



HM TREASURY

# IPSAS Conceptual Framework Management for Efficient Results

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Ken Beeton  
Director, Financial Management and Reporting  
HM Treasury, UK

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# What are the core elements of management that lead to efficient outcomes?

**The basics of efficiency measurement** – cost per unit of output. Therefore, need to: understand costs; measure outputs; relate one to the other; should be at the heart of every business decision

**Some of the obstacles** to efficiency measurement and management:

- Costs:**
- different frameworks, with no single version of numbers; and cash or accruals?
  - systems that support spending control and not management accounting
  - little understanding of balance sheet and longer term perspective

- Outputs:**
- often difficult to measure
  - the links with outcomes are usually very complicated
  - outcomes usually result from a myriad of factors, including externalities

- The cultural enablers:**
- committed and accountable leadership, setting a cost conscious tone
  - outcome based approach, not short term micro targets
  - simple and transparent systems
  - all public servants have financial awareness and strive to deliver for less



## What information systems are deemed suitable for this type of management?

### **Pre-requisites in terms of systems, process and control:**

- aligned and simple control frameworks (fiscal, financial and management accounting)
- high quality accruals based data, with strong data governance
- good business planning and performance management
- group finance functions, operating across departmental families

### **The importance of management accounting:**

- it's as much about forward looking decisions as accounting for past performance
- understanding costs, common chart of accounts, a determined emphasis on cost reduction
- sustainable efficiency needs to consider processes and activities; benchmarking

### **A strategic perspective:**

- outcome based approach, not short term targets; simple and transparent systems
- new thinking needed, in order to manage risks to value (in context of risk appetite)
- understanding the balance sheet is crucial



# How do IPSAS contribute to achieve such management?

## **Need for a robust financial framework:**

- the qualitative characteristics: relevance; faithful representation; understandability; timeliness; comparability; and verifiability; are all vital

## **The importance of independent standard setting:**

- a clear and transparent requirement, aligned with best practice
- helps to avoid manipulation (political or otherwise)
- all part of a single economy
- different frameworks can generate perverse and unhelpful behaviours

## **The importance of coherence between fiscal and financial frameworks:**

- a financial accounting perspective is necessary to understand the true financial position
- essential to reconcile and understand the differences and manage them
- IPSASB is committed to minimising divergence from statistical/fiscal reporting models



## Some questions

1. How do we develop organisational cultures that take efficiency seriously?
2. How important is a 'single version of the truth' across fiscal, financial and management accounting?
3. What role do transparency and financial reporting standards play in delivering improvements in efficiency?
4. What role can we each play in 'Management for efficient results' and what are our priorities?
5. Can we manage efficiently using historical costs?