

Cour des comptes



Chambres régionales  
& territoriales des comptes

# 2018 ANNUAL PUBLIC REPORT

Follow-up of recommendations

Summaries

## FOREWORD

These summaries were drawn up for easier reading and understanding of the report produced by the Cour des comptes.

The Cour des comptes is bound only by the report.

Responses from the administrations, agencies, and authorities concerned appear after the report.

The order of the executive summaries corresponds to their order in the report.

# Introduction

Responsible for ensuring the proper use of public funds, the Cour des comptes examines the management, policies, and public accounts and decides on their compliance with the applicable rules and standards as well as the efficiency and effectiveness of the actions taken.

Beyond what constitutes the heart of its mission, it has also been called upon to meet two complementary and recurrent expectations, especially since the beginning of the 2000s: propose solutions to the insufficiencies that it identifies and ensure that public policy-makers follow up on its interventions.

Lawmakers have gradually established these two expectations as obligations that the Cour des comptes is required to fulfil. It endeavours to do so in its work by generalising the expression of recommendations and systematising the periodic review of the follow-up actions reserved for them. In the same way, the regional and territorial courts of audit undertook an approach in 2013, established by the act of 7 August 2015 on the new territorial organisation of the Republic, which entrusts the regional and territorial courts of audit (CRTC) with responsibility for producing an annual executive summary on its reports on the follow-up to their final observations.

The review by the Cour des comptes and the CRTCs of the follow-up actions taken in response to their interventions is based on the following organisation:

- at the beginning of each audit, a thorough analysis of the follow-up actions resulting from the observations made at the conclusion of the previous audit;
- between two periodic audits, if the need arises, the performance of a follow-up audit, limited to the examination of the follow-up actions of the previous audit, or the anticipation of the next thorough audit;
- lastly, with Article L. 143-9 of the financial courts code, lawmakers institutionalised the follow-up to interventions of the Cour des comptes and the CRTCs, establishing a particularly ambitious configuration for them and setting obligations for both the recipients of the observations and for the financial courts themselves:
  - the recipients of the final observations of the financial courts are required to provide them with reports on the follow-up actions that they have taken;
  - the Cour des comptes presents these follow-up actions in the annual public report, on the basis of the reports provided.

# Introduction

This booklet first presents the overall results of the follow-up of recommendations made by the Cour des comptes (chapter I) and the CRTC's (chapter II). It then provides the executive summaries of twelve follow-up investigations that they performed. These twelve texts are grouped into three categories, each represented by a colour, depending on the degree of implementation of the recommendations previously made by the financial courts:

- category 1 (green) (chapter III): the Cour des comptes notes progress (2);
- category 2 (orange) (chapter IV): the Cour des comptes emphasises (7);
- category 3 (red) (chapter V): the Cour des comptes alerts (3).

## **Expression and follow-up of recommendations according to ISSAI 300**

The follow-up of recommendations and the publication of the work of the Cour des comptes meet the professional standards and best practice guidelines for public-sector auditors approved by the International Organisation of Supreme Audit Institutions (INTOSAI).

To that end, ISSAI 300 sets out fundamental principles relating to the expression and follow-up of recommendations for performance audits. It provides that “auditors should seek to provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit”. Quality criteria are set out. In particular, recommendations must “address the causes of problems and/or weaknesses” and must be expressed “in such a way that avoids truisms or simply reversing the words the audit conclusions”. The recipient of each recommendation, as well as the person responsible for taking any initiative, must be identified and cited. The meaning and relevance of the recommendations should be mentioned, indicating “how they will contribute to better performance”.

This standard was transposed into the professional standards of the Cour des comptes.

# Summary

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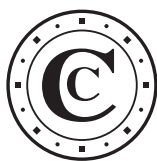
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## **Chapter I**

### **Follow-up of recommendations of the Cour des comptes in 2017**





# Follow-up of recommendations of the Cour des comptes in 2017

The degree of implementation of the recommendations made by the Cour des comptes published over the last three years is the main performance indicator of the central government's budget programme (programme 164 – *the Cour des comptes and other financial courts*) relating to financial courts.

This indicator is defined as the proportion, in the most significant recommendations made during the period, of those that have been followed by effective implementation. In order to be considered as effective, the implementation does not necessarily need to be total; it may be only partial.

## Change in the recommendation follow-up indicator for the last three years

	2015 (follow-up of recommendations made in 2012, 2013, and 2014)	2016 (follow-up of recommendations made in 2013, 2014, and 2015)	2017 (follow-up of recommendations made in 2014, 2015, and 2016)
Number of recommendations followed	1 792	1 623	1 647
of which recommendations partially or fully implemented	1 256	1 168	1 197
or	70 %	72 %	72,7 %

Source : *Cour des comptes*

This synthetic indicator reflects the actions taken by their recipients in response to the recommendations made by the Cour des comptes in its published communications: over

the past three years, i.e., between 1 March 2014 and 28 February 2017 for the 2017 follow-up. The 2017 follow-up thus focused on 1,647 recommendations.

# Follow-up of recommendations of the Cour des comptes in 2017

The systematic follow-up by the Cour des comptes makes it possible to verify the implementation of a

recommendation over a period of three years, a period often necessary to carry out reforms.

**Scoring of recommendations of the Cour des comptes followed up on in 2015, 2016, and 2017**

Score	Number of recommendations followed in 2015	Or	Number of recommendations followed in 2016	Or	Number of recommendations followed in 2017	Or
Fully implemented	491	27.4 %	405	25.0 %	399	24.2 %
Implementation in progress	461	25.7 %	513	31.6 %	512	31.1 %
Incomplete implementation	304	17.0 %	250	15.4 %	286	17.4 %
Not implemented	367	20.5 %	316	19.5 %	341	20.7 %
Now irrelevant	27	1.5 %	21	1.3 %	16	1.0 %
Refusal to implement	142	7.9 %	118	7.3 %	93	5.6 %
<b>Total</b>	<b>1,792</b>	<b>100 %</b>	<b>1,623</b>	<b>100 %</b>	<b>1,647</b>	<b>100 %</b>

Source : Cour des comptes

The number of recommendations followed up on in 2017 was stable.

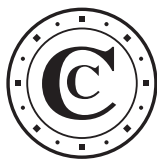
Continuing its constant progress since 2014, the indicator on the follow-up of recommendations improved slightly in 2017: 72.7% of recommendations were totally or partially implemented (or 1,197 out of 1,647 recommendations followed).

However, it should be noted that the fully implemented recommendations are down by more than 3% (decrease of 0.8 points) and that the improvement of the overall indicator is related to the progress of the partially implemented recommendations, which increased by more than 3% (1.5 points).

## **Chapter II**

### **Follow-up of recommendations of the regional and territorial courts of audit in 2017**





# Follow-up of recommendations of the regional and territorial courts of audit in 2017

The regional and territorial courts of audit (CRTC) include their control work in an approach aimed at improving the effectiveness and efficiency of local public management. Their reports should propose avenues of progress for the management of government authorities, in the form of observations, but also recommendations. Up to now, they verified their implementation, either following an adversary process or during the next audit.

Article 107 of act no. 2015-991 of 7 August 2015 on the new territorial organisation of the Republic (NOTRe act) gave a new dimension to this approach by incorporating the follow-up of these observations over time. It provides that, within one year of the presentation of the final report to the deliberating body, the executing authorising officer of the local authority or the chairman of the public inter-municipal cooperation establishment (EPCI) with own-source tax revenue shall present, in a report to that same body, the actions that is has taken on the basis of the findings of the regional chamber of accounts, which is the recipient of that report.

Notwithstanding the fact that this is the first implementation of this obligation, the great diversity in

the quality of responses reflects an uneven desire for transparency with respect to the deliberating bodies and financial courts. However, a good practice seems to emerge when government authorities have been careful to support the deliberate submission of supporting documents, the completeness of which can be emphasised in certain cases.

Although it is possible overall to consider that the organisations concerned have complied with what was asked of them, the fact still remains that the law places no constraint on the executing authorising officer as to the justification of undertaken actions and that there are no penalties for those that have not taken follow-up actions on the recommendations.

In accordance with the provisions of Article L. 143-9 of the financial courts code, the annual public report of the Cour des comptes offers, for the first time, an executive summary of the reports on follow-up of recommendations made by the regional and territorial courts of audit (CRTC). These provisions apply only to the auditing of accounts and management and concern local government authorities only (municipalities, *départements*, regions) and the public inter-municipal cooperation establishments (EPCI) with their own taxation.

# Le suivi des recommandations des CRTC en 2017

## Scoring of CRTC recommendations followed up on in 2017

Score	Number of recommendations followed up on	As % of number of recommendations
Fully implemented	673	39,5 %
Implementation in progress	531	31,2 %
Incomplete implementation	141	8,3 %
Not implemented	254	14,9 %
Now irrelevant	74	4,3 %
Refusal to implement	30	1,8 %
<b>Total</b>	<b>1 703</b>	<b>100 %</b>

Source : Cour des comptes

For this first executive summary, the period chosen by the regional and territorial courts of audit is the date of the communicability of the reports, between 8 August 2015 and 30 September 2016. The CRTC received 307 follow-up reports, which served as the basis for this executive summary, which covers a total of 1,703 recommendations, with 51 executing authorising officers not having met the legal obligation. The lack of a response from 14% of the executing authorising officers shows that the follow-up of recommendations plan is not yet fully understood by the government authorities: the follow-

up of 318 recommendations (16% of recommendations made over the period) could not be tracked for lack of a response, which will lead the CRTC to emphasise, in each of their checks, the reminder of this new legal obligation.

Although this finding must be qualified because it is the first summary of the follow-up given to the recommendations of the CRTC, 1,345 recommendations were fully or partially implemented out of a total of 1,703, or 79% of recommendations followed in 2016, compared with 72.7% for the Cour des comptes in 2017.

## Ranking of audit recommendations by area

Score	Number of recommendations followed	As % of number of recommendations
Purchasing	101	5,9 %
Accounting	429	25,2 %
Governance and organisation	410	24,1 %
Financial position	195	11,5 %
Human resources management	332	19,5 %
Asset and financial position	84	4,9 %
Relations with third parties	152	8,9 %
<b>Total</b>	<b>1 703</b>	<b>100 %</b>

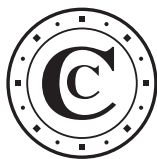
Source : Cour des comptes

## **Chapter III**

### **Progress noted by the Cour des Comptes**

1. Aid for rural electrification: an effective instrument of equalisation, which must adapt to new needs
2. Caisse nationale de solidarité pour l'autonomie: better ensured missions, but progress to be continued





# 1 Aid for rural electrification: an effective instrument of equalisation, which must adapt to new needs

FACÉ (financing of community aid for electrification rural) is an old, effective instrument to support investment in rural areas, adapted to the specific characteristics of electricity distribution<sup>1</sup> in France. Its governance is entrusted to the representatives of the main stakeholders on the networks, AODE<sup>2</sup> and distribution network managers<sup>3</sup>, under the responsibility of the services of the central government, mainly the ministry for the ecological and inclusive transition.

## An original, useful instrument of equalisation

Unlike dead zones for telecommunications, rural areas are not suffering major deficits in investments on electricity distribution networks, given that FACÉ has allowed them to be remedied. This programme supports the effort of local government authorities that, in a rural area, fund and carry out the project

ownership of the works themselves, whereas in an urban area, the funding and project ownership of the works on the networks is the responsibility of the concession holder.

The line of division of powers between the concession holder and the concession-granting authority (AODE) is based on demographic criteria: the rural area comprises cities with fewer than 2,000 inhabitants, not included in a urban unit with more than 5,000 inhabitants.

Approximately two-thirds of FACÉ's financing is devoted to improving the quality of distribution – measured in terms of continuity of supply and voltage. The focus is particularly on the reduction of “bare wires”<sup>4</sup>, particularly vulnerable in bad weather.

Equalisation is ensured in two ways: between territories, by a levy on revenues of concession holders to finance the investments of rural

<sup>1</sup> Electricity distribution covers its medium and low voltage routing, from the source stations located at the outlet of the high voltage network to the users' meters.

<sup>2</sup> Authorities organising electricity distribution: cities and their groupings, *départemental* syndicates in particular.

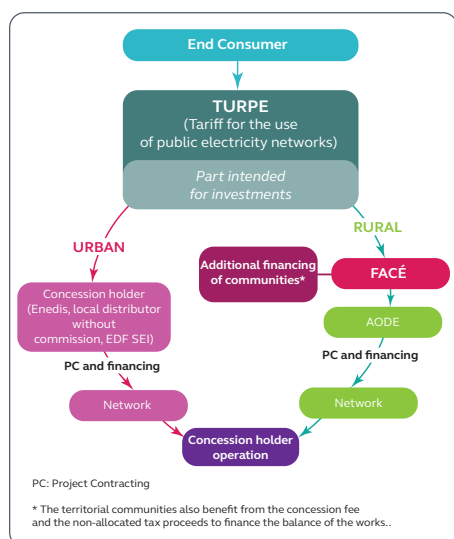
<sup>3</sup> *Enedis* on 95% of the territory; of the remaining 5%, the managers of the public distribution network (GRD) are local distribution companies (ELD) with the status of local companies or state-owned companies. In Corsica and the overseas *départements* and collectivities, *EDF Systèmes Énergétiques Insulaires* (SEI) is the manager of the public electricity distribution networks.

<sup>4</sup> This technology, widely used in the 1950s, is based on uninsulated cable, which is therefore less costly but more fragile.

# Aid for rural electrification: an effective instrument of equalisation, which must adapt to new needs

AODEs, through FACÉ, and between subscribers, by a tariff for the use of public electricity networks (TURPE), which guarantees an identical network access price for all users.

## Financing of investments on electricity distribution networks (low voltage network)



Source : Cour des comptes.

Thanks to this system, 40% of investments pertain to rural networks, while they represent 54% of the linear system and 22% of subscribers. The distribution quality and the network security across rural territories have also been improved, with an average reduction of bare wires of 4,000 to 5,000 km per year, i.e., a prospect of complete elimination in 10 years.

Managed by Caisse des dépôts et consignations starting in 1936, then by EDF from 1947 to 2011, FACÉ was transformed into a special budget (CAS) starting in 2012, with its revenue constituting a mandatory contribution justifying the Parliament's control and the application of the LOLF5.

The deployment of the reform led to real difficulties in implementation and caused delays in the works and the payment of companies. Management problems – on the organisation of the revenue stream with a proven risk of loss of revenue or the provision (not compliant with the LOLF) of EDF employees in particular – were also discovered by the Cour des comptes. The recommendations made at the time have been widely implemented since then.

## The challenge of adapting to changing needs

Today, increasing climate hazards, demographic tensions in certain southern and coastal rural areas, as well as distribution quality demands related to the increase in electronic devices are changing the investment priorities, whereas the CAS was created on the basis of constant programmes.

The rules of FACÉ are not suitable to the needs of overseas territories, without any common measure with those of mainland France, particularly with regard to initial electrification because of strong demographic growth.

<sup>5</sup> Organic law no. 2001-692 of 1 August 2001 relating to finance acts.

# Aid for rural electrification: an effective instrument of equalisation, which must adapt to new needs

The energy transition is causing disruptions for the electrical system: intermittent, decentralised electricity production, resulting in influxes in the distribution network, rapid rise of electric vehicles, development of short loops between production and consumption, auto-consumption, and emergence of electricity storage.

In this context of a changing electrical system, network owners and managers must implement new scalable solutions to optimise the existing infrastructure. By law, the central government has a role of regulation and supervision with regard to other players.

These challenges require a change in the content of FACÉ's programmes, their mode of financing (consideration of returns on investment, expansion to other contributors), and an expenditure evaluation effort.

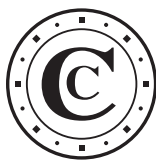
Such a change is possible in keeping with FACÉ's rural mission, without an increase in its budget or changes in its rules, the focus of which continues to be the extension, reinforcement, and securing of networks. It can be on the basis of existing laws, as the current rules make it possible to support works having the effect of delaying the reinforcement of networks or making it unnecessary, in keeping with the jurisdiction of the AODEs and the contractual relations with the concession holders.

FACÉ's length of service, originality, and the place of elected officials in its governance do not rule out its inclusion in a strategy for the future, in order to make it a powerful tool to serve the development of the territories and the energy transition.

## Recommendations

1. (ministry for the ecological and inclusive transition, rural electrification council): assess, in cooperation with the stakeholders, the expected changes in the electricity distribution model that will have an impact on the investment needs on the networks and the works;

2. (ministry for the ecological and inclusive transition, rural electrification council): focus FACÉ's financing on priority investments for the quality of electricity distribution and the energy transition by diversifying its allocation methods and revamping its rules of intervention.



## 2 Caisse nationale de solidarité pour l'autonomie : better ensured missions, but progress to be continued

The Caisse nationale de solidarité pour l'autonomie (CNSA - national solidarity fund for autonomy) was created by the act of 30 June 2004 relating to solidarity for the autonomy of seniors and persons with disabilities. Thanks to the health insurance credits that it manages and its own resources, CNSA devotes more than €23 billion to finance autonomy assistance policies for seniors and persons with disabilities. It has a dual mission:

- it divides allowances intended for medical-social institutions and services (ESMS) between the regional health agencies (ARS), and it allocates financial assistance to *départements* to contribute to the financing of the personalised allocation for autonomy (APA) and the disability compensation benefit (PCH);
- it coordinates the networks of local players working in the field of autonomy assistance: regional health agencies, *départemental* councils, and *départemental* homes for persons with disabilities.

In its previous report on the "implementation of the CNSA's missions", published in October 2013, the Cour des comptes made a number of observations and

recommendations for the CNSA and its supervisory authorities. Following a new audit conducted in 2017, the Cour des comptes made the following observations:

**After a dozen years in existence, the CNSA has now established itself as a key player in the medical-social landscape**

**Continuously expanding missions to which CNSA has managed to adapt**

Since its creation, CNSA has supported an increasing number of missions reserved for it by successive texts. Recently, its responsibilities were again substantially extended by the act of 28 December 2015 on the adaptation of society to ageing, which particularly entrusted it with a mission of informing the general public, which involved the establishment of an Internet portal for information and guidance for seniors and those close to them<sup>1</sup>.

**Legitimacy now recognised**

The CNSA is now recognised as a key player by all medical-social players at both the national and local levels.

At the national level, the CNSA's principal contact is its main ministerial

# Caisse nationale de solidarité pour l'autonomie : better ensured missions, but progress to be continued

supervisory division, the directorate general of social cohesion. The interweaving of their respective fields of intervention requires sustained consultation.

At the local level, the CNSA does not have its own territorial network. However, it has close institutional ties with regional health agencies, which recognise its legitimacy. The balance is more difficult to find with the *départemental* councils, decentralised government authorities whose autonomy is constitutionally guaranteed. However, the law makes the CNSA responsible for ensuring equal treatment of users across the national territory. The CNSA's technical competence is not disputed, though, so its interventions are well accepted overall.

**Progress has been made, particularly as regards the distribution of resources between regional health agencies, but it must be continued**

**Supervision of medical-social programming: a mission that remains to be clarified**

The act on modernisation of our healthcare system of 26 January 2016 eliminated regional medical-social organisation schemes in favour of a cross-cutting regional health project intended to incorporate medical-social programming. The CNSA's role in this new medical-social programming does not appear clearly and must be

clarified, as the Fund is responsible for the fair distribution of resources to the ARSs.

**Fair distribution of budget appropriations between ARSs: progress to be solidified**

Progress has been made in this area since the last audit by the Cour des comptes. The practice of the national reserve, which consisted in some of the new measures on a ministerial decision, outside of the criteria for distribution of credits to ARS, and which the Cour des comptes had criticised in its previous report, was thus eliminated by the ministers concerned on 31 August 2017.

In addition, the criteria for distribution of credits to the ARSs were revised in April 2017 to better reflect the various needs for medical-social support according to the local populations, in accordance with a prior recommendation by the Cour des comptes. However, it is regrettable that the application of these new criteria is, for the time being, limited to the "flow" of creations of new spaces and does not concern the "stock" of established places, so as to significantly correct the disparities inherited from history.

**Slow progress in knowing the costs**

The Cour des comptes had been critical in its 2013 report about the level of knowledge of the costs and the prices of medical-social institutions and services by the CNSA, which is an essential prerequisite for carrying

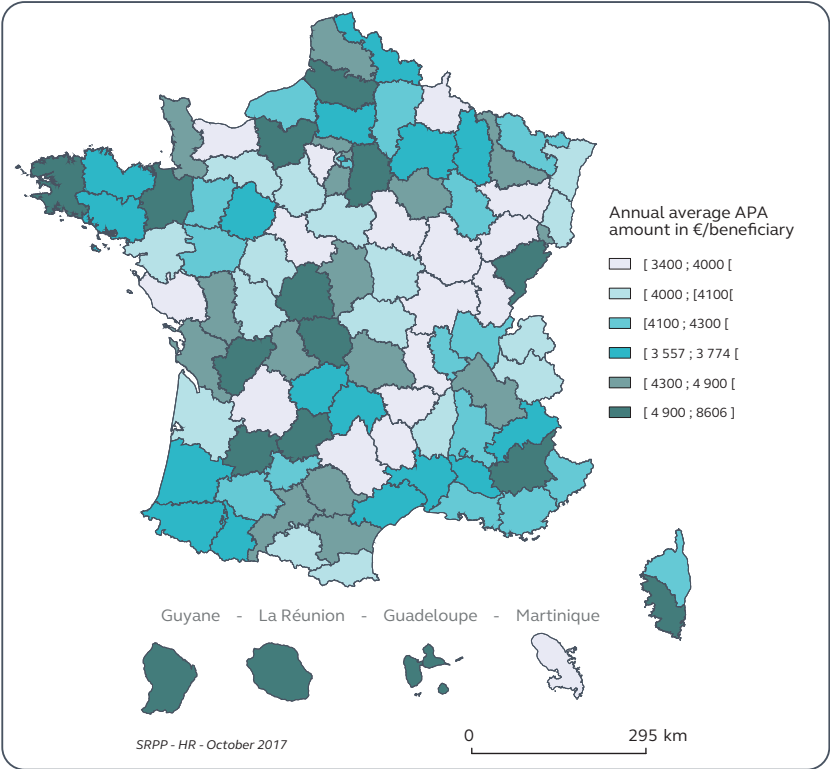
# Caisse nationale de solidarité pour l'autonomie : better ensured missions, but progress to be continued

out its mission of equal treatment of users across the national territory. Since then, the CNSA has undertaken significant work: three cost studies have been launched in the medical-social field, concerning respectively institutions hosting dependent seniors (EHPAD), institutions for persons with disabilities, and home nursing care services. These initiatives constitute undeniable improvements, but they are progressing slowly.

## Investment assistance drying up

Since 2006, the CNSA has undertaken an action to support the modernisation of the property stock of ESMSs through investment assistance plans, the cumulative amount of which reached more than €2.1 billion between 2006 and 2016. However, these plans are financed by the CNSA's surpluses (improperly considered "equity"), which are gradually drying up (€744 million at the end of 2015 versus €297 planned for the end of 2017). The question of their future financing therefore arises.

Annual average amount of the APA per beneficiary (2014 data)



Source : Cour des comptes à partir de données DGCL

# Caisse nationale de solidarité pour l'autonomie : better ensured missions, but progress to be continued

## Individual allocations (APA and PCH) continue to be affected by major territorial disparities

### Persistent territorial disparities in the compensation of individual aid

The CNSA contributes to the financing of the APA and the PCH through assistance allocated to the départements and is charged by the social action and families code with contributing to the equal treatment of beneficiaries within the territory. In practice, the annual report on local governments finances published by the Cour des comptes in October 2017 notes persistent territorial disparities in the amounts allocated to beneficiaries of the APA (for which the average expenditure per beneficiary ranged from €3,461 in Lozère to €8,606 in French Guiana in 2014) and the PCH (average expenditure per beneficiary between €2,812 and €9,407 in 2015).

## Progress to be made in the fight against territorial disparities

Two factors give hope for an improvement in this area: the act of 28 December 2015 relating to the adaptation of society to ageing allows the CNSA to recommend that the medical-social teams of *départements* follow best practices in the allocation of the APA; with regard to the PCH, the prospect of having a common information system for MDPHs in 2018 should improve knowledge of its allocation conditions.

Another lever available to the CNSA is financial equalisation in the payment of its aid to the *départements*. However, although a reform of the criteria for equalisation of this assistance was adopted by the CNSA's board in 2010, it was ultimately unsuccessful, and the situation has not changed since then.

For the future, the Cour des comptes is prompted to make two new recommendations (no. 1 and 2) and to reiterate one of its previous recommendations, not yet implemented to date (no. 3):

## Recommendations

1. specify the role of the CNSA in the summary of the medical-social components of regional health projects;
2. ensure a more equitable distribution of restrictive regional allocations by applying the new distribution criteria based on the "global needs index";

3. change the equalisation criteria for the allocation of CNSA assistance regarding personalised aid for autonomy (APA) and disability compensation benefits (PCH) to make up for the territorial disparities.

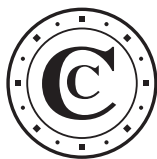


## Chapter IV

### The Cour des Comptes emphasises

1. Implementation of subsidised contracts: a necessary refocusing on the goal of employability
2. Management of traffic fines: dematerialisation complete, insufficiencies still to be overcome
3. Civic service: a successful ramp-up, a poorly funded programme with little known effects
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6. Hospital debt: precarious improvements, vigilance to be maintained
7. Tax missions of Customs: excessive costs, modernisation and simplification to be implemented





# 1 Implementation of subsidised contracts: a necessary refocusing on the goal of employability

Intended to promote the employability of individuals far removed from the job market, subsidised contracts represented a cost of €3.3 billion for the central government's budget in 2016. In 2011, the Cour des comptes found that priority was given to the management of unemployment figures and that the support and professional training of beneficiaries were not sufficient. In 2016, it observed that the results in terms of return to employment were not in line with the committed resources, particularly in the non-profit sector. The investigation conducted in 2017 confirms these findings and the need to refocus on the goal of employability.

## **A long-standing prominent place in employment policies, despite disappointing results and a high cost**

Subsidised contracts are one of the most expensive tools in employment policy. However, they are not very effective in terms of employability, particularly in the non-profit sector.

At least until 2017, they were mobilised in reaction to unemployment figures. Accordingly, the target volumes for each type of subsidised contract have often been revised upwards after the

adoption of the initial finance act, and the financial allocations passed by vote are frequently exceeded.

The goal of reducing unemployment statistics has also led to giving a prominent place to the non-profit sector. This preference does not take into account significant windfall effects and crowds out other tools that are more effective in terms of return to employment. In this regard, the Cour des comptes regrets the choice in 2017 to reserve the available resources only to the non-profit sector, especially since the priority given to the needs of certain employers again pushes the goal of employability to the background.

## **An essential tightening of implementation methods in order to guarantee effectiveness and budgetary control of the system**

The decrease in the number of subsidised contracts likely to be entered into and their announced refocusing around the single goal of employability are headed in the direction recommended by the Cour des comptes. However, their effectiveness will depend on the conditions of their implementation.

# Implementation of subsidised contracts: a necessary refocusing on the goal of employability

The reduction of the volume of subsidised contracts must be the opportunity for a refocusing on the people for whom they are best suited, i.e., people who cannot be guided directly to more intensive training programmes and whose situation does not require comprehensive support.

In addition, support and training must be made effective for all beneficiaries. Very insufficient up until now, the support provided by the public employment office is still not supervised by the authorities, although Cour des comptes recommended it in 2011. Employers' obligations must also be better respected.

Lastly, the financial control must be reinforced. The recurring variances between forecasts and actual figures illustrate the need to make the prefects and the public employment office accountable for compliance with the financial allocations.

The Cour des comptes takes note of the ministry's desire to better articulate the employment/training/support approaches and reform the management scheme for subsidised contracts to ensure compliance with the financial allocations. It will be particularly vigilant on the methods for implementing these guidelines..

## Recommendations

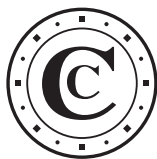
1. reserve subsidised contracts of the non-profit sector for only beneficiaries who cannot be directly guided to more intensive training programmes (sandwich training) and whose situation does not require comprehensive support ("garantie-jeune", integration by economic activity, etc.);

2. specify, on the model of "emplois d'avenir", the obligations of supporting beneficiaries of "subsidised contracts in the non-profit sector" and the arrangements for their effective access to training, in order to guarantee compliance with the commitments made in this area

by employees and the quality of the integration path;

3. each year, notify Pôle emploi, the local missions, and Cap Emploi of a financial allocation that must be respected in terms of commitment and payment, while establishing a block preventing the signing of new subsidised contracts as soon as the limit of this allocation is reached ;

4. stagger the programming of the allocations of subsidised contracts over the entire year, taking into account, in their calibration, the need to ensure support and access to effective training for each beneficiary.



## 2 Management of traffic fines: dematerialisation complete, insufficiencies still to be overcome

Against a backdrop of disappointing results since 2014 in terms of reduction of the number of people killed on the roads, the government plans in 2015 provided for strengthening the violation ticketing systems, particularly by radar.

The management of fines thus contributes to the road safety policy, in addition to prevention or information measures. Its analysis by the Cour des comptes in 2010<sup>1</sup> highlighted the shortcomings of a complex, sometimes opaque management with loose control. In 2014<sup>2</sup>, the Cour des comptes noted the improvement made through dematerialisation despite insufficient coordination of actions.

Since then, full dematerialisation of ticketing has been completed. It has resulted in steady growth of violation messages and income from fines, which represents only 54% of road safety expenditures though. However, the consequences of this evolution were not sufficiently anticipated, and

the rate of payment of fines remains insufficient.

### The dematerialisation of ticketing to cope with a sharp increase in volume

The policy of dematerialisation and development of radars was supported by tight steering of the traffic and parking fine management system, ensured by the road safety delegation, whose interministerial missions and responsibility have been specified<sup>3</sup>. It develops its action with the assistance of the national agency for automated violation processing (ANTAI), created in 2011<sup>4</sup>.

The objective of dematerialisation of ticketing has been achieved:

- the disappearance of ticketing by counterfoil book is, with some exceptions, completed for the police and the national gendarmerie. In the municipal police forces, involved later in the reform, 80% of reports are dematerialised, and the deployment of electronic equipment is effective in almost all cities with more than 50,000 inhabitants;

<sup>1</sup> Cour des comptes, 2010 annual public report, Volume I. Management of traffic fine income, p. 103-125. La Documentation française, February 2010, 666 p., available at [www.ccomptes.fr](http://www.ccomptes.fr)

<sup>2</sup> Cour des comptes, 2014 annual public report, Volume II. Traffic and parking fines: progress in management, p. 37-67. La Documentation française, February 2014, 428 p., available at [www.ccomptes.fr](http://www.ccomptes.fr)

<sup>3</sup> Decree no. 2013-728 of 12 April 2013 and decree no. 2017-667 and ruling of 27 April 2017 on the internal organisation of road safety delegation.

<sup>4</sup> It succeeded the interministerial project division for automated control (DPICA) created in 2003.

# Management of traffic fines: dematerialisation complete, insufficiencies still to be overcome

- the deployment of radars/road safety cameras (from 4,097 in 2013 to 4,700 planned for 2018) is taking place according to the planned timetable, and their availability has been enhanced with a constant rate of 92% since 2013.

An active policy of the ANTAI has helped to develop relations with 10 European countries, in order to enable the identification of drivers of cars registered in these countries and the issuance of reports in case of violations by these vehicles.

This context explains the significant increase in ticketing, by more than 10% in four years, and 40% for ticketing by radar alone, with nearly 50 million notices issued in 2016.

## **An active policy with users, a role of public prosecutors to be harmonised**

To promote the acceptability of this policy by users, information actions have been deployed on the ANTAI's website (access to one's personalised file in particular), and a platform for receiving calls from offenders has been opened. Each year, it receives more than 1 million calls and is likely to have contributed to the low increase in disputes over the period.

Lastly, thanks to the disappearance of the counterfoil book, non-regulatory disputes, i.e., without the involvement of public prosecutors, have virtually disappeared. However, despite the finding of diverse practices described in a study of the directorate for criminal matters and pardons (DACG)

in 2013, no action has been initiated to harmonise the action of public prosecutors.

## **Consequences of mass ticketing insufficiently anticipated**

The unprecedented increase in ticketing by radar, which accelerated between 2015 and 2016 (+25%), has created a bottleneck for judicial police officers, responsible for the transformation of tickets into violation notices after verification. The worsening of violation photo processing times and of the rate of transforming these photos into traffic violation notices in 2016 (although partially curtailed in 2017) reflects an insufficient anticipation of the consequences of the choice of mass ticketing across the entire processing chain. The lack of a response to problems in the vehicle registration system, duly noticed for several years, is another example of the road safety delegation's actions focusing on the ticketing step.

A more holistic approach to the management of fines is now necessary. While productivity gains seem to be confirmed for certain steps in the process, the lack of evaluation of the overall management does not make it possible to provide an assessment, although this is essential for identifying priorities for the future.

## **A disappointing payment rate**

The overall payment rate of fines remains insufficient. Close to 81% in 2010, it decreased to 75.3% in 2016.

# Management of traffic fines: dematerialisation complete, insufficiencies still to be overcome

The deployment of electronic means of payment (+ 60% in four years), which are now in the majority<sup>5</sup>, is providing no improvement. Although it contributes to a policy of simplification of public services towards users, it has no impact with uncooperative users.

Consequently, attention should be given to the rate of payment at the stage of the enforced collection of

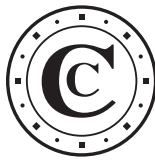
overdue fines, which remains below 30%. This unsatisfactory result is partly explained by the obsolete nature of the forced recovery software, which has multiple long-known weaknesses, but whose replacement, planned for 2013, was postponed too often.

## Recommendations

1. (Central government): conduct impact studies on decided measures for development of radars to anticipate their consequences on the traffic violation processing chain;
2. (Central government): harmonise the responses to driver disputes by public prosecutors;
3. (Central government): reinforce the management of the Rocade project and define its scope, resources, and milestones as early as possible in 2017;
4. Central government): improve the reliability of the vehicle registration system (SIV) (renewed recommendation);
5. Central government): with regard to the change of address of holders of vehicle registration documents, launch a public information campaign reminding people of the reporting obligations and penalties for non-compliance with them (renewed recommendation).

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<sup>5</sup> 61% at the fixed-sum fine stage.



### 3 Civic service: a successful ramp-up, a poorly funded programme with little known effects

Following the attacks of January 2015, the government decided to accelerate the development of the civic service, created in 2010. It was decided to eventually reach the target of 150,000 volunteers on mission in a calendar year. The objective is to strengthen national cohesion and promote social diversity.

The civic service is an original programme that stands out from other forms of contracts promoting the employment of young people. The activities of volunteers do not substitute for a job or an internship, but they are complementary to tasks entrusted to employees or public officials; volunteers are recruited solely on the basis of their motivation and regardless of their level of initial training.

#### **What is civic service?**

A programme open to all young volunteers aged 16 to 25 (30 for young people with a disability).

A commitment of 6 to 12 months, with a minimum weekly attendance of 24 hours.

A general-interest mission defined by the intake structure (non-profit organisation or a legal entity governed by public law approved) and validated by the civic service agency.

A tutor in the intake structure, who can receive training.

Mandatory civic and citizen training of at least two days.

A monthly allowance covered by the central government, supplementary support in kind or in money, and in some cases, an additional grant.

A comprehensive social insurance scheme covered by the central government

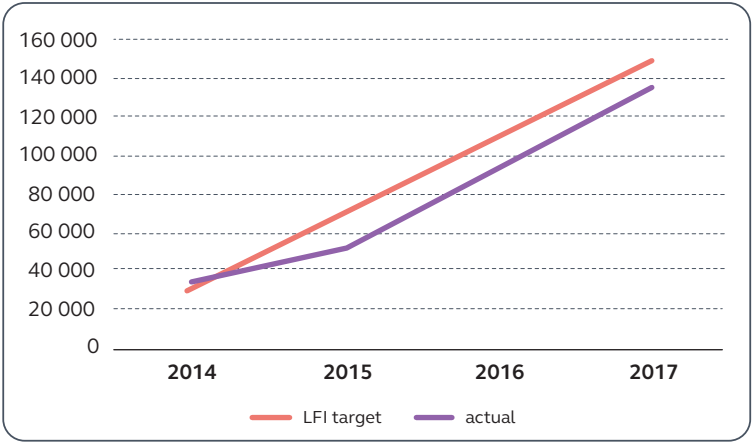
# Civic service: a successful ramp-up, a poorly funded programme with little known effects

## A successful ramp-up thanks to the sustained mobilisation of the central government's offices

As of the end of 2017, the ambitious ramp-up goals were practically

achieved. Nearly 140,000 young people were on a civic service mission during the year (or “in stock”), quadrupling the headcounts compared with the programme in 2013 and 2014.

Growth in number of volunteers (stock)



Source : Civic service agency

This rapid increase in the civic service headcount resulted from the strong involvement of the central government administration. The choice was made to retain a light control structure – the civic service agency (ASC) created in 2010 – whose operational resources have hardly been increased. However, the local offices of the central government were particularly called upon to the point of receiving additional resources in 2016 (50 FTEs).

For the intake of volunteers, beyond the major non-profit organisation partners, already involved since 2010, the central government's administration has invested heavily. Fifteen thousand new missions were

approved within it in 2015, and twice as many were approved in 2016. The top contributor is the ministry of national education (10,000 places in September 2016). However, the Cour des comptes finds that sectors such as defence and health and medical-social activities are lagging behind, just like the entire local public sector, which represents only 6% of missions offered to young people.

## Necessary thinking about the cost of this programme for the central government

The financing of the programme is now entirely supported by the central government's budget in the form of

# Civic service: a successful ramp-up, a poorly funded programme with little known effects

a grant paid to the ASC. Whereas in 2013, this grant totalled €134 million, it is expected to reach €534 million to achieve the goal of 150,000 young people in civic service. In reality, the budgetary management has been poorly controlled and has lacked realism since 2015: the appropriations voted on at the beginning of the year were deliberately underestimated in relation to the needs, and the central government committed to providing additional resources on an ongoing basis by an amending budget. The finance bill for 2018 thus confirms the target of 150,000 volunteers but ties only €447 million in budget appropriations to them.

The recommendations made by the Cour des comptes in 2014, aimed at reducing the unit cost of civic service, have not been followed. On the one

hand, with some anecdotal exceptions, the possibilities related to the mobilisation of other public or private funds (in the form of sponsorships or partnerships, for example) have not been tapped.

On the other hand, the avenues of savings have not been explored. The compensation of volunteers thus remains uniform despite differences in individual situations. Similarly, help (tutoring and civic and citizen training) is given to intake organisations, without their effectiveness being proven.

Accordingly, since 2014, the Cour des comptes has found that the unit cost of civic service has changed very little, with the variations being related to very small modifications or the profile of the volunteers (more or fewer grant recipients, for example).

Monthly cost of a young person (in €)

	2014	2015	2016	2017
Monthly cost of a young person	819	808	793	796

Source: Civic service agency

## Objectives and principles without verification of compliance

While the achievement of the quantitative goal of the civic service has strongly mobilised the central government's offices, the qualitative aspects have been neglected and have not been duly evaluated. The result is a worrying lack of measurement of civic service performance, the effects of which are still poorly understood, seven years after its launch.

It is thus currently difficult to guarantee that the 80,000 missions in progress fully respect the principles of civic service. The diversity of fields of action and intake structures limits the effectiveness of the ASC's control to detect non-compliant mission offerings. Measures should be adopted by the ASC, consisting in conducting a risk analysis and facilitating the performance of controls by alleviating the procedures while diversifying the scale of penalties.

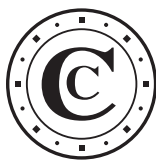
# Civic service: a successful ramp-up, a poorly funded programme with little known effects

With regard to social diversity, the policy has a purely incentive-based approach and its results remain mediocre: except for the proportion of disabled persons among volunteers, which has increased, the massive inflow of new volunteers over the last two years has not benefited the

categories targeted. With regard to the goal of social mixing in joint missions, the action ultimately remains limited to the organisation of gatherings of volunteers without the participation and impact of these initiatives being evaluated.

## Recommendations

1. introduce specific social diversity objectives within framework agreements signed with all structures offering a large number of missions (maintained but reformulated);
2. apply to the public central government public sector the ordinary law for intake organisations regarding steering, management, and control (new);
3. verify the reality of the tutoring and make the payment of financial assistance conditional on an actual implementation compliant with the ASC's requirements; otherwise eliminate the aid (maintained but reformulated);
4. adapt the level of the lump-sum compensation to the physical conditions of the mission (maintained but reformulated);
5. develop the use of public or private funds of other government authorities (maintained but reformulated);
6. give more operational content to control by relying on a risk analysis and diversifying its methods, develop the evaluation system particularly through follow-up surveys with cohorts of volunteers (new).



## 4 Digital public services in healthcare: progress to be intensified, consistency to be organised

Digital services in healthcare are a set of online health services, allowing users to perform one or more processes electronically, and digital care coordination tools primarily intended for healthcare professionals. They are intended to provide better information to patients, an increased quality of care, and an optimisation of care pathways.

In its 2013 annual public report, the Cour des comptes found a strong dynamic of teleservices in healthcare, but noted many delays and weaknesses, which led it to recommend better management of their development by the public authorities.

### Real but unequal progress

Five years after this progress report, the services aimed at better information for the insured have continued their deployment. This is particularly the case with the website *ameli.fr*, a single online services portal made available by the health insurance system. The service increased from 10 million insured accounts in September

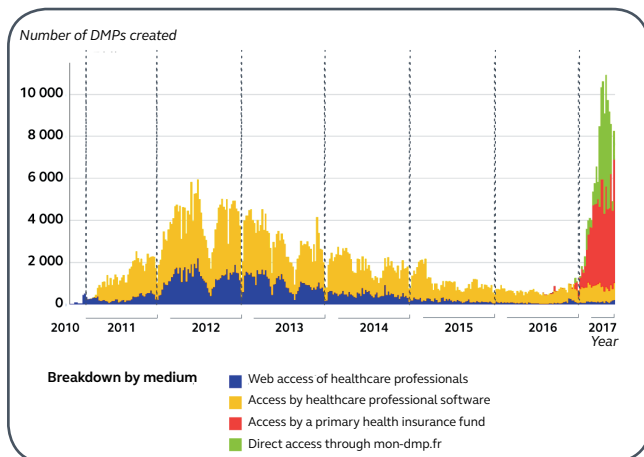
2012 to 25.3 million accounts in July 2017, with an average of 13.2 million connections per month in mid-2017.

However, the development of services aimed at the coordination of care is much slower. The deployment of the flagship project of the personal medical record (DMP) was suspended in August 2012. This decision was followed by a costly wait-and-see attitude by the public authorities: the transfer of this project in the form of a “shared medical record” to Caisse Nationale d’Assurance Maladie des Travailleurs Salariés (CNAMTS) did not take effect until 1 January 2017. During this period, merely keeping the IT system on which the DMP is based in operational condition, practically unused at the time, caused an expenditure of around €35 million.

In April 2017, approximately 10,000 DMPs per week were created, which was 40% higher than in 2012, for a deployment scope today limited to nine pilot *départements*. On the other hand, the use of the DMP by healthcare professionals has stagnated.

# Digital public services in healthcare: progress to be intensified, consistency to be organised

Growth of DMP creations since 2011



Source : CNAMTS

Advances in secure healthcare messaging, essential for the coordination of care between healthcare professionals, still remains very limited. In April 2017, only 53,000 mailboxes and 900 institutions were connected to the system put in place in 2013.

However, the development of digital public services in healthcare is already proving to be a source of significant efficiency gains. While fewer than 80% of healthcare records were electronic in 2005, this proportion is now 95%, or 1.4 billion electronic healthcare records per year. CNAMTS considers the resulting efficiency gains to be 1,485 full-time jobs between 2012 and 2016.

## Technical prerequisites to be settled

The security issue appears to be essential and thus must be integrated as a priority into all IT sites working

in healthcare, both at the national level and in healthcare institutions. Similarly, while each patient is currently known by three different user IDs in the healthcare system, the unification of the digital identity of patients must be carried out to permit their medical monitoring despite the diversity of professionals and their digital tools.

More generally, the healthcare information systems must be able to exchange data between each other without the need for any additional effort to “translate” such data. Interoperability standards have thus been enacted by the public authorities, but their corpus remains incomplete. Above all, there has yet to be a perfected interoperability standard, which would make them applicable to all players identically, despite the demands in this sense from manufacturers.

# Digital public services in healthcare: progress to be intensified, consistency to be organised

## Using digital to transform the healthcare system

Beyond the necessary harmonisation, the digital strategy in healthcare must above all strive to contribute to the evolution of medical practices and become part of a perspective for transformation of the healthcare system. Digital services in healthcare constitute the essential basis for new healthcare services and practices. The development of telemedicine – practising medicine remotely – requires, among other things, the availability of electronic records or the widespread use of a secure healthcare messaging system.

Making digital an instrument to modernise the healthcare system also requires taking much greater advantage of the major potential of healthcare data, which constitute the support material of digital services. The health system's main database, the national health insurance cross-schemes information system (SNIIRAM), is an unparalleled tool at

the international level, but it continues to be insufficiently medicalised: in most cases, medical information is still written on unexploitable paper records. Developing the medicalisation of the databases, an old goal set by law, assumes a much more active pedagogy to change the behaviours of both healthcare professionals and patients. A strong incentive for the development of electronic prescriptions appears particularly desirable: France remains one of the last five countries of the European Union where it is not deployed.

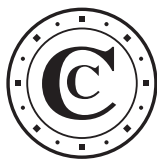
Lastly, the challenge of establishing the DMP requires active vigilance on the part of the public authorities. The opportunities offered to patients to oppose the checking of their DMP or to hide certain information in their record from healthcare professionals – except the treating physician – potentially limit the interest in making this record system widespread. They would benefit from being reviewed in the light of the actual results of the current deployment.

## Recommendations

1. improve the medicalisation of digital healthcare data by examining the conditions for setting up a coding of pathologies in city care and develop their analysis;
2. ensure the effective contribution of the shared medical record to the care pathway, if necessary

by re-examining the possibilities of blocking consultations of this record;

3. make the interoperability and security standards applicable to software publishers and intensify the work aimed at supplementing the existing body of standards.



## 5 The fight against fraud in social contributions: a policy to be revived

Fighting social contributions fraud is a priority from a financial perspective but also in the light of concerns such as fair competition, guarantees of employee rights, and acceptance of social security charges.

However, this fraud is still a poorly understood phenomenon, in particular the under-reporting of hours of paid work and the total non-declaration of unpaid activities. There is a lack of reliability and precision in estimating the total amount of contributions evaded due to fraud or errors, ranging from €6 billion to €25 billion in 2012. In this context, the national delegation for the fight against fraud should resume the steering of the work to assess this amount, to be done regularly and on a comprehensive scope<sup>1</sup>.

### Legal tools: insufficient progress

Risks of fraud have emerged or grown in connection with technological and economic developments. In particular, they may concern posted workers who, although they are working abroad, remain covered by social security in their country of origin.

The obligation to submit form “A1”, intended to certify this affiliation, is not enough to guarantee the payment of contributions or the reality of the company in the country of origin. The revision of the European regulations, in progress, will possibly remedy this situation.

The development of activities *via the Internet* also calls for increased vigilance. In this regard, social agencies, unlike the tax authorities, still have not taken advantage of the automatic transmission by the platforms of data relating to income derived from the collaborative economy.

In the case of a more “traditional” form of fraud, undeclared work among individuals, the system of penalties for impeding audits does not make up for the impossibility of carrying out home visits. An agreement signed by the central government and the professional and union federations should provide for reporting procedures.

The social security finance act for 2015 increased the surcharge on contributions from 25% to 40% in

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<sup>1</sup> Extending to all sectors, all social contributions and all forms of fraud or errors..

# The fight against fraud in social contributions: a policy to be revived

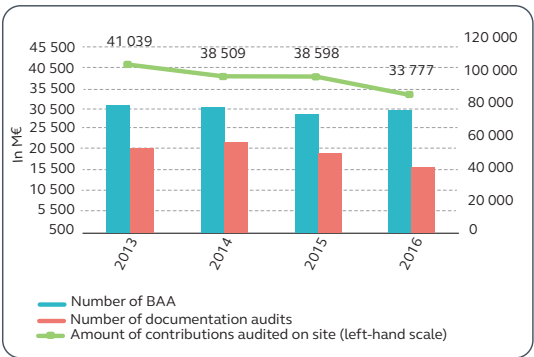
certain situations of illegal work. This increase, in limited cases, does not fill the gap, again not very justified, existing with tax fraud (from 40% to 80%). The same text strengthened the third-party ownership opposition (OTD) mechanism, which makes it possible to request the payment of the amount owed to a third party for its debts to the contributor. Nevertheless, the OTD remains less effective and less used than garnishment (ATD)

available to the tax authorities; fewer than 10 OTDs were notified in 2014 and 2015, compared with 5.4 million garnishments.

The social security finance act for 2017 stipulates that, in case of undeclared work, the URSSAFs may take seizure measures as a precautionary measure for the amounts owed by the alleged fraudster.

## Underwhelming results

Number of contribution base accounting audits (CCA) by the URSSAFs

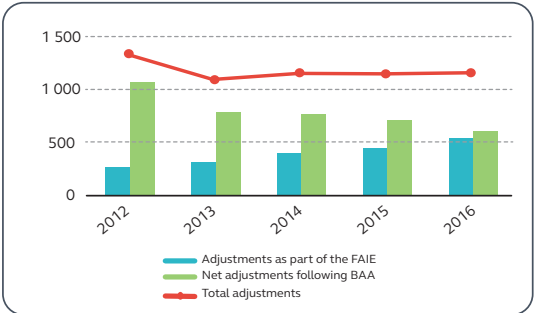


Source : ACOSS

Better targeting has led to an increase in notified adjustments due to operations related to the fight against

illegal employment (FAIE), while the results of accounting audits have declined

Change in the amount of adjustments notified by the URSSAFs, in €millions



Source : ACOSS

# The fight against fraud in social contributions: a policy to be revived

The construction sector accounts for more than half of adjustments for fraud, in the same way as Ile-de-France. Such a concentration shows significant room for improvement, particularly through an upward convergence of results of regional URSSAFs, which are currently very mixed. In addition to more ambitious objectives to be set for these organisations, improving performance requires a redeployment of URSSAF resources in favour of the FAIE, which mobilises too few auditing personnel (170 out of 1,600 agents), modernising targeting methods, creating a national scale for the biggest investigations, and strengthening inter-administrative cooperation.

## An auditing policy to be expanded and intensified

Tens of billions of euros of social contributions are under-audited or not audited. This is the case, for example, for contributions to the supplementary retirement schemes for private-sector employees (€71.2 billion in 2016), although this audit was announced by the social security finance act for 2007.

The calculation of the competitiveness and employment tax credit (CICE), which is deducted from corporate

tax, is based on total payroll. The general tax code already allows the agencies responsible for collecting contributions to verify the relevant bases. Although they were used to determine €46 billion in CICE receivables between 2013 and 2015, they were not subject to audits.

The self-employed sector mobilises few URSSAF agents, who are mostly responsible for it. In particular, actions to fight illegal work are rare, not exceeding 500 per year for 2.8 million contributors. The elimination of the social security regime for independent workers (RSI) on 1 January 2018 should not lead to a weakening of audits, but should strengthen them.

Lastly, the control by the URSSAFs of contributions payable by the central government as an employer appears to be particularly deficient. In 2016, only ten audits focused on these contributions, corresponding to a rate of 0.03%. In addition, with regard to occasional employees of the public service, the ministry of justice paid no contributions between 2000 and 2016 on their remuneration. The payments made since then have remained partial and do not settle the past debt.

# The fight against fraud in social contributions: a policy to be revived

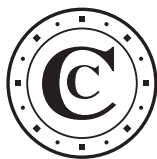
## Recommendations

1. harmonise the legal means available to the agents responsible for controlling and collecting contributions in the URSSAFs and the MSA (for the agricultural sector), between them and, as far as necessary, with those available to the tax offices (adjusted recommendation);

2. increase the number and frequency of accounting audits and actions to fight illegal work conducted by the URSSAFs and the MSA funds (new recommendation);

3. implement, without further delay, the control by the URSSAFs of contributions to the compulsory supplementary retirement schemes for employees, with a precise timetable for achievement (repeated recommendation);

4. immediately sort out all contributions owed by the central government for occasional employees of the public service with the threat of late penalties and define a policy for regular auditing of the central government as an employer (new recommendation).



## 6 Hospital debt: precarious improvements, vigilance to be maintained

### **A debt level gradually better controlled, but persistent weaknesses**

In a communication in April 2014 intended for the National Assembly, the Cour des comptes noted a surge in debt among public hospitals, having tripled in ten years to reach €30 billion in 2012. This level appeared to be critical in view of the institutions' repayment capacities, determined by the cash flow that they can generate from their operations, and called for much stricter control over their use of borrowing. In addition, these difficulties were exacerbated by the significance in the debt of certain hospitals of variable-rate loans, referred to as "toxic" because of the methods used to set interest rates based on calculation formulas that are sometimes very complex and parameters such as the evolution of the Swiss franc, leading to risks of major additional costs.

Along the lines of what had been decided for the local government authorities, the Cour des comptes had recommended establishing a system specific to hospitals to facilitate the renegotiation of these loans, by covering part of the prepayment penalty (IRA), the contractual amount of which proved to be particularly high.

The recommended support fund was established in two steps (December 2014 and July 2015) and ultimately was endowed with €400 million, including €325 million financed by the banking sector and €75 million by health insurance. Nevertheless, its scope of intervention was narrower than the one regarding the fund that had been set up for local government authorities: hospitals receiving more than €200 million in operating income (which includes all university hospitals) were not eligible for support from this fund. Moreover, it was not allowed to receive assistance from Banque de France to verify the soundness of prepayment penalties claimed by banks.

This fund enabled the renegotiation of 60 contracts, representing €300 million, which helped to reduce the risks borne by the hospitals concerned, but at the price of very large prepayment penalties: nearly €610 million, or more than double the amount of the principal remaining to be repaid. Its intervention proved to be both more costly and less broad than the intervention of the fund established for local government authorities.

The issue of structured loans has only partially been fixed: in 2016, outstanding debt involving higher

# Hospital debt: precarious improvements, vigilance to be maintained

risks still represented 1.7% of hospital debts versus 3.9% in 2012. Under these conditions, high-risk loan debt will continue to weigh heavily on the financial position of certain institutions, such as CHU de Saint-Etienne.

More generally, however, the amount of hospital debt has stabilised since 2014 and decreased slightly in 2016 to €29.7 billion. Regulations have also become more restrictive in terms of hospitals' recourse to borrowing.

Nevertheless, these favourable developments are not sufficient to strengthen the financial position of public hospitals. The hospital sector has experienced an erosion of its self-financing level – a determining factor in repayment capabilities – since 2014. In 2015, one-third of hospital institutions, including most university hospital centres, were in an excessive debt situation in the light of the criteria established by the regulations.

This fragile situation requires increased attention from hospital officials and their supervisory authorities.

## Need for better selectivity in investment choices

The surge in hospital debt has been related in particular to the implementation of investment plans encouraged by the central government and financed mainly by borrowing. Having resulted in massive spending (more than €6 billion in 2010 and 2011), these plans have not sufficiently taken into account the efficiency and reorganisation of hospital structures. In this context, the control of hospital debt requires a more rigorous regulation of hospital

investments. In this regard, the Cour des comptes had recommended establishing a prudential regulation requiring investment projects financed by borrowing to generate a minimum level (8%) of gross margin without aid.

In recent years, investment spending has decelerated, to €4.1 billion in 2016, which has facilitated the beginning of a decrease in hospital debt. However, investment spending seems poised to accelerate again in the near future. On the one hand, 22 investment projects involving works totalling €5.4 billion excluding taxes have been approved by the central government, and the corresponding projects are expected to begin soon. On the other hand, the government has announced a major investment plan for 2018 to 2022 including, in particular, a margin of €3 billion in investments devoted to hospital facilities. Lastly, the establishment of regional hospital groups (GHT) and the resulting recomposition of the healthcare offering expected by the public authorities will result in support and reorganisation investments in the shorter or longer term.

However, the prospects for financing these investments are uncertain – the combination of the increase in personnel expenses, under the effect in particular of the “professional paths, careers, and remuneration” protocol, and the limitation of operating revenue because of the necessary control of health insurance expenditure – may contribute to the further decline in self-financing. The amount of aid allocated by the central government or regional health agencies (ARS) will also be constrained, and revenues from property sales are not guaranteed. This set of factors

# Hospital debt: precarious improvements, vigilance to be maintained

could therefore push them to resort to borrowing again.

As a result, more rigorous supervision of investment choices appears necessary. In 2013, a new procedure was set up for this purpose, in the form of prior approval of the largest projects (more than €50 million in “works” excluding VAT) by the interministerial committee for performance and modernisation of healthcare offering (COPERMO), bringing together the financial ministries and social ministries. For projects involving more than €100 million excluding VAT, COPERMO is required to take into account a second assessment from the general commission for investment.

This procedure, which led to the approval of 45 projects as of the end of 2016, has forced institutions to include their investment operations in an approach to organisational

efficiency and in a sustainable financial trajectory. COPERMO relies on an analysis grid that could still be improved. Nevertheless, it adopted some major projects without taking into account all the expenses involved: COPERMO approved the project to rebuild CHU de Caen without incorporating the cost of demolishing the current building (€120 million excluding VAT).

Above all, COPERMO has not made compliance with the prudential regulation recommended by the Cour des comptes a mandatory condition for the approval of projects. It is a simple reference compared with what multiple specific, less rigorous treatments show, in particular for Assistance publique-Hôpitaux de Paris, for which a gross margin rate of 5.3% was accepted for large-scale investments (€2.9 billion for 2017 to 2021).

## Recommendations

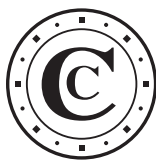
1. give a regulatory basis to the interministerial committee for the performance and modernisation of the hospital care offering (COPERMO) and use this text to specify the conditions for its approval of subsidised projects by incorporating the obligation of a margin rate of 8% and defining the possibilities of derogation from this rate on a restrictive basis (adjusted recommendation);

2. in connection with this, significantly lower the threshold for mandatory submission of projects going through COPERMO

to a second assessment from the general commission for investment (new recommendation);

3. refine the methods of socio-economic evaluation and analysis of the return on investment of COPERMO, particularly through a uniform, extensive definition of the costs taken into consideration (new recommendation);

4. require the director of the institution to submit an annual report on the debt situation and its management strategy (adjusted recommendation).



## 7 Tax missions of Customs: excessive costs, modernisation and simplification to be implemented

Customs manages a set of various taxes, representing total income of €76 billion in 2016.

In its 2014 public report, the Cour des comptes made recommendations to make the management of these taxes more efficient. Four years after this publication, the assessment of the reforms implemented by Customs is disappointing.

### Obsolete taxes with disproportionate management costs

Since the last investigation by the Cour des comptes, certain taxes, the very basis and management cost of which had become absurd, have been repealed. However, several low-yield and obsolete taxes remain in force and should undergo an overall review because of their high management cost and their low contribution to the objectives that they are intended to pursue.

Such is the case of the special tax on certain road vehicles (TSVR), commonly known as the “axle tax”. This complex tax contributes to the deteriorating competitiveness of French freight transport companies relative to their foreign competitors exempt from it.

Taxes on flour and cereals are paid by a large number of taxpayers for very small amounts, generating high costs in relation to the amount collected. These taxes, created very long ago, have lost all their meaning in the context of the single European market.

### An organisation and management to be transformed

The scope of the tax-related powers of Customs should be reconsidered, in particular for the collection of port dues, whose link with customs clearance operations is non-existent or expected to disappear soon.

The project to develop a common electronic portal for Customs and Maritime Affairs should also be completed in order to simplify the collection of the annual French registration and navigation fee (DAFN), which has an excessive management cost. Partial reimbursement of the domestic tax on consumption of petroleum products to road hauliers and taxis should be replaced by a simpler mechanism mobilising fewer staff who could be redeployed to other tasks.

# Tax missions of Customs: excessive costs, modernisation and simplification to be implemented

More generally, Customs is still lagging behind with regard to e-filing and e-payment as well as paperless returns for operators in the wine industry, which should be made mandatory. Customs should also drastically reduce the number of its local operations by concentrating its tax missions at a few sites in order to redeploy staff to targeted audits.

With regard to collection, the Cour des comptes believes that maintaining two separate central government accounting networks – at DGFIP and at Customs – is neither relevant nor effective. Since Customs has only very weak enforcement actions, the transfer of all tax collection to DGFIP should be organised.

## Recommendations

1. transfer the management of the tax on casino and gambling clubs or any tax replacing it to DGFIP;
2. reconsider the special tax on certain road vehicles (TSVR) as part of a comprehensive reform of the transport tax system;
3. put an end to the expensive system of refunds of the domestic consumption tax on energy products (TICPE) and replace it with another mechanism;
4. abolish the taxes on flour and cereals and increase the other taxes allocated to the beneficiary organisations for the same amount;
5. transfer the management of port dues to the port authorities;
6. set an early deadline for the commissioning of the proposed single electronic portal for French registration of vessels and management of the DAFN;
7. systematise and make compulsory for all taxpayers the use of computer applications enabling e-filing and e-payment of taxes managed by Customs as well as the dematerialisation of declarations by operators in the wine industry (computerised vineyard register, monthly summary declarations);
8. drastically reduce the number of local operations by concentrating the performance of tax-related missions at a few sites;
9. organise the transfer of the collection function from Customs to DGFIP.

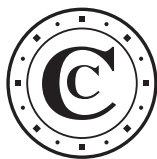


## **Chapter V**

### **Cour des Comptes warns**

1. Aid to the written press: necessary choices
2. The central government and the sports movement: better guaranteeing the general interest
3. Ski resorts in the northern Alps in the face of global warming: increasing vulnerability, the need for a new development model





# 1 Aid to the written press: necessary choices

The print media sector comprises around 3,350 companies, employs 59,000 people, including 21,000 journalists, and publishes 8,000 works. Its turnover, which exceeded €10 billion in 2000, now totals only €7.5 billion. In the light of these figures, the total amount of aid that it receives is high in absolute value terms and represents a growing share of its turnover (between €580 million and €1.8 billion in 2017 according to the adopted conventions).

Since 1985, the Cour des comptes has repeatedly questioned the relevance and effectiveness of this aid and did so again recently in two investigations published in 2013. In connection with this, it made recommendations, and some of them have been implemented, even though their scope remains limited. In addition, the inadequacies of the aid system have not been truly corrected, while the effects of the acceleration of the digital transition continue to raise questions about the methods of public intervention in this sector.

## Limited adjustments

Existing aid has undergone corrective measures with marginal effects. Aiming to rebalance the postage and

delivery of the single-issue press for the benefit of the second, the policy pursued after the general conference on print media in 2008 has resulted in both an increase in aid for delivery and a gradual increase in postal rates. Having remained limited, recent redirections of aid to delivery are not expected to significantly temper the windfall effects caused by this system, which has not resulted in significant growth in the delivery of printed press.

The recommendations of the Cour des comptes relating to the tax assistance and social exemptions in favour of the press have been only partially implemented. For example, the request made by the Cour des comptes for a review of the justifications underlying the allowance regime for journalists' professional fees (€135 million in lost revenue, including €35 million in income tax and €100 million in social contributions for the written press alone) has had no effects. The Cour des comptes also recommended that the super-reduced VAT rate of 2.1% apply without distinction to all categories of press, including online press. It was heard starting in 2014, but without settling the tax dispute arising from previous practices of certain "All online" publishers.

# Aid to the written press: necessary choices

Lastly, since 2013, the costs to the central government of direct and indirect aid as a result of the extinction of exceptional support measures presented as temporary, the decrease in compensation of postal aid, and the decrease in the turnover taxable at the super-reduced VAT rate.

## Persistent shortcomings

The aid remains fragmented in a multitude of mostly very old mechanisms to which new mechanisms have been added recently, while the scope of others has been extended.

Approximate consistency is the direct consequence. The three distribution channels of the printed press are subsidised in varying proportions, unrelated to the costs incurred by each of them: €25 million for single-issue distribution, which represents 37% of copies sold, €53 million for delivery, which represents 39%, and €121 million excluding the residual deficit left for La Poste to cover, which handles 24% of it.

The aid schemes are neither exhaustively quantified (exemption from territorial economic contributions, judicial and legal announcements, etc.) nor, for those that are, grouped together in a document allowing for a comprehensive assessment. The central government's knowledge of the economic situation of the various categories of press remains unclear and therefore does not make it possible to adjust the rates of aid accumulated by each of them, which ranges from 10% to 80% of the sales price.

As such, the aid schemes have had a poorly measured and therefore uncertain impact. The presentation of the objectives of "Press and Media" programme no. 180 and the indicators that measure its degree of achievement changed significantly in 2015, but these adjustments have actually increased the uncertainty as to the aims pursued and the effects observed. The indicators used provide only a very imperfect characterisation of the pluralism, although this constitutes the main justification for the system.

In addition, single-issue distribution, governed by the principles of the "Bichet Act" of 1947, continues to result in a recurring deficit for the main messaging service "Pressatlis" (negative equity of €310 million in 2016). This service's repeated reorganisations testify to a structural dysfunction of the system relating to the design of its overall architecture.

## Changes to be made

In addition to the need to continue adapting the existing system, it seems advisable to take a look at its methods of intervention in the light of the stakes of the new digital order.

Firstly, replacing the various aid schemes for distribution with a globalised aid scheme per digital copy or printed copy sold and reserving them for political and general information press could be considered. This aid would be adjusted according to criteria relating in particular to the specific constraints of the publications (such as national daily press and

# Aid to the written press: necessary choices

regional daily press for example), in terms of advertising resources or the isolation of territories. The single-issue distribution system needs to be modernised: the review of the legal framework introduced by the Bichet Act is necessary to break the current dead ends and to ensure the publishers' entrepreneurial responsibility for an activity that primarily concerns them.

While the consumption of online political and general information now exceeds that of paper newspaper purchases, questions should also be raised about the best way to

ensure competitive equality between traditional press players and new entrants from the digital world and about a redefinition of the scope of the players that should receive aid while the criteria of editorial area, content renewal, or minimal frequency no longer seem relevant.

Lastly, it might be possible to substitute operating or investment aid for aid in the development of digital readership for young people and for French speakers residing outside France by redeploying current direct aid.

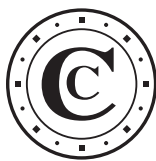
## Recommendations

### ***For the sake of transparency:***

1. include in a single budget document an estimate of the transfers made for the benefit of the sector by all the measures that constitute direct or indirect aid for the press or pluralism (new recommendation);
2. quantify in the budget package devoted to tax expenditure the cost of the exemption for journalists' employment costs (reiterated recommendation);
3. replace the existing indicators with relevant instruments to measure the pluralism of the national and local written press (new recommendation).

### ***For the sake of effectiveness:***

4. reconsider the substitution, for the benefit of the political and government information press, of the various aid schemes for distribution, delivery, and postage, with a per-copy aid scheme for those sold per issue and by subscription, whether in printed or digital versions, adjusted according to the characteristics of the titles (reformulated recommendation);
5. overhaul the legal framework of the distribution of single-issue press to bring it closer to the ordinary law of companies (new recommendation).



## 2 The central government and the sports movement: better guaranteeing the general interest

In its January 2013 thematic public report “Sports for all and high-level sports: for a new direction in the central government’s policy”, the Cour des comptes noted the exhaustion of the French sports model put in place in the early 1960s, which was based on strong involvement of the central government at all levels. It demanded that the central government measure and redirect its policy with regard to the sports movement to focus on its undisputed role as guarantor of the general interest and regulator. The expected movements in this direction have only been very limited. The in-depth reform of relations between the central government and the sports movement remains to be carried out.

### Very little change in the conditions of the central government’s involvement

The central government makes financial and human resources available to the sports movement – the 114 sports federations and the French national Olympic and sports committee (CNOSF). They are granted without any real consideration in return.

The central government’s financial commitment to sports federations is materialised in grants that totalled €83.5 million in 2016. These grants are awarded within the framework of the multi-year objectives agreements signed by the central government and the federations. However, the possibility for the central government to assert its objectives of general interest through them is largely fictitious: the agreements are standardised and reproduced without major changes, regardless of the size, the financial strength of the federations, and the development issues attached to their sports. They continue to be granted to rich federations for which the central government’s financial contribution constitutes only marginal additional resources<sup>1</sup>. The central government negotiates these agreements with one of its agents placed with the federation, the national technical director (DTN), which limits the disconnect from the federation to determine the terms of a document that claims to be structuring but in fact is not.

In addition to these financial contributions, the central government provides human resources to the

# The central government and the sports movement: better guaranteeing the general interest

federations by placing 1,600 of its agents, sports technical advisors (CTS), at a cost of €121.2 million in 2016. There they perform the duties of DTN, national coach, or national or regional technical adviser. At the request of the Cour des comptes, the central government put an end to unfair practices by regulating the additional remuneration paid by the federations and by regularising the bonus payment system. It also strives to better monitor its agents and has established a code of ethics to prevent abuses regularly found in audits conducted by the Cour des comptes (unauthorised paid private activities of coaches, including within foreign federations).

As significant as they may be, these changes do not allow the central government to control the distribution of CTSs between federations or the action of agents whose functional relationship with their “placement” federation remains predominant and whose primary mission according to the sport code is “to implement the sports policy defined by the federation”<sup>2</sup>. For the first of them, the DTNs, who often have purely federal additional responsibilities (management of offices or federal frameworks more numerous than the CTSs), the relationship with the chairman of the federation outweighs the attachment to the central government. Even more than the multi-year objectives agreement, the framework agreement on CTSs signed between the central government and the sports federation is devoid of substance.

## Imperfect autonomous management, incomplete solidarity

The central government therefore contributes substantial resources to the federations, without such support being true levers to encourage sounder, indisputable management of the federations and greater solidarity within them or between them. However, there is considerable room for improvement in these two areas.

The internal governance of the federations is generally onerous and poorly controlled. In exchange for the indirect election of leaders by the regional or *départemental* structures in many federations, particular attention is given to the “big voters”: granting of positions of responsibility with the costly increase in commissions and committees and invitations to events in France or abroad – even more sources of significant spending. The checks and balances are weak or non-existent (minorities excluded from governance bodies, ineffective supervisory authority such as the “High Authority of Football” created in 2011 within the FFF). The weakness of the associative democracy favours the retention of long-term management teams, which contrasts with the rapid turnover of ministerial posts, and the temptation of management facilities for executives (granting of staff housing, use of credit cards, lack of formalised rules for contracting).

Another weakness of the federal management is the inability of most federations and the CNOSF to

<sup>2</sup> Article R.131-16.

# The central government and the sports movement: better guaranteeing the general interest

control their territorial organisations and correctly assess their financial positions, which are never consolidated. This empowerment of the territorial network leads to questionable situations: the swimming federation is unable to get its affiliated clubs to pay back to it the federal share of sports licenses, representing a loss of €3.6 million, the equivalent of the central government's subsidies; local clubs or leagues whose situation is comfortable receive allowances from their federation although they also receive generous subsidies from local government authorities.

Solidarity within the sports movement, a principle supported by the sport code for relations between professional and amateur sports, exists within federations that incorporate a professional league (football, rugby). However, these transfers do not exhaust the potential for redistribution in favour of sport development. Audits of the FFF and the FFN conducted by the Cour des comptes have revealed "dormant" resources within these federations, both at the federal and territorial levels: abundant and rapidly growing association funds and cash, high financial independence ratios, and negative working capital requirements. There is room for manoeuvre that could be used voluntarily for the development of sports practice and amateur sports.

Solidarity between disciplines is in principle ensured by "the contribution on the sale of sports event or competition broadcast rights to a television service", known as the "Buffet tax", allocated to the French

national centre for the development of sport. Excluded from this contribution are events marketed, including on the national territory, by operators located outside France, such as the UEFA or "World Rugby". This results in an estimated shortfall of €17.5 million<sup>3</sup>. A first attempt to broaden the tax base in the supplementary finance act for 2013 was rejected by the Constitutional Council. Discussions of this matter must be reopened.

## A regulation to be reviewed in depth

The central government must redefine its relationship with the sports movement, focusing on its role as guarantor of the general interest.

It has the legal means to do so, even outside of any financial intervention. The main federations are beneficiaries of a public service delegation that gives them a monopoly in the organisation of national championships and responsibility for France's teams. These delegations have a high economic value: France's men's football team alone generates €78 million in net revenue for the FFF. Granted today by a simple four-year order by the director of sports, they must be activated and serve as the basis for a demanding dialogue between the central government and the sports movement on all federal responsibilities that are of general interest (ethics, democratic nature of governance, training of young players, etc.). The delegations would therefore be conditional on the signing of a strategic contract that would replace

# The central government and the sports movement: better guaranteeing the general interest

the existing agreements devoid of any real content.

As public service delegates, the federations must comply with the ethical principles and the rules of ineligibility for dishonesty or the limitation of the number of offices held. There is also the question of the application of the provisions of order no. 2015-899 of 23 July 2015 on public contracts that provide guarantees regarding transparency

and equal treatment of candidates for the awarding of contracts.

Lastly, in a sports world where the weight of international federations is increasingly predominant and where they claim a quasi-absolute principle of self-regulation, with the excesses that have come to light, France must promote the emergence of rules and international cooperation, notably through increased involvement of the European Union.

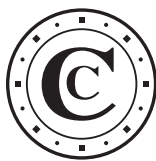
## Recommendations

1. redefine the criteria for allocation of financial resources and sports advisers to federations (recommendation maintained);
2. uphold the principles of ethics and public service:
  - set rules for good governance of sports federations (in particular on the limitation of the number of directors' offices), if necessary by legislative means (recommendation reformulated and clarified);
  - urge the sports federations to integrate the main provisions of the 2015 public procurement ordinance (freedom of access to ordering, equal treatment of candidates, transparency of procedures) and clarify the conditions for its application to the sports movement (new recommendation).
3. rethink the "Buffet tax" to permit its application to all rebroadcast

rights sold to French broadcasters (recommendation reformulated and clarified);

4. establish the relationship of the central government and the federations on the basis of the public service delegation and bring together the objectives and performance agreements and the framework agreements relating to CTSs in a strategic contract (new recommendation);

5. take the initiative of European and international discussions to develop international cooperation pertaining to, first and foremost, the conditions of hosting major sporting events and the tax requirements of international federations (recommendation reformulated and clarified).



# 3 Ski resorts in the northern Alps in the face of global warming: increasing vulnerability, the need for a new development model

Because it represents an essential asset for their development, winter tourism has been structuring mountain territories for several decades. However, global warming is adding to the qualitative changes in the demand to change the conditions of an operation that remains largely city-run; the search for territorial solidarities is becoming more and more important.

## Unsuitable governance

Unlike the main competitors (United States, Austria, Italy), the snow economy in France has specific characteristics that make it difficult to operate its ski areas in a public law system, imposing specific constraints, particularly on the management of ski lifts.

In France, ski resorts are mainly the responsibility of cities and sometimes groupings of cities. The government authorities concerned generally entrust the operation of the main facilities to appointed companies.

As a result, the management of ski areas is characterised by the juxtaposition of delegation contracts;

in fact, only ski lift operators can ensure their consistency.

The shortcomings of this management model were outlined in the 2011 public report. Returning to the question in a comprehensive investigation, the regional chamber of accounts of Auvergne-Rhône-Alpes noted the absence of any significant changes.

It is a fact that government authorities, often of modest size, do not have adequate means to control all the facilities and the associated financial flows. Up against strong professional operators, and without groupings among cities, contractual relations remain unbalanced. Investment programming, largely dependent on concession companies, increases depreciation periods beyond the standards. Pricing and marketing policies also make it difficult to put contracts into competition while they provide their holders with significant profitability.

As for the revenues that local government authorities derive from tourist activity (tourist tax, ski lift tax, occupancy fees), they could often be optimised.

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## Vulnerability in the face of climate change

The reduction of snow periods, like the insufficient snow cover, are weakening particularly the ski areas with the lowest altitude (below 1700-1800 metres). While the financial position of the cities concerned remains satisfactory overall, their margins are shrinking, and difficulties are arising for low-altitude resorts.

Artificial snow or the opening of new, higher slopes undoubtedly allow high-altitude areas to maintain their attractiveness and profitability, but such facilities, part of the costs of which are the responsibility of government authorities, cannot provide a lasting answer to overcome the vulnerability of mountain resorts at low and medium altitudes.

## For a more balanced and diversified collective approach

Against a backdrop of stagnation or regression of activity, the contraction of financial resources requires greater pooling on expanded scopes. Various players are beginning to implement this.

In Drôme, where the *département* runs the low-altitude resorts, the analysis of the activity and its evolution led to the definition of a “2012-2020 mountain strategy”, involving a redirection towards summer activities and the winter closure of a resort.

In Savoie, the *département*’s semi-public enterprise Savoie Stations Participations (SSP), which has resources from the operation of a large resort, is developing a dynamic

strategy of advising and investing with other areas to promote accommodation and rehabilitation of lodging. Similarly, as in Courchevel, groupings or mergers of cities are enhancing consistency between the administrative structures and the managed areas.

The pursuit of these approaches must also be able to rely on new legislative provisions providing for the formation of groupings of delegating authorities or the development of resorts within the framework of new tourist units.

## Better incorporating environmental concerns

The tourism facility management framework provides little room for environmental considerations. In particular, operating contracts do not include quantified targets in this area, whether for energy or fluid consumption, the use of artificial snow, or access to the resort.

The size of most of the cities or groupings of cities concerned exempts them from the obligation to define a territorial “climate/air/energy” plan.

## Diversifying the prospects for development

A more diversified offering of activities must make it possible to maintain attractiveness and achieve a more balanced occupancy over the year. However, it implies significant investments for uncertain numbers of visits.

While Chamonix is managing to develop its summer activity, facilities developed for this purpose in other

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resorts are struggling to achieve their goals. This is particularly the case of the Megève sports centre or the Lagon aquatic complex in Tignes.

## **Strengthening accommodation capacities**

Adaptation to customer expectations requires rehabilitation of the under-occupied building stock with its old designs. Such operations require significant investments (for example, €3 million for the small Autrans resort), which the government authorities concerned cannot bear alone.

The competitive environment in which the ski areas are operated requires more global consideration on the existing legal and economic framework, the unsuitability of which is emphasised by certain operators.

Therefore, the Cour des comptes recommends, for the central government and the regional and *départemental* authorities, encouraging any prospect for a relevant grouping and making any allocation of aid conditional on the consideration of environmental issues.