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## **Professionalising PFM**

Developing qualified PFM professionals through education and training

# **A Briefing for Members of Councils of Professional Accountancy Organisations**

Professionalising Public Financial Management (PFM) should be an integral component of every PFM reform programme. It:

- Ensures that finance staff working in government are properly trained to the highest international standards;
- Embeds ethical behaviour into everyday working life;
- Increases country capacity on a long-term and enduring basis;
- Provides strong and unique foundations for almost all other PFM reform initiatives.

For Members of Council of a Professional Accountancy Organisation (PAO), Professionalising PFM represents an opportunity for it to design and develop a qualification framework for public sector managers working closely with government. The initiative offers the Council an opportunity to represent the new qualification framework to other accountancy bodies across the region, raising the profile of the PAO and influencing the regional development of Professionalising PFM in other countries.

With the introduction of a programme of Professionalising PFM, public sector staff will participate in formalised training, work experience and assessment leading to qualification and in time the establishment of a sustainable, recognised PFM profession in the country. A training provider with capacity locally will provide the training for students to gain the qualification.

For the public sector, Professionalising PFM should become the bedrock on which every comprehensive programme of PFM improvement is based. As Professionalising PFM embeds into the fabric of the organisations, it will assume a higher profile and demand will grow for other products such as advice and guidance on standards.

## **What exactly is Professionalising PFM?**

Professionalising PFM means the achievement of a number of mutually reinforcing and complementary states of affairs:

The establishment, on a sustainable basis, of a recognised PFM profession in the country, represented by a local PAO.

The existence of individuals properly qualified to become members of the PFM profession in the country.

Non-financial managers and other PFM role players with the skills, support and other resources to play their part in PFM, including taking responsibility for the resources they manage and formulating and controlling their budgets.

Capacity locally to provide the training, products and services required by the PFM community in the country.

Creation of the environmental conditions necessary for the establishment and sustainable development of the profession over time.

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The PFM profession will have its home in the local PAO. Qualified PFM professionals will provide an additional and broader membership base.

Whether full time finance professionals or managers with some financial responsibilities, a wide range of public sector staff will be equipped with appropriate skills. Staff will participate in a programme of formalised training, work experience and assessment leading to qualification and the establishment of a sustainable, recognised PFM profession in the country.

For the first time successful completion of training will give public sector employees a recognisable qualification that will benefit them through more interesting work and new opportunities. Professionalising PFM will also encourage individuals to see public sector employers as an attractive place to work and develop a career that matches the best in the private sector.

Developing a PFM qualification to meet public sector needs offers real opportunities to strengthen governance in the management of public money, and inspire confidence amongst citizens and taxpayers in the long-term.

Building a strong long-term relationship with Public Finance Leaders at a strategic level will allow the PAO to develop new products and services to be made available to the public sector. In turn this is likely to lead to other opportunities, for example to provide technical commentaries on draft accounting and audit standards in the public sector.

### **How does PFM differ from accounting and audit in the private sector?**

PFM and accounting and audit are not equivalent terms for the same professional discipline. PFM is a broader term than accounting and auditing; and there are differences in the conceptual foundations of accounting, auditing and financial management in the public sector.

The profit motive of the private sector is replaced in the public sector by a more complex scheme of accountabilities to a much wider range of stakeholders, whose requirements are often competing and conflicting. Strong and effective accounting, auditing and financial management are the building blocks of the systems that comprise a very distinctive accountability and governance regime in the public sector.

### **How is it done?**

Professionalising PFM needs the wholehearted involvement of four key stakeholder groups in a country:

**Government.** There needs to be clear and unequivocal support for Professionalising PFM at Ministerial level. Public Finance Leaders, and other senior managers, must also show leadership. Professionalising PFM is not a short-term option; it will take time for the initiative to produce results, and even longer before it will become embedded in the fabric, with evident sustainable improvement in PFM.

**The local PAO.** Professionalising PFM is likely to offer a natural development of the current activities of the PAO. The PAO's established status with respect to the private sector, represents a unique opportunity to become the focal point for the public sector. The PAO's Council has a

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key role in supporting this major strategic development and putting forward the case for funding for investment in the design and development work that will be required.

**A local training partner.** Qualifying new members of the PFM profession in the country needs specially designed, locally relevant education and training programmes. A local training partner with experience of providing these for the private sector is likely to be in a strong position to extend its role to serve the public sector.

**Donors.** Professionalising PFM means providing funding investment for the future. In the countries with the greatest need government is unlikely to be in a position to provide all of the financial resources required to develop the capacity locally to achieve Professionalising PFM. Donors are likely to invest in Professionalising PFM, because it will lead to improved performance of the PFM system over time.

Most of these stakeholder groups will have little or no experience of Professionalising PFM. The Council will need advice, guidance and other forms of support if the initiative is likely to succeed. *As the leading global body for the PFM profession CIPFA is uniquely placed to provide that support.*

### **What is involved in getting started?**

CIPFA recommends some initial investment in carrying out a “readiness assessment” in the country concerned. This is a comprehensive, structured analysis of the key environmental, institutional and other conditions in the country that will influence the precise approach that ought to be adopted towards Professionalising PFM. The assessment results in a written report by CIPFA PFM specialists – presented to key stakeholders in summary form at the end of the in-country mission that is required – with a plan for the implementation of Professionalising PFM over an appropriate timescale.

Following the production of the report, the PAO will meet with Public Finance Leaders to discuss the development of a suitable qualification structure. The PAO’s technical staff may not be familiar with all of the differences between private and public financial management, but CIPFA can help provide support in this technical area. The PAO’s Council will probably want the technical staff to explore different options for the qualification structure with the government. Exploring options ensures that the selected option represents a good fit with the PAO’s overall remit and responsibilities with respect to the current membership, before the Council agree the strategy to offer the new Qualification.

Enclosed with this Briefing is an illustrative plan of the next steps in what will be the first five years of a Professionalising PFM programme. In practice the programme would be tuned to meet the circumstances of each country.

### **How long does it take?**

Introducing Professionalising PFM starts with what may be called an “Inception Phase”; preliminary analysis and research work is carried out by all stakeholders to put in place key building blocks for the programme. As an example, in this phase the public sector will prepare estimates of the target training population. The duration of this phase will depend on the country context. Once these building bricks are in place, development of the programme, training material and supporting infrastructure can start. Professionalising PFM takes a considerable

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period of sustained effort and investment. However, qualified staff will begin to emerge within a year.

### **What sort of costs will be involved?**

Costs will vary according to country context and key decisions the government takes in the Inception phase. Inception costs include research and analysis into the type of qualification and qualification framework that will be required to meet the specific needs of the public sector. Additional resources will need to be considered to support the training of the PAO's internal secretariat to build new skills and take on new roles, for example in briefing the Council on arrangements for liaison with government and to provide the reports that will be required. The PAO will need to communicate the new initiative to its existing membership and make arrangements to receive and consider their views.

Costs of development of the qualification include discussions with Public Finance Leaders to determine the precise syllabus and emphasis of each subject, discussions with the government's selected training partner over the content of the training material that they will develop, and the capacity development of the training staff.

### **How will long-term sustainability be achieved?**

A well designed professional qualification framework will offer opportunities for the development of other training modalities and educational products to meet the inevitable evolution in PFM needs.

*One of the services that CIPFA provides is to help the PAO and the local training partner to put in place a business model for Professionalising PFM. This is designed to identify how the two institutions can generate the revenue that will be necessary to help ensure the long-term financial viability of Professionalising PFM. Subscriptions and fees from students and members will provide some revenue. However this is unlikely to be enough to ensure long-term sustainability. This is much more likely to be achieved through providing new products and services to the local PFM community – for example technical commentary, advice, short course training, seminars and publications – that the market will value. CIPFA has considerable experience of doing this in its own environment and working with others.*

### **What sorts of issues are likely to arise?**

**Funding** – the PAO will need to have funds for investment in the initial development of its own staff and in the qualification framework. There may be government support available to help build this aspect of capacity.

**Capacity** – is also a determinant of funds required. The government may wish to consider starting the scheme focused on a small centralised training partner and then, as the market grows, add in some form of distance or on-line learning for those working in less centralised areas. The decision here will determine how quickly the PAO needs to build up internal staff to administer and manage the programme, and to develop aspects such as continuing professional development and codes of ethics.

**Design of the qualification** – a key aspect for the Council and the PAO at the planning stage will be the discussions with Public Finance Leaders concerning the extent to which the current professional qualification offered will be used as a basis for the public sector qualification.

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Government will wish to consider various approaches to tailor the qualification to meet local needs. *There are a range of options available and CIPFA can help PAOs to evaluate them.*

### **What are the likely implications for the Council?**

Council members will need to meet with the government representatives to gain a deeper understanding of the demands of a PFM qualification, and in turn members may require some preliminary technical briefing to support their role in such meetings. In the longer-term as the profile of the membership evolves the Council will probably need to reflect this by introducing senior representatives of the public sector as members of the Council. This move may require amendments in the PAO's Charter and regulations or in some cases a legislative change.

### **What are the likely implications for the PAO?**

New skills will be required by the PAO's technical and policy sections to meet the demands of developing the new Qualification and in the longer-term to provide advice and educational support to the new membership. The membership will expand resulting in increased subscription revenue. Government will want to see evidence that the PAO will require a continuous programme of professional development and that it will maintain a code of ethics. Management and monitoring systems for these activities may need to be adapted to meet the needs of the new public sector members.

The PAO will need to plan the development and implementation of the new Qualification, and manage any concerns expressed by the current membership. Existing members may perceive the initiative to be a threat, however it is very likely to offer significant benefits e.g. a wider network of colleagues who bring in new experience and ideas. As they build a better understanding of the responsibilities of the PFM role they may well become interested in pursuing a career in the public sector. The PAO will be in a position to help them by offering tailored training.

### **Why can't the government use a ready made solution, and save time and money?**

A single private sector qualification does not meet comprehensively the needs of PFM. CIPFA's work in a range of different countries demonstrates clearly that neither a "one size fits all approach", nor an imported and imposed solution, meets the PFM needs of countries with such different cultural, institutional and economic profiles. This is an opportunity for the Council and the PAO to work with the government to design a solution that is tailored specifically to the country context, and aspirations for PFM reform.

*Using CIPFA's wide experience of Professionalising PFM elsewhere, and its long history of successfully providing training to public sector financial managers, the Council will benefit from the lessons learned and CIPFA's unique understanding of the challenges facing public sector organisations today.*

For further information please visit [www.cipfa.org.uk/ppfm](http://www.cipfa.org.uk/ppfm).

For advice on Professionalising PFM contact please contact our International Office via [ppfm@cipfa.org.uk](mailto:ppfm@cipfa.org.uk).