

COURT OF ACCOUNTS

Annual public report

2013

Summaries

Part II

Progress

Disclaimer

Summaries are intended to facilitate the understanding and use of the report produced by the Court of Accounts.

Solely the original report is legally binding on the Court of Accounts.

The responses of the administrations and other bodies concerned are included in the report.

The 2013 annual public report produced by the Court of Accounts comprises three parts, only the first two of which have corresponding summaries :

- **Part I**, which comprises two volumes (I-1 and I-2), outlines the **observations** and recommendations drawn from a selection of audits, surveys and evaluations carried out in 2012 by the Court, regional and territorial courts of accounts, or the Court in conjunction with regional and territorial courts of accounts;

- **Part II** focuses exclusively on the **action** taken by authorities, administrations and other audited bodies following the observations and recommendations made in previous years;

- **Part III** provides an overview of the activities of the Court and the regional and territorial courts of accounts over the course of 2012. The annual report produced by the *Cour de Discipline Budgétaire et Financière* (French 'Budget and Finance Disciplinary Court') is attached as an appendix to these three parts of the report.

The present instalment comprises a series of summaries of the 18 texts that make up Part II, 'Progress'.

These 18 texts examine the measures that have or have not been taken following the recommendations previously made by the Court or by regional or territorial courts of accounts or jointly by both.

They are divided into **three categories**, each represented by a specific colour to reflect the level of implementation observed:

- 1st part (green): the Court has observed evidence of progress (3) ;
- 2nd part (orange): the Court reiterates the importance of taking action(9):
 - . chapter I: *Advances to be magnified* (4);
 - . chapter II: *Inadequate reforms* (5);
- 3rd part (red): the Court issues a warning (6).

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Court of Accounts

1 The French Defence Health Service: a commitment to progress

The French Defence Health Service employs 16,000 agents and has a budget of €1.6bn. It is responsible for providing soldiers, both within France and on operation elsewhere, with care ranging from community medicine, administered by the unit-based doctor, to the most serious of surgical procedures carried out at one of the nine armed forces training hospitals, the military hospitals.

The Court, in its October 2010 report, recommended that the cost of training medical staff be reduced and made more pertinent, that the efficiency and monitoring of health support for soldiers on operation be improved, that unit doctors' time be better spent and that the military hospital deficit be reduced. The French Defence Health Service outlined its plans to modernise its services to the Council of Ministers on 18 May 2011.

Indications of the action taken as a result of the recommendations made by the Court appear positive, although unevenly distributed across different areas.

Armed forces practitioner training has improved and is now better managed.

Military training for practitioners has been both increased, from 8% to 13% of the syllabus, and improved, with the notable step being taken to familia-

rise doctors with operational intervention techniques. Pupils or soldiers who abandon their training prior to the fulfilment of their service obligations must pay back their tuition fees, even in the event that they go on to pursue a career in the public sector. The cost of training practitioners has also been reduced as a result of the merger of the two colleges in Lyon and Bordeaux. There are, of course, further savings to be made by combining doctors' training with that of nurses.

Varying degrees of action have been taken with regards to the health support provided for soldiers on operation

With regards to health support for troops on operation, auxiliary staff have been trained in advanced combat rescue techniques and an action plan relating to post-traumatic psychological problems has been implemented. The provision of the necessary air-based resources and the use of allied means has provided soldiers with good evacuation conditions.

No major advances have been made with regards to cooperation with allies as a result of coalition agreements. Likewise, whilst medical assistance for

The French Defence Health Service

local civilian populations appears to have increased, its impact on the activity of surgical teams has not been measured. The service is still not in a position to provide average evacuation times for those with injuries or to compare them with NATO standards.

Unit-based medicine has been only marginally reformed

Whilst unit doctors are more involved in emergency care, the objectives set nevertheless appear under-ambitious. The medical activity of unit-based doctors is stagnating, since the number of doctors and organisations has not been reduced. The invoicing of care provided for soldiers consulting physicians outside of the service and for their assignees has not yet been introduced; the health service has, however, carried out an experimental exercise and has come up with a system based on an agreement with the *Caisse Nationale Militaire de Sécurité Sociale* ('French National Military Social Security Fund') which partially reflects the recommendation made.

Military hospitals must receive close attention if their deficit is to continue to be reduced

Cooperation with the public health sector has been stepped up at both national and local levels in conjunction with regional health boards. Likewise, the exchange and pooling of infrastruc-

tures with civilian hospitals have been increased. The service has also introduced actual training for military hospital directors but has not, in doing so, granted them greater freedom of management.

The military hospital deficit has been reduced by 26% in relation to 2009 and the financial contribution of the Ministry of Defence has decreased by 15%. The increase in revenue is, however, somewhat slower than anticipated and expenditure is yet to be stabilised. Efforts in this respect must be sustained.

In conclusion, then, only two years after the publication of the Public Thematic Report produced by the Court, the health service has made significant progress and is currently considering a new service plan. Military hospitals are thought to be cooperating more widely with the public health sector, be more specialised in certain fields and have greater freedom of management. Unit-based medicine is believed now to be more focused on care and emergencies.

Recommendations

↳ to continue with efforts to improve armed forces training-related hospital accounts by improving the way they are linked with other players in the public health sector;

↳ to give hospital directors greater independence with regards to the operational agreement outlined by the Armed Forces Staff;

↳ to increase the care and emergency activity of unit-based doctors by having them treat patients outside of the armed forces, based on the military hospital model, or even by reducing the number of doctors;

↳ to continue the efforts made to reduce training costs by merging the nursing college and the practitioners' college of Lyon;

↳ to accelerate the introduction of an evacuation time monitoring system for those with injuries and the invoicing of soldiers and their assignees for care and treatment that does not relate to the service as much as possible.

2 The Autonomous Port of Guadeloupe: a progress-driven approach

Almost all goods entering and leaving the Guadelupian archipelago travel by sea, that is via the Autonomous Port of Guadeloupe, which has become a major seaport. The smooth running of the public institution, its pricing policy and its strategy therefore have a major impact on the local economy.

Following its previous audit, the Court had made some strong criticisms regarding the running and management of the autonomous port. A new examination helped reveal the progress that had been made, which should now be continued.

The size of the Guadelupian market and the strong regional competition

The activity of the autonomous port (3.44 million tonnes in 2011) focuses primarily on the Guadelupian market, with imports accounting for nearly 80% of all traffic. The growth perspectives for the institution's various activities are therefore closely linked to the growth of the domestic market, which would appear not to have to exceed 1% a year.

The transshipment industry, the only sector that is truly independent of

the island's economy, has been identified as a vehicle for dynamism.

These avenues are, however, part of a wider context in which the Autonomous Port of Guadeloupe accounts for very little traffic other than that which connects it to mainland France, and where competition with other regional ports is strong.

Given that we are talking, here, about passenger traffic, activity is mainly supported by local links (over 84% of traffic). Cruising has, indeed, undergone a period of great decline over the past few years. Whilst the geographical proximity of and close collaboration between the port and airport platforms of Pointe-à-Pitre may be an asset for land-based cruise facilities (a little over 102,000 passengers in 2011), the port's activity in this sector remains low in relation to traffic levels in the Caribbean region (20 million cruise passengers per year).

New strategic guidelines

In response to the earlier criticisms made by the Court regarding the lack of strategic consideration, the port adopted a business plan in 2009. Aware of the issues associated with opening the Panama Canal up to very large container carriers by 2015, the institution attempted to anticipate the likely evolution of

The Autonomous Port of Guadeloupe

sea-borne traffic in the Caribbean region.

Having already been the subject of various studies and a public debate, the ‘major port project’, amounting to an estimated €130m, aims to increase the capacities of port infrastructures by dredging access routes to accommodate future vessels, opening a new container terminal and extending the quayside.

In addition to this investment and aside from the fundamental factor that is social reliability, the commercial attractiveness of the port will be an essential condition for stimulating demand and encouraging ship-owners to call at Guadeloupe.

Improved internal functioning and renewed reliability

The internal functioning of the port has been significantly improved, notably as a result of restructuring operations and the implementation of management tools, which should now be optimised wherever possible. Furthermore, certain avenues for progress have been identified in the field of public procurement.

The dynamism and working methods introduced by the Director-

General, the strengthening of the framework and the synergy associated with development plans are also among the advances made.

The social situation, too, has improved, with the establishment undergoing a period of reliability that has been welcomed by elected officials, representatives of the State, economic players and particularly ship-owners and port operators.

The need to manage certain expenses

The establishment’s financial situation is generally a healthy one. Between 2006 and 2011, the port consistently generated a surplus and paid annual dividends to the State. A closer look at its operating costs, however, reveals some difficulty in managing certain running expenses. Likewise, the institution needs to demonstrate its application of a wage restraint policy if it is to be competitive at a regional level.

Such efforts will be all the more essential given that the port relies on loaning significant amounts of money to fund its plans.

Recommendations

With regards to the State:

↳ to more openly include the issue of the place of the port of Fort-de-France in the strategic consideration given to the evolution of sea-borne traffic in the Caribbean region.

With regards to the public institution:

↳ to draw up and implement an action plan for managing expenditure

relating to property rental and travel expenses;

↳ to optimise the tools implemented in the fields of internal control, management control and cost accounting;

↳ to respect the outline set by the inter-ministerial public sector salary audit committee;

↳ to reinforce monitoring in the field of public procurement.

3 The budgetary equilibrium of Hénin-Beaumont: a rapid recovery that needs to be secured

In its 2010 public report, the Court mentioned the chronic financial difficulties experienced by this town in the department of Pas-de-Calais and the results of the multiple audit procedures implemented by the regional court of accounts of Nord-Pas-de-Calais.

A costly management system marred by irregularities, combined with poor administrative organisation, were the cause of significant deficits which left the town in a cash-flow deadlock and compromised the continuity of community services.

By the end of the 2008 financial year, the cumulative operating deficit stood at €13.9m.

The serious failings on the part of the mayor and his continued refusal to act upon the opinions and recommendations of the prefect and the regional court justified his dismissal by means of a decree dated 28 May 2009, a decision validated by the Council of State Conseil d'État.

A fragile recovery

The cooperation of State institutions and departments enabled the recovery plan to be effectively monitored. Having initially been drawn up for a period of four years, the plan resulted in the town's financial balance being restored a year earlier than anticipated. Indeed, this recovery was referred to in a statement issued by the regional court on 2 August 2012.

One third of the recovery was linked to the savings made in operations and two thirds to the efforts on the part of the taxpayer (19.8% increase in tax rates between 2007 and 2009).

It nevertheless remains fragile as a result of reduced fiscal room for manoeuvre and the risks of an increase notably in investment expenditure, as was the case in 2005 after an initial recovery plan was implemented.

The budgetary equilibrium of Hénin-Beaumont

Recommendations

The Court reiterates the recommendations outlined in the statement issued by the regional court of accounts on 2 August 2012 and would advise the town to adopt the following measures:

↳ ensure that running expenses, and in particular those relating to equity and grants, are appropriately managed;

↳ ensure that the authority's fiscal policy remains compatible with the sustainable balancing of accounts in the future;

↳ adopt a realistic investment policy, one which reflects the actual possibilities for raising funds, as part of a debt management system;

↳ continue efforts undertaken to improve the management and reliability of accounts.

The recommendations made by the Court of Accounts in its 2009 and 2010 annual public reports for preventing the deterioration of local finance and improving the efficiency of budgetary control procedures are still perfectly current.

The Court would therefore like to reiterate its recommendation that the *Code Général des Collectivités Territoriales* (French 'General Code of Local Authorities') be modified for the following reasons⁽¹⁾:

↳ to make statements and prefectoral orders relating to local budgets publicly available as soon as they are issued, without having to wait for the deliberative assembly to meet, as is currently the case;

↳ to be able to hold the certifying officer responsible before the *Cour de Discipline Budgétaire et Financière* in the event of a serious failure in the implementation of a budgetary adjustment should it fall outside of the limits of the orders issued by the prefect to adjust the budget;

↳ to ensure that the deliberative body is bound to respect the provisions ordered by the prefect with regards to settling the budget or in the event that the authority has initially adopted the recovery measures put forward by the regional court, with no possibility of it being challenged by any modification decision to re-establish any previously withdrawn credit or by a decision to reduce tax rates.

(1) The same recommendation is reiterated in the case of Bussy-Saint-Georges, as outlined in the third part (5) of the present Part II.

4 Funding ongoing professional training: the incomplete restructuring of the fund-raising network

The funding of ongoing professional training stems from a legal principle relating to the funding obligation on the part of companies. The law states that a proportion of the sums relating to the training initiative must be paid to ‘joint commissions for collective training’ (OPCAs), which redistribute the contributions collected in this way. These bodies collected a total of €6.5bn in 2011.

The Court, in its 2008 report, had identified certain malfunctions which notably included the dissipation of OPCAs and the insufficient pooling of professional training funds among businesses, as well as the system’s inability to effectively direct these funds towards those employees who had been left in the most vulnerable positions as a result of developments in the labour market.

The Court made a number of recommendations, including a reduction in the number of OPCAs in operation, the creation of organisations designed to introduce and direct training initiatives towards the least qualified employees and even, failing that, the transfer of responsibility for ‘raising funds for professional training initiatives (...) to a single body, or even to the Unions de recouvrement des cotisations

de sécurité sociale et d’allocations familiales (Union for recovering of the French social security, URSSAF)’.

The law of 24 November 2009 relating to lifelong professional training and career guidance was included in the guidelines issued by the Court. Setting a deadline of 1 January 2012 for the implementation of some of its provisions, the law notably resulted in the reform of the OPCA network and created a new pooling structure known as the *Fonds Paritaire de Sécurisation des Parcours Professionnels* (‘Joint Career Security Fund’, FPSPP).

The Court is compiling an initial report on the implementation of this reform.

A marked reduction in the number of collection bodies

The increase in the minimal collection threshold required for authorisation has resulted in a significant reduction in the number of OPCAs, which has decreased from 65 to 20 through the merger of collection bodies. This positive development must be supported by improved efficiency in the management

Funding ongoing professional training

of the bodies concerned. Without such an improvement, the reform of the OPCA network would not go far enough in reducing the 'costly scattering of resources' identified by the Court in 2008.

Management tools that need to be strengthened

The law of 24 November 2009 stipulates that OPCAs must sign three-year aims and means contracts (COMs) 'outlining the terms governing the funding and implementation of collection body missions' with the State. Although these agreements were introduced on 1 January 2012, early indications of their effects have been somewhat disappointing.

And the implementation of COMs has not succeeded in reducing OPCA administration costs. The 20 new organisations were therefore expected to cost €14m more than the 65 old ones in 2012. Whilst it might be possible to explain this development in the short-term by an improvement in the services provided, the issue of a reduction in costs in absolute terms should not be avoided over the coming years.

Furthermore, the contracts focus exclusively on administration costs, with no reference to any objectives relating to the allocation of funds. Restricting the interpretation of the provisions of the law of 24 November 2009 deprives the State of an instrument of action that would enable ongoing professional training initiatives to be better targeted towards those that need them the most.

Finally, the terms governing the monitoring of OPCAs by State departments would appear to be too complex and difficult to implement in practical terms.

An inadequate contribution to improving career security

The *Fonds Paritaire de Sécurisation des Parcours Professionnels* ('Joint Career Security Fund', FPSPP), exhibits a two-pronged pooling system:

- it serves an equalisation function that enables those OPCAs that need funding for certain types of training initiative to apply for additional funding;
- it manages training programmes targeted at priority audiences and co-funded by OPCAs and State or European Social Fund (ESF) funding, or even, in some cases, regional funding. These were not, however, applied for in the framework of calls for proposals issued by the FPSPP.

There is evidence that the number of OPCAs benefiting from the equalisation system has only slightly increased, despite the increase in the amounts reallocated by the system itself. Furthermore, the implementation of calls for proposals has proven problematic due to significant start-up difficulties; in mid-2012, the actual situation regarding training funded by the FPSPP was still unknown, notably because the development of the tools designed to monitor the situation was proving particularly slow.

Recommendations

↓ to make the aims and means contracts signed between the State and OPCAs more ambitious in terms of both reducing administration costs and targeting training initiatives;

↓ to severely limit the number of OPCA management indicators monitored by the *Délégation Générale à l'Emploi et à la Formation Professionnelle* ('Delegation-General

for Employment and Professional Training', DGEFD);

↓ to make the redistribution brought about as a result of the equalisation mechanism implemented within the FPSPP more transparent; to publish the annual statement on equalisation as an appendix to the budget proposal relating to professional training.

5 The 1% housing contribution: a mid-term reform

In 2006, and later in 2009 and 2010, the Court announced its decision regarding the employers' contribution to the social housing levy (PEEC), still referred to as the *1% logement* ('1% housing contribution'), a mandatory levy that releases some €4bn per year.

The law of 25 March 2009 on mobilisation for housing and the fight against exclusion made it possible to reform certain institutions and to align PEEC jobs with national housing policy. The Court consequently drew up a report on the reform undertaken in 2009, a report that proved particularly useful when, in autumn 2012, various new initiatives were announced by the Housing Minister.

The largely complete institutional reform

The Court has previously identified a lack of transparency in the way both the *Union des Entreprises et des Salariés pour le Logement* ('Company and Employee Housing Union', UESL) and the *Agence Nationale pour la Participation des Employeurs à l'Effort de Construction* ('National Agency for the Employers' Contribution to the Social Housing Levy', ANPEEC) are run. Both the structure and management of these two institutions were modified following the 2009 law and the defects identified have been rectified.

The Court had also recommended merging the *Mission Interministérielle*

d'Inspection du Logement Social ('Inter-ministerial Social Housing Inspection Mission', MIILOS) and the ANPEEC; indeed, the creation of a national social housing body supervisory authority responsible for providing this link has recently been announced.

An effective merger but an as-yet incomplete restructuring of collection bodies

The number and the location of 1% collection bodies –within inter-professional housing committees (CILs)– decreased from 109 in 2008 to 24 in 2011. The strategy and the rationality behind the restructuring of collection bodies, however, still lacks clarity and the State failed to ensure that the restructuring efforts were coherent with national housing policy guidelines. Furthermore, the risk of costly competition between collection bodies operating in the same region with regards to receiving payments from companies that are subject to the 1% rule cannot be ignored.

There is also room for improvement when it comes to monitoring director remuneration and pension schemes, despite the creation of an appointment and remuneration committee.

The Court had also, in 2009, appealed for collection bodies to observe the

rules of competition; these provisions are still all too rarely applied.

The recent introduction of a series of risk management rules is certainly a step towards improving the monitoring system, but it is important, now, that these rules be applied.

Only three CILs currently produce combined financial statements, notably for the purposes of accounting for the financial flows between collection bodies and the HLM social housing organisations in which they hold shares.

1% housing contribution jobs to be optimised as a result of decreased resources

The 1% housing contribution resources are allocated to various jobs listed in Article L. 313-3 of the *Code de la Construction et de l'Habitation* (French 'Code of Construction and Housing') and can be used to help individuals or legal entities or to fund national policies.

The conditions governing the financial balance of the 1% housing contribution scheme have undergone significant changes over the past few years:

- resources appear to be decreasing, notably due to the decline in return on loans (brought about by the decrease in funds used to grant loans);
- as a result, jobs have also suffered significant erosion (-12% between 2009 and 2011);
- the redeployment of 1% funds towards more socially efficient purposes has not been accomplished, notably because the choices associated with

using these funds are more a result of compromise between PEEC players than a compared evaluation of the benefits of the uses made of such funds;

- the significant increase in grants awarded to national policy as of 2009 has been offset by a decrease in certain other uses, particularly support for individuals; indeed, it is only this significant decrease that made it possible to limit in 2011 the overall deficit observed in 2010.

The decline in the cash flow of the 1% housing contribution scheme

The 1% housing contribution scheme's cash flow levels (contributions deducted) dropped by 40% between 2008 and 2010. According to a forecast made in April 2011, this cash flow, excluding contributions, was expected to be negative as at 31 December 2011 and remain this way until 2016, when it would very gradually start to recover.

In this troubled context, the 1% housing contribution movement could be authorised to borrow €1bn over the course of each of the 2013-2015 financial years from the savings fund managed by the *Caisse des Dépôts et Consignations* ('Deposit and Consignment Office') and fed by Livret A savings account contributions. This resorting to loans to fund a new drive to construct more social housing would enable the State to obtain funding for its social housing policy without having to request additional budgetary means, but it does raise the issue of the sustainability of the PEEC financial model.

Recommendations

For the UESL and collection bodies:

- ↳ to draw up an inventory of the regional distribution of PEEC contributions and the initiatives they fund;

- ↳ to effectively reduce management costs by means of mergers;

- ↳ to continue efforts to merge so-called 'Titre V' subsidiaries of collection bodies;

- ↳ to implement combined accounting procedures within CIL groups, as well as between collection bodies and the UESL;

- ↳ to continue to adjust the conditions governing director remuneration, – notably by ensuring that it is not placed under the jurisdiction of an economic interest grouping (EIG) –, together with the financial conditions governing the laying off of directors;

- ↳ to categorically justify the choices made with regards to the respective funding of legal entities.

For the ANPEEC:

- ↳ to systematically carry out an impact study of new initiatives designed to benefit individuals and an evaluation of the initiatives implemented over the course of the past three years.

For the State:

- ↳ to give the national authority that is in the process of being created extensive prerogatives with regards to surveys and evaluations that are comparable to those of the ANPEEC;

- ↳ to make it compulsory for a collection body and the subsidiaries it controls to produce combined accounts.

6 The bank support plan: a non-definitive financial assessment and insufficient monitoring of remuneration

The Court drew up a new assessment of the support credit establishments received from the State in the wake of the banking crisis that hit in autumn 2008. It identifies that the financial assessment of revenue received in the form of support for charges incurred is positive, but this assessment is not yet definitive since it includes neither the cost to public finance of the Dexia rescue plan nor the new support granted to two banks, namely *Crédit Immobilier de France* and *Banque PSA Finance*, as of autumn 2012.

Some progress has been made with regards to the State's monitoring of the compensation the supported credit establishments were supposed to provide with regards to funding the economy and the introduction of a system for monitoring the remuneration of directors and banking professionals.

Efforts in both of these areas must, nevertheless, be maintained. There are weaknesses in certain sectors, with regards to the way in which the economy is funded, which call for credit such as local government funding. Although a major initial milestone has been reached since 2009, the effects of monitoring remuneration must be even more durable and more harmonised at

international level in order to avoid taking excessively high risks.

A positive but provisional financial assessment

In the context of autumn 2008, the State had introduced a two-pronged support programme for credit establishments involving an injection in equity capital on the part of the State by means of a public corporation, the *Société de Prise de Participation de l'État* (French 'State Shareholding Corporation', SPPE), and a series of loans by means of a private company underwritten by the State, the *Société de Financement de l'Économie Française* ('Corporation for Financing the French Economy', SFEF). All equity capital was repaid in advance with a budgetary saving of over €400m, despite the complete depreciation of the share acquired in Dexia in 2008 (€1bn). Outstanding loans at the end of 2012 still amounted to €24bn out of an initial amount of €77bn and will not be fully repaid until 2014. The budgetary saving achieved in this respect amounts to nearly €1.4bn.

The budgetary saving for the State across the entire common law programme (SPPE and SFEF) therefore

The bank support plan

stood at nearly €1.8bn at the end of 2012.

The full assessment of State support must, however, take into account all forms of support provided for Dexia that are currently being examined by the Court, as well as two new individual support plans introduced in late 2012 for establishments that had already received help from the SFEF (Crédit Immobilier de France and Banque PSA Finance).

The Court would recommend that a statement outlining the effects for the State of the SFEF and the SPPE, as well as of other financial support provided for the banks, be produced on an annual basis as of 2013.

The need to broaden the way in which the funding of the economy is monitored

The support provided for the banks by the State in 2008-2009 must be fully repaid by the former in 2014. In return for the support received, the banks had agreed to support the growth of lending to the economy. Although the State stopped setting quantifiable growth targets for the banks in late 2009, it nevertheless continued to extensively monitor the funding of the economy, in accordance with the law, using the consolidated data provided by the Banque de France relating to both the evolution of the credit outstanding in non-financial sectors and the granting of credit to companies.

Credit growth was sustained in France in 2010 and 2011 (+5% per year)

but slowed significantly in 2012. It was also necessary to really mobilise the public financial sector during this period, including the savings fund, with regards to long-term funding, and OSEO, for the purposes of business development. Credit mediation was renewed and primarily aimed at businesses in difficulty.

The tensions that appeared in 2011 with regards to the funding of local and regional authorities highlighted a need for more astute monitoring of banking services in this segment. Furthermore, although awareness of business lending has greatly improved over the past few years, the guarantees required by the banks, particularly from very small enterprises and sole proprietorships, are still not very clearly identified.

The Court would recommend that the report submitted to the State be broadened in order to monitor the credit awarded to local and regional authorities separately from credit awarded to other local public administrations.

The relative efficiency of the monitoring of remuneration

The European regulations in force since 2010 are a continuation of the measures taken by France since 2009, outlining some initial requirements for supported establishments. Inspections carried out since 2009, notably by the banking supervisor, revealed a degree of moderation with regards to remuneration, stemming primarily from the decline in the establishments' profits. They also revealed that the recommen-

dations made with regards to staggering payments were generally adhered to. These regulations based on international recommendations are worth expanding upon. The way they are applied at international level is not yet as harmonious as it could be, meaning that there is still a risk of distortion of competition between the banks. There is certainly room for some new improvements, which should be incorporated into those texts relating specifically to credit establishments.

Recommendations

Previous recommendations:

↳ to effectively implement a recovery procedure in the event that a bank defaults on its obligations (SFEF);

↳ to make those structures designed to deal with businesses in difficulty more comprehensible at both local and national level by bringing together the credit mediation of the *Comité Interministériel de Restructuration Industrielle* (French ‘Inter-ministerial Committee for Industrial Restructuring’), departmental committees for reviewing issues of corporate finance and productive recovery auditors (General Directorate of the Treasury).

New recommendations:

↳ to produce a statement outlining the effects for the State of the SFEF and the SPPE, as well as of other financial support provided for the banks on an annual basis as of 2013 (General Directorate of the Treasury and the *Agence des Participations de l’État*

The Court would therefore recommend that budgets for the remuneration of professionals and directors be put to an advisory shareholders’ vote at a general meeting. It would also recommend that the *Autorité de Contrôle Prudentiel* (French ‘Prudential Supervisory Authority’) permanently adopt an *a priori* approach to monitoring the allocation of remuneration rather than an *a posteriori* approach.

(French ‘Government Shareholding Agency’);

↳ to broaden the report submitted to the State in order to monitor the credit awarded to local and regional authorities separately from credit awarded to other ‘local public administrations’ (General Directorate of the Treasury and Banque de France);

↳ to incorporate a permanent remuneration monitoring unit into the structure of the *Autorité de Contrôle Prudentiel* and adopt an *a priori* approach to monitoring the allocation of variable remuneration for professionals and board members (*Autorité de Contrôle Prudentiel*);

↳ to put the incorporation of a specific provision for credit establishments with regards to budgets for the remuneration of professionals and board members to an advisory shareholders’ vote at a general meeting (State).

7 Managing the Grand Nouméa aqueduct: an inappropriate concession

The Grand Nouméa aqueduct supplements, where necessary, the water supply available to the four towns in this 165,000-inhabitant urban area which together form the *Syndicat Intercommunal du Grand Nouméa* association of communes. Since 1998 and until 2048, SADET, a subsidiary of *La Lyonnaise des Eaux*, has been and will be responsible for the construction and operation of the structure. The facility was, however, over-engineered and is only used at best to one-tenth of its capacity.

An initial inspection carried out in 2008 by the local court of accounts revealed that 99% of the assignee's remuneration had been guaranteed and was paid for by subscribers to the water service. With this in mind, by 2048 their payments would account for a total of €800m, which is more than twelve times the cost of the structure (€66m). It therefore requested that the contract be modified to reduce its cost to users and increase the risk on the part of the assignee.

An inspection carried out in 2012 revealed that the unsecured proportion of the SADET remuneration, based on the structure's operating income, had increased from 1% to 10% of the turnover.

The operating income is nevertheless still too low with regards to the total remuneration. Furthermore, by means of an endorsement signed in 2010, the agent obtained a guarantee that once again limited the operating risk. Finally, the total amount of the remuneration guaranteed at the expense of users, despite having been reduced from €800m to €530m, remains excessive.

The chronic under-use of the structure, the result of a combination of its initial over-engineering and a decrease in water consumption per inhabitant, is a hindrance to improving the conditions of the contract. The concession would therefore appear clearly inappropriate due to its cost to users and the limitation of operating risk on the part of the agent.

Recommendations

The Court and the local court of accounts would consequently recommend that the association take the following steps:

↳ working with the current agent to find an alternative solution based on a more balanced set of criteria;

↳ utilising the development of inter-communal cooperation when choosing the new method of operation.

8 Fighting excessive debt among individuals: a great deal of progress yet to be made

Excessive debt has been on the increase for over 20 years and now affects some 757,000 people. Every year over 200,000 cases are examined by over-indebtedness commissions, for which regional branches of Banque de France provide the secretarial function, with a view to finding a way of restructuring payments, reducing interest rates or writing off the debt.

In 2010, the Court criticised the inadequacy of the legal system designed to prevent excessive debt and the lack of appropriate management on the part of both the State and Banque de France that was both costly and led to inequalities in the way cases were dealt with. It recommended that the social monitoring of those in excessive debt be improved.

Dealing with excessive debt since the law of 1 July 2010

Since these findings were revealed, the law of 1 July 2010 relating to the reform of consumer credit has better monitored the credit marketing process. It also significantly altered the adminis-

trative procedure for dealing with excessive debt by promoting the ‘personal recovery procedure’.

Over-indebted households simultaneously continued to grow poorer, which makes it more difficult to analyse the reasons for over-indebtedness and the solutions that need to be implemented to deal with them. Excessive resorting to consumer credit is still a leading factor in shaping the phenomenon, but other factors are also now at play, including social difficulties, job insecurity, and the structural shortfall.

Furthermore, despite the adjustments made by the legislator, the Court would like to reiterate several of its previous findings in 2013.

Preventing excessive debt: a long way yet to go

Very little progress has yet been made towards the results the legislator hoped to achieve with regards to preventing excessive debt. The protective provisions of the 2010 law aimed at limiting the undue restriction of credit through the use of loyalty cards and reinforcing the obligation on the part of

Fighting excessive debt among individuals

the lender to verify the solvency of the borrower are not yet fully adhered to by financial institutions. Furthermore, the decline in the consumer credit market has failed to significantly alter the debt profile of households that have already applied to over-indebtedness commissions. The actual preventive effects of the 'positive file', which lists the financial credit awarded to all households in order to avoid awarding credit to individuals that are already close to being in excessive debt, can only really be assessed by a cost-benefit report.

Management: better-defined guidelines and an incomplete evaluation system

Having previously had its weaknesses highlighted by the Court, the way in which over-indebtedness is dealt with is now better defined. Contractual relations between the State and Banque de France have been renewed and efforts are under way to harmonise the decisions made by over-indebtedness commissions. There is, however, still some progress to be made in order to better assess the cost of excessive debt to the State and better allocate funding for the procedure in order to ensure that financial institutions are contributing.

A lack of efficiency in the way applications are processed

Applications are now processed more quickly thanks to the new powers attributed to over-indebtedness commissions (the ability to impose certain measures and manage the 'personal recovery procedure without judicial liquidation', for example). The process is also more consistent as a result of the harmonisation of the rules of procedure by which over-indebtedness commissions are governed. Nevertheless, there are major productivity gains to be achieved by focusing certain tasks of the various departments of Banque de France at regional level. Above all, the traditional way of dealing with situations of excessive debt by seeking to reach an amicable agreement between creditors and debtors, which is becoming decreasingly compatible with the nature of over-indebtedness in recent times, notably the decline in the debt-carrying capacity of households.

Support for over-indebted individuals

The issue of support for over-indebted individuals is one that has been somewhat neglected by the State as a result of failure to make fighting over-indebtedness a priority for public prosecution. The absence of social ministers

Fighting excessive debt among individuals

would indicate that the State has not as yet set a target for reducing over-indebtedness, specified any priorities with regards to the preventive measures to be taken or outlined the means to be implemented to support those in financial dif-

ficulty. The fact that the National Conference Against Poverty and for Social Inclusion was held on 10 and 11 December 2012 bears testimony to the fact that the State has only recently started to take note of such shortcomings.

Recommendations

The Court would like to reiterate five of its previous recommendations that have not, or only minimally, been acted upon to date:

↳ to introduce the deduction of a contribution from financial institutions to help fund the cost of tackling over-indebtedness, which is currently borne by the State;

↳ to separate credit cards from store loyalty cards to ensure that no further consumer credit can be raised without the debtor knowing;

↳ to include the prevention of over-indebtedness and support for over-indebted households in the objectives set by the ministry responsible for social cohesion and in the contractual relations that exist between the State and the *Caisse Nationale des Allocations Familiales* (French ‘National Family Allowance Fund’);

↳ to broaden the scope of the annual Banque de France typological survey by cross-referencing with public statistics and to carry out a series of studies, under State supervision, on the paths of those households

concerned to improve understanding of the factors that affect over-indebtedness;

↳ to continue to make productivity gains by centralising the administrative processing of over-indebtedness cases by Banque de France at regional level.

There are also two new recommendations to add to those reiterated above:

↳ to harmonise the time it takes to register cases on the *Fichier National des Incidents de Remboursement des Crédits aux Particuliers* (French ‘National Record of Incidents of Reimbursement of Loans to Individuals’, FICP) and the duration of recovery plans;

↳ in the event of an appeal against the personal recovery plan standpoint, to allow for the possibility of the judge immediately ordering that the corresponding debt be written off provided that they foresee the recommendations made by the over-indebtedness commission being adopted.

9 The Centre des Monuments Nationaux : a belated recovery

The *Centre des Monuments Nationaux* (French ‘National Monuments Centre’, CMN), a national public institution supervised by the Ministry of Culture, is responsible for the conservation and promotion of 93 national monuments, as well as opening said monuments, which attract some 9 million visitors a year, to the public. The centre has some 1,300 officials and an annual budget of €130m, €60m of which is its own capital, three-quarters of which comes from entrance fee proceeds.

In 2010, the Court carried out a critical appraisal of the policy adopted by the CMN since 2003. It found that ‘the past decade highlighted the risks associated with the interlocking of reforms and the primacy of announcing projects over the actual implementation thereof’.

Although some of the recommendations made, such as the inclusion of an own-capital growth curve in the performance contract, have indeed been adopted, most have been only partially acted upon or adopted with some delay.

Since it involved awarding the establishment a ‘perennial revenue’ designed to fund restoration work on State-owned historic monuments for which the CMN would be responsible, as part of an arrangement consisting of transferring the proceeds from this new resource back to the State by means of agency agreements of questionable

legality, this mechanism was withdrawn in 2008.

The establishment failed to take into account the reform of the regime governing the ownership of public land by state authorities which came into effect on 1 December 2008, which might have resulted in the latter, in conjunction with the ministry, modifying the associated reference texts.

Furthermore, the role of the CMN as project manager had still not been implemented in 2010. The minister is somewhat hesitant with regards to the distribution of this role between regional departments for cultural affairs, the *Établissement Public de Maîtrise d’Ouvrage des Travaux Culturels* (French ‘Public Contracting Body for Cultural Works’, EMOC), the *Service National des Travaux* (French ‘National Works Office’, SNT) and the CMN.

The management system in place is also still less rigorous than it needs to be and is notably characterised by the absence of a contract between the CMN and the State, a less-than-ambitious level of own capital and the absence of performance indicators.

Finally, the conditions under which local and regional authorities were granted the possibility of demanding that historic monuments belonging to the State be returned remain a persistent source of uncertainty within the scope of action of the CMN.

Recommendations

The Court must therefore reiterate its previous recommendations, particularly those relating to the following measures:

- ↳ updating the statutory definition and the scope of the monuments for which the CMN is responsible;

- ↳ altering their status with regards to the new regime governing the ownership of public land by state authorities;

- ↳ putting the establishment's project management capabilities to full use and putting an end to the underutilisation of its maintenance and restoration credits.

Furthermore, the Court would recommend that the CMN and its administrative body continue the as-yet limited progress made in terms of

management in accordance with the recommendations made in 2010, which included the following:

- ↳ to introduce cost management tools;

- ↳ to award the establishment a more demanding level of own capital;

- ↳ to use the establishment's excess financial resources to restore monuments.

Finally, the Court would recommend that the following steps be taken:

- ↳ to re-examine the allocation of a fraction of the proceeds from the tax on online gaming, which has proven rather unsuitable for the needs of the CMN and detrimental to budgetary control and consolidation.

10 The Public Planning Authority of La Défense Seine Arche (EPADESA): an as-yet poorly defined pooling of expertise and uncertain prospects

The *Etablissement Public d'Aménagement de la Défense* ('Public Planning Authority of La Défense', EPAD) was created in 1958 and has since undergone some significant changes. Its operations got a boost in July 2006 with the launch of the La Défense renewal plan, whilst its structure and operation underwent major changes with the cessation of its public facility operation activities in 2009 and its merger with the *Etablissement Public d'Aménagement Seine Arche* ('Public Planning Authority of Seine Arche', EPASA), which resulted in the creation of the *Etablissement Public d'Aménagement de La Défense Seine Arche* ('Public Planning Authority of La Défense Seine Arche', EPADESA) in December 2010.

A somewhat insecure legal system

The transfer of its operational activities to local public establishment Defacto, created in 2007, rectified one irregularity, which allowed developers to

operate public facilities rather than handing them over to the towns in question. The EPAD nevertheless continued to oversee this branch of its operations until 2008 with no financial compensation.

The terms governing the transfer of the activity from the EPADESA to Defacto were outlined in a statement but the two establishments differ in terms of their interpretation of this document, particularly with regards to the extent of the rights granted to Defacto as owner of the transferred assets, the scope of the obligation to restore the properties in question to their original state and their respective powers in terms of development operations. Several of these sources of dissension were referred to the administrative judge.

Major restraints hindering development activities

The public authorities decided to make the EPAD responsible for the cost of restoring the public facilities transfer-

The Public Planning Authority of La Défense Seine Arche (EPADESA)

red to Defacto to their original state, as well as the upgrading of the covered roadways concerned to the appropriate standards, at a total cost of over €350m for the decade.

Furthermore, there is a great deal of uncertainty surrounding the work schedule for major transport-related projects and the establishment could find itself requested by the public authorities to financially provide for their completion.

The EPADESA remains dependent upon the communal choices that are made with regards to town planning, which would appear to be incompatible with the development of the site of national interest that is La Défense. Finally, the establishment has not drawn up any form of strategic plan outlining a global vision shared by local and neighbouring authorities, whereas its scope of intervention is already part of the Grand Paris initiative.

Efforts to be maintained in terms of governance

Accounting has been upgraded and the merger of the two planning authorities has also resulted in improvements being made to the previously highly defective governance system and the implementation of various management tools. There is, however, still a degree of conflict within the Board of Directors and objectionable management practices are still used, particularly where human resources, communications and representation are concerned.

Over-optimistic financial prospects

The multi-year financial forecasts already produced by the establishment are based on an optimistic view of the evolution of the property market, investors' interest in the business district and its own ability to create attractive new projects.

Recommendations

In the present context, and with regards to the EPADESA's mission as a planner, the Court would make the following recommendations:

For the State:

↳ to quickly review the legislation, regulations and contractual provisions governing relations between the EPADESA and Defacto, notably for the purposes of putting an end to the disputes arising between the two authorities and to resolve the issue of the allocation of public spaces and facilities and the distribution of the financial cost of restoring them to their original state;

↳ to resort to the 'project of general interest' procedure in the event of any obstacles likely to hinder the development of the site;

For the EPADESA:

↳ to adopt a strategic document reflecting a vision shared by all those involved in the future of the area, in accordance with the ruling of 8 September 2011.

With regards to the way in which the establishment is managed, the Court would make the following recommendations aimed at the EPADESA:

↳ to relaunch an 'operations committee' to keep the board of directors up to date with development operations;

↳ to improve the quality of budget forecasts and the information associated with them;

↳ to incorporate a series of rules and limits for the individual wage increases of executives and directors into staff regulations;

↳ to reduce communication and representation costs, notably by limiting the reimbursement of travel expenses to officials whose positions justify them travelling only and by continuing efforts to pool promotional expenses with other public planning authorities and Defacto;

↳ to better distinguish between potential operations and revenue (operations in the pipeline and incentive clauses) and projects currently under way when producing final forecasts.

11 Occupational accidents and illnesses: weaknesses in the general social security regime's prevention policy

Ten years after its 2002 report on managing the risk of occupational accidents and illnesses, the Court analysed the developments in the contribution made to this field by the occupational accidents and illnesses division of the general social security regime managed by the *Caisse Nationale d'Assurance Maladie des Travailleurs Salariés* (French 'National Health Insurance Fund for Salaried Workers', CNAMTS).

Poorly-targeted priorities

The statistical tools used are not uniform across the fields (occupational or commuting accidents and occupational illnesses) since the different risks involved are not defined by the same indicators and make it impossible to establish a hierarchy between serious but less frequent risks and less serious but more frequent risks.

Should the branch take into account the cost of the risk, that is all of the expenses generated by accidents, this would enable it to avoid the drawbacks of current indicators and provide it with a series of comparison tools which both apply to all of the different risks involved and are consistent in that they are all expressed in euros.

Using this indicator, which would be consistent with the insurance-based approach that the branch has always adopted, would make it easier to target sector-specific priorities and preventive measures and to measure the results. It would also help put into perspective the significance of some of the priorities the branch is currently pursuing, such as musculoskeletal problems and psycho-social risks. The former are, in fact, common, more so in France than in other similar countries, but have a limited face value and would appear to be largely diagnosed by a series of conditions which, until a recent reform, albeit partial, were not very restrictive. The latter, which are both poorly-defined and come in various different forms, should have been rigorously analysed and identified, failing which it is not really possible to prevent them.

A resource allocation system that does not reflect the risks

The distribution of resources (both financial and human) allocated to the prevention policy only very vaguely reflects the map of risks identified. With this in mind, financial incentives - limi-

Occupational accidents and illnesses

ted, incidentally, to a small amount (€56m in 2010) - should be better targeted, notably with regards to prevention contracts reserved for companies with fewer than 200 employees, whereas those with around 50 employees have the highest claim rate. The geographical distribution of staff devoted to prevention activities (nearly 800 agents) would appear to be poorly correlated with prevention needs in that the cost of the risk, in terms of millions of euros per agent, varies by a factor of 1 to 6 between funds in the Antilles funds and that of Marseille.

Insufficient results

The claim rate of companies and establishments where special efforts have been made to prevent incidents is still not making any better progress than that of other companies. The results

achieved for a number of priority measures would appear to fall below the objectives set or at least to be very limited, meaning that the measure relating to occupational cancers is not expected to reach 70 % of the anticipated target and the programme relating to road risk does not take into account the main causes of accidents, namely speed and drug or alcohol consumption.

Preventing occupational accidents and illnesses should be considered an investment and be based on objective analyses that are as rigorous as possible in methodological terms. The prevention policy needs to be more accurately managed, its priorities more firmly defined and its results more rigorously evaluated for the purposes of the objectives and management agreement that the branch is shortly due to sign with the State.

Recommendations

↳ to adopt the cost of the risk as a primary statistical indicator of claim rates;

↳ to extend the recent reform of musculoskeletal problems in the shoulder to include other musculoskeletal problems (elbow, wrist, hand, finger and knee);

↳ to focus financial support on companies with between 30 and 70 employees;

↳ to align the prevention staff employed by the *Caisses* with the geographical distribution of claims;

↳ to focus the efforts of the *Caisses d'Assurance Retraite et de Santé au Travail* (French 'Retirement and Occupational Health Insurance Funds', CARSAT) on companies experiencing high levels of incidents (following the example of the *Points noirs et gris* approach adopted by the Midi Pyrénées CARSAT);

↳ to target preventive measures at the most frequent causes of road accidents.

12 Public health teleservices: still unsatisfactory management

An uneven rise in power

A teleservice is an information system which enables users to take action by electronic means. Such services and the number of people using them are on the increase in the health sector, notably thanks to the SESAM-Vitale system (which reimburses some 1.3 billion electronic treatment forms every year) and the *Dossier Pharmaceutique* ('Pharmaceutical Record'), which aims to limit the risks associated with drug use and affects some 18.5 million users. The *Dossier Médical Personnel* (French 'Personal Medical Record', DMP) provided for by a 2004 law has, however, suffered various delays, with only 260,000 such records currently open in autumn 2012.

Insufficient progress

The Court had requested that the consistency and efficiency of teleservices be improved back in 2008. Indeed, some progress has since been made and the map and shared directory of health professionals have been implemented. The deployment of the *Dossier Pharmaceutique* has also been widespread and a secure messaging service is due to be launched in 2013.

There are, however, still a number of obstacles that need to be overcome. Delays are, in fact, affecting the formulation of shared frames of reference, software certification, the securing of data and even the modernisation of health professionals' workstation configurations. Above all, the DMP requires prompt evaluation in terms of targeting and deployment, as is the case for some 184 other regional projects developed simultaneously under the impetus of regional health agencies.

The absence of a common strategy

In 2010, the Ministry for Health and the *Caisse Nationale d'Assurance Maladie des Travailleurs Salariés* (French 'National Health Insurance Fund for Salaried Workers') made the decision to eventually replace the SESAM-Vitale system with a teleservices platform designed and managed by the *Caisse Nationale*. This decision was, in itself, essential, but it also brought with it the abandonment of the previously shared strategy adopted by both the compulsory and additional health insurance regimes and which had

Public health teleservices

contributed to the success of the system.

This, in turn, resulted in discord between the compulsory and additional regimes that was aggravated by short-term visibility (less than two years) of the developments under way within the *Caisse Nationale*.

In more general terms, the autonomy strategy adopted by the latter reveals a detrimental lack of strong and coordinated management of teleservices on the part of the Ministry for Health.

The flawed financial monitoring of the *Dossier Médical Personnel*

The lack of accurate financial management makes it impossible to consolidate the amount of public funds allocated to the *Dossier Médical Personnel* (French 'Personal Medical Record') and the electronic patient files compiled in certain hospitals. The Court has estimated that the DMP cost at least €210m between 2004 and 2011, although this figure does not include all of the associated systems, notably the electronic patient records compiled by some hospitals. This demonstrates an abnormal

lack of strategy and a lack of methodical continuity in the implementation of tools designed to bring about deep structural reform.

Taking the industrial aspect into greater consideration

The Court would highlight the need to take into account the concerns expressed by industry representatives in the field of public health teleservices.

Manufacturers believe that there is still too little consultation with the ministry and the healthcare sector with regards to medium-term perspectives and the regulatory and pricing changes that need to be implemented in the very short-term. They are calling for greater visibility, which is essential to their development strategies in terms of adaptation, competitiveness and the profitability of their tools.

The Court finds it particularly concerning that these multiple weaknesses have still not been rectified, despite the fact that it has drawn attention to the risks associated with such a situation, in terms of both spiralling costs and failing to achieve all of the objectives set, on several occasions.

Recommendations

The Court would reiterate most of its previous recommendations, notably those relating to security, and would make the following eight new recommendations:

With regards to the overall management of health teleservices:

↳ to merge the control of strategic teleservice project management functions, whether directly or indirectly related to health insurance, within the central administration of the ministries responsible for health and social security;

↳ to guarantee the interoperability of the CNAMTS teleservices platform with the information systems of additional health insurance agencies; and

↳ with this in mind, to reinstate a dialogue between all of the regimes concerned with regards to amalgamating their teleservices.

With regards to the *Dossier Médical Personnel* more specifically:

↳ to publish the decree outlining the content and scope of the *Dossier Médical Personnel*;

↳ to formalise the strategy, method and schedule for interoperability between the *Dossier Médical Personnel* and patients' hospital records ;

↳ to have a protocol outlining the terms and the schedule for merging the *Dossier Médical Personnel* and the *Dossier Pharmaceutique* drawn up between the *Ordre des Pharmaciens* (French 'Pharmaceutical Society') and the ASIP Santé general interest group;

↳ to allow for the systematic integration of the *Dossier Médical Personnel* into the framework of the traditional policy of the *Caisse Nationale de l'Assurance Maladie des Travailleurs Salariés* (French 'National Health Insurance Fund for Salaried Workers') with regards to the liberal healthcare professions;

↳ to identify the costs associated with the *Dossier Médical Personnel* and the medico-economic evaluation thereof in terms of improving the efficiency of the care system and the health insurance-related savings to be made.

13 The CNED: a public establishment that is poorly-adapted to online training

The Centre National d'Enseignement à Distance (French 'National Centre for Distance Learning', CNED) was created in 1939 and provides distance training programmes as part of the individual's initial and professional training. This public institution operates at all levels of both school and higher education and is notably responsible for providing the public distance learning service, aimed at pupils who cannot attend a school in person, on behalf of the State.

In 2005, the Court observed a significant decrease in the number of pupils registered with the CNED and alerted the Ministry for Education by means of a report highlighting the weaknesses of the legal framework outlining the activities of the CNED. Indeed, in 2007, the Court noted that the guidelines announced by the ministry were a step in the right direction. Five years later, however, the Court noted that these commitments had not necessarily been honoured, with the exception of a few limited changes implemented with some delay.

The consistent and concerning decline in the number of enrolments

Worryingly, the CNED lost half of its registered pupils in just 15 years as the number fell from 400,000 to 200,000. A lack of cost accounting has meant that it is still not in a position to know the respective costs of its market activities and its public service activities. As a result, there are no grounds on which to base the amount of the grant for public service charges that it receives from the State, charges invoiced for the public service and the rates it charges in the market. Neither is the establishment in a position to appropriately manage its human resources and develop them to reflect its needs, insofar as they consist largely of around a thousand teachers who are no longer capable of teaching before a class.

The CNED ('French National Centre for Distance Learning')

The unsatisfactory implementation of the public distance learning service

Furthermore, the definition of the public distance learning service provided by a 2009 decree remains vague and more restrictive than that of the public education service. The issue of cost-free education has been left to the discretion of the body concerned and limited to the period of compulsory schooling; on the whole, for example, a pupil of over sixteen years of age and with the same academic background will benefit from cost-free education if they attend a school but will be charged a fee if they have to enrol with the CNED, which represents an infringement of the principle of equal treatment.

An inadequate educational charter aimed at moving towards online training

The CNED and its administrative body recently announced a strategic reorientation towards the world of online training, which clashes with the fragile nature of the human, technical and educational means currently available to the establishment. The Court believes this educational charter to be inadequate since the CNED cannot, in its current state, be the leading player in online training. Given that this change is likely to significantly alter the approach adopted by the school and university education

systems, the State must lead a good deal of global strategic thought on the matter beforehand, prior to determining the position the CNED might occupy in this context.

The bill relating to the guidelines and scheduling for the reorganisation of the *École de la République* treats digital learning and distance learning, services which can notably be provided by the CNED and the *Centre National de Documentation Pédagogique* (French 'National Centre for educational materials, CNDP), as the same public service. As a result, the operational terms of this reform have not yet been determined at this stage, and neither have the conditions that would enable the CNED to embrace this new direction and make a success of it.

Furthermore, the CNED should not be seen to be relentlessly forging ahead in terms of its progression within the professional training market, whereas the establishment would not have the necessary assets to gain a foothold in this market.

A strategy to be based on pupils' needs and on a realistic appraisal of the CNED

Meeting the needs of users of the public distance learning service, which must be modernised, and using the expertise that comes with distance learning to also meet the needs of schools and public education policy should, however, be prioritised. With this in

The CNED ('French National Centre for Distance Learning')

mind, no changes should be overlooked, whether they involve creating synergies of means and organisation between the CNED and other national players in the school education sector, such as the CNDP, or better coordinating the work of the CNED and the activities that take place at all decentralised levels of

national education (academies and school establishments).

The State must base its actions on a realistic appraisal of the CNED and a fair assessment of the needs that must be met for the sake of the school's future success.

Recommendations

- To the French Ministry for National Education:

↳ to specify the scope of the public distance learning service and the issue of not charging for it in a manner that is consistent with the provisions applicable to the public school education service;

↳ to specify objectives for and the terms governing the integration of online training into school education and consider the consequences thereof in the multi-year agreement;

↳ to determine, in this context, the content of any tasks that may be entrusted to the CNED with regards to online training and the corresponding terms relating to coordinating the esta-

ishment with other players and decentralised national education departments;

↳ to adapt the staff resources available to the CNED to the missions outlined as above.

- To the CNED:

↳ to implement, with immediate effect, a cost accounting system that helps both identify costs and justify the grant for public service charges;

↳ to redefine the training offering, first and foremost, based on the identification of users' needs with regards to the public service.

14 France's international broadcasting industry: a costly and chaotic reform

In its 2009 annual public report, the Court devoted an entire chapter to 'France's international broadcasting industry' following an examination of the accounts and management practices of the three public corporations that contribute to France's international activity in the broadcasting industry, namely Radio France Internationale (RFI), TV5 Monde and France 24. The government had, at the time, recently adopted a reform of this sector with the creation of the *Audiovisuel Extérieur de la France* (AEF) holding company responsible for the shares the State holds in these companies in 2008. The Court had focused its recommendations on supporting this reform by identifying four priorities, namely strengthening the way in which the AEF was run, managing its financial balance, developing synergies between its various components and clarifying its targets in terms of audience and broadcast media.

In reality, none of these recommendations were actually implemented and the AEF suffered a chaotic progression and serious financial problems as a result.

A company with no strategic framework

The position of the AEF within France's international policy has not yet been clarified, and the Ministry for Foreign Affairs, the normal supervisory body for the AEF, has not really played a significant role. Despite it being a legal obligation, no aims and means agreement was signed between the AEF and the State due to the stalemate that developed between the former Chief Executive of the AEF and the regulatory authorities. The absence of such an agreement is highly irregular and should have resulted in the State having to deal with the usual consequences of this obstruction.

A major financial drift

The reform of the AEF resulted in significant additional costs. At no point has the AEF been able to present any reliable and realistic business plans or increase the power of its advertising resources. Due to ever-increasing needs for funding and an ever-delayed reform, the State had to allocate to the AEF additional credit amounting to some €100m between 2009 and 2011, in addition to its annual contributions. These additional payments were allocated

France's international broadcasting industry

when RFI was recapitalised (€16.9m), when the plan to relocate RFI close to France 24 was implemented (€21.5m), when the two job protection plans were implemented (€65.5m) and when TV5 Monde underwent a tax adjustment procedure (€6.5m).

Such exceptional aid, which is less than ideal with regards to the public finance situation, should, however, be limited. €314.2m has been allocated to the initial finance law for 2012, that is a reduction of nearly 16%. The initial finance law for 2013, meanwhile, recommends that this effort to reduce the figure be suspended by maintaining this amount, whilst the 2013-2015 three-year plan predicts a decrease of only 0.3% in 2014 and 0.4% in 2015.

Diffident synergies

The creation of synergies between the various components of the AEF has been hampered by delays resulting notably from staff opposition to the merger of RFI and France 24. The reorganisation announced in February 2012 would see the former radio, television and multimedia information departments of RFI and France 24 merged into a single information department for the purposes of developing the complementary relationship between the different media. It was intended to outline a set of cross-disciplinary editorial guidelines, draw up a standardised programme schedule and produce all of the content of the programmes to be broadcast. The initiative, however, provoked a great deal of opposition from the staff of the corporations involved and the government cancelled the merger of the France 24 and RFI information depart-

ments. This turnaround led to the new standardised programme schedule being reconsidered and left no option but to reintroduce the former schedules adopted by RFI and France 24. According to the information received by the Court, an additional cost of some €3.5m was consequently incurred over the course of a full year.

As a result of these delays, the relocation of RFI to a building adjoining that of France 24, which was due to take place in late March 2012, was postponed until June 2012. Following the moratorium issued at the request of the government in June and July 2012, the schedule had to be put back yet again and the current objective is to complete the relocation in early 2013. Significant additional costs have already been incurred as a result of the physical relocation currently under way. With regards to the original budget of €24.9m, the drift now stands at €10.6m (+ 43%) as a result of double rent (+€2.8m), building development (+ €5.7m) and costs (+ €2.1m).

Finally, the AEF has seen its audiences increase with some 92 million listeners and viewers in 2011 as opposed to 45 million in 2008, not including TV5 Monde, which attracts an audience of some 50 million people a week. This success, however, has brought with it production and broadcasting costs that, given the current public finance situation, the State is unable to cover. The AEF is faced with a series of decisions that it must make in order to outline its geographical and technological targets and to raise the funding required to achieve its goals.

Recommendations

↳ to assign full responsibility for outlining the strategic directions of this corporation within the international industry to the Ministry for Foreign Affairs;

↳ to target priority geographical and technological areas by decisively taking possession of the multimedia field;

↳ to sign, with immediate effect, an aims and means contract that complies

with the public finance programming law;

↳ to maintain the synergies that exist, including in the editorial field, whilst completing the physical relocation and aiming to make substantial savings in terms of resources by increasing harmonisation between the various divisions of the AEF.

15 *The Caisse des Congés Spectacles:* a special system which is still flawed

The *Congés Spectacles* fund is the employer association responsible for managing the special system governing the paid leave of temporary workers in the entertainment industry. It collects contributions from employers and gives its members annual holiday pay as of May each year. This joint system detracts from general law governing short-term contracts, whereby paid holiday leave of at least 10% is paid in addition to the salary paid at the end of each contract.

An inspection of the fund's management systems carried out by the Court over the course of the 2006 to 2011 financial years revealed the persistent malfunctions already identified in 2008 and highlighted in the 2009 annual public report, particularly the non-payment of a substantial volume of the allowances due.

Continuing serious malfunctions

As of 2007, the fund started to apply a series of simplification measures to their holiday request procedures which resulted in the acceleration of payments in the year following the vesting period.

Nevertheless, the definitive proportion of non-payment of allowances due, which was over 8% in March 2006, had

deteriorated further five years after the end of the vesting period, reaching 9.9% in March 2011. Admittedly, this rate later decreased to 6.5% by March 2012, but the available data suggests that, in the current climate, it will remain above 5%, closer to 6%. Between 2006 and 2011, definitively unpaid allowances amounted to €102m, that is, on average, 8.8% of the allowances due. Non-payment of allowances affects those less active workers in the entertainment industry in particular.

Furthermore, the fund continues to incorrectly apply the additional standard deduction for professional expenses from the remuneration paid to certain categories of technician working in the cinema sector, which, in some cases, has the effect of decreasing the individual's additional pension contributions. It also continues not to pay certain compulsory social charges, such as transport tax.

An inadequate management system

The fund recorded deficits in the paid leave system (charges greater than the total of the contributions received and any investment income) between 2007 and 2010, which resulted in it increasing the employer contribution rate from 14.25% to 15.2% between 2008 and 2012. Fixed costs did not

The *Caisse des Congés Spectacles* (French paid annual leave scheme for temporary workers in the entertainment industry)

significantly decrease, despite the procedural simplifications that had been implemented.

Personnel costs per agent greatly increased between 2007 and 2011, notably as a result of wage increases which greatly exceeded the increases outlined in the collective agreement. Management team remuneration increased even more rapidly than that of other employees. The gross salary of the Executive Officer, which had already been fixed at a high level, was further increased on two occasions under suspicious conditions, without the fund's chairman knowing.

The complete overhaul of the information system was poorly-managed, given that it notably concerned applications dedicated to monitoring employers, the final cost of which was more than double that of the initial contracts and which were implemented a year and a half later than originally planned. The developments required to accurately calculate the deduction for

professional expenses and transport tax have not been implemented.

A reform that has been announced but not yet implemented

In the wake of the already concerning observations made by the Court in 2008, the ministries responsible for employment and culture had entrusted the Inspectorates General of Social Affairs and of Cultural Affairs with the task of examining the feasibility of various potential reforms. Following the submission of two reports, the government announced, in November 2009, that it would be maintaining the special system governing holiday leave for temporary workers in the entertainment industry and transferring the operational management thereof to social protection group AUDIENS.

Three years later, the announced transfer has still not been implemented for a variety of legal and social reasons.

Recommendation

The validity of the special regime, which has been neither sufficiently reformed nor entrusted to a player deemed to be better-qualified, as was the wish of the State, since the previous inspection carried out by the Court, has still not been proven.

The Court would recommend that the rules of common law be applied, i.e. that the allowances due be paid directly by the employer, and thus that the fund be eliminated.

16 The Cap'Découverte complex in Carmaux (Tarn): a persistently severe deficit and an essential reduction in commercial activity

In its 2007 annual public report, the Court of Accounts highlighted the lapses resulting from the implementation of the Cap'Découverte project which involved the redevelopment of a mining site in Carmaux (Tarn) at a cost of €55m excl. tax, which was later increased to € 66m excl. tax.

Five years after the site became operational, the regional court of Midi-Pyrénées and the Court of Accounts decided to review the results of the project and check on the progress made following their recommendations.

The Cap'Découverte complex, which is open to the public, covers some 680ha and is home to various initiatives and activities, some run directly by a public-private entity, others by a private company operating by means of a public service delegation.

Results falling well short of expectations

In terms of traffic, initial forecasts predicted some 660,000 charged admissions, resulting in the creation of 250 direct and 1,000 indirect jobs, either through the setting up of new business

in the region or the expansion of existing ones.

In 2012, however, with regards to the 'sport and leisure' aspect, despite the forecasts anticipating 375,000 charged admissions in 2000, admissions reached only 97,000, 73, 500 of which were charged, that is more than five times less than expected.

Where the 'performance' aspect is concerned, the *Maison de la Musique* attracted 20,000 visitors, whereas initial forecasts anticipated some 113,000 admissions, that is more than five times less than expected.

In socio-economic terms, the direct jobs created have so far amounted to 21 tenured positions, with regards to the public-private entity, and 16 permanent positions for the assignee. As far as creating jobs is concerned, no hotel companies or other businesses chose to open branches at the site.

This difference in traffic levels in relation to the initial forecasts represents a substantial operating deficit for the local taxpayer which amounted to some €4.6m in 2012. This deficit is currently being covered by the local and regional authorities concerned, the *Conseil Général du Tarn*, the *Conseil*

The Cap'Découverte complex in Carmaux (Tarn)

Régional de Midi-Pyrénées and the Syndicat de la Découverte.

Reducing commercial activity levels

Given its land-locked location and the increasing competitiveness within the sector, and despite efforts on the part of local players, the structure of the Cap'Découverte site is simply not attractive enough to foresee any significant development in its commercial activity, which it would therefore be worth considering reducing or even ceasing altogether.

Observations made with regards to the operation of Cap'Découverte might be combined with those made in the 2012 public report on the Parc Minier Tellure mining site in the Val d'Argent (Haut-Rhin). In addition to the need to exercise great caution in forecasting traffic levels, the Court and the regional courts of accounts would underline the fact that, with regards to any decisions involving public funds, the precautionary principle and the reality principle shall prevail. The phasing of the operations involved must, where appropriate, allow for gradual investment.

Recommendations

↳ to reduce, or even cease altogether, the commercial activity overseen by the assignee (zip-lining, water-skiing, downhill slopes) in order to reduce operating costs and, as a result, the amount of the deficit. This should

be reduced to such a level that would enable it to be managed by those towns that are members of the *Syndicat de la Découverte* only.

Court of Accounts

17 Bussy-Saint-Georges (Seine-et-Marne): a persistent refusal of financial recovery

In its 2007 public report, the Court had referred to the fragile situation of Bussy-Saint-Georges, a town in the new city of Marne-la-Vallée, which is also characterised by an accumulation of questionable budgetary and accounting practices aimed at concealing the reality of its financial situation and overcoming the routine administrative management rules that apply.

The regional court of accounts was therefore asked to issue 29 budget notices based on referrals by the prefect of Seine-et-Marne since 2003.

The impact of the new city's development policy

The population of the town increased more than ten-fold in 15 years, from 1,500 inhabitants in 1990 to nearly 22,000 in 2008 (date of the last census).

The Court revealed that the strong demographic growth of Bussy-Saint-Georges had resulted in a need to create public facilities. Developing the town under the *Opération d'Intérêt National* (French 'Operation of National Interest', OIN) regime enabled it to benefit from various advantageous funding tools until 2007. This funding did not, however, succeed in curbing the

deterioration in the town's financial situation.

Given the town's inability to cope with its funding needs, the State lowered its rate of intervention and withdrew the most beneficial systems.

This communal area nevertheless remains a significant factor in developing the landholdings to the east of Paris. A new programme involving the construction of 4,500 homes in a mixed housing development area (ZAC) was definitively adopted in September 2012 and will take the town's population to over 32,000 inhabitants.

A management system that is still too lenient

An examination of the accounts reveals serious breaches of the budgetary and accounting rules that apply. The town periodically side-steps the fundamental rules of assigning costs for a given financial year and conceals invoices it is unable to pay. The amount of old invoices carried over to the next financial year in 2010, for example, is estimated to stand at some €5.2m.

As a result of financial deterioration, tax rates had to be doubled between 2006 and 2011, and far from cur-

Bussy-Saint-Georges (Seine-et-Marne)

bing its expenditure, the town continues to run further into debt.

Indeed, the outstanding debt amounted to over €70m in 2011. Unable to resort to any new conventional bank loans, the city has signed various public-private partnership agreements in an attempt to boost its investment policy, increasing its debt by €42m in the process. Its total debt is currently estimated at some €112m.

The questionable nature of the relevant budgetary documentation has been emphasised by the town's desire to sys-

tematically bypass efforts to monitor budgetary laws.

The municipal council adopts initial measures designed to redress the balance put forward by the court and implements the budget set by prefectural order. It is often the case, however, that it subsequently votes to adopt modification decisions which restore the original budget items or generate new expenditure.

Recommendations

For Bussy-Saint-Georges:

↳ to put an end to the questionable budgetary and accounting practices observed;

↳ to decisively drive the town's financial recovery using the growth in its operating revenue.

Furthermore, with regards to the State, the Cour would reiterate its recommendation that the chapters of the *Code Général des Collectivités Territoriales* (French 'General Code of Local Authorities') be modified for the following reasons:

↳ to make statements and prefectural orders relating to local budgets publicly available as soon as they are issued, without having to wait for the

deliberative assembly to meet, as is currently the case;

↳ to be able to hold the authorising officer responsible before the *Cour de Discipline Budgétaire et Financière* in the event of a serious failure in the implementation of a budgetary adjustment should it fall outside of the limits of the orders issued by the prefect to adjust the budget;

↳ to ensure that the deliberative body is bound by a series of provisions ordered by the prefect with regards to settling the budget or in the event that the authority has initially adopted the recovery measures put forward by the regional court, with no possibility of it being challenged by any modification decision to re-establish any previously withdrawn credit or by a decision to reduce tax rates.

18 Basse-Terre public abattoir (Guadeloupe): seven years of deficit

The activities of the Basse-Terre abattoir located in Baillif, Guadeloupe, were suspended in 2004 as a result of a failure to upgrade its operations to meet standards that an appropriate pricing structure would have enabled to ensure the depreciation of the facilities. Whilst one of the *raisons d'être* of an abattoir in Basse-Terre is to fight illegal slaughtering by maintaining a local framework, it would be 2008, that is more than four years later, before the *Syndicat Mixte Intercommunal de l'Abattoir de la Basse-Terre* (Inter-communal Public-Private Entity of the Basse-Terre Abattoir', SMIARBT) would decide to build a new abattoir in Gourbeyre, a town less than 10km away, rather than to regenerate the abattoir in Baillif. Whilst the cost of re-commissioning the former site had been estimated at less than €4m, constructing this new facility cost some €7m.

The unproven benefits of the new facility

Despite the cost of building this new abattoir, it has not yet been proven that it will reflect the needs expressed, whilst the running of the new site is expected to create a large deficit and

could, in the event of failure to adopt an appropriate pricing structure, require a 50% public aid contribution. Furthermore, it appears to be running at overcapacity, when there is already a public abattoir in Grande-Terre, owned by the Department of Guadeloupe.

Moreover, despite the fact that it was supposed to open in 2011, the abattoir was still not operational by late 2012, that is more than three years after work began; works were still not fully completed, particularly those involving the waste treatment plant, the site had still not been connected to the drinking water network, a move which had been rejected by the Basse-Terre township committee, and there was still no sustainable operating solution in place.

Shared responsibility

Responsibility for this situation lies primarily with the *Syndicat Mixte* which, as a result of setting the pricing structure for the former Baillif abattoir at an artificially low level, deprived itself of the means to continually update its facilities and prevent the suspension of activity at the site in 2004.

The region, for its part, seems to have hampered plans to regenerate the former Baillif abattoir following the

Basse-Terre abattoir (Guadeloupe)

suspension of activity at the site and delayed the implementation of an alternative solution by demanding ownership of the project.

Despite the numerous reminders and formal notices issued by the project owner's representative and the project managers, the company responsible for building the new abattoir has failed to honour its obligations.

The State departments bear some of the responsibility with regards to the delays that have affected the construction of the new abattoir. By deciding to suspend activity at the Baillif abattoir rather than close the site they allowed the alternatives of regeneration and reconstruction to coexist for too long and appear to have demonstrated a certain passivity with regards to the time-wasting on the part of the various players involved.

The southern Basse-Terre township committee, meanwhile, in rejecting plans to connect the facility to the drinking water network and regardless of the validity of the arguments put forward, is jeopardising the opening of the new abattoir.

Following the two successive inspections of the SMIARBT carried out by the regional court of accounts of Guadeloupe in 2011 and 2012 and which revealed no significant improvement, the Court is appealing for a swift solution to be adopted in order to simplify the structuring of Guadeloupe into local authorities and reduce the cost of managing the two public abattoirs as a whole.

Recommendations

↳ to encourage a structure whereby the cost of running both public abattoirs can be globally reduced, notably by merging the Moule and Gourbeyre abattoirs into one organisation comprising the region, the department and the township committees;

↳ to set the taxes and fees payable by the user at a level that would enable the service to break even.