

Realising the benefits of accrual- UK and international experience

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Realising the benefits of accrual

- UK experience of accrual transition
 - Benefits
 - Phasing the transition
 - Managing the programme
- PFM – CIPFA’s Whole System Approach
 - Keystones in Public Financial Management
- PFM Learning & Growing
 - Capacity challenges
 - CIPFA qualifications

UK experience of accrual transition: Why publish WGA? – The benefits

- **more complete** - provides a more complete picture of UK's finances - as includes provisions (e.g. nuclear), pensions, contingent liabilities, future contracts (PFI)
- **decision making** - can support longer-term fiscal decision making – better quality information for ONS
- **improve efficiency** - drives convergence of accounting practices and aligning processes. Highlights discrepancies in interpretations of accounting standards
- **transparency** – ‘making public data public’
- **accountability** - improves accountability to Parliament
- as the only audited set of data across the public sector

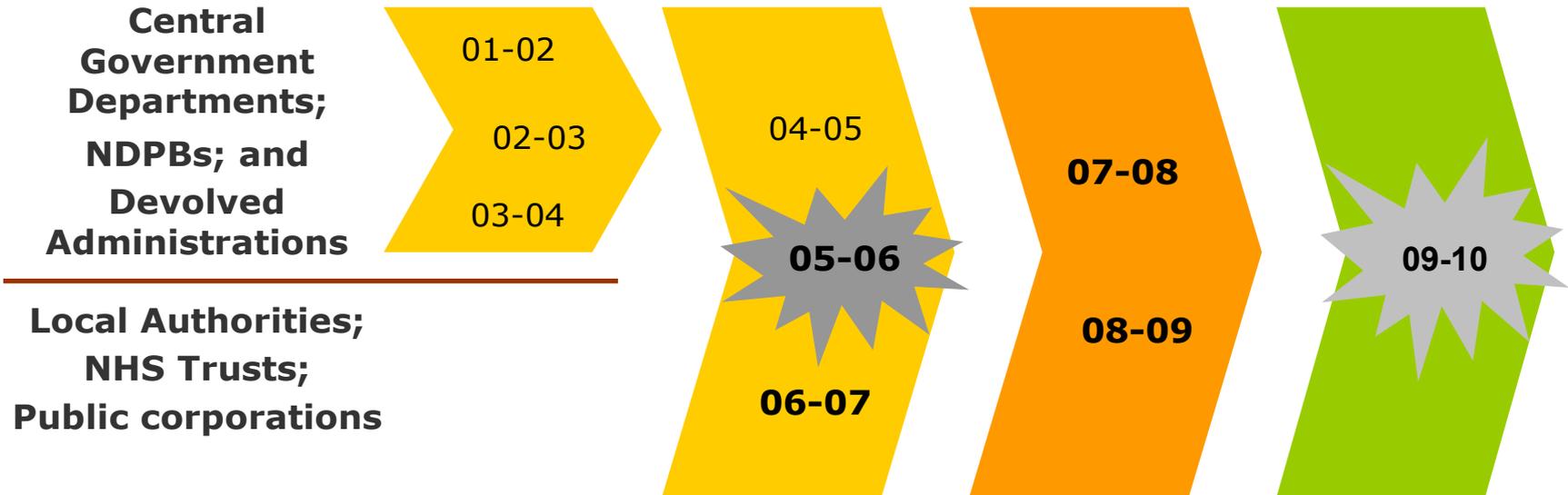
UK experience of accrual transition: Benefits of accrual budgeting

- Alignment of performance and accountability frameworks – what gets measured gets managed!
- Improved risk management and stronger value for money incentives
- Focus on asset management
- Management of working capital
- Transparent system with a single set of rules and numbers
- Less complexity if budgets and accounts are fully aligned.....

Phasing the accrual transition – Entities (1): Gradual adoption across public sector

- Public corporations – commercial accounts
- Local government – partial then full accrual
- NHS providers – accrual from creation
- Central government – departments last to implement accrual at organisational level
- Public sector consolidation – Whole of Government Accounts (WGA)

Phasing the accrual transition – Entities (2): Building WGA coverage – project timeline



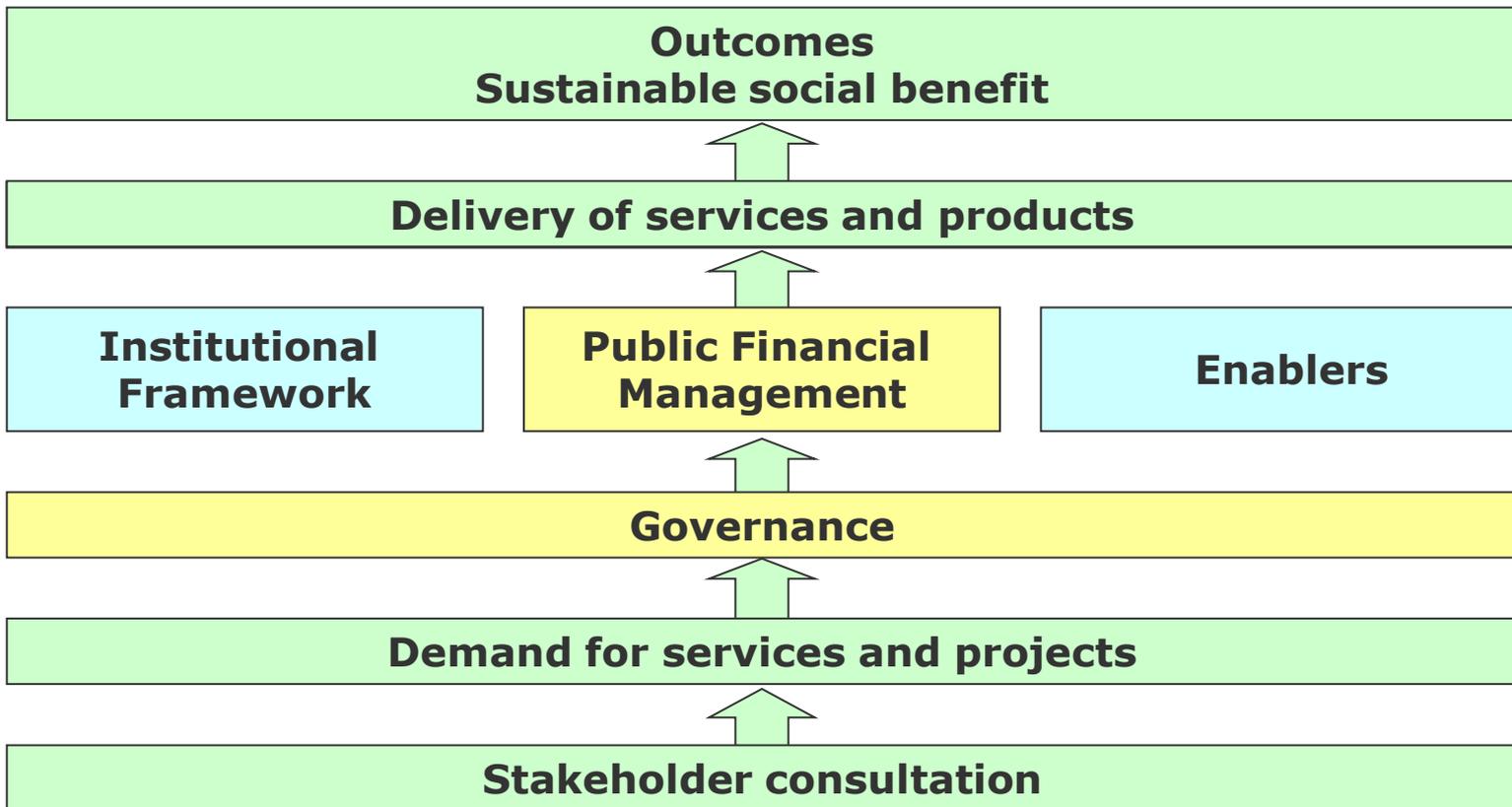
Phasing the accrual transition: Transactions / account areas

- Accrual for individual entities covers:
 - Income (local taxation & charges for services)
 - Expenditure
 - Debtors and creditors
 - Property plant & equipment
- Extension to WGA required accrual accounts for:
 - Taxation (Income and Corporation Taxes, VAT etc)
 - Debt and currency /gold reserves
 - Employee pension schemes

Managing the accrual programme: WGA data problems

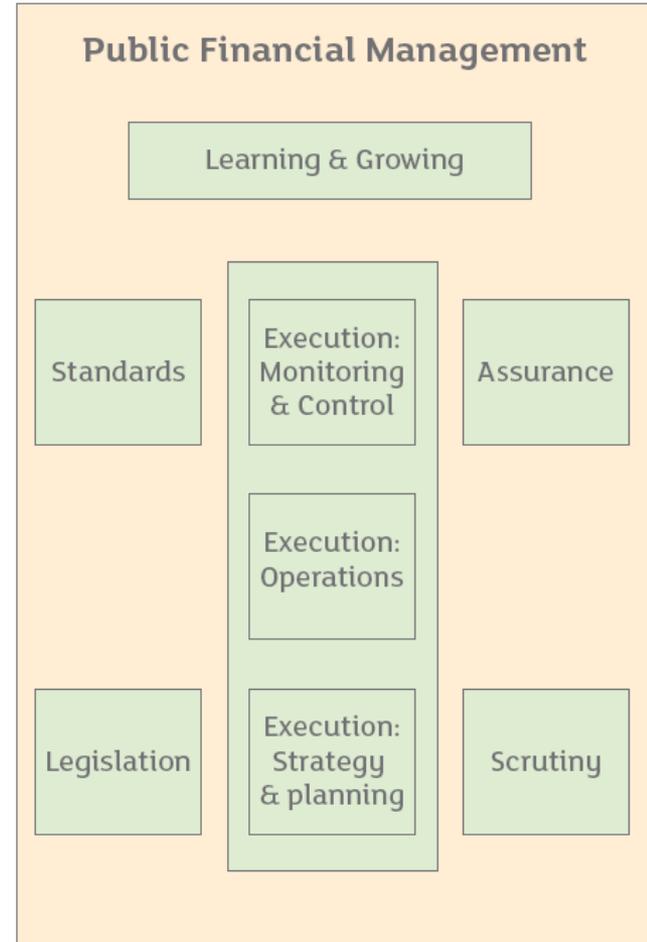
- Development of 1500 body consolidation from scratch
- Data submission rates built gradually
- Poor timeliness
- Poor data quality
- Identification and agreement of intra-government balances and transactions – large discrepancies
- Integration with other Treasury systems

PFM as part of Good Governance: CIPFA's Whole System Approach



Embedding PFM: WSA - Key elements

- Legislation
- Standards & Codes
- Strategy & planning
- Operations
- Monitoring & Control
- Assurance
- Scrutiny
- Learning & Growing



CIPFA 'Keystones in PFM' series

- **Explaining WSA key elements:**
 - Stepping Stones to Accrual
 - FM Model
 - Role of CFO in public service organisations
 - Code of Practice on Managing the Risk of Fraud
 - Role of the Head of Internal Audit
 - Emerging Stronger
- Available via CIPFA website
www.cipfa.org
- **Complementary guidance:**
 - CIPFA/IFAC International Framework: Good Governance in the Public Sector
 - Public Sector Internal Audit Standards
- Embedded in CIPFA International PFM Professional Qualification
- CPFA = chartered public finance accountant

PFM Learning & Growing (1): Cash-based financial management

- Cash-based appropriations
- Principal Finance Officers
 - No professional training requirement
 - Often 'generalists'
- Finance seen as 'backroom' function
- Score-keeping role
- Few qualified accountants
- Not critical part of decision-making process

PFM Learning & Growing (2): Appropriate Qualification type for each level and organisational need

- AAT Foundation
- AAT Intermediate level, general business degree

We encourage and support intermediate development

- AAT Technicians and Diploma
- CIPFA Certificate and Diploma Levels,
- CIPFA CertIPSAS

We encourage and support PQ training

- Full CIPFA professional qualification

PFM Learning & Growing (3): A new Professional Qualification...

- Our new PQ will be fully operational in 2016, though students at certificate level in 2015 will benefit
- We are innovating to ensure the PQ meets the needs of fast changing and increasingly diverse public services
- The PQ will better reflect the needs of public finance practitioners, based around four competency levels: Steward, Enabler & Innovator, Business Partner and Leader



Delivering a fit for purpose PQ...

- Increase the focus on commercial skills such as commissioning, contract negotiation, financial modelling, financial instruments, and partnership working.
- Provide greater portability
- Have more entry routes
- Enhance the Practical Experience Portfolio (PEP) by placing greater emphasis on the role of the employer.
- Enable greater flexibility around blended and online learning options.
- This includes a partnership with Calibrand to deliver e-learning and assessment.



PFM Learning & Growing (4): Introduction of CFOs

- Not part of original UK cash to accrual reforms
- Qualified CFOs as part of departmental boards by 2007
- CFO recruitment sources:
 - Internal promotions
 - CIPFA conversion course for experienced non-qualified PFOs
 - External recruitment – private and rest of public sector
- Challenges faced
 - Acceptance by ‘generalists’
 - Establishing role of finance / financial information
 - Saying truth unto power

PFM Learning & Growing (5): Building professional capacity globally

- Collaborative approach with local professional accountancy bodies to provide dual CIPFA membership
- 'Faculty' approach so that relationships maintained with local PAOs working with CIPFA
- CertIPSAS and translations
- Our role as capacity building individuals, public service organisations and accountancy bodies to ensure strong PFM in the public interest

Professional development for senior non-finance staff

- Training for senior non-finance staff who need a strong grounding in financial concepts but may not need or be willing to commit to a full qualification
- One year finance diploma
- Content aligned with current CIPFA syllabus to maximise stepping stone to PQ – useful step for policy staff / economists

Questions and discussion



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