

CIPFA

The Chartered Institute of
Public Finance & Accountancy

UK Government Institutions and Key PFM processes

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UK: Historically a financial world leader

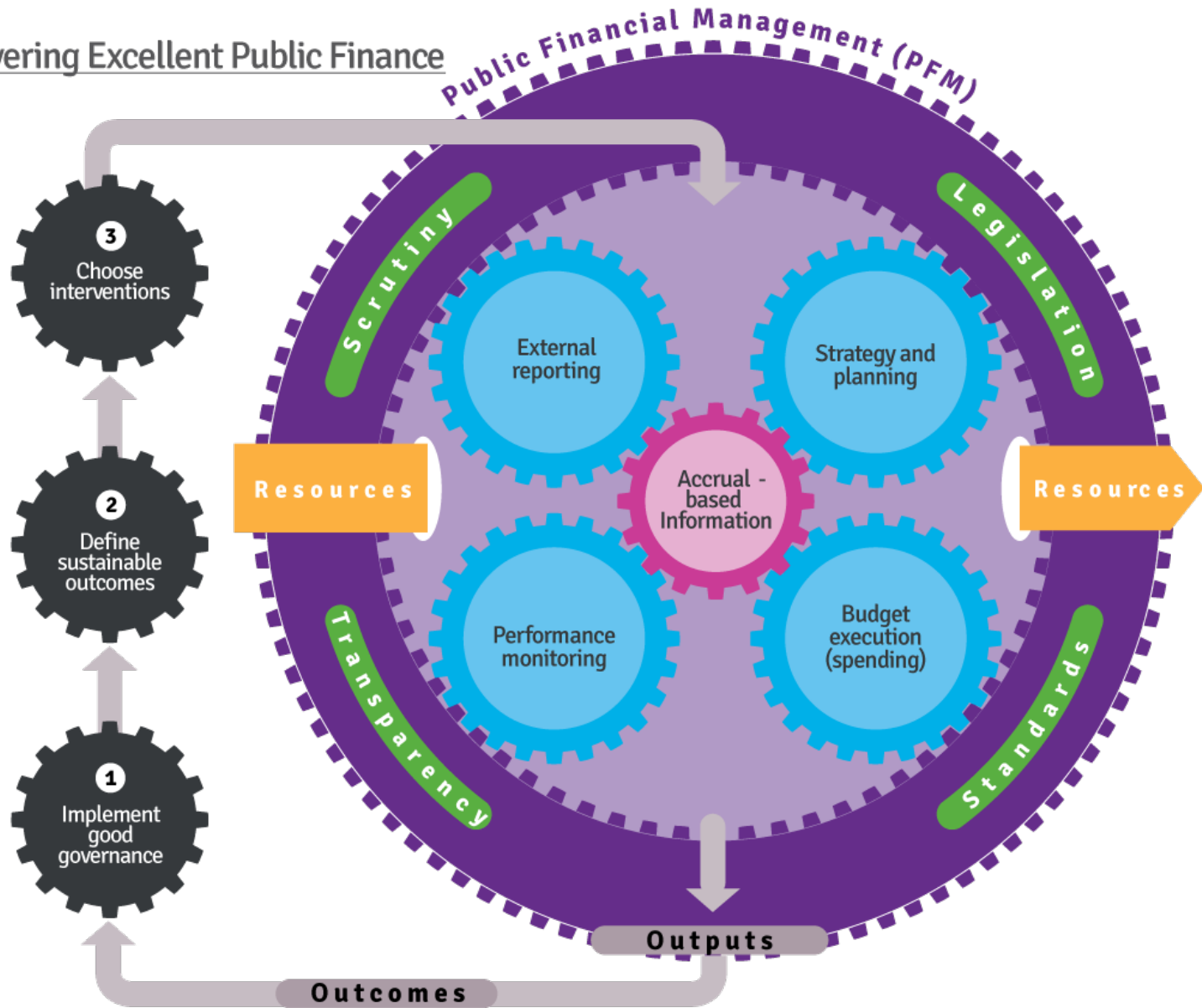
- Corporate:
 - Company structures and audit
 - Professional accountancy organisations
 - Corporate governance
 - Financial reporting
- Public sector:
 - Exchequer and Audit Departments Act 1866
(Consolidated Fund and Public Accounts Committee)
 - New Public Management – early adopter (1990s+)
- But has the UK maintained its leadership in public finance?

Delivering Excellent Public Finance: CIPFA's 'Whole System Approach' to PFM

- Framework supporting development of effective PFM at country, region/sector and entity levels
- Holistic model complementing existing assessment tools
- Emphasises need for improvement across the system – no one initiative on its own is sufficient
- Recognises there are checks and balances in every system – they must act together to make PFM effective

The whole is more than the sum of the parts

Delivering Excellent Public Finance



UK Delivering Excellent Public Finance? (1): Accrual-based information

- ✓ Accrual-based accounting and budgeting for government departments
- ✓ Accrual-based Parliamentary appropriations
- ✓ Consolidated WGA for whole public sector
- ✓ WGA data used for Government Finance Statistics / macroeconomic decision-making

BUT:

- ✗ Fiscal framework still based on net debt and GFS current budget measures – no balance sheet targets
- ✗ Delays in WGA publication

UK Delivering Excellent Public Finance? (2): Strategy & planning / budget execution

- ✓ Fiscal rules
- ✓ Spending Reviews / multi-year spending targets
- ✓ Separate current and capital budgets
- ✓ Alignment of Parliamentary estimates, departmental budgets and financial statements

BUT:

- ✗ General lack of cost data
- ✗ Output and outcome targets not consistently used

UK Delivering Excellent Public Finance? (3): Performance monitoring / external reporting

- ✓ In-year-monitoring on accrual basis
- ✓ Increasing departmental board focus
- ✓ Annual and mid-year reporting
- ✓ Accounts audited by independent National Audit Office

BUT:

- ✗ No WGA in-year reports
- ✗ 6 major WGA qualifications

UK Delivering Excellent Public Finance? (4): Legislation and standards

- ✓ Legislation covering core financial framework and reporting requirements
- ✓ IFRS-based reporting
- ✓ 95% IPSAS compliance

BUT:

- ✗ No requirement for WGA budget / targets
- ✗ 'IFRS adapted as necessary for the public sector' rather than direct IPSAS adoption
- ✗ Scope to cut more clutter / differential reporting

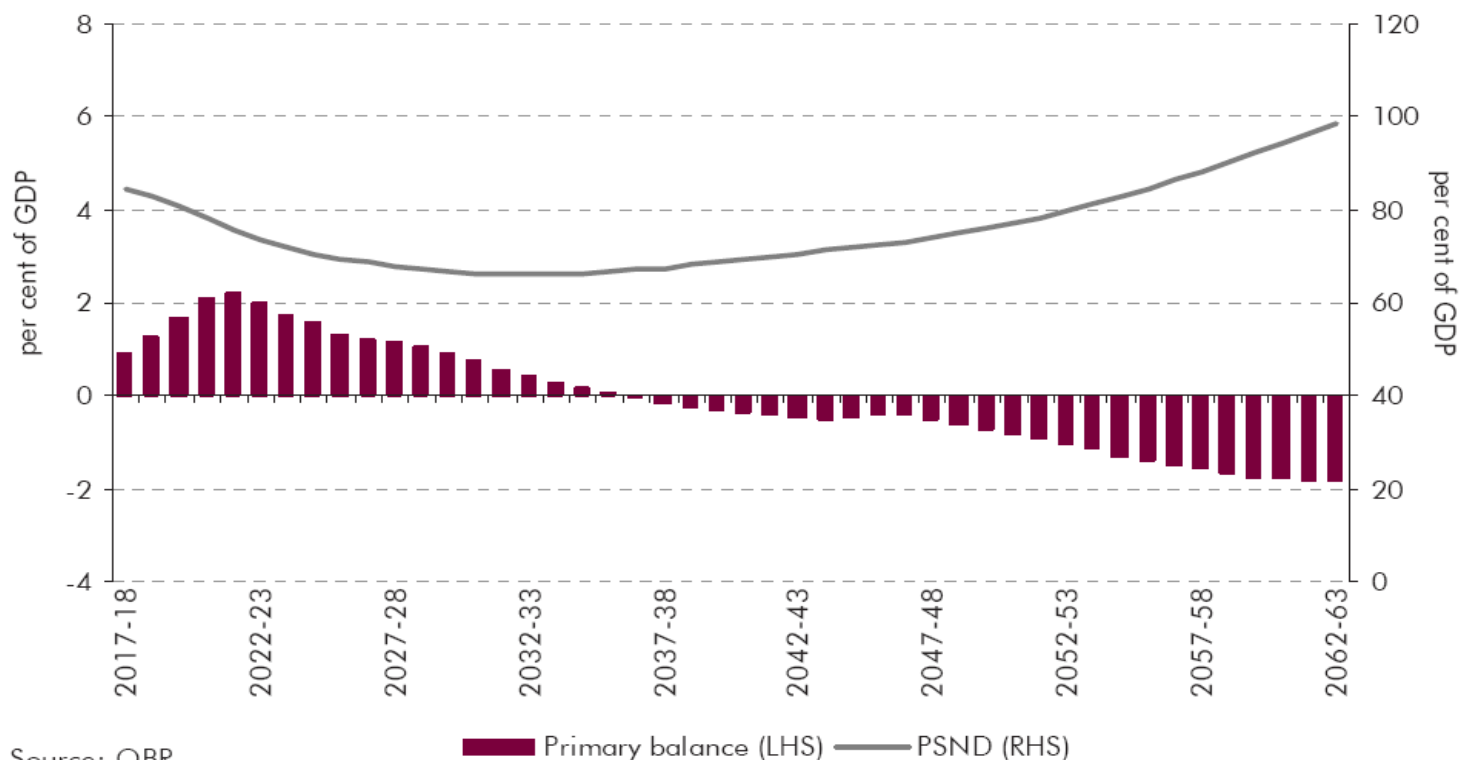
UK Delivering Excellent Public Finance? (5): Transparency / scrutiny

- ✓ Fiscal Sustainability Report (50 year forward projections) published annually by independent OBR
- ✓ All expenditure over £500 published on-line
- ✓ Accrual accounts laid before Parliament
- ✓ Parliamentary Scrutiny Unit

BUT:

- ✗ Disconnect between budget documents and outturn WGA
- ✗ How interested is Parliament?
- ✗ Ability to scrutinise VFM?

UK OBR Fiscal Sustainability Reports: Financially sustainable outputs and outcomes?



Commentary and discussion



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