are outside IPSAS 19 scope) -**
- 2. Tentative IPSASB decisions since 2002 in its Social Benefits consultations -difficulties in reaching an agreed international definition**

■ 3. SNA/ESA Definitions

Social Benefits provided by General Government Sector are transfers to Households made under Social Insurance and Social Assistance, in cash and in kind

ESA D62: « Social Benefits other than Social Transfers in kind » - Cash transfers

- **D621 Social Security Benefits in cash, payable by Social Security Funds (D 6211 : Pension Benefits ; D6212 Non Pension Benefits)**
- **D622 Benefits payable by employers**
- **D623 Social Assistance in cash (not provided under a Social Insurance scheme requiring participation by means of social contributions)**



ESA D63 Social Transfers in kind

Individual goods and services provided free or at prices that are not economically significant (individual : to distinguish them from collective services like Defense)

Mainly, education and health services.

« A significant share »

2010 French National Accounts (Bn €) - expenditure

1. ESA D62	378
2. ESA D63	311
Total of the GGS expenditure)	689 (63%

The importance of the General Government Sector (GGS) share

2010 French National Accounts (Bn €)

- 1. GGS Social cash transfers: 90%** (cash transfers from other sectors = 10%)
- 2. GGS In kind social transfers: 88%**

The importance of Social Security Funds

2010 French National Accounts (Bn €) – GGS Breakdown by sub-sector

1. Social Security	465 (68%)
2. Central Government	154 (22%)
3. Local Government	70 (10%)
Total	689 (100%)

Scope to be considered

■ The National Accounts definition ?

Advantages from an international point of view:

- Common language
- Not only social security cash transfers
- Conceptual implications of Non-exchange transactions

II.- Key Characteristics (scope: GGS D62 and D63)

- **Non-Exchange transactions**
- **Principle of « répartition » - pay-as-you-go basis – for social insurance benefits (social benefits contributions in a period are used to finance the benefits in the same period) – intergenerational solidarity**
- **Principle of national solidarity for social assistance benefits (funded from taxes)**
- **In both cases, the key importance of long term fiscal sustainability reporting**

- **Borderline between the two principles in question due to the current financial situation: additional sources of funding (tax, financial instruments) for the « pay-as-you-go » based system**

III.- Accounting implications

- **Questions on Social Benefits Future Commitments and Social Benefits Future sources of funding:**
- **Commitments to be accounted for as liabilities on the face of Financial Statements**
- **The asset side ?**
- **Commitments to be disclosed in the notes the financial statements with supplementary information on Long Term Fiscal Sustainability**

French current discussions

- **As regards social insurance benefits: the future commitments to be disclosed in notes to the Financial Statements together with prospective information on the fiscal sustainability**
- **As regards social assistance benefits, discussions relate to cash transfers assistance benefits (whether a part of liabilities should be accounted for on the face of the financial statements)**



IPSASB Projects and French Standard Setting Process

French discussions in link with the IPSASB Conceptual Framework (CF) project and the IPSASB ED on Long Term Fiscal Sustainability Reporting (LTFSR)

The French active participation (in particular, from the CNoCP standard setter body, the Ministry of Finance preparer of financial statements and the Supreme Audit Institution, external auditor of public financial statements) to the IPSASB debate through its replies to the consultations helps French parties in going ahead in the process of setting accounting standards for the Public Sector