THE NEW STATE ACCOUNTING FRAMEWORK

COLLECTION ESSENTIALS OF THE REFORM

RÉFORME DES FINANCES PUBLIQUES DU CAMEROUN

Contents

MINFI

MINISTÈRE DES FINANCES

About the collection "Essentials"

The Collection "les Essentiels de la réforme" is dedicated to spreading the spirit of the laws and regulations taken within the framework of the public finance reform of Cameroon. It aims to ensure better information for all audiences, in the interest of transparency.

Coordination: Director General of the Budget
Technical supervision: Director General of the Treasury, Financial and Monetary Cooperation
Editorial board: BASAHAG Achile Nestor, MBA Pierre, GOURA Martin, SAMA Paul SAMJE, EBODE FOUDA Steffi, MOUKAM Makeba, ATONO OLINGA Rose-Marie, SEBDOU Jean
Design: Luciole
Printed by: Sylem's design
Edition: October 2021

Publication realized within the context of the PAGFI project and support from Expertise France and AFD

Foreword

The Harmonised Framework of Public Finance adopted in December 2011 is the foundation of the new public finance management in the CEMAC zone. The process of transposing these community directives was completed in Cameroon with the signing of Decree No. 2020/375 of 7 July 2020 on the General Regulations of Public Accounting, opening a new phase in the implementation of public finance reforms.

The current challenge lies in the operational implementation of this new legal framework at the level of the administrations, the deadline for which is set for 1 January 2022. With regard to accounting, several projects have been carried out to switch to the new public accounting system. The switch from cash accounting to accrual accounting or acknowledged rights will make it possible to steer public action towards transparency and efficiency in the management of public finances.

Pursuant to Law No. 2018/011 of 11 July 2018 on the code of transparency and good governance in the management of public finances in Cameroon, which enshrines information to the public, a document entitled «Essentials of the Reform» has been prepared for the general public to raise awareness on the progress of the public finance reform. In this perspective, the dissemination of information on the evolution of activities related to the implementation of the said reform becomes an imperative for the In this perspective, the dissemination of information on the evolution of activities related to the implementation of this reform is becoming an imperative for the government in order to put the various stakeholders at the same level of information.

This "Essentials" is a document that presents the context and challenges of the reform, the scope, the fundamentals and the main principles that frame the new public accounting system.

MINISTER OF FINANCE
LOUIS PAUL MOTAZE

Context and challenges

> In contrast to the classical management system, asset accounting is characterised by the linking of the State's rights (assets) and obligations (liabilities) to the original financial year and the reflection of its financial reality in the balance sheet.

A brief history of public accounting

The federal era is based on Ordinance No. 62 / OF of February 7, 1962 on the Financial Regime of the Federal Republic of Cameroon. The accounts are kept manually in a simple part and are sanctioned at the end of the year by the production of an income statement.

The modern period is enshrined in Law No. 2007/006 of 26 December 2007 on the Financial Regime of the State. Accounting is computerized and is built on the recognition of rights and obligations. It is kept in double entry and sanctioned at the end of the financial year by the production of management accounts to the Audit Bench.

The era of convergence is rooted in the directives of the CEMAC harmonized public finance management framework. They aim to peg accounting with internationally recognized standards for certification by the financial jurisdiction. State accounts must be regular, sincere and faithful.

IPSAS International standards and OHADA accounting system

Under the provisions of the CEMAC harmonized public finance management framework directives, transposed internally by decree n° 2019/3199 / PM of 11 September 2019, the general State accounting is inspired by IPSAS standards and OHADA accounting law, which prescribe the application of the accounting rules in force in private companies, subject to specificities related to State action.

These standards aim to improve the quality of the financial information of public sector entities in order to ensure that allocation decisions are made based on more reliable information with a view to improving transparency and accountability of management stakeholders.

In accordance with the said international standards, the keeping of financial accounts by public entities is sanctioned by the production of annual financial statements certified by the audit court acting as statutory auditor of government accounts. These annual financial statements must therefore satisfy the requirements of regularity, sincerity and faithful image.

Accounting standards

The accounting standards in force in Cameroon are inspired in particular by the International Public Sector Accounting Standards (IPSAS), the OHADA and CEMAC accounting standards, the OHADA and CEMAC accounting standards and the International Monetary Fund (IMF) public finance statistics manual in the light of Order No. 00000012/MINFI of 21 January 2020 on the collection of State accounting standards.

There are fourteen accounting standards:
- Financial statements (1).
- Consolidated financial statements (2).
- Intangible assets (3).
- Tangible assets (4).
- Financial assets (5).
- Stocks (6).
- Current assets (7).
- Cash flow components of the State (8).
- Financial liabilities (9).
- Provisions for liabilities and charges and non-financial liabilities (10).
- Charges (11).
- Tax proceeds (12).
- Other proceeds (13).
- Off-balance sheet commitments (14).

Their application shall be mandatory from 1 January 2022, except for standard 2, the application of which remains dependent on the implementation of the reference systems of public establishments as well as Regional and Local Authorities.

INSIGHT

PUBLIC INSTITUTIONS AND ENTERPRISES:
DIFFERENT RULES DUE TO THE SPECIFICITIES OF STATE ACTION

Through the transition to accrual accounting, public institutions are adopting the management rules of private companies. However, this acclimatisation takes into account the specificities linked to the action of the State.
However, this acclimatisation takes into account the specificities of the State's action. Unlike the company, the State does not aim to make a profit, although it carries out sales and purchases and invests through financing.
At the end of the financial year, if at the level of the State, the implementation of public policies is evaluated, for the company, it is a question of assessing whether or not the share capital has been increased.

Broadening the scope of accounting

“**Section 71** of Law No. 2018/012 of 11 July 2018 on the Financial Regime of the State and other Public Entities now provides for four (4) types of accounting contrary to **Section 61** of Law No. 2006/006 of 26 December 2006 on the Financial Regime of the State, which provided for three (3) types of accounting, namely budgetary accounting for revenue and expenditure, financial accounting and analytical accounting.

Thus, at the level of the State and other public entities, other types of accounting are enshrined.”

Budgetary accounting

The State keeps budgetary accounts in accordance with **Article 73 (1) of the FRSPE**. The purpose of these accounts is to verify that the Government has complied with parliamentary authorization and to track the execution of the budget from commitment to payment. It is kept in a single entry by the authorizing officer and accountant

Budgetary revenue and expenditure are entered in the accounts in accordance with the following principles (1) revenue shall be entered in the accounts under the budget for the year in which it is received by the accounting officer, (2) expenditure shall be entered in the accounts, successively at the time of commitment and payment, under the budget for the year in which it is committed by the authorizing officer and paid by the accounting officer, (3) all expenditure shall be charged to the appropriations for the year in question, irrespective of the date on which it was incurred.

State **financial accounting**

The State keeps general accounts to measure the evolution of its assets. According to **Section 75 of the FRSPE**, it is based on the establishment of rights and obligations. The transactions are recorded in the accounts for the financial year to which they relate. Transactions are taken into account for the financial year to which they relate, regardless of the date of payment or collection. It is kept in duplicate by public accountants on the basis of the State's chart of accounts.

The rules applicable to the State's financial accounts are based on internationally accepted accounting standards. They are intended to produce the State's general account comprising The purpose of these rules is to produce a general account for the State comprising: (1) balance sheet, (2) net position table or balance sheet, (3) income statement, (4) cash flow chart and (5) annexed statement.

Public accountants are responsible for ensuring compliance with the rules of the accounting profession. They shall ensure that the accounting records are accurate.

Cost analysis **accounting**

According to the provisions of **Article 73(2) of the FRSPE**, the State shall implement an accounting system to analyse the costs of the various actions undertaken or services rendered within the context of programmes. The purpose is to show the cost elements of the actions undertaken within the framework of the implementation programmes. Its purpose is to show the cost elements of the actions undertaken within the framework of the programmes for the implementation of public policies defined by the Government. It is established with the authorising officers. Its implementation procedures are set out in the context of the reform by a regulatory instrument, the provisions of which will be mandatory from 1 January 2022.

Cost analysis accounting is an auxiliary accounting system that is based on data from the budgetary and general accounts in order to inform Parliament of the resources allocated to the implementation of each of the actions of the various programmes and to show the reconciliation of these resources with the results obtained.

Stores, values, **secirities accounting**

Pursuant to **sections 73(2) and 78 of the FRSPE**, the State implements an accounting system for materials, values and securities. This is a permanent inventory accounting system, the purpose of which is to describe the existing movables and immovables, stocks and inactive values other than money and administrative archives belonging to the State. It shall be established by the authorising officers. Its implementation is set out in the reform by a regulatory text, the provisions of which will be mandatory from 1 January 2022. The accounting of materials, values and securities is an auxiliary accounting system intended to provide information for the general accounts. In the course of the year, the results of the general accounts must be linked to the data from the materials accounts in order to inform Parliament of the exact situation of the State's assets.

Basics of the reform

“The directives of the CEMAC harmonised framework for public finance management have been transposed into Cameroon's legal system through the promulgation by the President of the Republic of **Laws No. 2018/011 and No. 2018/012** respectively on the **Code of Transparency and Good Governance in Public Finance Management in Cameroon and the Fiscal Regime of the State and other Public Entities.**”

The implementation of the current accounting reform induced by the transposition of the CEMAC directives aims to: align the State Chart of Accounts with international standards, introduce accrual accounting, identify and value the State's assets with a view to establishing the opening balance sheet, introduction of inventory work inspired by business accounting, obligation to produce annual financial statements, requirement to certify the State's financial account by the Audit Jurisdiction. These basics are extended to other public entities, namely RLA and PE, The long-term objective is to achieve the consolidation of public accounts.

The renewed State Chart of Accounts (SCA) (Sect. 1) and the General Regulations of Public Accounting

The directives of the CEMAC harmonised framework for public finance management have been transposed into the national legal order. Indeed, on 11 July 2018, **laws 2018/011 and 2018/012** respectively on the **Code of Transparency and Good Governance in the management of public finances in Cameroon and the Financial Regime of the State and other public entities**.

These founding instruments of the architecture of the public finance management system in Cameroon were supplemented by several decrees, including Decree **No. 2019/3199/PM** of 11 September 2019, setting the general framework for the presentation of the **State Accounting Plan**. According to **Section 1**, the chart of accounts applies to the State and other corporate bodies governed by public law, subject to their specificities. Its purpose is to define the standards, principles and rules relating to the keeping of the State's financial accounts and determines the methods of its implementation with a view to the enactment of the related financial statements.

In addition, Decree **No. 2020/375 of 7 July 2020 on the General Regulations of Public Accounting** was signed on 7 July 2020. It sets out the basic rules governing the execution of public budgets, accounting, control of financial operations, as well as the management of money, values and property belonging to or entrusted to the State. In addition, the RGCP determines the conditions under which the financial and accounting operations of the State and public entities are carried out.

Pegging the State chart of accounts to international standards

“With a view to modernising and strengthening the efficiency, security and transparency of the accounting system, while bringing the practice of state accounting in line with international standards, the new Cameroon Accounting Plan is aligned with the CEMAC Directive **No. 3/11-UEAC-195-CM-22 on the PCE plan**, in compliance with the requirements of harmonisation of community standards as prescribed in Article 3 of the directive stipulates that: «The financial accounting of the State shall be based on international standards and the principles of the accounting system of the Organisation for the Harmonisation of Business Law in Africa (OHADA).”

The introduction of accrual accounting

The new RGCP, which is the subject of **Decree No. 2020/375** of the President of the Republic, is the result of the transposition of CEMAC Directive No. 02/11-UEAC-190-CM-22 on the RGCP into the internal legal system. This text introduces a major change by establishing accrual accounting as the main innovation. Thus, the income and expenses generated by the State's activity are recorded during the financial year in which the events giving rise to the said income and expenses were recorded, the date of receipt or disbursement of funds not being taken into account.

In addition to the introduction of the principle of independence of financial years, this text contains many other innovations in the keeping of State accounts, in particular the establishment of the accounting principles of specialisation, regularity, sincerity of public accounts and a true and fair view.

The identification and valuation of assets in order to establish the opening balance sheet

The inventory and valuation of assets with a view to recording all management flows relating to non-financial assets, debts and receivables on the State's balance sheet, are the basis for the control and knowledge of public assets and hence the State's ability to meet its commitments.

Within the scope of the reform of public accounting as a prelude to the switch to patrimonial accounting, set for 1 January 2022, the inventory and evaluation of the State's assets is a major objective that is gradually being implemented with the establishment of a regulatory framework to govern these activities. It is in this sense that the Instruction on the General Accounting of the State was submitted for signature to the competent authorities at the same time as the specific texts. In addition, the capacity building of the actors concerned led to the formation of a pool of evaluators of the State's assets.

The introduction of inventory work inspired by business accounting

To this end, and in the spirit of the accounting reform, the State must keep accounts that track its assets and liabilities, particularly its assets. The inventory work consists in identifying and evaluating all the elements of the State's assets and liabilities and is carried out at the end of the consolidation of the operations of year N obtained from the entire accounting network, including that of the supplementary period. To this end, the inventory work, also known as year-end work, includes all the accounting tasks to prepare the final closing of the financial year, which leads to the auditing of the accounts with a view to drawing up the annual accounts and financial statements

At the level of the State as well as in companies, this work will mainly concern the depreciation of fixed assets, the disposal of fixed assets, the provisions for depreciation, the provisions for risks and charges, the regularisation operations, proceeds and charges pre-recognized.

The obligation to produce **annual financial statements (State General Account) (SGA)**

Section 75 (2) of the FRSPE stipulates that: "(...) the rules applicable to State General Accounting (...) are intended to produce the State General Account"

The State General Account is, for a given budgetary and accounting year, the product of the activity of accountants throughout the State's accounting network

It shall comprise:

1. **The trial balance** is a summary accounting document produced at the end of each month following the centralization of accounts and at the end of each financial year after inventory operations (Section 27 SCA decree).
2. **The net position table or balance sheet** is a summary statement which makes it possible to describe in terms of charges and resources the State's assets and liabilities at a given time at the closing of accounts.
3. **The income statement** is a summary financial statement which groups together all expenses and income and shows either a surplus or a deficit for a given accounting period.
4. **The cash flow statement** shows the cash inflows and outflows. It allows to understand how the State has generated and/or used the cash needed to finance its current activities and its investments and to better appreciate the conditions that have favoured the recourse to external financing.
5. **TOFE** is a coherent statistical instrument for measuring the economic and financial activity of the general government, its sustainability and its impact on other sectors of the economy; and the interaction between the evolution of public finances and other macroeconomic accounts, in particular the balance of payments, the monetary situation, and the national accounts. The TOFE constitutes a situation where the transactions of the general government are classified as revenues, charges and acquisitions or disposals of assets and liabilities of the general government.
6. **The appended statement:** according to Article 33 (1) of Decree No. 2019/3199/PM of 11 September 2019 establishing the general framework for the presentation of the State Chart of Accounts, this is a document that accompanies the balance sheet, the income statement and the cash flow statement. It includes a set of detailed information useful for understanding and using the CGE, in particular: the explanation and instruction on the State's general accounting system, the quantification of medium- and long-term resources, fixed assets, inventories, third-party operations, cash flow, charges, proceeds and off-balance sheet commitments, etc.

The financial statements contribute to the analysis of budget documents and are assessed during the budget preparation process, which starts in February, when the administrations, public entities and other decentralised territorial authorities launch the review of the previous year's activities (N-1) and ends no later than 15 October of the current year (N) with the tabling of the following year's finance bill (N+1).

The requirement for certification of the State's financial account

Section 35 of Decree **No. 2019/3199/PM of 11 September 2019** establishing the general framework for the presentation of the State Chart of Accounts specifies in (1) that for certification purposes, the CGE shall be transmitted to the Court of Audit no later than 31 May of the financial year following the one in respect of which it was prepared. In accordance with (2) of the same article, the corrections requested within the certification procedure may be charged to the previous financial year until the following 30 June, after the end of the year for which the General State Account is prepared.

The certification is a written and reasoned opinion that the Audit Jurisdiction gives on the quality of the accounts produced by the State and other public entities. It consists in collecting all the evidence necessary to reasonably obtain the conformity of the State's accounts with the accounting rules and principles applicable to it.

The certification allows the recipients of accounting summary documents and financial statements of the State, namely parliamentarians, decision-makers, citizens, civil society (media, NGOs), financial markets, donors and development partners, to be reassured of the good quality and the sincerity of the financial and accounting information produced.

Main accounting principles

"The main accounting principles are contained in Decree No. 2019/3199/PM of 11 September 2019 setting out the general framework for the presentation of the State's accounting plan and in the Collection of Accounting Standards. They govern and guide the activity of accountants in the execution of budgetary operations and are built around the rights or obligations recorded."

The transposition of the six directives of the Harmonised Framework for Public Finance Management in the CEMAC zone has set in motion the implementation of the accounting reform instituted in 2007. Among the major projects implemented within the framework of this reform are: the development of the State General Accounting Instruction (ICGE), the establishment of the Single Treasury Account (SFA), internal accounting control, inventory and valuation of the State's assets, development of the budgetary nomenclature and chart of accounts of RLA (BNRLA and CARLA), and optimisation of the information systems

Major reform projects

The transposition of the six directives of the Harmonised Framework for Public Finance Management in the CEMAC zone has set in motion the implementation of the accounting reform instituted in 2007. Among the major projects implemented within the framework of this reform are: the development of the State General Accounting Instruction (ICGE), the establishment of the Single Treasury Account (SFA), internal accounting control, inventory and valuation of the State's assets, development of the budgetary nomenclature and chart of accounts of RLA (BNRLA and CARLA), and optimisation of the information systems.

The purpose of the General Instruction on State Accounting (ICGE) is to define and specify the terms of application of the higher-level instruments that structure the State's accounting. It comprises a preamble and 14 cycles.

The STA, reaffirmed by Section 79 of Law No. 2018/012 of 11 July 2018 relating to the Fiscal Regime of the State and other Public Entities, has many benefits.

It allows the State to improve the control of budgetary allocations as well as the operational control of the budget and to reduce bank commissions and transaction costs by reducing the number of bank accounts. The STA is structured around a PIVOT account and a set of sub-accounts opened for the benefit of public accountants.

Internal control includes all procedures and methods enabling the head of a department to ensure the proper functioning of the department and in particular the proper control of risks (Section 84.1 of Law No. 2018/012 of 11 July 2018 relating to the Fiscal Regime of the State and Other Public Entities). To this end, it requires the improvement of accounting procedures and the quality of the State's accounts.

The constitution of the first opening balance sheet of the State with a view to the switch to patrimonial accounting requires the identification and valuation of data relating to its assets, in particular the State's holdings in companies, its fixed assets and financial debts. The BNRLA and CARLA, as well as related instruments, have been drawn up for the local implementation of this reform. They will serve as a legal framework for the recording of their operations. The accounting reform also implies the adaptation of the administrations' IT needs. This implies interfacing and updating the information system of the business applications of the bodies concerned.

Principle of transparency

The general accounts of the State must provide a regular and sincere description and give a true picture of the events, operations and situations relating to the financial year. This description implies compliance with international accounting rules and procedures, in particular the IPSAS standards and the OHADA accounting system (article 10 decree n° 2019/3199/PM of 11 September 2019 fixing the general framework for the presentation of the State Chart of Accounts).

The principles of security, permanence and irreversibility of accounting information
The accounting system must ensure the protection of transactions and the safeguarding of the rights and obligations of the State vis-à-vis third parties. In this respect, the accounting information must be well preserved, available to be made available in a timely manner, and not be modified after the approval of the annual accounts. This principle raises the question of the optimal conservation of supporting documents of accounting operations (article 12 decree n° 2019/3199/PM of 11 September 2019 fixing the general framework of presentation of the State Accounting Plan).

Principle of prudence
It is in line with the obligation of regularity and sincerity of the accounts and consists of a reasonable assessment of events and operations in order to avoid the risk of transferring present uncertainties to the future, which are likely to affect the assets and results of the financial year. More specifically, this concerns the recording of unrealised losses and not unrealised gains (article 14 decree n° 2019/3199/PM of 11 September 2019 setting the general framework for the presentation of financial statements).

Actors

The execution of the State budget is attributed to three main actors in accordance with Section 64 of Law No. 2018/012 of 11 July 2018 relating to the Fiscal Regime of the State and Other Public Entities. These are:

- **The Authorizing Officer,** who is any person having the authority on behalf of the State to prescribe the execution of revenue and expenditure registered in the State budget (Section 65). In matters of expenditure, there are principal, secondary and delegated authorising officers (Article 66). As regards revenue, the Minister of Finance is the sole principal authorising officer (section 67).
- **The financial controller** who is in charge of the a priori controls by giving a prior approval of the budgetary operations, the proposals of expenditure acts which are transmitted to him by the Minister or his delegated authorising officers according to the modalities defined by the Minister in charge of finance. He shall ensure, on behalf of the Minister in charge of finance, the centralization of the budgetary operations of the authorizing officers with whom he is placed. Moreover, he shall give an opinion on the sincere and sustainable nature of the expenditure commitment plans (section 70 (2-4-5)).
- **The public accountants** who are public employees having the exclusive responsibility for the collection, custody and handling of funds and values, and the keeping of the accounts of the State and other public entities (section 71 (1)).

In accordance with section 6 of the General Regulations on Public Accounting, there are two categories of public accountants: the cash and value accountants who are dedicated to the handling and conservation of public funds and values, and the order accountants who centralise and present in their accounts the financial operations carried out by other accountants.

The reform in key words

During the Council of Finance Ministers in the Sub- region, in Brazzaville, on the 19 December 2011, members States took the commitment to give a decisive impetus to the Central African Integration process by harmonizing policies and laws of their States through the adoption of six Directives whose transposition into the domestic body of laws is indispensable for the implementation of the announced reform. To date, the complete transposition of the said directives marks the real basis of this alignment. The main areas of this reform are detailed as follows:

- switch from a budget of means to a result-based budget mainly centred on the notion of programmes and multi-year programming.
- accountability of actors in public management which puts an end to the powers of the main authorizing officer of the Minister in charge Finance on all budget expenditure through the devolution of authorizations. It institutes a greater budget regulation, the fungibility of appropriations, the programme manager and renews the role of the financial controller.
- renewal of the public finance control mechanism by strengthening Parliamentary Control, the Audit Jurisdiction and an improvement of the internal accounting control system. There are many parliamentary consultative frameworks notably the budget guideline debate which follows the tabling of the finance bill. The Audit Jurisdiction henceforth supports Parliament within the scope of the production of the report on the execution of the examined budget. It provides for the broadening of the scope of its non-jurisdictional powers.
- renewal of the Accounting frameworks through the switch from cash accounting to financial year accounting based on the recognition of rights and obligations and the consideration of the patrimonial dimension in State accounting.

Republic of Cameroon
Ministry of Finance

www.minfi.gov.cm
www.dgb.cm