

Accountants Crucial to Political Establishment in Policy Making



While the accountancy profession regularly calls upon governments around the world to adopt accrual accounting and stronger public financial management, we must remember that accountants are on the same page as politicians in terms of having a vision for affordable public services that support economic growth and tackle poverty. In every country and corner of the world, today's and future generations deserve effective education, public health programs, and living conditions that require the effective prioritisation and management of resources. Read on...

I strongly believe that the accountancy profession across the public and not-for-profit sectors is at the heart of making lives better. And the rewards of feeling you have made a difference vastly outweigh the extra complexities of delivering political mandates that must be assessed for social impact as much as fiscal rate of return.

The Chartered Institute of Public Finance and Accountancy (CIPFA)'s *Financial Management Model* has for many years set out a maturity model where we first ensure strong stewardship and good governance, secondly improve performance, and thirdly develop enhanced cross-cutting and soft skills that underpin transformation. We are all on this journey, and with governments generally representing 25%-75% of GDP, the stakes are high.



Rob Whiteman

(The author is Chief Executive, Chartered Institute of Public Finance and Accountancy. Comments can be sent at ebboard@icai.in.)

As demonstrated by CIPFA's *Whole Systems Approach* many—including financial managers, auditors, regulators, standard setters, and decision makers—have a vital role to play, and no single player on its own can ensure strong public financial management. We have to build systems with the right roles and competencies.

Public expectations, of course, about the quality of public services are growing, and long lasting improvements are often being sought in accountability and transparency of the spending of public funds. Because of the scale, size, and complexity of the public sector, it can be hard for politicians to know where to begin, even though we often look to them to initiate reform.

Although the sovereign debt crisis and its aftermath provided a wake-up call, financial reform still isn't seen as a priority by some governments, where reporting is patchy and can lead to a lack of public trust and confidence from citizens and the business sector. At its worst, where systemic fraud and corruption goes unchecked, governments have difficulty attracting inward investment from the capital markets and donors.

But while the accountancy profession has a pivotal role to play in promoting and delivering strong public financial management in the public interest, we must get better at explaining how this benefits society.

If we simply make it sound like a better process it will not win hearts and minds. Nor will we succeed if we simply lecture politicians or suggest that all the answers can be imported from elsewhere. We must respect local differences as well as build strong local institutions and solutions.

But while the accountancy profession has a pivotal role to play in promoting and delivering strong public financial management in the public interest, we must get better at explaining how this benefits society. If we simply make it sound like a better process it will not win hearts and minds. Nor will we succeed if we simply lecture politicians or suggest that all the answers can be imported from elsewhere. We must respect local differences as well as build strong local institutions and solutions.

Most of all, the profession can at times slip into the mistake of assuming that public services and governments are second best to the corporate sector and simply need to adopt its approaches. Elected politicians can easily interpret this as self-serving and it's not the right formula to gain influence.

What most sets political hearts fluttering is not better process but effective policy making. Policy decisions supported by robust financial information and analysis are more likely to succeed. The "golden thread" that links policy with resource deployment and public service outcomes is the most effective means to bring politicians on board because it is meeting their needs for the short, medium, and long-term.

The *Whole Systems Approach* also sets out that the financial literacy of parliamentarians is vital to facilitate the effective scrutiny of financial

A positive outcome of the Panama Papers scandal is that the accountancy profession is seen as stepping forward with constructive solutions. Politicians need our advice to curb offshore tax avoidance schemes and profit shifting tactics that, if left unchecked, will cause increasing public outrage as well as undermine public finance resilience.



Accountants in public service are never just there to make the numbers fit the policy aspiration. Speaking truth to power and never being afraid to do the right thing is as vital a part of our training scheme as it has always been. But, we need new skills too—not least data analytics, cyber, and value for money.

statements and programs. Legislatures often need to do more—for example, introduce development for new members to ensure oversight and challenge. If decisions become harder to agree on and are challenged and changed along the way by insights from citizens and politicians (both ministerial and scrutiny roles), then usually it means better decisions are made.

Finally, good public finances rely on effective tax systems. Competent tax authorities rely on a range of taxes to avoid the risks of over-reliance on any one source of revenue. Resilience is an important facet of an effective Whole Systems Approach. A positive outcome of the Panama Papers scandal is that the accountancy profession is seen as stepping forward with constructive solutions. Politicians need our advice to curb offshore tax avoidance schemes and profit shifting tactics that, if left unchecked, will cause increasing public outrage as well as undermine public finance resilience.

As a trainee, in what feels a lifetime ago, it was made clear to me that accountants in public service are never just there to make the numbers fit the policy aspiration. Speaking truth to power and never being afraid to do the right thing is as vital a part of our training scheme as it has always been. But, we need new skills too—not least data analytics, cyber, and value for money. A collaborative process, where we share skills and approaches, is the best way forward.

(Source: IFAC Global Knowledge Gateway). ■