



***The role of financial leadership
in sustainable public finances***

A SPECIAL REPORT

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Foreword

BRIDGING THE POETRY OF POLITICS WITH THE PROSE OF GOVERNMENT

‘Strong leadership drives culture. And culture drives performance,’ ICAEW writes in the opening sentence of this new publication, and I could not agree more. This sentiment is particularly pertinent in the public sector, where strong financial leadership is an essential component for both public finances and sustainable organisational performance.

At IFAC, we believe a strong financial management system in public sector entities is essential for effective implementation of policies and achievement of intended outcomes, not to mention reinforcing financial discipline and accountability.

Strong public financial management underpins sustainable decision-making, and sustainable decision-making supports strategic allocation of resources and effective and efficient delivery of services. So, what is the role finance leaders should play in this regard? What skills should they bring to the table? From ICAEW’s conversations it is clear: finance leaders need to have both a strategic and a detailed understanding of how government works, be effective communicators and influencers who help shape policy and debates, and demonstrate accountability, responsibility, ethics and competent behaviours inside and outside the finance function.

With a detailed understanding of how government works, they can ‘act as a bridge between the lofty rhetoric of politicians and the complex, methodical, and sometimes mundane work of formulating and implementing sound financial policies that contribute to sustainable public finances.’ The challenge for finance leaders, as this report points out, is to ensure governments remain disciplined to spend within their specific financial thresholds.

The authors also point out that strong finance leadership is required to manage key public sector reforms, such as the transition from cash to accrual accounting, but in many jurisdictions public finance leaders are in short supply. Our **Accountability. Now.** initiative, in close collaboration with professional accountancy organisations such as ICAEW, aims to address these issues by:

- promoting high-quality financial reporting by governments to improve transparency and help strengthen public financial management; and
- building accountancy capacity at the national level, contributing to a pipeline of well-trained finance professionals who could act as change agents within their governments.

So, what can be done to improve the attractiveness of a career in government finance?

The report highlights the unique characteristics of the public sector that are likely to attract professional accountants, including the prospect of working for the public benefit, the chance to participate in policy-making that affects the whole nation, and a chance of a better work-life integration.

It is for those reasons that I have been involved in issues in or on behalf of the public sector in a significant way in my professional life. In this sense, this ICAEW publication is part of my story, and I hope you will find it an inspiring read that will encourage you to continue advocating for more transparent and accountable governments.



Fayezul Choudhury
Chief Executive Officer,
International Federation
of Accountants (IFAC)

Introduction

BACKGROUND

In 2012, we published a journal of essays from the world's leading experts on fiscal policy, sharing their thoughts on sustainable public finances. We identified four key themes:

- 1 The role of high-quality data in effective policy and fiscal planning.
- 2 The need for countries to shift from cash-based accounting to accruals-based accounting.
- 3 The importance of financial risk and reporting standards in the public sector.
- 4 The fiscal impact of an ageing population on long-term public finances.

In that publication, we noted that there was a crisis of confidence in governments and public trust was very low. We recommended that, to rebuild public confidence and long-term resilience, the tools for tackling large-scale government deficits must be understood and mastered and that it requires successive governments to commit to the long-term goals.

Five years later, while there has been a shift in recognition by governments to move from cash-based accounting to accruals-based accounting, progress has been slow in taking action and implementing any changes. Part of this is due to the sheer scale of the project, the amount of work that needs to be carried out over an extended period of time, coupled with a lack of the necessary skills within governments to carry out the task effectively.

Public financial management reforms should be seen as a change management programme. One of the key factors to delivering change effectively is to start at the top and have the right leadership in place for strength, support and direction. Leaders themselves must commit and embrace the changes in order to motivate the rest of the organisation.

Finance leadership and the role of accountants in the public and private sectors has been the cause of much debate over the last few years. Large companies have been brought down because of poor financial management practices and, over the years, the amount of rules and regulations for these companies has increased. The role of the professional accountant in a leadership role in the private sector is therefore a key aspect of the corporate governance and internal controls of any organisation. The public sector has, so far, not had the same standards or conditions imposed on its own governance structures. It could therefore improve its efficiency and effectiveness if it carried out its business to the same (or similar) standards that are imposed on the private sector in terms of data quality, reporting disciplines and transparency. One key factor that inhibits efficiency and effectiveness is that the public sector often under-invests in skills, systems and processes due to other priorities taking great precedence in the short term - at a long-term cost.

SCOPE

In this publication, we explore the role that finance leaders can and should play in sustainable public finances. We explore the drivers for strong financial leadership and the skills and competences that, in our view, a strong finance leader should have.

We also ask a number of senior leaders, themselves all professionally qualified and experts in their field, for their views on key questions. We explore the practicalities of financial leadership that is needed to tackle the problems that many governments are facing - whether it be to drive through public sector reforms or to tackle increasing government debts and deficits. Finance leaders need to have both a strategic and a detailed understanding of how government works and be effective communicators and influencers to help shape policy and debates. It is therefore important for such leaders to have a combination of soft skills as well as the detailed technical skills.

Our authors give their insights on:

- A** the importance of having finance professionals as leaders in the public sector;
- B** what a successful finance professional leader should look like and the specific skills/qualities that they need to have;
- C** the challenges that finance professional leaders within the public sector face and how they can tackle them;
- D** how a finance professional leader can make an impact in government so that people listen when they speak; and
- E** how governments can ensure that they have the right people in place for these leadership positions.

Drivers for strong financial leadership

**Strong leadership drives culture. And culture drives performance.¹
Strong ethical values and standards also drive culture which then
drives behaviours**

Strong financial leadership is essential to drive the sustainability of finances. A strong finance leader needs a core set of skills: the harder technical and organisational skills, and the softer leadership, people, culture and behavioural skills. If we take this as our starting point, that all organisations, whether they be private sector organisations or public sector bodies, need to have these in place, then we can consider what the role of financial leadership might be in the public sector.

In the past, in the public sector, it used to be the norm for financial information to be held by the finance people. All too often, there has been a mismatch in policy-making, with economists and policymakers taking the lead in big decisions without involving the finance leaders. Sometimes the finance role has been underplayed when the outcome hasn't been what policymakers want to see. In contrast, in most private sector companies, from the big corporations down to smaller sized companies, the finance leader is involved in all key decisions.

However, developments in financial management practices in the public sector are now changing the finance function landscape from an operational silo to a much more leadership-based role for the overall organisation. Strong financial leadership is therefore important, both in providing leadership to the finance function and to the organisation as a whole. This then requires more finance people in key strategic roles around government. The role of the finance leader is, therefore, more important than ever before, especially when money is tight. To be good at any senior job, you need to be a good leader and a good leader needs personal and interpersonal skills: leadership qualities are particularly important.

WHAT ARE THE SKILLS NEEDED OF A FINANCE LEADER?

A good leader can and should recruit people who are better than themselves at crunching the numbers, but a strong finance leader will need a strong awareness of strategic financial management techniques, and knowledge of the standards that must be met. Strong leaders, with the right and sufficient depth of technical knowledge, will know the depth of questions to ask. But while technical knowledge must be sound, there are other broader skills that are also important. The finance leader should be one of the most competent people in the department.

Figure 1 indicates ICAEW's views on the level and type of skills and competences required for a strong finance leader in the public sector. There are many other models and even debates regarding where the skills might sit and indeed whether these are the right skills under each heading. The main point to note is that a strong finance leader needs to have a range and a balance of the right skills.

These skills would be the core competences for a strong finance leader, underpinned by the foundation of leadership, organisational, technical and culture. Some of the skills under each heading will overlap with a strong correlation between the sets of skills.



Sumita Shah
Public Sector Team,
ICAEW

¹ The Value of Culture and the Role of Leaders, Rosabeth Moss Kanter, Harvard Business School

FIGURE 1: SKILLS AND COMPETENCES OF A STRONG FINANCE LEADER



Skilled finance leaders should themselves take responsibility for their own performance and development of the different skill-sets.² These skills will be developed over time and displayed by leaders effectively and in concert. In particular, demonstrating a level of ‘emotional intelligence’ is important for any aspiring finance leader as leadership is not just about the finance aspects but also about self-leadership. It is important to have self-awareness, and an empathy and awareness of others. Indeed, understanding and recognising the effect and impact of one’s own behaviours on others and having the ability to modify such behaviours is a key skill when aspiring to be a leader.

The public sector needs financial experts who are also leaders. While the specific leadership attributes and skills will differ depending on circumstances and culture, it is important that finance leaders have integrity, courage and the ability to build widespread support for change which advances the public interest.

² ICAEW has a suite of leadership programmes for aspiring and established leaders: www.icaew.com/learning-and-development/talent-development-programmes

Finance leaders: the strategic leaders and advisers of today's government

Aman Trana explains the role of finance leaders as the bridge between the lofty rhetoric of politicians and the complex formulation of sound financial policies contributing to sustainable public finances

We live in a world where facts have alternatives, empirical information is deemed fake, and trust in public officials and institutions is at an all-time low. There is a crisis of confidence in our leaders and a clamouring for governments to be more open, transparent and accountable, and for leaders not tainted by politics or ideology. Given this environment, the time is right for finance professionals to elevate to leadership positions in the public sector to restore credibility and rigour to public finance policy, which may be little understood by the average citizen, but has a significant impact on his/her life.

Sustainable public finance requires, at a minimum, high quality information about the state of a country's finances. However, the collection and reporting of this information is a complex exercise and is susceptible to risks of politicisation, interpretation and manipulation. Finance professionals in positions of authority and control can mitigate these risks and indeed improve government accountability and transparency. In addition, empowered financial professionals can drive reforms that contribute to strengthening the performance of governments and public sector organisations, thereby supporting poverty reduction and economic growth. While finance professionals cannot single-handedly reverse years of mismanagement and mistrust to restore the public's confidence, they can, with their technical expertise, certainly enhance the quality of public service accountability and outcomes.

Finance professionals, however, face myriad challenges in leadership, not least of which is divorcing politics from policy. A famous saying often quoted is that politicians campaign in poetry, but govern in prose. The implication being that politicians are not always constrained by, or aware of, the challenges in translating their election promises into workable public policies. This is where financial professionals can make the greatest impact. They can act as a bridge between the lofty rhetoric of politicians and the complex, methodical and sometimes mundane work of formulating and implementing sound financial policies that contribute to sustainable public finances.

The complexity of public policy initiatives and reforms also poses a considerable challenge. Generally, a long-term implementation time frame is needed and difficult trade-offs are inherent. Moreover, the necessary policy prescriptions are not always readily understood or valued by a public whose financial knowledge may be lacking, that may be inattentive and indifferent to policy details, or that mistrusts government. While significant, this challenge also presents an opportunity for the finance professional to leverage his/her stereotypical role as a technocrat to translate complex public policy issues for a wider audience that is looking for 'straight talk' communicated in common and simple terms.

To do so successfully, however, requires the finance professional to have a broader perspective and master an executive skill set that goes beyond the technical knowledge of accounting, finance and government. Paramount is the ability to communicate effectively and persuasively the nuances and implications of public policy to a wide and diverse audience. Equally important for the financial professional in a leadership position is to be cognisant of underlying political economy tensions and constraints in formulating public



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sector policy, but remain independent of such politics and ideology to safeguard his/her credibility. As mentioned, public policy is complex and policy options are subject to considerable debate that can be politicised, making it difficult for the average citizen to decipher the relative merits or assess the impact on his/her life. In such cases, finance professionals as leaders can frame the debate, provide useful information that helps the public understand policy details and related implications, the relative pros, cons, and trade-offs. While the current environment makes this particularly challenging, finance professionals who can transcend the political noise are best placed to win the public's trust and successfully implement challenging public financial policies, such as adoption of accrual accounting, pension and civil service reform, and budgetary discipline.

Asia is experiencing unprecedented growth with diverse countries transitioning from developing to developed. This environment is ripe for the emergence of finance professionals in the public sphere who bring credibility, discipline and rigour to public policy formulation and implementation. While finance professionals have historically supported the day-to-day operations of governments, as leaders they can exercise influence and promote public policies that can help their countries maintain sustainable public finances.

This will not be easy as there are many constraints, institutional and political, that hinder a leadership role for finance professionals. In this regard, finance leaders must walk a fine line. They are rarely, if ever, the face of public policy, and even if they are, their role is subordinate to politicians because it is they that define the broad contours of policy and are accountable to the public. However, a finance leader can have significant impact by working hand-in-hand with policy and programme leaders as a strategic partner and adviser to ensure sustainable public finances.

Therefore, it is time for finance professionals to move to the forefront and provide the leadership that is currently absent in public sector finance.

Good decision-making requires good strategic finance leaders

Brian Blood has witnessed the value professional accountants can bring to the public sector. He also understands the broader challenges, but knows financial leadership is the answer

The Confederation of Asian and Pacific Accountants (CAPA) represents professional accountancy organisations across the region. A few years ago, it identified that professional accountants did not feature sufficiently across government departments. The reasons for this may be many, ranging from history and/or culture, to a lack of awareness of the value accountants can bring to decision-making in government.

CAPA assists professional accountancy organisations to engage better with governments, so that there is dialogue to understand the reasons for a lack of accountants within government and to promote change. For the accountancy profession to take some leadership, often it has to first understand the public sector better, since previous focus may have been aimed at the private sector. *Improving Financial Management in the Public Sector – The Eight Key Elements of PFM Success* was published with this in mind.

Discussions with stakeholders across the region soon confirmed that one of the key elements ‘Capacity and Capability’ was a real issue, partly related to systems, but more so related to people. The people challenge has therefore been embodied in the title of the next publication *Attracting and Retaining Finance Professionals in the Public Sector* which discusses the potential role of professional accountancy organisations and other stakeholders.

Accountants can, and do, play many roles, including as adviser, designer, implementer, executor, reporter, reviewer or assurer. However, successful governments and their departments also embed accountants in their leadership.

The ‘C suite’ term has emerged in recent decades, to define the ‘chief officers’ or management leadership group, more generally in the private sector but it is increasingly becoming a must within the public sector, especially in advanced economies. Well before the ‘chiefs’ associated with operating, information, risk, or audit officers, and certainly before technology, knowledge or privacy officers, it was the chief financial officer (CFO) who initially paired up with the chief executive officer. Why did this happen? It was largely because good decision-making requires an understanding of the revenue and/or cost implications.

The role of the CFO has expanded and moved on so much, that no business today would not include one in the key leadership team. Just as the argument that if accrual accounting is good for the private sector then why not the public sector, the same applies with CFOs in leadership roles.

My background as a Big Four partner delivering internal audit and risk management services to the public sector in Australia brought me in close contact with finance professionals in leadership roles in the public sector. In more recent years, my role as a chair or member of audit and risk committees in this sector, across transport, health, planning and emergency services, has given me another perspective on this.



Brian Blood
Chief Executive
Confederation of Asian
and Pacific Accountants

Unlike state-owned corporations or similar, government (inner-budget) departments in Australia often do not have independent oversight by way of a Board or similar. Accordingly, the audit and risk committees may be the only access management has to independent advice, and interestingly these committees must have a finance focus, and one member must have deep financial accounting knowledge and experience. This person is usually a professional accountant.

In Australia such situations are taken for granted, in that professional accountants are embedded in management leadership roles and also in oversight roles. The same cannot be said in other countries. During research into the publications mentioned earlier, a country such as Nepal was noted as having a handful of professionally qualified accountants throughout the public sector. Where such accountants are identified, they tend to be in the central banks or with the government audit office.

However, financial leadership needs to be embedded throughout all government operations. At the macro level, how do you know budget decisions and programmes are financially sensible and sustainable unless the financial consequences have been thoroughly identified? Many governments are entering into public private partnership arrangements that can carry great risks – many ‘advanced’ governments have come unstuck financially on arrangements that were not well considered. How can less-prepared governments hope to understand and manage the financial risks without the right level of skills in place? The engagement of outside consultants provides an avenue, but responsibility ultimately rests with government, and at a minimum they need to understand any advice provided to them.

In core operations of health, education, transport and other departments, significant assets, people and programmes are managed daily. The challenges in these organisations are continually increasing and are fuelled by increasing and ageing populations and higher customer expectations. Resources not only need to be properly controlled and measured, they need to be allocated and managed strategically and smartly. This is where the highly trained and educated professional accountant is able to apply their whole range of skills – technical, commercial, analytical, problem-solving, inter-personal and leadership.

Attracting and retaining accountants into the public sector is not easy – remuneration levels are often significantly lower than the private sector. Government leaders and politicians need to create the change, and knowing that good accounting brings transparency and accountability, unfortunately the desire to make change is not always there. This is when other stakeholders and citizens need to make their voices heard.

Accountants may simply be in short supply in some countries, causing issues for both private and public sectors. In such circumstances, a coordinated approach is needed to address such situations, involving governments, educational institutions and the accountancy profession. If the basic capacity is not available, the opportunity to embed finance leaders in the public sector may become just wishful thinking.

A phrase often used, but worth repeating and dwelling on, is that ‘good decision-making requires good information’. Accountants are well known for being the providers of reliable information – not only are they known for ‘accuracy’ and ‘attention to detail’, as a profession they are known for their integrity. All businesses today are recognising the value of high ethical standards – consumer actions can quickly cause damage to businesses not demonstrating the values they expect. Political leaders and parties would do well to take notice.

Trust in your finance leaders to achieve sustainable public finances

Marios Hadjidamianou discusses how sustainable public finances can be better achieved in the hands of trusted professional finance leaders

Sustainable public finances are essential for every country's economy. Not only do they consist of a large proportion of the country's economic affairs, but they can affect the whole financial environment by signalling different messages to the markets about the country's economic prospects.

Global economic growth has been suffering in the last few years, as a result of the unstable economic and political environment we are living in. Financial leaders who have a good understanding of the risks and threats to be addressed in this environment, could significantly influence the ability of every jurisdiction to avoid unexpected situations. Today's world requires professionalism in all aspects of conducting business. The public sector cannot be the exemption to the rule.

ENABLING POLITICIANS IMPLEMENTING GOVERNMENT POLICY

Political influence in decision-making is unavoidable – in fact it is required. The role of politicians is to incorporate, in their policy-making, the needs of the people to serve public interest in the best possible way. Finance professionals will ensure that these policies are in favour of people's needs in a way that will not threaten public finances. Experience around the world has shown that this is the only way to ensure that public interest is best served.

Finance professionals can find solutions to ensure that public money is used in a 'value for money' manner; that is, to address people's needs – and political will – up to the limits the government can undertake. Economic models used by governments, although perfectly designed in theory, have not always proven to be correct. Government spending and government income are important parameters of these models. A public sector finance professional with strong leadership skills will have the capacity and expertise to identify, at an early stage, whether these parameters are falling within the designed thresholds. By preparing analytical statistical data of the government's financial results, on a regular basis, they can identify areas of special concern or threats that need to be taken care of, before they make suggestions to the economists to take corrective measures where needed. This is the added value finance professionals can offer to their country.

The successful finance professional should be able to manage available resources efficiently and effectively in a way that will increase the ability of the government to provide more services to the public. This is the key to success: delivering more with less. It's something that the private sector has established well, but the public sector has difficulties in adopting. The reason being that the public sector orientation has always been to enhance people's prosperity and welfare, without necessarily looking at the financial cost this comes with.

ENSURING FINANCIAL DISCIPLINE

In recent years, whereas the public sector has suffered from major restrictions in available resources, as a result of the financial crisis, the governments that have gone through the crisis with less 'casualties' were those which managed to provide more to the citizens with less resources. The role of finance professionals in this respect was vital. They have the skills:

- to assess the added value from each and every existing or newly introduced policy, in relation to the value of an alternative one;



Marios Hadjidamianou

Head of Accruals Accounting Project
The Treasury of the Republic of Cyprus

- to reset the priorities and ensure better use of available resources; and
- to suggest a restructuring plan that would deliver the same or similar output with less input.

Finance professionals are trained to be focused on required outcomes and are able to measure the performance of the policies introduced, based on financial data that will indicate the prospects of the economy.

A fact not to be missed: many restructuring plans have been developed and adopted as a result of the need for spending less. A few of them have actually achieved their ultimate goal - and that came as no surprise. However, where there was no involvement of the finance professionals in the process, there was a high risk of developing a new structure with unknown certainty of its financial results.

PROMOTING EFFICIENCY AND EFFECTIVENESS

A rather generic problem of the public sector is that basic economic concepts like 'value for money', 'efficiency', 'effectiveness', 'maximising economic wealth' are not appreciated, they are almost unknown principles. The public sector finance professional needs to safeguard taxpayers' money, and ensure that the money is used in the best possible way. This can be a difficult task as very few people in the public sector actually think about wise spending or increasing public revenue. Political pressure to deliver on time is the biggest priority for most public entities, which often makes it impossible to overcome the problem of ensuring that all possible alternatives have been thoroughly thought through, before deciding on enforcing a new policy.

The challenge for the financial leader is to ensure that, while politicians will be able to implement their policies, the government remains disciplined to the financial thresholds it can afford, both in the short term and in the long term. Existing policies do not have to be abandoned – on the contrary, the financial leader should be able to examine the possibility of implementing an existing policy in a more efficient way that will save resources and make it easier to introduce new policies political leaders inspire.

Experience has shown that when an entity, either in the public or in the private sector, employs a professional financial leader, the financial affairs of the entity are better managed. The financial leader in the public sector will be able to demonstrate to other government officials that new policies can be introduced, only when public finances remain sustainable. Efficiency is therefore crucial. In fact, this is an area where the professional financial leader could help the most, by implementing the entity's strategic goals in the most efficient and economical way. The finance professional has the skills and the expertise needed to perform viability studies for new policies to be introduced, to examine alternative methods of implementation and to ensure that all financial risks have been taken care of.

Governments need to appreciate more the incremental added value that professional finance leaders can bring, especially in financial control, strategic planning and internal control systems. A professional finance leader can offer much more to the public sector than a bookkeeper can. The expectations from finance professionals will therefore be much higher. Motivating finance professionals to work in the public sector isn't necessarily about offering attractive packages, but about allocating a similar role to them as a CFO has in a private sector organisation. By doing so, governments will be ensuring that sustainable public finances are in the trusted hands of professional finance leaders.

Strong finance leadership to manage public sector reforms

Noel Camilleri discusses the role of the finance leader in leading the cash to accrual accounting transition process

Accrual accounting is essentially the same accounting that most of us use in our lives on a daily basis. Most of us hold bank accounts, purchase assets such as a home or a vehicle and take out mortgages. We keep our liabilities in check and ensure that we will be in a position to pay back our debts. In doing so, we engage in accrual accounting. Seen from such a perspective, it all looks very easy. Then why do public administrations find it so hard to adopt and implement accrual accounting? How is it that transitioning from cash to accruals takes considerable time, very often with no end in sight? Having spent years of my civil service career promoting the shift from cash to accruals in my country (Malta), I have come across various situations that consistently require strong leadership and effective management if public financial management reforms are to succeed.

Convincing the political masters of the significance of shifting from a cash to accruals-based accounting and reporting system may indeed prove to be one of the most difficult aspects of the reform. Politicians need to buy into the reform. A level of common understanding needs to be established. Although one may have very strong and valid arguments on the long-term benefits of the purported reforms, ministers want quick wins and are unlikely to engage. Therefore, choosing the right time for project initiatives becomes an important factor. The best chances of success will only materialise when the planned steps in the reform are linked to other government programmes or initiatives.

A clear mandate from politicians giving public service officials the power to initiate change and oversee the reform remains a main prerequisite for the transition process. However, this may prove to be challenging even when prevailing circumstances call for immediate reforms. In an article penned by Ian Ball³ in April 2012, the author expressed his frustration at 'the lack of political will and drive for sound, transparent reporting on the part of governments'. He questioned 'Why has the current crisis not led to calls for action? Aren't good accounting, sound financial management and transparency in the best interest of governments and the public they serve?'

The transition to accrual accounting is a major cross-government change programme in itself. This makes it a corporate project. Hence proper project management structures need to be in place. As a minimum, there needs to be a small full-time central project team to lead the project. The team plans the project components, manages their timely delivery, coordinates work across departments and resolves issues as they arise.⁴ The choice of a project leader is critical. Apart from being technically strong, the individual will need exceptional leadership and change management skills as he/she will have to be the main project advocate, addressing practical and political issues that will inevitably emerge. The formulation of policies, circulars, business processes and legislation will be ongoing as the project develops. This role is ideally suited to a qualified finance professional with strong leadership skills.



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³ ICAEW Sustainable Public Finance: Global reviews (April 2012)

⁴ In Malta this role was assigned to the Treasury Department

Having a strong public sector finance leader managing a project like this is probably one of the most important aspects of such reforms. This role would then be responsible for driving reforms through at all levels of government.

A project board chaired by a senior finance leader, usually from the Ministry of Finance, is essential to provide the high-level sponsorship required to deliver the programme successfully.

A communication strategy is also vital to the success of the programme. Communication within government can, at times, be very weak. I have witnessed numerous instances where lack of communication has led to misconceptions about the accrual accounting transition process. For example, I still come across high ranking government officials who think that the thrust of the reform is essentially the implementation of a new IT system or the 'installation' of a set of new accounting rules. Others think that the move from cash to accruals is something for accountants to sort out and that it will only involve finance staff. Some fail to understand the implications of the transition on their day-to-day business processes. For this reason, clear channels and effective methods of communication must be established to address such misconceptions from the very outset. Unfortunately this aspect is often overlooked or relegated to a lower priority in the reform. The project steering board must therefore be prepared to organise information sessions for parliament and address concerns raised by public officials in the higher levels of government. Likewise, the project team would need to adopt an approach that gives finance and non-finance staff in middle and lower levels of government a clear understanding of the planned reforms. This will necessitate a high degree of mentoring.

Human resources is at the core of any reform and this is no exception. One cannot be further than the truth when assuming that once an IT system or a set of accounting standards are developed or adapted, the rest will fall into place. If personnel with the necessary skills are lacking, then the implementation process stalls. This is the case in many public administrations where the acute shortage of finance staff proves to be a major stumbling block. Admittedly, competing with the private sector for professionals could be challenging. Although in the short term this problem could be addressed through the recruitment of personnel on short-term contracts or external consultants, personally I favour a more 'home grown' approach. This entails allowing an initial cohort of trainees to gain experience within the structures of the project management teams and at a later stage (upon qualification) they could move out into departments, forming a group of potential finance officers. On a longer-term perspective, one has to ensure that the finance function across the administration is reinforced in order to achieve stable and stronger financial management. In this regard, the provision of continuous professional development and clear career paths for finance staff will have a significant impact on the sustainability of the implemented reforms.

I have highlighted a few issues that need to be dealt with by those leading such reforms. Steps in the process are likely to be time consuming especially in countries with very basic systems, low capacity and poor incentives for reform. It, therefore, needs a strategic finance leader at the very top to lead the strategy and steer the project in the right direction.

Role of financial leadership in sustainable public finances

Edward Ouko highlights the importance of good financial leadership to stop a government going into the red

Sound financial leadership should assure accountability in the management of public finances involving, but not limited to, budget processes and strict adherence to financial rules and regulations in the management of public resources.

On the other hand, sustainable public finances should entail ability of governments in sustaining optimal spending, tax collection and sound macro-economic policies that, in the long run, do not threaten government solvency or lead to governments defaulting on debt obligations. Financial leadership and sustainable public finances are thus intertwined at the hip; it is only good financial leadership that will ensure a government does not go into the red. There are institutions that play critical roles in this process. Among them are the Supreme Audit Institutions (SAIs), controllers of budget and internal audit; and above all parliamentary oversight structures such as the Parliamentary Accounts Committee.

Controllers of budget monitor the implementation of the budget in the public sector, while internal audits provide the necessary internal assurance within an institution. SAIs provide independent assurance that facilitates oversight by parliaments. In this regard, the budget cycle that starts with submission of budgetary estimates and ends with oversight by parliament, based on the SAI's work, needs no emphasis.

In Kenya, citizens participate in the budget proposals and prioritisation of essential services. The effectiveness of this process can only be assured by good financial leadership that is underpinned by technical competency, high levels of integrity and honesty in financial management. With such technical competency and personal integrity, the perennial wastages and corruption loopholes in the public sector would be checked to a great deal.

Effective public financial and resource management is also important for decision-making. Accurate financial information is often used as the mechanism to support decisions and ensure effective resource allocations. In Kenya, for instance, audited accounts are used as the basis of allocating funds to 47 county governments (semi-autonomous regional governments), for the delivery of critical services to the people.

Public financial management is therefore absolutely critical in improving the quality of public service outcomes. It affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public services.

OVERSIGHT MECHANISMS, THE KENYAN CASE

The oversight segment, which entails the audit, is where the auditor-general comes in to give assurance on the spending of public money. The 2010 Constitution of Kenya is grounded on strong checks and balances anchored by independent judiciary and anticipated transparency in public financial management.

In this context, the SAI's role is more pronounced and the auditor-general's mandate was enhanced to resonate with the expectations of the public, albeit the office still struggles for operational and financial independence.



Edward Ouko
Auditor General
of Kenya

The constitution prescribes core national values and principles of governance. These values are rooted in principles of public participation, accountability and, above all, service delivery to the citizens. A case in point, under Article 229 (6) of the constitution, an audit report shall confirm whether public money has been applied lawfully and in an effective way.

To respond to this constitutional requirement, the Office of the Auditor-General of Kenya employs a three-pillar approach:

CERTIFICATION OF ACCOUNTS

This responds to the core mandate of certifying accounts and expressing an opinion as to whether or not they are prepared in accordance with the applicable financial reporting framework and/or statutory requirements. The end product of this exercise is an annual audit report on each entity that is presented to parliament.

CONTINUOUS AUDIT PRESENCE

It ensures that the Office of the Auditor-General is proactive, preventive and a deterrent to fraud, corruption, wastage and abuse of public resources. This requires the auditor to constantly be on the ground to continuously assess the risks brought about by the evolving environment, so as to perform 'real-time' transactions testing and data analysis that enable timely recommendations, and respond instantly to issues of national, county governments and any public concerns that require immediate audit or investigation.

SERVICE DELIVERY TO THE PUBLIC

This is audit work responding directly to the bill of rights and social rights of citizens that will be met through development and implementation of programmes such as health, clean and safe water, education, housing and social security. The office responds to the economy, efficiency and effectiveness with which the resources are used to deliver services to the public. The products of this audit are performance audit reports which are issued at the end of the audit exercise.

It is worth noting that public participation in the management of resources, coupled with increased awareness of the rights of the citizens, have resulted in expanded public expectation and citizens are now looking at how institutions like SAls are handling the social accountability aspect in their work. This puts SAls in a core role in the achievement of the Sustainable Development Goals (SDGs).

Arising from this need, it is imperative that SAls conduct performance audits of governments' preparedness for implementation of the SDGs in their national contexts by focusing on the economy, efficiency and effectiveness of government programmes which contribute to the SDGs.

In Kenya's case the constitution already envisaged this and Article 10 (d) outlines the national values and principles of governance to include good governance, integrity, transparency and accountability, and sustainable development. The audit thus focuses on provision of health and quality education services, as well as ensuring the citizens live in a healthy and clean environment. This is a measure of social accountability.

Social accountability seeks to bring all stakeholders on board in the audit process: policymakers, public service providers, citizens and the private sector. It also involves citizens, and other non-state actors such as media and civil society organisations (CSOs). Monitoring of the project activities and performance is therefore expected to be through public participation.

Going forward, the actors in financial management must work in a seamless manner to assure that resources are managed throughout the fiscal year and also look at the outputs and outcomes of those resources in the lives of the citizens (what positive difference has it made to the peoples' lives), in addition to fiscal accountability.

Finance leaders at the heart of strategic decision-making

Paul Helm describes how New Zealand's vision for financial leadership at the centre of government has earned finance leaders the right to be at the heart of strategic decision-making

New Zealand's (NZ) context for sustainable finances in the public sector is rather different to other countries. We have had a number of major earthquakes that have cost the country billions of dollars and, like others, we have had to suffer the effects of the global financial crises. Fortunately, we do have a robust balance sheet. We have recorded regular surpluses recently and our net debt is tracking to below 20% of GDP by 2020/21. Hence our finances are considered to be in good order.

At the heart of our robust financial situation are unqualified financial statements. The level of understanding and use of our financial statements is very high. Our monthly crown financial reporting of the operating position, balance sheet and cash/debt are widely referenced by government and commented upon by financial analysts. This transparency and public comment helps ensure that financial focus is retained across our public finances.

We have found that having finance professionals at the heart of the state sector allows them to provide timely input and advice when policy is being developed and considered. Appropriate advice of the impacts on the balance sheet, fiscal targets and cash flows when a policy is being worked through is invaluable. Looking at the short-term and long-term fiscal impacts is also prudent. Finance being involved at this stage also allows other options to be considered in terms of the consequential impacts on business and fiscal indicators. Finance leaders in NZ are encouraged to also look across the system and identify wider impacts on the crown balance sheet, being a leader in an individual agency can limit the horizon that a leader will look at and so we seek a system stewardship focus.

It has only been in recent years that we have established a head of the government finance profession in the state sector and 10 key finance CFO positions as leaders across the system. Our focus now is on building the finance profession in the sector. This means working across the system to help ensure that leaders and teams have the right skills through appropriate and targeted development, be that education, exposure or experience. The other aspect of this development focus is ensuring that finance leaders have experience 'in the business'.

The skills and qualities required have changed as time has moved on. Building trust and confidence in the core figures presented is now the minimum level of requirement for a finance leader. It gets you in the door but not a seat at the table. Technical knowledge has to be strong, particularly when an issue has numerous impacts but also cuts in to appropriations and fiscal indicators. Being able to articulate the complexity in simple direct communication is paramount. The ability to put forward solutions and options for consideration, while anticipating the short-term and long-term consequences are also key. These skills are not taught from a book or by lectures.

Application of judgement and the ability to connect across the system comes from experience, not in years but from moving around the system or through external experiences. Sitting within this is a fundamental consideration of ethics. As state servants we need to ensure that we provide appropriate advice and with due consideration for



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the public we work for. We believe that this consideration allows us to provide open, free and frank advice on policies and the financial consequences. In NZ our responsibility to parliament to ensure compliance with our Public Finance Act helps retain financial leadership at the highest levels of the state sector. We need to be able to work with policy advisers, ask searching questions to understand problem definitions and apply fiscal thinking to issues so that the consequences and impacts are fully understood before decisions are taken.

Being impactful can be difficult when dealing with a group of professionals who are not traditionally seen as outgoing or great at selling ideas to others. It is not in the nature of many finance professionals in the state sector to share what they know beyond responding to specific questions on finance issues. Finance leaders need to step into the light. Having a comprehensive story to share that is focused on the future, the impacts and consequences is paramount. Quickly showing what impacts occur to fiscal indicators, both short and long term, in policy decisions helps decision-makers. Looking at total cost over several periods, not just the next election cycle and explaining the intergenerational impacts. In NZ with our earthquake risks we know we need robust resilient infrastructure and the flexibility within our balance sheet to handle significant emergencies. Planning for that headroom and achieving it has a consequence on short-term service delivery for the public. We have a duty to explain this to government and the public so that appropriate decisions are made. Getting the messages across in non-financial ways is important. Helping other senior officials to understand financial messaging has been a key enabler for us. Having some chief executives of departments that are also financially qualified assists with this.

None of this is easy, we are continually challenged. It can be easy to step back and be focused on the accounting standards and hold that out as reasons for having to do something. However, we need to continually message why we are following those standards and the impacts of the standards and why doing so provides robust financial information for decision-makers. We need to work on our connections with front-line state servants and work to provide potential solutions, not block the work going on to help the public. As finance professionals, we need to harness our energy, passion and drive to support the public. We can do this through informing, influencing and being a catalyst for change. There is no one correct answer since our profession is based upon art and not a science. We can, however, ensure government finances are on a sound footing by explaining the fiscal consequences of decisions made or not made.

In 2015 we developed our vision for the finance function in the state sector *Financial leadership driving excellent performance*. This vision speaks to how we want to work, how we want to be viewed and what we expect from ourselves. With this as our base, we continue to look at the opportunities we have, such as integrated reporting, to get smarter at how we tell the story and ensure that we have earned the right to be at the heart of strategic decision-making.

Finance leaders on the journey to sustainable public finances

Simon Bradbury highlights that there are more similarities between the private and public sectors than there are differences, and why tradition and vested interests should not let the differences divide us

Is it important to have finance professionals as leaders in the public sector? To me this is a bit like asking whether it is a good idea to have a first officer in the cockpit on a long-haul flight – sure, it is possible to do without one (technically at least, if not legally). But there will always be that nagging doubt about whether you are living in the world of second best; and the journey may end unexpectedly badly.

It is also, I fear, a mark of the accountancy profession's residual lack of confidence about the public sector that we are still asking ourselves questions such as this one. Of course it is important – essential even – to have finance professionals in leadership positions in the public sector. How could it not be? Public sector agencies manage significant assets, liabilities, revenues and expenses. In most settings the government as a whole is the dominant economic agent, and a reporting entity whose size dwarfs those in the private sector. Private sector corporations hire a range of finance and related skills – accounting, financial reporting, internal controls, fintech, treasury, risk management, ALM – to lead and manage their operations. And the public sector needs to do the same.

That being said, the public sector operating environment is quite different from the private sector in several important respects. First, governments are not typically in the business of making a profit: instead they are generally concerned with the least cost provision of outputs in pursuit of social welfare objectives, broadly defined. Second, governments obtain the bulk of their revenue from taxes and other non-requested transactions. And third, the authority to use public resources, and the management of those resources, are usually executed by separate arms of the government, with the legislature having the right to hold the executive accountable for its management and disposition of the financial resources entrusted to it. Public sector entities are typically called upon to demonstrate that they have provided goods and services to citizens at least cost. By contrast, private sector corporations are primarily accountable to shareholders for earning a competitive return on shareholders' funds, rather than on the nature of the goods and services they have sold.

While these are important contextual factors that differentiate the public sector operating environment from the private sector, in no way do they (nor should they) pose any kind of barrier to entry for competent and well-qualified finance professionals with a background outside the public sector. The sector-specific accountability arrangements and the lack of a profit motive may give rise to different incentives for performance, but it is not clear that these environmental factors impinge in any way on the deployment of finance-related knowledge and expertise in a public sector setting.

On this I can speak from experience. Some years ago I moved from a financial reporting role in the financial services sector in Australia to a similar position with the New Zealand Treasury, where I was responsible for the production of the whole of government financial statements. What was perhaps most striking about making this transition was the similarities between the key elements of the two roles – namely: implementation planning and execution of a large and complex consolidation process; negotiating with the external auditors; and reporting to stakeholders (in the former case the audit committee and the board of directors; in the latter case the minister of finance and the Finance and Expenditure Select Committee of Parliament).



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Moreover, the predominant accounting issue was the same in both settings – specifically, the measurement of hard-to-value assets. In the financial sector in Australia, these were underperforming real-estate backed loans; in the public sector in New Zealand they were infrastructure, military and heritage assets. And without wishing to over-simplify a very complex financial reporting topic, the key question was the same in both cases – how to determine an appropriate value for an asset that does not generate cash flows.

So I am not persuaded that the public sector setting is so unique and different that it calls for a special breed of finance operative – specifically, one who has only ever worked in the public sector – to be effective.

But I do recognise the potential practical obstacles to hiring appropriately skilled finance professionals from the private sector. This is not such an issue in countries such as the UK, Australia and New Zealand, where there is frequent public/private sector interchangeability. But in other countries, including many advanced economies, this can be a considerable hurdle – not least because of rigid civil service pay guidelines, with a focus on the promotion of generalists rather than specialists, which typically preclude premia or market rates to be paid for scarce skills such as finance or IT.

In hiring finance professionals into leadership positions, public sector entities need to ensure that the appropriate conditions are in place to enable those individuals to flourish. Three aspects in particular warrant attention:

- First – stating the obvious – it is important to hire professionals with the requisite skills and competence to make good quality decisions on financial management policy, planning, execution and reporting. In so doing, it is critical to foster a working environment that facilitates learning and knowledge-sharing so that the general professional skill set that newcomers bring can benefit from the institution- and context-specific knowledge of their new colleagues, and vice versa.
- Second, appropriate safeguards need to be in place to protect the finance professional's ability to exercise appropriate professional judgement. Many accounting and finance professionals working in the public sector belong to professional bodies that impose ethical obligations on members, in areas such as professional competence and due care, confidentiality and professional behaviour. It is important to enable finance professionals to comply with these obligations in discharging their responsibilities.
- Third, practices should be in place to ensure that financial decisions see the light of day, and that instruments are available in society (appropriate and effective legislative scrutiny; a free media) that will give effect to reviewing and questioning financial information published by the government.

The first of these aspects tends to attract the most attention, and there is still much that governments can do to overcome the barriers that exist to the hiring of competent finance professionals.

But the second and third elements are equally important. Many issues that arise in public financial management stem from the tension between the three elements. For example, in some jurisdictions official protection is accorded the relevant officials (the financial controller and the budget director) in the exercise of their best professional judgement, and the scope for ministerial override is strictly limited. This stands in marked contrast to other jurisdictions, where revenue and expense projections are adjusted, and transaction recording is manipulated, based on the political imperative to paint the government in the most favourable light.

The persistence of this latter practice is the best argument I can think of for more finance professionals in leadership positions in the public sector.

Getting the right skills into government

Ross Campbell considers what is needed to attract the right people into government

If it is accepted that there is a benefit to having financial professionals working in government, then the next question is: what needs to be done to attract the people who either already have those skills into government, or to train and retain them? Or to put it another way: what can be done to change the attractiveness of a career in government finance to skilled professionals?

It is often the case that professional accountants are not attracted to public service because government careers do not offer the same financial rewards as working for a business. It is certainly true that relatively few government ministries are able or willing to match the levels of pay seen in large corporations or professional firms. Industry understands the value of professional accountants! The best professionals invariably have a good understanding of their market value, so the appeal of government work has to be broader than the financial package.

Fortunately the public sector has some unique characteristics that can be very attractive to professional accountants. There is the appeal of public service which offers the prospect of working for the benefit of the nation. Government work is often very interesting – the chance to participate in the policy-making process and influencing decisions that affect the whole nation can be very rewarding. Furthermore, in environments where hard professional skills are in short supply, there is also the prospect of being able to have a disproportionate beneficial effect on the operations of the organisation. There is also usually a better work-life balance than is normally found in big companies or firms.

Consequently, in order to support effective recruitment and retention of finance professionals into public sector or charity roles, it is important for government employers to think broadly about both reward and recognition. Reward can come in many forms beyond the purely financial – the sense of doing something worthwhile can provide satisfaction far in excess of financial rewards. The satisfaction that comes from the variety of experience that government can offer, training and personal development opportunities are other strong motivators. These attractions mean that finance professionals do not necessarily expect to be paid in line with the top opportunities.

Another important environmental factor that makes employees feel valued in the workplace is recognition. Recognition in terms of public acknowledgement that what someone is doing is worthwhile, valued and an important part of the activities of the organisation they work for is a powerful tool. Appropriate use of recognition can make professionals feel involved and committed to an organisation and build a sense of being part of a shared undertaking.

MAKING IT HAPPEN

Ultimately the demand for better financial management in government needs to come from policymakers. While the legislature can demand better accountability, it is the executive that will have to take the decision to prioritise improving financial management over other competing change initiatives. Consequently, a clear case for change has to be made to the executive of the benefits that improving and professionalising government



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accounting and financial management will deliver. If, as professional accountants, we believe our skills, experience and knowledge can help improve the management of the nation's finances, we have a clear duty to act in the public interest to promote this to our policymakers.

As professional accountants we also know that if you want something to be done better, someone must be made both responsible for doing it and held accountable for what they actually do. We therefore have another duty, which is to stand up as a profession and volunteer to take some of the responsibility for the development of a stronger government finance profession.

In playing this role, professional accountants can bring another important benefit to public financial management: their experience in the design of the systems for corporate governance. In particular, the experience of designing systems to support change management and accountability structures. This matters because accountability structures create the feedback mechanisms that support continuous improvement.

Professional accountants understand that what gets measured gets managed. Our experience has shown how to design successful accountability structures. In particular, the important first step of making very clear who has been tasked to do what, the extent of the authority they have been given, the criteria by which success will be judged and the information needed to report performance against those criteria. This is as true for financial and economic management as for any other business activity.

More about the authors

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Sumita joined ICAEW in 2001 and specialises in policy and technical communications, on a wide range of public sector, regulatory, audit and assurance related matters, both in the private and public sectors, within the UK and internationally. She has authored a number of key publications, notably, *A CFO at the Cabinet Table*, *Audit v other forms of assurance*, and *Building Blocks for Better PFM - a cash to accruals accounting tool-kit*.

Sumita led in the coordination and delivery of ICAEW's new public sector regulatory supervisory body role. She has delivered training on a number of international assignments, including facilitating workshops with a number of government organisations, including the Cypriot Finance Ministry to help it develop its PPP framework to meet one of the TROIKA bailout agreements.

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Aman Trana

Aman Trana is Director, Public Financial Management Division in the ADB's Procurement, Portfolio and Financial Management Department. Previously, she was a senior financial governance specialist with the IMF, and also worked with the World Bank as a senior financial management specialist. She started her career with PricewaterhouseCoopers and worked in its Toronto, Singapore, and New York offices. She is a Canadian Chartered Professional Accountant and holds a Master's degree in International Affairs from Columbia University.

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Brian Blood has been CAPA Chief Executive since September 2009 and was previously Australia's representative on the CAPA Board for two years.

Brian was with global Big Four accounting firms for 27 years in the UK and Australia, including 16 years as a partner. He started his career with Arthur Andersen in London, England and transferred to Sydney, Australia in 1985, later joining Ernst & Young. As an audit partner he worked with many large, multi-national corporations. In his last 10 years as a partner, he worked increasingly with public sector clients, in both an audit and advisory capacity. He is currently an independent chair/member on a number of Australian public sector audit and risk committees involving state planning and development, transport, health and emergency services. Brian was the president of CPA Australia in 2002. In 2003, he was honoured with a Centenary Medal for services to the accounting profession in Australia.

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Marios Hadjidamianou works for the Treasury of the Republic of Cyprus (the 'Treasury'). He is currently the Head of the Accruals Accounting project in Cyprus. Being a member of the Treasury for the last 12 years, he was previously the head of the Policy and Development Unit of the Treasury and the financial controller of the Ministry of Labour and Social Insurance. He is also a member of the Public Sector Group of ACE, and he was nominated to be the Cyprus delegate in EPSAS Working Group. Marios holds a BA(Hons) degree in Accounting and Finance from the University of Manchester and a Master's degree in Public Sector Management. He is a Chartered Accountant by profession, gaining his professional experience in KPMG.

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- Edward Ouko** Edward Ouko is the Auditor-General of Kenya and previously served as the auditor-general at the African Development Bank where he directed the audit function and was in charge of the anti-corruption and fraud function up to June 2010. He worked with the African Development Bank for over 24 years in various capacities. He holds a B.Com Degree (Hons) in Finance and Accounting from the University of Nairobi, Kenya. Before joining the African Development Bank, he worked in London and Nairobi for Deloitte, Haskins and Sells.
- He is a Fellow of ICAEW and is a co-opted ICAEW council member representing Africa. He is also a Fellow of the Institute of Certified Public Accountants of Kenya.
- Mr Ouko is the current President of the Technical Committees on Knowledge Sharing and Management of the African Organisation of Supreme Audit Institutions (AFROSAI) and the Vice-President of the Office of AFROSAI General Assembly.
- Paul Helm** Paul Helm is Head of Government Finance Profession and Chief Government Accountant, since October 2014. In this role, he is focused on skills development in strategic financial management across the state service and helping finance teams achieve their potential.
- He has significant experience in state sector financial management, transforming finance functions, procurement and commercial decision-making. He has worked across a range of government departments as CFO including the New Zealand Transport Agency, Ministry of Foreign Affairs and Trade, Ministry of Health and was an audit director at Audit New Zealand.
- Paul is also responsible for the financial statements of the government in his role as Chief Government Accountant. He is a Fellow of CA Australia New Zealand, CPA Australia and ICAEW.
- Simon Bradbury** Simon Bradbury is the Chief Accountant of the International Monetary Fund. After graduating in economics from the LSE he qualified as an ICAEW Chartered Accountant. He then spent 10 years working in Australia and New Zealand, initially in the financial services sector and subsequently with the New Zealand Treasury, where he led the preparation of the New Zealand Government's first full accrual financial statements. After two years serving as the first technical director of IFAC's public sector standards programme, he joined the World Bank in 1999, working for the Controller in a variety of different roles. Simon joined the IMF in 2014 after having served for two years as the Controller of the Asian Development Bank, based in the Philippines.
- Ross Campbell** Ross is the Director, Public Sector at ICAEW where he leads ICAEW's work to improve standards in the management of the public finances, both in the UK and internationally. Before taking up his current role at ICAEW, Ross was the accounting policy lead and financial reporting standard setter for the UK Central Government at HM Treasury. Other recent senior roles in government include being the group chief accountant at the Ministry of Defence (MOD) and the director at the National Audit Office responsible for the value for money review of defence. Ross has also held a senior civil service role as head of commercial assurance and governance at the MOD, set up and led the department's Commercial Scrutiny and Due Diligence team and was also deputy director of the MOD Private Finance Unit.

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The Better Government Series

ICAEW supports greater transparency and accountability in public sector finance and provides policy recommendations to ensure taxpayers' money is managed wisely. Our *Better Government Series* is a series of thought leadership, policy insights, toolkits and best practice special reports on topical public sector financial management issues. Examples include:



Managing the public balance sheet

This Policy Insight aims to help public officials understand what is in their balance sheets. The value of the information about different sorts of assets and liabilities and how some governments around the world are using it to support more effective policy-making. In particular, it is written, to help government ask the right questions to make the most of their financial information.



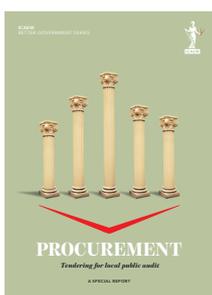
The UK Central Government Public Financial Management System

While the UK system is transparent, the relationship between the government, acting on behalf of the Crown and Parliament is complex, with a number of parties involved in the overall process by which public expenditure is approved, managed and accounted for. This document aims to provide a simple and clear explanation of how the system works – in one short and accessible document.



Building blocks to better PFM – a cash to accruals toolkit

Using generally accepted tools and standards of project management we have created this practical 'how to' guide which brings together information that is relevant to the implementation of large projects. The toolkit sets out six practical 'building blocks' as the foundation to improve the quality of financial reporting and public financial management.



Tendering for local public audit

This special report has been written to support local public bodies when they are in the process of tendering for external audit services. It is largely based upon the accountancy firms' experience gained in tendering for NHS Foundation Trusts and other public sector procurements, learning the lessons from these procurement exercises.

These publications and others in the series can be found here icaew.com/publicfinances

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