



# ADVANCING PUBLIC FINANCE AND PROMOTING

## CIPFA SETS HIGH STANDARDS

*Setting and upholding standards is critically important to CIPFA. Over recent years public services have been criticised for failing to meet public and political expectations and to command public confidence. CIPFA can and does play an important role in reversing this trend through the standards which we set. CIPFA is committed to promoting the highest standards in financial reporting across the public services as well as promoting the highest standards of governance and financial management. Our financial reporting work involves us in setting the accounting standards for local government as well as contributing the public sector perspective to international accounting standards. We are increasingly bringing our expertise in governance and financial management to bear in the public services in developing countries.*

### *Financial reporting standards*

- As part of our commitment to the highest standards of public accountability, CIPFA provides secretariat support to the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee, which has responsibility for the local authority accounting Statement of Recommended Practice (SORP). 2006 saw significant changes in the required form of the main accounts to improve clarity. We also carried out preparatory work on the way financial instruments are recorded for inclusion in the 2007 SORP.
- CIPFA contributes to, and comments on, the development of international financial reporting standards and international standards on auditing and related outputs through, in particular, its Accounting and Auditing Standards panel. Key topics considered in 2006 were: heritage assets; revenue from non-exchange transactions; management commentary; audit of groups and related parties; and, the conceptual

framework of the International Accounting Standards Board and International Public Sector Accounting Standards Board.

- CIPFA, in partnership with RSM Robson Rhodes, published *Public Benefit OFRs – a catalyst for enhancing accountability*, which was aimed at widening the debate on how to improve narrative reporting by public services. Taking as a model of best practice the Accounting Standards Board's Reporting Standard 1 on Operating and Financial Review, the discussion paper asked whether the improved guidance in the Standard could be adapted for public service bodies to help them demonstrate, in a more transparent way, how services are being improved and public money is spent.
- CIPFA's own 2005 Annual Report and Accounts won a prize in the Charities Aid Foundation On-line accounts awards demonstrating that CIPFA tries hard to practice what it preaches!

### *Corporate governance standards*

- CIPFA, working in partnership with the Society of Local Authority Chief Executives (SOLACE), issued a consultation document advocating best practice for local authorities in developing and maintaining their local codes of governance. The revised guidance urged local authorities to test their arrangements against a series of principles drawn from *The Good Governance Standard for Public Services*, developed by an Independent Commission set up by CIPFA and the Office for Public Management and supported by the Joseph Rowntree Foundation which was published in 2005.
- CIPFA is now recognised as the leading provider of governance training to public bodies across the United Kingdom having recently trained our 300th public body board on the *On Board* programme. The



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series of *On Board* publications was enhanced in 2006 by the addition of a guide for members of public bodies in Scotland.

## *Financial management standards*

- CIPFA, in partnership with PricewaterhouseCoopers LLP (PwC), published *Balance Sheet Management in the Public Services: A Framework for Good Practice* - a toolkit for analysing assets and liabilities to ensure their efficient and effective use in public services. The aim is to enhance information for decision-making, demonstrate the 'public value' of the assets held, generate real savings in public money and assist in making the link between public policy goals, outputs and outcomes and the financial implications of investments.
- CIPFA published *Integrated Planning: An Overview of Approaches* which provides an overview of how an integrated planning process can be approached and made to work more effectively for planners, finance and operational staff who play a part in it.

## CIPFA DELIVERS BEST PRACTICE IN THE PUBLIC INTEREST

*Our standard setting work takes place against the backdrop of a clear understanding of our responsibilities in relation to the public interest. As a chartered professional body and as a registered charity CIPFA's first loyalty is to the public. Our overriding concern is to take the course which reflects the best interests of the public even if this conflicts with the interests of members. Increasingly, we are concerned with protecting the public interest in developing countries.*

- Working in partnership with Forum for the Future CIPFA published *The Sustainability Reporting Framework* - a comprehensive framework to help UK public sector organisations to report on their contribution to

sustainable development. The step-by-step guidance in the framework allows public sector organisations to identify and report the sustainability issues that are priorities for them and their local communities in a flexible and robust way. This ground-breaking work earned the drafting team the Sir Harry Page Technical Innovation Merit Award. CIPFA is now working with partner organisations to promote sustainability not just in terms of reporting but also by embedding the concept into decision-making processes.

- The essential actions that organisations need to take to protect themselves from the damaging consequences of fraud and corruption were published by CIPFA's Better Governance Forum in collaboration with the NHS Counter Fraud and Security Management Service and the Audit Commission. The step-by-step guide *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption* helps organisations to understand the often bewildering world of fraud and corruption. The ongoing battle against fraud and corruption can only be won if organisations have in place robust strategies and frameworks. Taking actions to proactively stop fraud occurring in the first place is a far better remedy than merely managing the risk. The guide has been very well received and is expected to be widely adopted by both public and private sector organisations.
- Through a new strategic agreement with the Institute of Chartered Accountants in England and Wales (ICAEW), CIPFA is providing information and services for a new public sector special interest group, launched in October. This signifies the increasing opportunities offered by the public services for financial managers and provides ICAEW members with a specially-tailored subscription that shares ideas and best practice with them.



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## CIPFA AS AN INDEPENDENT COMMENTATOR

*CIPFA plays a significant role in helping to position good governance and good financial management in the public services within public policy frameworks in the UK and in developed and developing countries. Our political neutrality allows us to be seen as an independent commentator with no political axe to grind.*

CIPFA contributed to all the reviews of local government and public service delivery that took place across the UK in 2006:

- In response to Sir Michael Lyons' Inquiry into Local Government (England), CIPFA recommended that Government find a way of ensuring that a clear constitutional settlement emerges from its current work to allow the changed system to become embedded, stable and practical for the long term. Mechanisms suggested included: a change in the balance of funding; an independent Grants Commission; and, a clear distinction between neighbourhood, local and central responsibilities.
- CIPFA welcomed the ambitious proposals included in the Local Government White Paper published in November, but warned that they must be seen as first and not last steps towards a new constitutional settlement. CIPFA particularly welcomed the proposal to slash the number of performance indicators for local authorities from 1,200 to 200, provided that these do not in practice have lots of subdivisions of targets. CIPFA commented that a shift in the balance of funding between central and local services is overdue and that the case for an independent Grants Commission to simplify and depoliticise resource allocation should be carefully evaluated.
- In Scotland, CIPFA was invited to give oral evidence to the Local Government Finance Review Committee (The Burt

Committee) which reported in November 2006. CIPFA, the only CCAB body to be invited to provide evidence, was quoted a number of times in the final report.

CIPFA provided independent comment on the state of financial management across public services:

- In response to the new guidance to NHS Boards, *The Role of Finance Director in a Patient-Led NHS*, published by the National NHS Finance Development Board, CIPFA commented: "At the moment there is, understandably, a very strong emphasis on helping to steer trusts which are carrying significant deficits to financial balance. But it is important that this short term imperative does not obscure the medium term priority which is to deliver high performing NHS organisations, fully equipped for the new environment shaped by payment by results and patient choice".
- CIPFA responded to the Department for International Development (DfID) consultation paper, *Eliminating World Poverty*, by stating "Developing countries often lack an established and effective public sector infrastructure, and there are some instances when precious financial resources are squandered or misappropriated. In the worst examples, these resources can sometimes be exploited through rampant fraud and corruption". CIPFA strongly recommended the implementation of internationally-accepted and consistent accounting standards for developing countries and suggested that this would help to promote more transparency and accountability for aid funding.
- CIPFA undertook a comprehensive survey of local authorities in England and Wales for the *Radio 4 Today* programme to predict council tax rises. The forecast predicted a 4.5 per cent rise over 2005/06, which although above inflation, ranked as the second lowest increase of the past decade. In analysing the results, CIPFA came to the view that they showed both



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Government and local authorities working hard to manage and contain local tax increases.

- CIPFA has been appointed by the Department for Transport and HM Treasury to review the accounting, management and finance mechanisms for the UK's local roads network and other local authority transport infrastructure assets. The project will look at how the information from asset management plans could support good financial management locally and provide much improved information to support policy development and resource allocations in the future. It will also consider whether such information can also help deliver the Government's stated goal of producing full accounts for the whole of the public sector.
- CIPFA supports the Public Management and Policy Association (PMPA) which is a significant network and forum for discussion of key public policy developments and ideas. PMPA activities in 2006 included: an event on the theme of better policy making, in conjunction with the National School of Government; new partnerships with Masters in Public Administration students from a number of universities; and, an agreement to work with the Public Administration Committee of the Joint University Committee to deliver joint lectures and workshops outside London. Work with SOLACE and the Political Skills Forum also led to the PMPA providing a submission to the Hayden Phillips Inquiry on Party Funding reflecting the importance of support for politicians in their governance roles.

### CIPFA PROMOTES EXCELLENCE

*CIPFA not only sets and promotes the highest standards but also recognises individuals and organisations who achieve the highest standards.*

- The CIPFA/PwC Public Reporting and Accountability Award 2006 was won by Wychavon District Council.

Wychavon was praised for its innovative work in communicating to residents in a clear, concise, engaging and informative manner.

- *Public Finance's* Public Servants of the Year Awards seek to recognise and reward the vitality, commitment and determination of teams and individuals working hard to make a real difference to the general public. The Outstanding Public Service Team of the Year Award was won by Edinburgh's Sighthill Library for its ground breaking work with troubled young people in Edinburgh. Anthony Vanterpool, a personal adviser for the Connexions Service from Lancashire, won the Outstanding Public Servant of the Year Award for his success in positively transforming the lives of the young people he works with.
- CIPFA's conferences and courses provide further opportunity to promote excellence by showcasing the practices and opinions of those at the forefront of national and international agendas. In 2006 the CIPFA Group ran over 1,000 events which were attended by more than 27,000 delegates.

### THANKS TO VOLUNTEERS

- In 2006 1,127 voluntary roles were carried out in support of CIPFA's objective *Advancing Public Finance and Promoting Best Practice*. CIPFA members, students, and non-members contribute to CIPFA's policy and technical work through an array of panels. Others support CIPFA's awards schemes, the PMPA and *Public Finance* magazine. The Council extends its sincerest thanks to all those who have supported CIPFA's work.