

---

# Managing Local Government Finance – Training and Accreditation

Noel Hepworth

Chartered Institute of Public Finance and  
Accountancy (UK)

Open Society Conference, Turkey 2003

IPF

CIPFA

# Agenda

---

- The importance of finance
- The chief financial officer
- Defining financial management
- Developments in international accounting
- Improving technical skills
- A scheme of professional training and its accreditation

# The importance of finance

---

Local authorities have these needs, to:

- Raise revenue fairly from taxes and charges
- Be able to borrow
- Meet the needs of their clients
- Balance the budget
- Manage their affairs efficiently and effectively
- Account to their stakeholders
- Justify to the auditors and central government that they have properly met their objectives

# The importance of finance

---

Have they the capacity to do this?

Without that capacity there will be:

- Inefficient collection of revenues
- Borrowing to finance revenue spending (because there is no clear distinction between revenue and capital)
- Inefficient expenditure
- Inability to balance the budget except through inappropriate measures such as forcing creditors to lend

# The importance of finance

---

The consequences will include:

- Risk of financial breakdown
- Inability to meet needs of citizens
- Inability to properly account to stakeholders
- Lack of effective audit and financial control
- Enhanced risk of fraud and corruption

# The chief financial officer

---

Each local authority should appoint a senior well qualified expert as chief financial officer who should be:

- A member of the management team
- Supported by a technically competent staff
- Responsible for financial management as well as for keeping the accounts
- Responsible for setting the quality of the internal financial control and internal audit systems
- Responsible for the preparation of the annual accounts and performance reports

# The technical competencies of the chief financial officer

---

The chief financial officer should have an:

- Understanding of and capability to manage a modern IT based double entry accounting system
- Appreciation of modern accounting and audit standards
- Understanding of the link between accounting and financial management
- Understanding of internal control, internal and external audit
- Appreciation of the requirements of financial reporting

# Responsibilities of the chief financial officer

---

- To maintain strong financial management underpinned by effective financial controls
- To contribute to corporate management and leadership
- To support and advise democratically elected representatives
- To support and advise line managers in their operational roles
- To lead and manage an effective and responsive financial service.

# What is 'financial management?

---

Financial management includes:

- Stewardship of public funds
- Financial analysis of local authority activity to secure value for money through effective management accounting
- Identification of risk and from that defining internal control and internal audit requirements
- Ensuring efficient management of cash and borrowing
- Safeguarding assets
- Securing a prudential financial framework so that a balanced budget exists and is maintained

# Developments in international public sector accounting

---

- Public sector accounting standards are being specified by the international accounting profession
- These standards are being supported by the major multilateral aid agencies
- Some countries have adopted them as has the European Union
- Governments and local authorities will be expected to comply in due course

# Developments in international public sector accounting

---

Why is this occurring? Because of:

- Inadequacies of public sector accounting
- Therefore lenders cannot be sure of their financial security
- The need to improve the efficiency of public sectors
- The pressures on public sector resources
- The growth of privatisation and contracting out

# The present level of technical competence in local government

---

- In most transition countries little experience of and training in accounting and financial management in the public sector
- Generally weak accountancy professions
- Little appreciation of role of the financial manager with frequently low status
- Main concerns are with the budget, cash management and 'control', not with effective management

# Main problem – how to improve technical skills?

---

Possible solutions:

- Short courses
- One-off aid funded training programmes
- Academic training by universities
- Employing skilled staff from private sector
- Developing a long run training scheme linked to international standards of the accountancy profession

# Short courses

---

## Advantages:

- Cheap
- Focus on immediate requirements, usually of present system

## Disadvantages:

- No long run benefit
- Tendency is to reinforce existing, usually inadequate, systems

# One-off aid funded training programmes

---

## Advantages:

- Cheap to recipient
- Can include substantial professional information
- More substantive than short courses

## Disadvantages:

- Limited life
- Based upon foreign experiences, which may not be relevant
- Little local capacity building

# Academic training

---

## Advantages:

- Cheap
- Local knowledge
- Some international knowledge via academic network

## Disadvantages:

- Limited or no practical experience
- Academic network not well linked into profession
- No continuing input once course completed

# Employing private sector staff

---

## Advantages:

- Local experience and knowledge
- Commercial skills

## Disadvantages:

- Expensive
- Wasteful unless retention in public sector
- Commercial skills not always relevant

# Developing long run training linked to accountancy profession

---

## Advantages:

- Focus on practicalities with substantial technical information
- Links foreign to local experience
- Opportunity for long run capacity building

## Disadvantages:

- Heavy organisational requirements
- Requires commitment and support from employers and students
- More expensive than some other arrangements

# Developing long run training linked to accountancy profession

---

How would the scheme work? There is a need to:

- Find a professional body sponsor with a suitable training scheme (would be foreign)
- Review the scheme and adapt to local circumstances
- Translate the training material
- Find a local partner to manage the scheme and a local trainer capable of delivery of training
- Obtain cooperation and support from local employers
- Find the finance

# Developing long run training linked to accountancy profession

---

Aim should be to create a cadre of trained professional local government finance officer staffs who are able to relate to the local and international accountancy profession and who would, over time, want to:

- Ensure continuity of the scheme
- Encourage new trainees to join
- Encourage continuing professional development and the establishment of a professional disciplinary scheme
- Work with employers to maintain scheme relevance and encourage technical research and advice

# What subjects should a scheme cover?

---

An example syllabus:

- Financial reporting
- Accounting for decision making (costing)
- Financial management including business planning
- Information management systems
- Audit (internal and external)
- Management
- Local law and taxation

# Example of Slovakia (1)

---

New responsibilities being given to local government; need to be able to manage them:

- Municipal finance officers (MFO) form an association
- Found short course and one-off aid scheme unsatisfactory
- Approached UK accountancy body (CIPFA) with specialist interest in local government for help
- UK body developed an international qualification and learning materials, apart from for local law and taxation
- Scheme designed as distance learning or taught course

## Example of Slovakia (2)

---

- MFO become local partner of CIPFA to promote scheme, find local academic trainer
- Local academic trainer responsible for preparing module on local law and taxation to CIPFA specification
- Local academic trainer participates in assessment process
- CIPFA responsible for quality control of training and assessment process
- Negotiation with Ministry of Education to secure academic recognition

# Other examples of schemes

---

Schemes being developed for:

Slovenia, Croatia, Albania, Macedonia, Bosnia  
Gambia, Malta and Pakistan

# Costs of a scheme

---

Main costs are:

- Adapting learning materials to local circumstances\*
- Developing a local law and tax module\*
- Translating the learning material from English
- Initial 'set up' costs
- Finance of assessment cost (CIPFA quality control)\*
- Annual revision of training materials\*

\*Some or all of these costs can be international costs, rest local  
Aim should be to make the programme self supporting over time

# Role of CIPFA

---

- To provide the qualification and learning materials
- To provide education and technical support as needed
- To ensure quality control and provide the accreditation
- To assist in maintaining learning after qualification
- To maintain learning materials so that they remain topical

CIPFA involvement provides status and recognition

# Summary

---

- Finance has a key role in effective local government
- The chief financial officer needs to be responsible for financial management in all its aspects
- International developments will affect local government accounting
- Effective training becomes essential
- The best form of training is one that develops long run professionalism of the finance department staff
- In the present circumstances an international partner may be needed.

# Contact Details

---

Noel Hepworth, Chairman CIPFA International,  
NLA Tower, Croydon CR0 0XT

United Kingdom

Tel. 00 44 20 8667 1144

Fax 00 44 20 8681 8058

E mail [Noel.hepworth@ipf.co.uk](mailto:Noel.hepworth@ipf.co.uk)