CIPFA’s PFM Development Work

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CIPFA’s PFM Development Work

- About CIPFA
- PFM standards
  - Thought leadership
  - Changing the culture
- Education and training
  - Professional qualifications
  - Capacity development
- Practical support
About CIPFA

- The professional body for people in public finance
- Only professional accountancy body to specialise in public services
- Influences and shapes public finance landscape, promoting and supporting improved Public Financial Management globally
CIPFA support for public sector

- Setting standards and codes for practitioners
- Providing practical support to professionals and their organisations
- Educating and training professionals
Making strong PFM the norm (1): Outcomes of poor PFM are huge ...

- Implications for equity, accountability, trust and confidence in government
- Impacts service delivery outcomes, living standards, quality of life
- Affects investor confidence, economic performance, development and opportunity

‘It directly affects the quality of decision-making and gnaws away at public trust in governments.’

Steve Freer, CIPFA Chief Executive
Making strong PFM the norm (2): Fixing the Foundations ...

- In the public interest...
- A global step change in public financial management
- Growing professional capacity to sustain PFM for the long term
- Collaboration throughout the profession and with all the other players and stakeholders

‘Making a step-change in government accounting and auditing is completely within leaders’ control. The on-going crisis screams out for urgent concerted global action.’

Steve Freer,
CIPFA Chief Executive

www.cipfa.org/policy-and-guidance/reports/fixing-the-foundations
PFM Thought leadership (1)

Our partners include:

- International accountancy and finance bodies
- Audit bodies
- Professional and stakeholder groups
- Accountancy firms
- IT and software providers
PFM Thought leadership (2): Whole System Approach

Outcomes
Sustainable social benefit

Delivery of services and products

Institutional Framework

Public Financial Management

Enablers

Governance

Demand for services and projects

Stakeholder consultation

www.cipfa.org.uk/policy-and-guidance/articles/pfm-a-whole-system-approach
Good Governance in the Public Services: International Framework
PFM Thought leadership (4): WSA - Key PFM elements

- Legislation
- Standards & Codes
- Strategy & planning
- Operations
- Monitoring & Control
- Assurance
- Scrutiny
- Learning & Growing
PFM - Benefits of accrual

• Improves both for accountability and decision-making
• Allows users to assess:
  • accountability for all resources and deployment / financing
  • financial position, financial performance, and cash flows
  • ongoing ability to finance activities
• Evaluate performance in terms of service costs - facilitates benchmarking
• Better asset management
Cash to accrual transition:
CIPFA stepping stones - Approach

- Acts as the ‘How To’ guide to implement accrual accounting
- Sets out milestones for the process - reference back to IPSASB Study 14 for greater detail
- Each milestone builds on the results of the previous milestone
- Available via: [www.cipfa.org/services/international-services/professionalisation/resources](http://www.cipfa.org/services/international-services/professionalisation/resources)
- Currently only considers liabilities
Cash to accrual transition: CIPFA stepping stones guide (2)

**Suggested milestones - pre ‘go live’**

- Milestone 1: Assess the entity’s transactions
- Milestone 2: Which functions to transition and when
- Milestone 3: Opening Statement of Financial Performance
- Milestone 4: Assess system requirements
- Milestone 5: Training and guidance

**Suggested milestones – post ‘go live’**

- Milestone 6: Go live – ‘Hybrid’ period
- Milestone 7: Accrual period – some IPSAS implementation
- Milestone 8: Further IPSAS implementation
PFM – Changing the culture (1): Building the skills – UK experience

- Limited accounting expertise initially
- Training decentralised
- Some centrally-written guides
- Gradual management and external financial reporting improvements:
  - Quality and timeliness.
- Mainstream role for Finance
- Increased number of qualified accountants
- Qualified Finance Directors on Department Boards (by 2007)
PFM – Changing the culture (2): CIPFA Role of CFO Statement

The CFO in a public service organisations:

1. is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest;

2. must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation’s overall financial strategy; and

3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

4. must lead and direct a finance function that is resourced to be fit for purpose; and

5. must be professionally qualified and suitably experienced.
PFM – Changing the culture (3): CIPFA Role of CFO Statement

The Organisation:
Governance Requirements

1
2
3

The Role:
Core CFO Responsibilities

4
5

The Individual:
Personal Skills and Professional Standards

PFM – Changing the culture (4):
The CIPFA FM Model

- Strong FM as corporate responsibility
- Is financial management where we want it to be?
- Identifies priority areas for improvement
- Allows tracking over time
- Can be used to benchmark between organisations
- Can test organisational leaders skills in financial management

PFM – Changing the culture (5):
FM Model good practice statements

<table>
<thead>
<tr>
<th></th>
<th>Securing Stewardship</th>
<th>Supporting Performance</th>
<th>Enabling Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership</strong></td>
<td>L1, L2</td>
<td>L3 - L5</td>
<td>L6, L7</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>P1, P2</td>
<td>P3, P4</td>
<td>P5, P6</td>
</tr>
<tr>
<td><strong>Processes</strong></td>
<td>PR 1 - PR10</td>
<td>PR11 - PR14</td>
<td>PR15, PR16</td>
</tr>
<tr>
<td><strong>Stakeholders</strong></td>
<td>S1 – S3</td>
<td>S4 - S6</td>
<td>S7, S8</td>
</tr>
</tbody>
</table>
Questions?

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