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A man in a dark jacket and trousers is walking on the edge of a rocky cliff. The background shows a vast, hazy landscape of mountains and valleys under a warm, golden sunset sky. The scene is captured in a cinematic style with soft lighting and a wide-angle shot.

**LEADING RECOVERY:
THE EVOLVING
ROLE OF SENIOR
FINANCE LEADERSHIP
IN THE PUBLIC SECTOR**

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of 233,000 members and 536,000 future members based in 178 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in **our purpose**. In December 2020, we made commitments to the **UN Sustainable Development Goals** which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation.

Find out more at: **accaglobal.com**

About CA ANZ

Chartered Accountants Australia and New Zealand is a professional body, comprised of more than 131,000 diverse, talented and financially astute members, who use their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgement, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide, which brings together leading institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

CA Catalyst is our strategic programme to help CAs build capabilities, explore new markets, and provide greater value for themselves, their clients and communities. We also have a valued and strategic alliance with the Association of Chartered Certified Accountants.

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About this report:

This report explores the evolving role of senior finance leaders in the public sector, looking back at the way organisations have adapted in response to the pandemic and looking ahead to the challenges leaders will face in the future. Drawing on discussions with senior finance leaders working in different types of public sector organisations across the globe, it highlights the importance of professional accountants in shaping the future of the public sector.

Foreword



Helen Brand
Chief executive, ACCA



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The pandemic has reminded the world of the importance of the public sector in tackling the biggest challenges society faces. Public sector finance leaders played a crucial role in their organisations' responses to Covid-19.

Conversations with leaders for this report highlighted how quickly both individuals and organisations in the public sector were able to adapt during the crisis. There was a widespread view among roundtable participants that senior finance leaders and their teams had risen to the challenge.

As society emerges from a period when the pandemic has dominated everyday lives, it is crucial that senior finance leaders learn the lessons of the past two years. Reflecting on the experience of the pandemic will enable the public sector to be better prepared for the next crisis. Just as importantly, it will also ensure that senior finance leaders are equipped to navigate the wider challenges ahead.

The skills, knowledge, behaviours and values of professional accountants are essential in providing leadership in public sector organisations. The senior finance leaders who participated in the roundtables convened for this report emphasised professional membership of an accountancy body as crucial in enabling them to understand the 'basics' and develop their knowledge throughout their career through continuing professional development (CPD). Professional accountants also have a wider set of skills beyond technical knowledge, which they can use to support the organisations they serve; these skills need to be developed and refined through experience and reflection.

ACCA and CA ANZ have identified an 'ABCD' of skills which public sector finance leaders of the future will need to develop: adaptability, business sense, communication, and determination. Aspiring finance leaders in the public sector must ensure they broaden their horizons, from the traditional tasks of a finance professional to a wider organisational perspective. By focusing on this 'ABCD' of skills, professional accountants can take the lead in delivering the effective public services the world needs in the years ahead.

ACCA and CA ANZ are committed to supporting the evolving role of senior finance leaders in the public sector, through our professional qualifications, training and professional insights.

Executive summary

The Covid-19 pandemic presented a unique challenge for the public sector, as senior finance leaders had to react rapidly to enable their organisations to support governments' dual aims of saving lives and protecting livelihoods. In the initial phases of the crisis, governments in many countries responded by increasing spending substantially. Senior finance leaders and their teams had to act decisively to ensure that additional funding allocated for healthcare and support programmes benefited those it was intended for as quickly as possible.

This initial response saw speeded-up decision-making, as processes were streamlined and finance teams were brought into the development of policy at an early stage. These changes were seen as beneficial by the senior finance leaders we consulted, who were eager to ensure that they are retained and built upon in the public sector.

Building on the experience of the pandemic, we identify three broad areas where lessons can be learned, each with two specific recommendations for senior finance leaders:

Transforming systems

- Build organisational resilience
- Make the most of data

Rethinking leadership

- Empower staff
- Provide visible leadership

Adapting to new ways of working

- Focus on purpose, then place
- Break down barriers

Learning these lessons will equip senior finance leaders for the future challenges facing the public sector. In our roundtables, finance leaders identified three major areas where the public sector faces difficulties in the years ahead:

- Recruiting and retaining finance professionals
- Preparing for reducing budgets for public services
- Adapting to wider societal changes

Senior finance leaders will need to respond with innovative and creative approaches as they tackle the challenges ahead. This will include developing fresh approaches to recruitment, training and retention of finance staff. Similarly, senior finance leaders will have to be bold in the decisions they make as they deal with funding reductions in the future. The public sector also needs to keep pace with the way in which society is evolving, ensuring it responds to the climate change and ESG agenda, as well as rapid developments in digitalisation and automation.

Professional accountants are well-equipped to provide the leadership that public sector organisations need as they learn the lessons of the pandemic and look ahead to the challenges of the future. Their technical knowledge, commitment to ethical standards of integrity and trust, as well as their wider perspective, all developed through the professional qualification and CPD, will enable the public sector to respond effectively to the ways in which society is changing. For finance leaders to shape their organisations effectively, they must build on these solid foundations to focus on an 'ABCD' of skills:

- **Adaptability**
- **Business sense**
- **Communication**
- **Determination**

By broadening their outlook in this way, senior finance leaders can ensure that they are at the heart of public sector organisations, enabling them to deliver effective public services in the years ahead.





Introduction

The Covid-19 pandemic has put the role of the public sector in the spotlight, as governments have responded first to the immediate crisis caused by the pandemic and then its subsequent impacts. It required radical changes to the ways in which the public sector operated and compelled governments to do things they had never done before. For senior finance leaders and their teams, this meant taking on new tasks and doing existing things differently. This expanded role for the public sector seems likely to continue into the future.

This report builds on ACCA's 2021 report *Rethinking Public Financial Management*, which reviewed governments' overall public financial management (PFM) arrangements in the context of the pandemic (ACCA 2021a). *Rethinking PFM* made 21 recommendations, highlighting how PFM arrangements need to evolve so that governments are able to respond to crises in the future quickly, effectively and transparently. Existing and future PFM systems are only as good as the people who operate and manage them and eleven of the report's recommendations concentrated on the role of public finance professionals.

EXISTING AND FUTURE PFM SYSTEMS ARE ONLY AS GOOD AS THE PEOPLE WHO OPERATE AND MANAGE THEM.



Defining the role of senior finance leader

In this report we define the 'senior finance leader' as the most senior individual in a public sector organisation with responsibility for overseeing the organisation's financial strategy and operations. In the private sector this role is generally known as the chief financial officer (CFO). In the public sector there is a much greater diversity of job titles for the equivalent post.

The variety of role titles for senior finance leaders in the public sector across the globe reflects several factors including history, legislation and the varying scope of responsibilities. In some cases, the position is specifically set out in law while in others the title has evolved over time. Sometimes, the title will provide an indication of the scope of responsibilities covered by the role. In recent years, in both the public and private sector, the role has widened to encompass responsibility for property,

information technology and other 'back-office' services. This was reflected in the wide briefs held by many of the senior finance leaders who participated in our roundtable research events.

In the wake of the pandemic, this report focuses on the role of senior finance leaders, outlining the ways in which senior finance leaders and their teams responded to the crisis. It identifies lessons for leaders, based on the experiences over the last two years of those working at senior levels of the public sector in several different countries. It then looks ahead to the future challenges leaders will face and the key skills that the public sector finance leaders of the future will need to succeed.

The public sector finance profession demonstrated its responsiveness, adaptability, and flexibility in its reaction to the crisis. The challenge for senior finance leaders will be to maintain this way of working as the public sector returns to more normal circumstances.

One senior finance leader estimated they spent only half of their time on the financial aspects of the role and another participant pointed out that 'many FDs [finance directors i.e. referring to the senior finance leader in the organisation] have a large remit, it's not a "director of finance"; it's a "director of finance and...". In order to avoid confusion this report refers to 'senior finance leaders' throughout. While we concentrate on the individual with overarching responsibility in a public sector organisation, many of our findings also apply to finance managers below the top tier, as well as those aspiring to senior leadership roles.

Our research approach

Our research has been based on 6 virtual roundtable events conducted between November 2021 and April 2022, involving 20 participants. These participants were chief financial officers and their equivalents, as well as others in senior leadership roles in the public sector. All participants were currently working in the public sector and were drawn from central government ministries and agencies, as well as local government, health and housing bodies. Quotes from senior public sector leaders highlighted in this report are taken from the roundtable meetings; we have not attributed them to named individuals to maintain confidentiality.

Structure of the report

- **Section 1** considers how the role of senior finance leaders and the finance function has changed over the last two years in response to Covid-19.
- **Section 2** is based on our conversations with senior leaders in the public sector and draws on the experiences of different organisations; it identifies six key lessons for existing and future leaders to reflect on.
- **Section 3** outlines some of the challenges that lie ahead, as the immediate crisis of the pandemic recedes.
- **Section 4** highlights the importance of a professional accounting qualification and emphasises four areas of skills that senior finance leaders in the public sector will need to thrive in the future. Finally, the Conclusion summarises the report's main findings.

Section 1: Responding to the pandemic

Despite the diversity of public sector organisations and countries represented in our roundtables, there was remarkable similarity in their experiences of responding to the initial phases of the pandemic. Three common factors characterised this period:

- increased spending
- streamlined decision-making processes
- better integration of the finance function in decision-making

Increased spending

In April 2020 Kristalina Georgieva, Managing Director of the International Monetary Fund (IMF), advised governments responding to the pandemic to ‘spend as much as you can, but keep the receipts’ (Georgieva 2020). Initially, many governments adopted the mantra of ‘whatever it takes’ in response to the crisis. In the first stage of the pandemic, described by one roundtable participant as ‘emergency mode’, extra resources were allocated to healthcare spending and economic support packages by governments. In some cases, this was accompanied by reductions in budgets and discretionary spending for those other public sector organisations not at the forefront of the initial response.

Several participants highlighted the unprecedented scale of extra funding for the public sector in the initial phase of the pandemic. In response to the pandemic, budgets, which in some cases had only been prepared months earlier, were quickly superseded, as public spending increased rapidly.

‘We were lubricated by cash. There was governance. There were processes. But actually if you could string together something fairly sensible, the money flowed.’
Health sector participant

The public sector is generally used to operating within constrained budgets. Consequently, the rapid increase in funding was something senior finance leaders were unaccustomed to. It was accompanied by pressure from political decision makers to allocate and spend the additional money quickly. This meant the decision-making process for allocation of funds had to be speeded up.

Streamlining decision-making processes

Just as the rapid increase in many organisations’ budgets was a new phenomenon, so was the speed at which many decisions needed to be taken to ensure public sector organisations’ responses kept pace with developments.

‘For an accountant the notion of [getting] cash out really quickly is quite a difficult one. We like to have our controls in place. But the mantra [and] priority was to get money to the front line as quickly as possible.’
Health sector participant

There was understandable pressure from political leaders to ensure, for example, that support schemes for businesses and residents were implemented rapidly or that personal protective equipment could be purchased and delivered quickly. Consequently, decision-making processes had to be streamlined and funding systems simplified.

Participants highlighted how, in their organisations, increased spending power was delegated to budget holders, and electronic approval and signing of documents were implemented very swiftly in many cases. Where finance teams had previously required physical documents, electronic documents were accepted instead.

In some cases, the financial architecture governing allocations of funding was simplified, to enable funding to be provided more rapidly and reduce administrative and transactional processes. For example, roundtable participants from the National Health Service in the UK highlighted how the complex financial architecture of commissioners and providers was essentially suspended in the early months of the pandemic.

‘The flow of funds simplified, so [there were] fewer conversations about money and more conversations about responding to...the pandemic.’
Health sector participant

Our participants all recognised the tensions between, as one participant described, ‘having to balance the speed of the response and necessary governance, financial control’. Even so, they emphasised that, wherever possible, their organisations sought to retain good financial management. Where authorisation of decisions required board approval this continued, albeit with boards meeting remotely and the number of meetings increasing substantially, reflecting the volume of decisions required.

Despite organisations retaining safeguards, these changes to existing processes inevitably led to trade-offs. This meant, especially during the initial phases of the response, public sector organisations did not always prioritise ensuring value for money. The urgency and scale of action required a decisive response, but the overall impact of these changes were higher levels of fraud and error than would generally be expected in the public sector. ACCA’s *Rethinking PFM* report highlights the importance of maintaining transparency and accountability as the public sector learns lessons from the pandemic.

Evidence from our roundtables demonstrates that during the pandemic organisations did make improvements in areas where weaknesses had emerged. As the public sector’s response evolved and the urgency of decision-making lessened slightly, senior finance leaders brought back more controls. There was a clear sense, one participant said, of ‘learning as we went along’. For example, most governments had never designed and delivered employment and business support packages on such a scale before. In subsequent rounds of grant support to businesses, public bodies were able to build in greater mitigation against fraud, drawing on experience gained earlier in the response.

'We started off with the speed of the response and it adapted ...[so] that we built back in the foundations for good financial management.'

Local government participant

The simplification of decision-making architecture freed up time for senior finance leaders and their teams to provide a wider range of support. This, coupled with increased funding, provided a catalyst for barriers to be broken down between the finance function and other parts of the organisation.

Better integration of the finance function in decision-making

The scale and pace of the response by the public sector outlined above, meant senior finance leaders and their teams had to be at the heart of their organisations' decision-making processes. The need to make decisions quickly highlighted the importance of integrating financial advice from the outset. As one participant said, it 'heightened people's understanding and desire to have support' from the finance function. A priority for senior finance leaders will be to ensure that this integration is retained, as the sense of urgency which characterised the pandemic period diminishes.

Finance leaders and the finance function found themselves at the centre of what was going on in their organisations in a way that some had perhaps never experienced before. Evidence from our roundtables demonstrated that, generally, senior finance leaders were integral to emergency command structures for their organisation or wider arrangements for the local area; this enabled them to be involved in the key decisions as they were made. In addition, as outlined above, finance leaders and their teams were still relied upon to maintain effective financial management.

'It did elevate the importance of the whole CFO role and function because it seemed a perfect storm where everybody wanted to make sure that things like internal controls were in place, they weren't doing anything that was in contravention of the law. And so you got in the middle and had to respond to a lot of processes and procurement and issues.'

Central government participant

The heightened profile of the role of finance provided an opportunity for finance functions to reposition themselves within organisations. In the traditional policy-making cycle, finance leaders and the finance function may have become involved only part way through the process.

'Before the pandemic, my team were an afterthought, not integrated into [the] policymaking process, not brought in often or upfront early enough into things that impact on budget.' **Central government participant**

In the immediate response where timeframes were collapsed, finance teams were integrated into the policy-making process from the beginning. As a result, as one participant said, they were 'present in conversations that they weren't part of before'. Their involvement, from the first stage of policy design, enabled finance professionals to provide advice and shape policy as it was very quickly developed.

This increased involvement brought mutual advantages. It offered policymaking and delivery teams a fresh perspective and gave finance teams the ability to identify potential problems early on and seek to address them. Early involvement helped to speed up the whole design and implementation process and, in some organisations, altered the perception that the finance function could be a barrier or obstacle to getting things done.

'It made a big difference to our status as finance professionals in the organisation. I don't think we were always [previously] valued as we might have been.'

Central government participant

As a result of the need to act quickly, finance teams were brought closer to the 'business', their input to policymaking and delivery increased, and their influence was strengthened. In an environment where most people were working remotely, it became easier to gather people together for meetings via online platforms. This heightened the visibility of finance staff and, as one participant said, gave them 'an ability to reach into the organisation in a way that hitherto they couldn't'. Again, it will be important to maintain this approach, to enable the public sector to respond effectively to future challenges.

Summary



- The early phase of the pandemic presented a huge challenge for the public sector. Governments responded to the public health crisis in many countries by increasing spending substantially, focusing on saving lives and protecting livelihoods.
- Senior finance leaders and their teams had to act decisively to ensure the additional funding allocated for healthcare and support programmes benefited those it was intended for as quickly as possible.
- Decision-making processes were streamlined and finance teams were brought into the policymaking process at an early stage.



Section 2: Learning the lessons

Over the last two years, public sector organisations, their leaders and staff were tested in ways that could not have been anticipated. The pandemic has been a difficult period in many respects, but the crisis has also provided an insight into how the public sector can adapt to change. While the circumstances of the pandemic were exceptional, the public sector continues to face a legacy of challenges which have built up since 2020. In addition, already in 2022, the world is facing significant new challenges, with rising interest rates and inflation, and the conflict in Ukraine.



It is crucial to reflect on what senior finance leaders have learnt from the crisis and how those lessons can be applied in the future. All the leaders we spoke to in our roundtables, were united in emphasising the importance of building on the opportunities the pandemic had created for doing things differently. From our conversations, we identified six key lessons in three themes for senior finance leaders emerging from the pandemic; many of these will be common to both the public and private sectors.

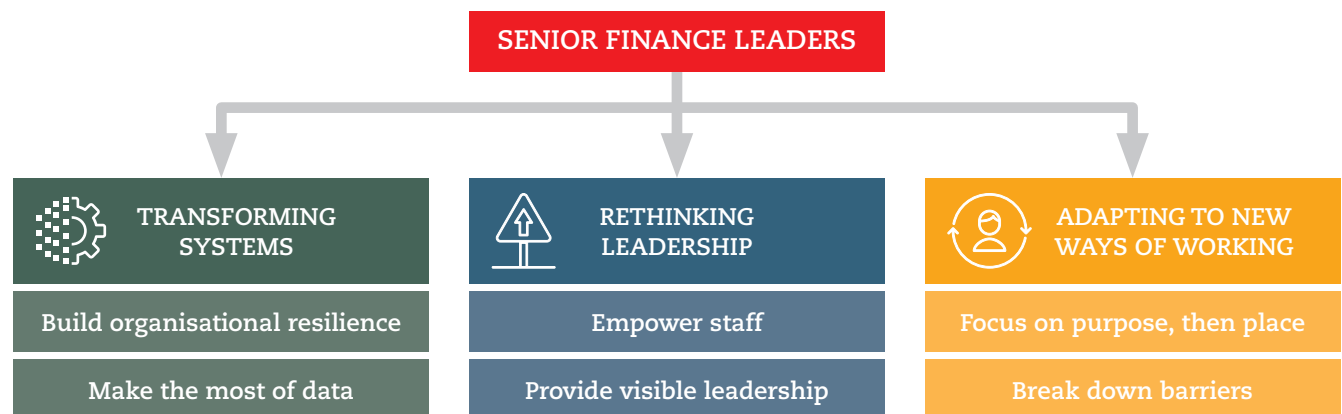
Senior finance leaders need to focus firstly on transforming systems to **build organisational resilience** and **make better use of data**. Secondly, they need to rethink leadership approaches, to **empower staff** and **provide visible leadership**. Thirdly, leaders need to ensure their organisations adapt to new ways of working to **focus on purpose, then place** and **break down barriers** (Figure 2.1).

Transforming systems

Many public sector organisations' systems were found wanting at the start of the pandemic. While the public sector was able to adapt rapidly and make changes to ensure it could respond to the crisis, a more sustained approach to transformation is required as governments emerge from the pandemic. ACCA's 2021 report *Transformational Journeys: Finance and the Agile Organisation* provides a detailed overview of the process of transformation, which is just as applicable to the public sector as the private sector (ACCA / CA ANZ / Generation CFO 2021). Our roundtables highlighted two particular priorities: ensuring the resilience of organisations' core systems and processes for day-to-day operations and improving the capacity of the public sector to gain insights from data, in particular data already held by public sector organisations.

IT IS CRUCIAL TO REFLECT ON WHAT SENIOR FINANCE LEADERS HAVE LEARNT FROM THE CRISIS AND HOW THOSE LESSONS CAN BE APPLIED IN THE FUTURE.

FIGURE 2.1: Key lessons for senior finance leaders to focus on, emerging from the pandemic



Build organisational resilience

Rapid 'lockdowns' by governments revealed various levels of preparedness across the public sector. Senior finance leaders must ensure that there are robust contingency plans and effective back-office systems in place to enable them to respond to future challenges.

In many cases governments across the world took the decision to impose 'lockdowns' rapidly, giving very limited time to prepare for a shift to remote working. Unsurprisingly, the experience of our participants revealed a range of levels of preparedness across the public sector, even within the same country.

Some organisations were already well prepared, particularly those that already worked from numerous geographically dispersed locations. Similarly, in countries with previous experience of natural disasters, there were well-established contingency plans. For other organisations, the rapid switch was more difficult. The ability of finance staff to work remotely depends on having access to the right technology, both the personal equipment and access to the organisation's accounting systems and records.

Senior finance leaders learnt very quickly in the pandemic the importance of robust contingency plans and resilient systems that enable day-to-day activity to continue during a crisis. Resilience must also be accompanied by agility; leaders and their organisations have to be able to adapt quickly in a crisis. Many public sector organisations exemplified their ability to respond flexibly in a crisis; however, it is always better to be prepared before a crisis. It is important that these lessons are not forgotten, as memories fade and former patterns of working and thinking return. Regular testing, evaluation and updating of contingency plans is essential and will help to ensure planning for future crises remains a priority for organisations.

Senior finance leaders play a crucial role in ensuring organisational resilience and often have formal responsibility for risk management and operational systems. They must ensure that contingency plans take account of the local context and organisational requirements: a 'one size fits all' approach will not be effective. In the pandemic some public sector organisations had to develop rotas quickly to allow at least a proportion of staff to work in the office and access systems, while enabling physical distancing. Others were able to adapt quickly to remote working, for example implementing Microsoft Teams in a matter of weeks, whereas, for one organisation, it had previously been planned to take two years.

While recognising the barriers to improving technology and connectivity that face some governments, better use of technology will bring huge benefits to the public sector. By investing in technology, together with training for staff to make effective use of these systems, back-office processes can be made more efficient, as well as better enabling online and remote working. The pandemic demonstrated the public sector's ability to adapt to innovative technology quickly, it is therefore important to maintain the momentum towards making better use of technology, to deliver for citizens.

Recommendations:

- ✓ Senior finance leaders must ensure that contingency plans for their organisation remain up to date and are routinely tested.
- ✓ Governments must continue to invest in technology for staff and back-office systems; this will improve efficiency and ensure greater resilience.

Make the most of data

Designing and implementing support payments for businesses and individuals in the pandemic relied on accurate data. Governments need to use the data that the public sector has available more effectively, to improve policy and delivery.

Across the public sector in every country, organisations collect huge amounts of data every day. For example, through tax collection at the national and local level, company registration, social benefits and issuing identity documents. Organisations hold the data they need to fulfil their existing remits; the pandemic highlighted the importance of sharing this data more widely across the public sector to improve the design and execution of policies.

The ability to bring all the relevant information together, in what is sometimes referred to as 'a single version of the truth', would have made a significant difference to executing policy responses in the pandemic. Too often, there are legal, cultural and practical barriers that limit the extent to which this data is shared.

'We don't lack data... [we've] got amazing data. What hasn't caught up is the standards and processes that allow us to share that data.'
Government agency participant

This was highlighted in particular by the need for governments to rapidly design and implement programmes to support workers and businesses, in response to 'lockdowns'. For the programmes to be effective, they needed to be targeted appropriately, to ensure they reached the right recipients. In practice, those designing the schemes did not always have the information needed to inform their scope and delivery; similarly, bodies delivering schemes often lacked crucial information, held by other parts of government, that could have helped determine eligibility.

For example, where local governments were responsible for making business grants payments, information from the tax authorities and the companies register should have been shared with local governments. This could have enabled grants to be allocated to those businesses most in need of additional support, enabling governments' resources to be allocated more efficiently. If automated, this data sharing would be likely to have speeded up the process of making grant payments and reduced the risk of fraud and error. Governments need to work towards developing unified data architecture and governance arrangements across the public sector to enable data sharing. This needs ambition and will take time, but it is vitally necessary.

Often, senior finance leaders in the public sector have overall responsibility for technology including data systems and processes in their organisations. Consequently, they are in a strong position to shape policies in these areas and champion the better use of data within their own organisations. Ensuring all aspects of an organisation's functions are informed by data will facilitate better policymaking, enable resources to be allocated more effectively and should generate cost savings. Finance professionals' understanding of risk and internal controls will also be vital in developing appropriate governance as organisations' data architecture develops.

As a priority, governments also need to provide an enabling framework to permit data to be shared across the public sector, with appropriate privacy safeguards. All public sector organisations should be able to access the data they need to inform the design, development and delivery of new policies. The public sector already possesses huge amounts of data and, although information security is crucial, enabling a more joined-up approach to the use of data across the public sector will allow more effective insights to be gained and improve public services.

Recommendations:

- ✓ Senior finance leaders must establish and promote the widespread use of data, with appropriate safeguards, within their organisations to improve efficiency and effectiveness.
- ✓ Governments must urgently develop a framework that allows data sharing across the public sector, enabling the huge amount of data already held to be better used. In the longer-term, governments must develop unified data architecture and governance arrangements across the public sector.

THE PUBLIC SECTOR ALREADY POSSESSES HUGE AMOUNTS OF DATA AND, ALTHOUGH INFORMATION SECURITY IS CRUCIAL, ENABLING A MORE JOINED-UP APPROACH TO THE USE OF DATA ACROSS THE PUBLIC SECTOR WILL ALLOW MORE EFFECTIVE INSIGHTS TO BE GAINED AND IMPROVE PUBLIC SERVICES.



Rethinking leadership

Senior finance leaders shifted their leadership role during the pandemic. The intensity and speed of the response meant many more decisions had to be made and had to be taken quickly. As a result, more decisions and responsibility were delegated to others, enabling senior leaders to maintain their focus on the overarching strategic response. At the same time, senior leaders needed to be visible to their staff to provide direction and reassurance. According to our roundtable participants, the move to remote working actually enhanced their staff's ability to hear from and engage with senior leaders. These participants were keen to retain the benefits of this new approach, in particular to empowering staff and providing more visible leadership.

Empower Staff

Giving staff greater responsibility for decision-making empowers them and frees up time for senior leaders to focus on strategic issues. Senior finance leaders must look for opportunities to reshape organisational structures to enable them to delegate more control.

As we have seen, many parts of the public sector saw significant changes to their usual ways of working in response to the pandemic. Our roundtable participants identified the increased delegation to finance managers and staff as an important change, particularly in the early days of the pandemic. Devolving decision-making power downwards to more junior managers and staff helped to 'spread the load', given so many decisions had to be taken in the pandemic's initial stages. This enabled senior finance leaders to remain focused on providing strategic advice to senior leaders.

Increased delegation empowered staff throughout many organisations, increasing their engagement in the decision-making process and their sense of ownership and responsibility for decisions. Giving staff greater responsibility has long been recognised as an important motivational factor. Although this change was effectively a by-product of the response to the pandemic, senior finance leaders we spoke with, having seen the benefits shortened approval lines have brought, are keen to retain this approach for the future. It also has the benefit of helping to develop the skills of future finance leaders.

'We learnt a lot from that empowerment and those structures...my team are much more capable because of the delegation and empowerment they got.'
Central government participant

The challenge for all public sector organisations is to balance the speed of decision-making with effective control and accountability arrangements. Here, the skills of professional accountants will be crucial in advising on the right checks and balances to maintain appropriate levels of internal control. When more individuals are empowered to make decisions themselves, without needing to refer these up the management chain, it need not necessarily mean less accountability. What is important is that those decisions are well-informed and the effects of those decisions are properly recorded and monitored.

'We are not putting back a lot of the governance structure we had before. We are trying our hardest not to recreate the never-ending paper trail around assurance and governance.'
Government agency participant

Streamlining governance processes on a permanent basis will inevitably mean changes to the way the centre exercises control; senior finance leaders have an essential role in enabling staff in the finance function to adapt to these changes. Our roundtables demonstrated that the pandemic has increased the recognition of the role of the finance function, empowering staff to understand the difference their work makes. Leaders need to build on this greater engagement to emphasise the importance of finance staff's role in providing strategic advice and good financial management.

Recommendations:

- ✓ Public sector organisations should ensure decisions are taken at the appropriate level, to enable senior leaders to focus on strategic issues and increase the responsibility and engagement of junior staff.
- ✓ Senior finance leaders must ensure that in delegating more decisions, governance processes maintain robust controls and reporting mechanisms, and must steer finance functions in adapting to support these new arrangements.

Provide visible leadership

Senior finance leaders became more visible in their organisations during the pandemic. Leaders must maintain this visibility in the future, ensuring they remain accessible to staff and articulate their vision clearly.

Leadership is put to the test in a crisis. The pandemic required decisive leadership from public sector leaders to provide a response which met the scale of the challenge. Senior finance leaders played a crucial role both within senior management teams and in providing leadership to the staff they were responsible for. As staff were often working remotely, this required a concerted effort from leaders to develop new ways of leading and motivating staff.

Within senior leadership teams, senior finance leaders need to build a strong relationship with an organisation's most senior leader. Previous research by ACCA and IMA (the Institute of Management Accountants) on the role of the CFO, which focused on private sector organisations, found that chief executive officers most value leadership and strategic insight from their CFOs (ACCA / IMA 2020). Hence, senior finance leaders' visibility, both to the head of the organisation and within the leadership team, is crucial in order to fulfil this role as a 'trusted adviser'.

Roundtable participants highlighted how a 'can do' attitude had pervaded the immediate response to the crisis and commented on how effectively the senior leadership team in their organisations had worked together during the pandemic.

'As a senior team, we are so much more productive, so much better...and that leadership camaraderie is really important and actually makes it a great place to work.'

Government agency participant

Senior finance leaders also need to be visible to their staff. The move to remote working, perhaps unexpectedly, enhanced the visibility of the senior leadership team to staff throughout the organisation. Platforms such as Microsoft Teams were relied on as a primary means of communication and consequently had to be adopted by staff and senior leaders alike. This 'democratisation of communication' had the effect of making senior leaders more visible to staff than when most people had worked in the same building.

'We were more visible when we didn't see people... through things likely weekly 'stand-ups' that everyone could attend.'

Government agency participant

Before the pandemic, a short meeting in a physical environment may not have been seen as worth the effort of gathering large numbers of staff together and finding an appropriate venue. The ability to gather colleagues together remotely for brief meetings enhanced managers' visibility and the ability of staff to communicate directly with senior leaders. Although not easily measured, our participants observed that staff morale and motivation increased as senior leaders took the time to communicate widely, giving staff a clearer sense of the goals they were working towards.

Recommendation:

- ✓ Senior finance leaders must ensure they continue to provide visible leadership to other senior leaders, the finance function and the wider organisation, making themselves accessible to staff and setting out their vision clearly.



Adapting to new ways of working

The need to ensure physical distancing during the pandemic prompted a rapid transition to remote working, especially for finance functions. This was coupled with a shift in organisational mindset that led to greater collaboration and engagement both within and between organisations. Now, there is increasing pressure to return to the office and the urgency that drove new patterns of working has dissipated. As pre-pandemic practices re-emerge, senior finance leaders need to design a new approach to the ways their organisations operate, combining the best of the old and new.

Focus on purpose, then place

More flexible ways of working have led to increased productivity, according to our participants, and given staff the ability to balance home and work commitments. Nonetheless, there are benefits to meeting and collaborating in person. Senior finance leaders need to develop a strategy for hybrid working in their organisations.

For much of the last two years those in back-office roles in the public sector have been working remotely, especially in those organisations with the infrastructure to enable this. It is important to acknowledge this has not been feasible in all countries and parts of the public sector. Where this has not been possible, organisations need to work towards enabling remote working for roles where this is appropriate, as highlighted above. Among those organisations that did shift to remote working, however, our roundtable participants generally agreed that the move had increased staff productivity. In addition, remote working has given senior finance leaders and their staff greater flexibility to manage the work-life balance.

At the outset, there were challenges for leaders in monitoring progress and measuring performance, given the speed of transition from the office environment to remote

working. But leaders recognised this and adapted systems, processes and procedures to manage performance effectively and ensure regular checking-in with staff. Whilst employees have been better able to manage their work around family and caring commitments, in some cases leaders were concerned that staff were working longer hours and at different times of the day to the usual pattern.

'I worry about work-life balance because people are always 'on'. [It's] not a 24-hour organisation, but we do need to recognise different working patterns.'
Government agency participant

As well as increases in productivity, roundtable participants said this remote working had improved efficiency and morale among staff. These benefits have become clearer over time, although undoubtedly there were challenges to overcome at first. Senior finance leaders also acknowledged that these improvements were not always easy to measure objectively.

Senior finance leaders are aware that there is a difficult balance to be struck as new working patterns are established. Roundtable participants recognised that for most organisations there was unlikely to be a return to working five days a week in an office. Nevertheless, it was acknowledged that many public sector bodies are facing increasing pressure from political leaders for staff to work in the office more frequently.

'The hybrid piece is definitely the hardest to crack and particularly with ministers.... Ministers want to meet in person...the power is in the room. If you're not in the room, you're not able to influence and shape nearly as much by being online and that is a real challenge.'
Central government participant

Participants were concerned that a return to being in the office largely full time could reverse the improvements in morale and productivity gained during the pandemic and warned it could lead to retention difficulties. Even so, leaders also highlighted the benefits of opportunities to bring their staff together in person as restrictions eased, in helping to 'top up' existing relationships. It has also enabled those who have joined organisations in the last two years to become more connected to colleagues.

The focus should be on the purpose of the work staff are undertaking and where that work can be best achieved, rather than emphasising the location of the work as the first priority. It seems likely that most public sector organisations will adopt a blended approach, giving staff opportunities to work from home where possible, but bringing colleagues together in person from time to time. Senior finance leaders need to be clear about the approach their organisation will adopt, articulate their expectations of their staff and model the organisation's preferred approach themselves.

Recommendations:

- ✓ Governments must recognise that ways of working have changed and a 'one size fits all' approach will make it difficult to attract and retain staff.
- ✓ Senior finance leaders should develop a clear strategy for hybrid working, retaining the benefits of more flexible working approaches while making the most of face-to-face interactions, especially for new joiners and those at the start of their careers.

Break down barriers

The public sector demonstrated its ability to work collectively towards a common goal in its response to the pandemic. Senior finance leaders must maintain this collaborative approach as organisations tackle future challenges.

The way organisations collectively responded to the pandemic, revealed to leaders, staff and the wider public that the public sector was able to achieve things that previously were not seen as possible. Many of our roundtable participants talked about the sense in which barriers, whether to change or cooperation between different organisations, were overcome.

‘Often if we run into a difficulty, we say we can’t do that... whereas, if you have a Covid-19 response mentality, you would just burst straight through that barrier.’
Government agency participant

Within organisations, more straightforward decision-making procedures empowered staff and enabled the barriers to quick decision making to be overcome. This extended to the barriers that exist between different organisations within the public sector. The initial response to the pandemic required different parts of the public sector, particularly in local areas, to work together with urgency towards a common goal.

‘We had to adapt, I think, in terms of partnership. You know, all of the barriers between our organisations and the reasons we can’t do things – suddenly we had to do things.’ **Health sector participant**

The public sector’s approach was characterised by a clear set of objectives, coupled with the need to act fast. This enabled better cooperation and built relationships between the senior leaders involved in responding to the crisis, both in developing policy solutions to particular issues and executing them ‘on the ground’. Senior finance leaders need to learn from this approach to enable their organisations to address future challenges.

In particular, there is an important role for senior finance leaders in considering how different public sector organisations budgets’ can be pooled or combined, to tackle a particular issue either at a national or local level. One participant described this as ‘blurring the boundaries’ between budgets, rather than approaching each organisation’s budget in isolation. A ‘whole place’ or ‘whole issue’ approach to planning and executing public spending would enable decisions to be made in a more joined-up way, allowing budgets to be used more effectively and efficiently. Finance professionals can support organisations in developing this approach while maintaining accountability for public funds. ACCA’s 2019 report *Innovation in Public Finance* explored several alternative approaches to public sector budgeting, with case studies from various countries (ACCA, 2019).

‘There are some really big, shared agendas we should get behind and focusing on those not in a health or housing or a local authority way, focusing on them in a public sector way.’ **Health sector participant**

Overwhelmingly, our roundtable participants were eager to maintain the momentum of progress made during the pandemic and not to lose sight of the improvements that their organisations had made in adapting to the crisis. Participants were conscious, however, that outside a crisis situation it can be difficult to maintain the sense of urgency that allowed the reforms outlined above to be made. The role of senior finance leaders in continuing to drive this approach is therefore crucial.

Recommendations:

- ✓ Governments must adopt a more strategic approach to identifying public spending allocated across the public sector to particular issues or geographic areas, enabling more joined-up decision making and pooling of budgets where appropriate.
- ✓ Senior finance leaders must build on the stronger connections forged both within and between public sector organisations to identify how different parts of the public sector can combine their spending power to tackle particular issues.

Summary

- Public sector organisations need to ensure that the systems they have to support their work are sufficiently resilient to withstand a future crisis.
- Leaders also need to ensure that these systems are able to make better use of the data held by the public sector.
- Building on the changes made during the pandemic, decision-making processes should be streamlined and staff empowered to take more responsibility.
- Senior leaders should demonstrate visible leadership, setting out a clear vision and making themselves accessible to staff.
- Organisations should develop a clear strategy for the way they will work in the future, ideally blending remote working with productive in-person engagement.
- The public sector collectively needs to continue the progress made during the pandemic in breaking down barriers and collaborating to drive improvements.

Section 3:

Leading recovery: the challenges ahead

There was a widespread view among roundtable participants that senior finance leaders and their teams had risen to the challenges posed by the pandemic. The task for leaders now is not only to learn the lessons outlined in the previous section, but to identify the future risks the public sector faces and their role in responding to them.

Our roundtable participants identified three main themes for the challenges their organisations will have to confront. Firstly, the immediate challenges facing the profession in the public sector in **attracting and retaining finance professionals**. Secondly, the **public spending constraints** that face senior finance leaders in the aftermath of the pandemic. Thirdly and finally, the broader and longer-term **challenges for society** that will affect all public sector organisations.



Attracting and retaining the finance leaders of the future

Many of our roundtable participants highlighted staffing as the most acute challenge they faced. For the public sector to attract professional accountants into organisations and retain their existing staff, senior finance leaders will have to adopt a more flexible approach to some existing practices.

The public sector 'offer'

Roundtable participants emphasised that the public sector had much to offer younger generations who are looking for meaningful careers. ACCA's 2022 report *Accounting for a Better World* highlights the role the accountancy profession can play in shaping a better world for the future, identifying the public sector as one of the seven core priorities (ACCA 2022). The report emphasises that professional accountants have a central role in supporting governments across the world to build more green, inclusive and equitable futures. The profession will be at the heart of public sector change, helping deliver the right sorts of policy and spending decisions. Nevertheless, despite the potential offered by a career in the public sector, many organisations are currently experiencing difficulties in attracting qualified professionals for vacancies in their organisations.

'We do have a retention and attraction issue...although our value set actually means younger people coming out of school and university are more attracted to working in the public sector...it is becoming increasingly difficult to attract 'newly-qualifieds'...and retain the ones you've grown.' **Government agency participant**

Senior finance leaders need to identify the important factors that motivate people to join the public sector. As in any role, the salary is a key element, but given that the public sector is not generally able to match pay in the private sector, organisations also need to emphasise work-life balance and the wider purpose of work in the public sector.

'With the younger generation, what I'm coming across more and more is people who are less focused on just the monetary aspect but more and more focused on total package. 'Will you allow me to work remotely? Will I have flexibility in my workday? How will I make a difference?'. I see people come in particular into the public service because they can make a difference.'
Government agency participant

ACCA's 2021 report, *Ground-breakers: Gen Z and the Future of Accountancy*, highlights what the generation currently entering the workforce want from their career and the factors attracting them to roles (ACCA 2021b). The survey found that 'having a career that has purpose' was identified as one of the top five attraction factors for those already working in finance roles in the public sector. This factor did not feature in the top five for those working in any other sector. Similarly, 'interest in the subject matter' scored more highly as an attraction factor for those working in the public sector than any other sector.

Our roundtable participants stressed that professional accountancy bodies, such as ACCA and CA ANZ, also have an important role to play in 'demystifying' the public sector to those not working within it, as well as supporting organisations to attract new recruits. Professional accountancy bodies can highlight the variety of roles on offer for finance professionals, provide information on routes into the profession and the flexibility of different training options. ACCA's public sector webpages provide case studies of ACCA members working in public sector organisations across the world, demonstrating the diversity of the workforce globally (ACCA n.d.-a)

Developing professional accountants

The Gen Z survey (ACCA 2021b) highlighted that the 'opportunity to acquire a professional qualification' was identified by 51% of public sector respondents as a factor attracting them to the sector; a higher proportion than any other sector and the only factor of 15 identified as

important by more than half of respondents. This indicates that the opportunity of studying for a professional qualification is a strong 'pull' factor in attracting people to the public sector.

Public sector organisations therefore need to focus on developing training programmes that can be sustained, in order to attract new recruits and ensure a steady pipeline of professionally qualified accountants. In fact, some of our roundtable participants indicated training programmes had been scrapped in recent years, as a result of cuts to training budgets. Building on the collaboration that developed during the pandemic, senior finance leaders should work together to facilitate accountancy training across multiple employers, for example, health bodies in the same region or central government departments. A joint approach could reduce costs and also facilitate secondments and transfers, as well as fast-track options for those who already have finance experience. Senior finance leaders are in a strong position to make the case for investment in training the next generation.

Public sector organisations also need to focus on attracting new recruits from a variety of backgrounds to ensure that they are representative of the societies they serve. The public sector has in the past generally looked to university graduates to fill places on accountancy training schemes. Alternative entry routes to professional qualification, such as apprenticeships, should also be established. One participant highlighted a strength of ACCA in enabling people from different educational backgrounds to train as professional accountants. Organisations could also be more flexible in their approach to filling vacancies. Public sector bodies tend to seek candidates with 'like-for-like' skills when advertising for vacancies left by departing staff. Instead, a more flexible approach could allow organisations to bring in staff at more junior levels and train them as professional accountants as they develop in the role.

Integrating new recruits

Many of our roundtable participants highlighted the difficulties associated with integrating new staff joining their organisations during the pandemic, when remote working

was the default. Although virtual working enables existing relationships to be sustained, leaders have found that it is much more difficult to develop the depth of relationships required among staff who are new to the organisation. Building depth in relationships is crucial to developing trust between colleagues and means, when crises come, that teams are able to work effectively together. This is a problem which our participants recognised but to which they were still seeking to find solutions.

‘A couple of staff I’ve only met once in two years and retention of those staff, making them feel part of the culture, part of the team, that will be something that will challenge us...if we want to remain [working] as remote[ly] as we are hoping.’ **Government agency participant**

Several participants highlighted how, as restrictions eased, they had brought in staff to the workplace to focus specifically on reconnecting with each other, bonding and team building ‘rather than coming in and doing work we could be doing at home’. Nonetheless, our participants agreed that those at the start of their careers, entering the workplace for the first time and who are still developing many of their skills, face particular difficulties.

‘We’re into growth and recruitment bringing in a lot of newer, younger people; they need that experience in the office, just to lean round and say ‘how do you do this?’... and that’s proving to be an interesting challenge.’ **Government agency participant**

Leaders and organisations will need to ensure a balance in ways of working, blending online interaction with more structured in-person team-building activities. Attention also needs to be paid to enabling new and existing staff to build relationships in the more intangible ways that develop by simply working together in the same environment.

Retaining staff

All the principles outlined above for attracting and integrating new recruits are also relevant to retaining existing staff. ACCA’s *Generation Next* survey identified ‘clear career paths’ and ‘experience at work’ as critical factors both for attracting and retaining younger professional accountants in the public sector (ACCA 2018). The report found that professionals in the public sector were looking for clear career paths, which included opportunities for learning and developing skills. A second cluster of factors centred on an employee’s experience at work, including the preference for interesting work and a good work-life balance.

Developing the skills of existing staff can increase motivation and loyalty towards an organisation, as well as being less disruptive than continually seeking new recruits to fill vacancies. Again, senior finance leaders should identify ways of providing existing staff with opportunities to study for professional qualifications and develop secondments.

‘I’ve seen people go on to qualify as accountants from a place where they didn’t want to do any further learning, which has been empowering for me as well as them.’ **Government agency participant**

As we have seen, during the pandemic the public sector made strides towards enabling employees to have a better work-life balance. These gains need to be retained for the wellbeing of existing staff. There was some concern, as highlighted in Section 2, that less flexibility in working patterns could lead to retention difficulties.

‘It’s going to reach a crux in terms of retaining staff that feel they worked hard and upped their efficiency and are completely capable of working remotely 90% or 100% of the time. To be a ‘one size fits all’ is not going to achieve much.’ **Government agency participant**



Public spending constraints

Public spending across the world increased significantly in response to the pandemic. The fiscal support governments provided led to the largest surge in debt in a one-year period since the Second World War; over half of this increased debt was on government balance sheets. Although the scale of the challenge varies, governments across the world now face the task of reducing spending to start to address budget deficits and debt. Consequently, public sector organisations are facing significant spending pressures after a period where budgets for many organisations grew rapidly. Senior finance leaders recognise this impending challenge and the risks, as well as the potential opportunities it creates.

‘I think the biggest challenge is going to be paying for everything...money came out and we were often in the front line to distribute it. Having had the ten years of austerity from 2010, [following the 2008 financial crisis]... we can expect something similar again coming forward.’

Local government participant

Global uncertainty

Furthermore, as the IMF highlighted in its Fiscal Monitor report in April 2022, fiscal policy globally faces a ‘highly uncertain environment’. The IMF cites three factors putting pressure on fiscal policy: ‘a lingering pandemic, the economic consequences of a recently erupted war, and elevated inflation’ (IMF 2022). This triple shock is likely to mean slower economic growth and the IMF warns it will ‘make budget constraints increasingly binding’.

Short-term budgets

Some public sector bodies are allocated funding on only a single-year basis by finance ministries and the economic uncertainty highlighted above is likely to increase this trend. The rapid shocks caused by the successive crises

of the pandemic and the Russia-Ukraine conflict undoubtedly make planning fiscal policy difficult. Year-to-year funding allocations present real challenges for senior finance leaders and their organisations. We have already seen the importance of linking policymaking to financial planning and management. If there is no certainty about future years’ funding, this strategic approach becomes much more difficult.

‘[There] is a challenge about short term against long term...how do we make sure we are keeping our eyes on the long-term policy goals that we’re trying to deliver and make sure as finance leaders we’re helping make that stuff happen?’ **Central government participant**

Short-term funding risks encouraging short-term thinking. One-year budgets make it very difficult for senior finance leaders to plan for the medium-term and, in particular, to make capital investment decisions with any degree of certainty. Large-scale transformation programmes generally require multi-year budgets. These programmes rely on an evaluation of their long-term value, rather than decisions based only on short-term financial metrics, which are likely to be the focus in a one-year budgeting cycle. Several participants highlighted one-year funding agreements as a barrier to investing properly in new technology that will enable their organisations to adapt to the future. In this environment, senior finance leaders inevitably shift their focus to dealing with more immediately pressing day-to-day issues, limiting their capacity to focus on long-term goals and strategic planning.

‘We’re here to deliver policy, not just to manage spend control totals; that’s something we’ve just got to keep on pushing harder.’ **Central government participant**

Reducing budgets

Implementing funding reductions also creates the same risks as short-term budgets. Senior finance leaders can become caught up in the rounds of decisions required to cut budgets. Consequently, they do not have sufficient time and space to be able to think creatively about the major changes needed if an organisation is to remain sustainable in the face of reduced funding. Just as the urgency of the pandemic spurred the changes outlined in the previous section, the ‘burning platform’ of lower budgets could create opportunities for radical changes that may result in more efficient methods of working and innovation in the way services are delivered. Instead, in the face of funding reductions, leaders are often forced into a ‘firefighting’ role, dealing with the effects of funding cuts in a piecemeal way.

The budget constraints facing the public sector magnify the importance of retaining and building on the lessons learned during the pandemic. In particular, senior finance leaders need to be at the forefront of developing approaches which tackle problems from a cross-public sector perspective. It will be vital to continue the closer working between the finance function and policymakers, which became better integrated during the pandemic. It will also mean thinking creatively about how budgets across the public sector can be directed towards the policy outcomes governments want to achieve. The often-siloed structure of budgeting and accounting for public spending does not facilitate this approach.

‘We need to be more imaginative about the way we diagnose the issues within our populations and then come up with solutions which have got to break down the boundaries between the hypothecation of pots of money and it’s going to be challenging.’

Health sector participant

Challenges for society

Senior finance leaders need to be ready to respond to the wider challenges facing society; in particular, the climate change and sustainability agenda and increasing digitalisation and automation. The pressing challenges facing the profession and public sector organisations outlined above often seem more immediate than these longer-term issues. It can also be difficult to engage political decision makers on these agendas, especially after the focus on the pandemic over the last two years. But they cannot be ignored and need to be grappled with, as they are likely to play an important part in the evolving role of the public sector.

‘In the immediate aftermath we adapted so quickly, in contrast to the slightly slower burning [issues] that are much harder to pitch.’ **Central government participant**

Climate change and sustainability

The scale of the challenge posed by climate change is widely recognised; local and national governments have acknowledged the need to reduce greenhouse gas emissions and adapt to the changing climate. The public sector has a dual role in addressing climate change: it is responsible for setting policy and regulation, as well as being a significant contributor to greenhouse gas emissions itself through its own activities. Despite, in some cases, organisations declaring climate and environmental emergencies, our participants acknowledged that governments and the wider public sector have yet to respond to the challenge of climate change with the urgency required.

‘I think that anyone who’s called it an emergency should look back and see how we all responded to Covid, if you want to see how you respond to an emergency. There’s no way you can argue our response to climate change is anything like what we did responding to Covid. Everybody’s playing a ten-year game in terms of climate change and no-one’s really sure we’ve got ten years to do it.’ **Local government participant**

Senior finance leaders have an important role in ensuring their organisations are able to meet the targets many governments have set for reducing greenhouse gas emissions. They will need to advise on decisions to invest in buildings and technology that minimise environmental impact. Often, these options may appear more expensive financially, at least in the short term, so finance leaders will need to be bold in making the case for upfront investment.

‘Trying to make things more sustainable will actually cost us more, certainly in the short-term, and if money is not available because of austerity then that’s going to be a really challenging period.’
Local government participant

An important first step in addressing climate change is for public sector organisations across the world to fully understand and measure their environmental impact. There is a clear role for senior finance leaders to advise their organisations on this, given their experience in financial reporting. Indeed, roundtable participants highlighted that sustainability reporting is likely to become an increasingly important and urgent requirement for senior finance leaders in the public sector to address. The International Public Sector Accounting Standards Board (IPSASB) published a global consultation on the principle of developing a sustainability reporting framework for the public sector in May 2022 (IPSASB 2022).

The implementation of international standards globally is likely to be some years away, but senior finance leaders are already considering how the environmental, social and governance (ESG) agenda affects the public sector. ESG has become more and more prominent in the private sector, although it is yet to gain the same profile in the public sector, perhaps because the ‘public good’ is implicit in public sector organisations’ purpose. Senior finance leaders in those public sector organisations seeking to attract investment from the private sector, for example to support housing development, are recognising the

importance of using the ESG concept. Leaders will need to reflect on how the ESG agenda can be adapted and made useful for their public sector organisations.

The New Zealand Government’s annual wellbeing budget provides one example of an approach the public sector could adopt to incorporate wider ESG issues into decision making (New Zealand Government 2021). The Wellbeing Budget focuses on the long-term impact of policies on the lives of citizens rather than short-term output measures. It is intended to consider outcomes which meet present generations’ needs, whilst taking into account the long-term impacts for future generations. As such, the 2021 budget includes investments in tackling climate change and child poverty across the public sector and uses a broad set of measures to track progress.

While actions aimed at reducing the public sector’s impact on the climate change must be leaders’ first priority, preparation for the effects of climate change is also required. Risk management is often a key responsibility of senior finance leaders and the effects of climate change pose one of the most significant risks to the operation of any organisation, whether public or private sector. Senior finance leaders need to ensure their organisations are fully aware of the potential impacts of climate change on their activities. In addition, they must ensure that organisations are prepared for these effects and take mitigating action wherever possible. In the UK, the Office for Budget Responsibility has warned delaying decisive action could double the costs of climate change to government (OBR 2021). This reinforces both the need to act now and the importance of collective action from the public sector.

ACCA’s 2021 report *Rethinking Risk for the Future* (ACCA 2021c) highlighted how the public sector was seen as a role model in responding to the pandemic crisis. In interviews and roundtable discussions for *Rethinking Risk*, public sector contributors said the pandemic presented them with an opportunity to emphasise their organisations’ purpose and build the public’s trust in their role. Indeed the Edelman Trust Barometer’s survey results showed the public’s trust in governments increased significantly in the

initial phase of the pandemic (Edelman 2022). Based on a representative survey of the general population in eleven countries, 65% said they trusted government in May 2020, higher than the proportions trusting business, the media or NGOs. However, this proportion has since fallen back to 52%, based on a survey in 27 countries from November 2021. By treating climate change as a high priority, public sector finance leaders could help to win back trust in the public sector, in the same way as the initial response to the pandemic demonstrated.

Digitalisation and automation

The rapid development of digital technology presents another significant challenge to the way the public sector operates. Senior finance leaders need to take advantage of these technologies to transform the way their organisations function. This will involve a shift in thinking, from using a traditional applications-based approach to technology, to a much broader understanding of how technology and data can be applied to every element of an organisation's activities. *Transformational Journeys*, a joint report from ACCA, CA ANZ and Generation CFO highlights the concept of a 'digital core', where various business-related applications are connected via the core data repository, which is often underpinned by an accounting application (ACCA / CA ANZ / Generation CFO 2021). The adoption of this approach requires a clear view of the data model that supports the organisation and of the governance of data within the model.

The pandemic drove demand for digital public services and increased the momentum for the use of digital technologies in service delivery. Of course, to enable a shift to digital service delivery, organisations' own technological capacity is a crucial factor, as outlined above. Finance professionals recognise the demand for digital services will continue and, as part of ACCA's *Rethinking PFM* report, we asked public sector finance professionals about the future role of government following the pandemic (ACCA 2021a). From the six options available, the largest proportion of survey respondents selected 'providing more public services digitally'.

Many public services cannot be delivered online and public sector organisations will need to recognise the implications for inclusivity and social equity when shifting services to digital.

'Given we're dealing with the rural community and maybe literacy [difficulties]...we've moved to a digital first [approach], not digital only, but definitely digital first.'
Government agency participant

The public sector will only be able to make the most of the opportunities greater digitalisation offers by ensuring its workforce have the right skills. Respondents to ACCA's *Rethinking PFM* survey highlighted that public finance professionals themselves recognise the need to improve their skills in digitalisation and technology (ACCA 2021a). Only just over one-third (34.4%) of respondents reported that they had sufficient skills in this area, one of the lowest rankings for any skills. Nonetheless, the same skillset was ranked as the most important for the public sector of the future by the highest proportion of participants, indicating a significant skills gap. Senior finance leaders need to prioritise the development of skills in digitalisation and technology for their staff. There is also an important role for professional accountancy bodies in helping finance professionals to build their capabilities, through training the next generation and enabling those professionals already qualified to embrace digital opportunities.

'Digital capabilities, I think, will be key [as well as] retraining staff to be able to do things in a different way in analysing, understanding financial propositions and predicting the future to support decisions and interventions.'
Health sector participant

As well as improving service delivery, digitalisation can make improvements 'behind the scenes' in organisations, as outlined in Section 2. Two of the most important lessons

learned during the pandemic were the need to ensure that public sector organisations are resilient and that they are able to make better use of the data the public sector possesses. Digitalisation of services will make organisations more resilient in future crises. Just as importantly, however, this has to be accompanied by digitalisation in the 'back office', a process which will need to be steered by senior finance leaders. Similarly, the ability to make better use of the data the public sector already possesses, to provide insights and inform policymaking, needs to be driven from the top of the organisation.

As with climate change, investment in technology for automation of processes such as real-time reporting may not necessarily result in immediate changes to the delivery of front-line services. Therefore, it can be more difficult to make a business case and limited funding is, as ever, a potential barrier. The ability to demonstrate future savings helps to build the case, however, and ultimately the use of technology to perform more and more tasks will free finance professionals to add value to public sector organisations in new ways.

Summary

- Public sector leaders need to be innovative and creative in setting their organisations' approach to recruitment, training and retention of finance staff, drawing on their experiences over the last two years.
- Senior finance leaders need to prepare for reducing budgets in the public sector in the coming years and will need to be bold in identifying new approaches to ensure that their organisations can effectively meet the challenges they face.
- Leaders need to grapple with the risks posed by climate change and of not responding to the digital and automation agenda.

Section 4:

The evolving role: an 'ABCD' of skills for future senior finance leaders

The role of senior finance leaders never stops evolving. It is shaped by reflecting on the past and looking ahead to the future. Our roundtable participants highlighted the core skills and knowledge developed through a professional accountancy qualification as the foundation for senior finance leaders. ACCA's *Career Navigator* highlights the seven capabilities needed by professional accountants: expertise, insight, ethics, sustainability, digital, collaboration and drive (ACCA n.d.-b).



Informed by the Career Navigator's wider set of capabilities and the discussions in the roundtable events, we identify an 'ABCD' of skills in four core areas specifically for senior finance leaders in the public sector: **adaptability, business sense, communication and determination** (Figure 4.1). A focus on the 'ABCD' is relevant for both existing leaders and the finance leaders of the future to enable them to tackle the challenges outlined in this report.

A strong foundation

Individuals aspiring to leadership roles in public sector finance must have a strong understanding of the technical skills that are at the heart of a professional accountants' knowledge base. In order to be able to approve an organisation's statement of accounts, for example, senior finance leaders need to understand and be able to interrogate what they are looking at. This is the 'expertise', highlighted as a capability in the Career Navigator; it is developed from a professional accountant's initial training for the qualification and the need to undertake regular CPD activities.

'The technical ability in terms of awareness of things like IFRS 16 changes is not there if you're not qualified; there's no compulsion to keep up to date if you're not qualified. You don't have a CPD requirement'.
Health sector participant

Equally, our roundtable participants also highlighted a wider set of skills, beyond technical knowledge, that underpins professional accountants' behaviours.

'The difference...[with] the professional institutes... is it's not just about the technical knowledge and that differential really needs to be pressed.'
Government agency participant

In particular, participants emphasised professional accountants' strengths in developing and following processes, as well as their understanding of the importance of strong organisational skills. They saw accountants as being able to use these skills to support their colleagues by working to adopt new approaches in their thinking and activity.

'There's a big question for me and a big opportunity for me about the role of finance professionals. Because I think the discipline and the focus on good process and organisational...discipline has just been so important.'
Central government participant

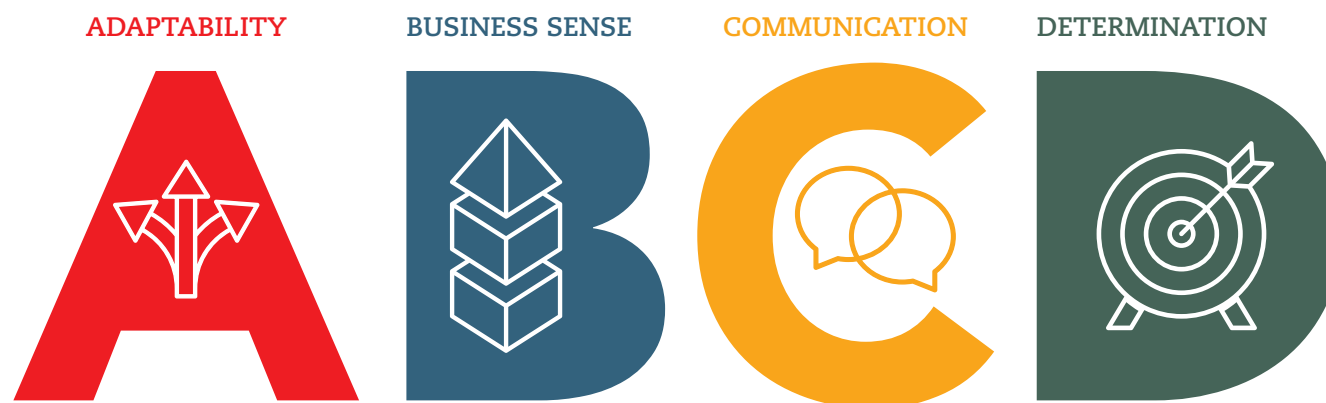
Similarly, participants argued that professional accountants' training gives them the ability to focus on the wider organisation and take a more holistic view.

'I do see a difference between a professional and non-professional in terms of their accountancy skills and the same with an organisational focus. There's less of an organisational focus with non-qualified people; they're very much 'I do what I do', rather than looking at the bigger picture.'
Health sector participant

Developing an ABCD of skills

Individuals in senior finance leadership in the public sector need to have a firm grasp of the technical foundations and the wider set of skills developed by a professional accountant through the qualification and CPD. Nonetheless, aspiring leaders also need to develop an even broader outlook, beyond the traditional tasks of a finance professional. Focusing on the **ABCD** of skills outlined below will enable prospective leaders to widen their horizons and develop a more strategic perspective.

FIGURE 4.1: The ABCD of skills for senior finance leaders in the public sector



Adaptability

The pandemic has demonstrated that, above all else, future senior finance leaders in the public sector need to be adaptable. The public sector is sometimes characterised as slow to change. However, we saw during the pandemic how quickly public sector organisations responded. Senior finance leaders had to pilot their organisations through changes in working practices, work closely with policy makers to deliver support packages and engage with other public sector bodies. All of these required finance leaders and their staff to rapidly adapt their usual ways of working to respond to the new circumstances they faced.

Drawing on the lessons from the pandemic, adaptability and responsiveness were highlighted by our roundtable participants as core competencies for senior finance leaders and indeed all finance professionals.

'Make sure people are coming through with adaptable skillsets, adaptable mindsets. I think adaptability is the key going forward. Being prepared to do things you might never have expected to do as an accountant.'

Government agency participant

Focusing on the future

An important element of being adaptable is the ability to focus on the future. The traditional skillset of finance professionals has emphasised reporting historic transactions, but finance professionals stepping up into leadership roles have to focus on preparing their organisations for the future. They need to be able both to plan for and respond to changes that are taking place in the environments they operate in. Indeed, ACCA's Career Navigator pinpoints 'digital' as a core capability for professional accountants; leaders need to be able to proficiently utilise existing and emerging data technologies.

Creativity

The pandemic demonstrated the ability of the public sector to be creative, as it adapted its approach to existing activities and took on new roles. Senior public finance leaders need to ensure this approach becomes ingrained in their leadership in the future. Creativity will enable the public sector to adapt and innovate to meet the challenges of climate change and digitalisation outlined above. Creativity also involves taking risks; new approaches do not always work. Senior public sector leaders must monitor the results of the changes they implement and be prepared to adapt their approach if necessary.

'We really need to reinvent how we show up in the world as finance professionals and what we have to offer. So it's a challenge but it's also a very exciting opportunity for us to really step outside of our comfort zone, think creatively, think outside the box... you're able to tell your staff that the job they are applying for in accounting and finance is actually a creative job.'

Government agency participant

Perseverance

There will always be a tension for public sector organisations in pursuing progress, while ensuring that appropriate mechanisms for approvals and controls are maintained. The public sector rightly needs to have governance processes in place to ensure that public money is used effectively for its intended purposes. But these processes must not become a barrier to making the changes needed. By adopting an adaptable mindset, senior finance leaders can ensure their organisations are able to respond to meet citizens expectations. This approach will require effort and vigilance from leaders; by its nature the process of becoming more adaptable is a journey not a destination.



Business sense

While technical finance skills are a prerequisite for any future senior finance leader, on a day-to-day basis they are unlikely to be spending significant time 'number crunching' themselves. Instead, our roundtable participants highlighted the importance for senior public sector finance leaders of being able to understand and question the 'business' of an organisation. This builds on the 'insight' capability identified in the Career Navigator.

'There's something about just having a bit of a 'nose' for where either problems are or trying to understand whether the people explaining them to you do understand what they're talking about.'

Central government participant

Curiosity

Many of our participants saw their role as senior finance leaders as being able to ask questions about why an organisation does what it does, in the way it does. This approach was described by participants as 'professional curiosity'. Indeed, the International Federation of Accountants (IFAC) has highlighted the concepts of 'professional scepticism' and an 'inquiring mind' as crucial aspects of professional accountants' behaviours (IFAC, 2022). These concepts are also pervasive in the standards that guide the accountancy profession.

In addition, senior finance leaders need to have a strong interest in and understanding of the environment in which they operate. For those entering senior leadership roles, this involves a shift in mindset from concentrating on financial management and advice, to a wider perspective that encompasses the whole organisation.

'It's being able to assimilate the broader business environment and understand the relationships or implications for your role within the public sector.'

Central government participant

As we have seen, the pandemic enabled much closer working between policy-making teams and the finance function. It is essential this continues in the future, and it needs to be a top-down and a bottom-up process, involving both senior finance leaders and the finance function. The senior finance leaders of the future must foster this approach and demonstrate how early engagement between finance and other aspects of the organisation can provide support at an early stage of policy development.

Challenge

A sense of curiosity also needs to be coupled with the ability to challenge. Effective challenge depends on strong communication skills, explored further below. It also relies on core aspects of professional accountants' training in ethics: in particular, the fundamental ethical principles of

integrity and objectivity, set out in ACCA's *Code of Ethics and Conduct*. Senior finance leaders need to demonstrate ethical leadership and the ability to 'call out' behaviour and actions within organisations that are not in line with a public sector ethos. Ultimately, public sector finance leaders have a dual role: to lead the finance function in their own organisations and to exercise a wider accountability to the public, ensuring regularity, propriety and value for money.

Strategic thinking

Senior finance leaders need to be able to step back from the day-to-day tasks of a senior manager and approach problems from a strategic point of view. As we have seen, previous research by ACCA and IMA showed that in the private sector the strategic thinking of CFOs is an attribute that is highly valued by chief executive officers. The roundtable participants we spoke to emphasised that this is also the case in the public sector. It can often be a battle to make space for this aspect of the role, as more immediate priorities crowd in on a daily basis. This strategic approach needs to be combined with 'business sense', also described by a roundtable participant as 'commercial nous'. Without this, public sector organisations will stagnate and not be able to evolve and improve. These link to the professional accountant's core capability of 'sustainability', highlighted by the Career Navigator. This refers to the ability to apply 'integrated thinking and action to create protect and communicate long-term value' for an organisation, as well as environment and society (ACCA n.d.-b).



Communication

As well as adaptability and business sense, future public sector finance leaders will need strong communication skills to shape and steer their organisations as they face the challenges ahead. Our roundtable participants saw the role of senior finance leaders as being able to listen, to understand and analyse complex financial information and then communicate that information internally to an organisation's staff and senior leaders, as well as to external partners.

'People say to me "what do you do most in your job; what's the key thing being a CFO is?" My thing is I talk to people and I listen. You can't do one without the other.'

Government agency participant

Listening

When thinking about communication in leadership, there is a tendency to focus on a leader 'transmitting' to others, communicating through speech or writing. In contrast, our roundtable participants highlighted the importance of listening, being in 'receiving mode' and being present for their staff. The necessity for leaders to listen is particularly crucial at times of change for an organisation, as the pandemic has demonstrated. Listening enables leaders to understand what motivates their colleagues and what concerns them. It enables leaders to be inclusive, to develop and shape a strategy that takes account of people's views, capabilities and capacities. Listening is, of course, only the first step, leaders need to be able to motivate and challenge, but without listening it will not be possible to make progress.

'Being really an effective communicator is huge... engagement...really listen deeply and then listen deeply again before giving your advice.'

Local government participant

Simplifying complexity

Senior finance leaders need to be able to understand the detailed and often complex financial information that is generated by public sector organisations. If this information is going to be used to support operations effectively, it has to be interpreted and explained to the other members of the leadership team and the wider organisation. As well as technical knowledge, therefore, aspiring future finance leaders will need to develop both their speaking and writing skills to ensure the finance function has credibility.

'The best finance directors have great communication skills. You've got to be numerate...you've got to look at a sheet of numbers...and see what's going on in about 30 seconds...but you've got to then be able to simplify it, talk to it, communicate, build alliances.'

Government agency participant

Collaboration

The Career Navigator identifies 'collaboration' as a distinct capability for professional accountants; interacting with others and communicating clearly is essential for all finance professionals. Senior leaders emphasised how important collaboration was for the public sector during the pandemic

to get things done. As we have seen, this has meant both internal collaboration between the finance function and policymakers, and externally with other organisations. Effective collaboration relies on good communication to build and sustain relationships within an organisation and between different organisations. In short, communication builds relationships and without relationships, meaningful collaboration will not happen.

'The more senior you are the more important relationships are. It's how you work with people, it's how you understand people, it's how you encourage people to do what you need them to do – not just direct reports but [your] peers as well.'

Local government participant

Finance leaders of the future need to practise collaboration as they develop in their careers; they need to be able to articulate the role finance plays in supporting every aspect of an organisation's operations. Being able to communicate effectively will help to break down barriers within and between organisations and open up possibilities. In particular, as budgets retrench, it will be crucial to develop and strengthen relationships with other public sector organisations to work collectively for the best outcomes for citizens.

FINANCE LEADERS OF THE FUTURE NEED TO PRACTISE COLLABORATION AS THEY DEVELOP IN THEIR CAREERS; THEY NEED TO BE ABLE TO ARTICULATE THE ROLE FINANCE PLAYS IN SUPPORTING EVERY ASPECT OF AN ORGANISATION'S OPERATIONS.

Determination

Finally, the senior finance leaders of the future will need determination to succeed in their roles. This involves drive on a personal level to develop as a skilled finance professional and leader, determination to do the right thing if confronted by ethical challenges and dedication to serving the public.

Drive

The personal drive to develop as a finance professional and gain experience is a key component of a future finance leader's skillset and ACCA's Career Navigator identifies 'drive' as one of the core capabilities of professional accountants. The structure of most public sector organisations means that there is rarely a 'shortcut' to leadership positions. The roundtable participants we spoke to largely came from a background where they had qualified as professional accountants earlier in their career, although some had started in other roles first before pursuing their qualification. Some had worked in the public sector throughout their careers, while others had established careers in the private sector before transferring to the public sector at a more senior level. Nevertheless, all of them had extensive experience as finance professionals by the time they had attained their current positions.

Aspiring leaders need to maintain and develop their core skills throughout their professional career. They also need to be alert for opportunities to learn new skills, especially in areas not directly related to finance, to develop the all-round understanding of an organisation expected from senior leaders. CPD is therefore crucial in enabling professional accountants to ensure their core capabilities reflect developing thinking and technologies. Equally, professional accountancy organisations must ensure CPD is comprehensive and meets the needs of public sector finance professionals.

Doing the right thing

Other senior leaders, board members and elected officials rely on senior finance leaders for their advice. Aspiring leaders need to develop the confidence to give this advice with integrity and objectivity, even when they know the advice may not be welcomed by those receiving it. This requires diplomacy and tact to ensure the advice is listened to, but, above all, it requires a strong ethical foundation.

'A big challenge for us is...making sure there is a strong and robust voice and that we stand for something, not just what ministers instruct on any given day. That's got to be backed up by a professional diligence and resilience that we want to bring to the fore.'

Central government participant

The fundamental ethical principles of professional and personal ethical behaviour are part of the professional accountant's core training as highlighted by the Career Navigator's core capability of 'ethics'. Acting in accordance with these principles requires determination, constant reflection and practice. The ability to speak up if ethical principles need to be stated or defended is an important part of senior finance leaders' role in the public sector. ACCA's *Rethinking PFM* report identified 'improving transparency and accountability of public spending' as one of the major challenges for the future (ACCA 2021a). Public scrutiny is unlikely to diminish and the digitalisation and automation evolution will bring new challenges. It is crucial for aspiring leaders to grapple with the evolving ethical landscape and for professional accountancy bodies to support them as they do so.

Dedication

Finally, the pandemic demonstrated the dedication of finance professionals in the public sector. Our roundtable participants highlighted how they and their staff had worked long hours in response to the crisis and in many cases volunteered for additional roles and responsibilities beyond their existing remits. Dedication to the underlying values of public service and to making a difference for citizens must be central to the ethos of aspiring public sector finance leaders. As Section 2 outlined, the way public sector organisations have evolved since 2020 demonstrates real opportunities for leaders to develop a more dynamic and responsive public sector.

Many public sector organisations are at a turning point. On the one hand, organisations could return to the habits and patterns of pre-pandemic life and revert to a path of gradual evolution. Or, instead, organisations could build on the gains made in responding to the Covid-19 crisis. This second approach will require real dedication from current and future public sector finance leaders. They will need determination to hold on to the gains made as organisations have adapted since 2020, as well as good judgement in continuing to develop their organisations as they respond to the challenges that face the public sector in the future. Ultimately this determination must be underpinned by dedication to serving the public.

ULTIMATELY THIS DETERMINATION MUST BE UNDERPINNED BY DEDICATION TO SERVING THE PUBLIC.

Summary



- Senior finance leaders need a strong foundation in the technical skills developed through a professional accountancy qualification. The CPD requirements of professional bodies ensure continuous development of accountants' knowledge and skills.
- The pandemic has shown that to respond effectively to challenges public sector organisations and leaders must be **adaptable**, focusing on what is coming next and identifying creative solutions for achieving their objectives.
- Senior finance leaders must have '**business sense**': a capacity to see the wider strategic picture, combined with a sense of curiosity and the ability to challenge ways of working. This will enable them to build a clear understanding of how their organisations work.
- Strong **communication** skills are a crucial element of successful leadership. These involve listening to staff, as well communicating outwards, simplifying complex issues and facilitating collaboration within and between organisations.
- **Determination** is essential for current and aspiring senior finance leaders, both in the drive to gain a professional qualification and experience, as well as in the commitment to upholding ethical standards of integrity and trust.





Conclusion

The public sector has been tested by the Covid-19 pandemic. The pace of decision-making and delivery quickened considerably and senior finance leaders were at the heart of their organisations' responses. The public sector finance profession demonstrated its responsiveness, adaptability, and flexibility in its reaction to the crisis. As a result, our participants generally agreed that senior finance leaders and their teams had been able to demonstrate their worth to the organisations they serve.

The profile and influence of senior finance leaders and the finance function has risen in the public sector. It is important that senior finance leaders reflect on the changes that have taken place in the public sector since 2020. This report has identified six key lessons that leaders could learn from and apply to the way the public sector evolves.

An approach that builds on the experience of the public sector in the pandemic will be essential to tackling the challenges that face the public sector in the coming years: attracting and retaining staff, adapting to tighter public finances and responding to wider societal issues such as climate change, and digitalisation and automation.

Professional accountants will be at the heart of supporting public sector organisations as they navigate the challenges ahead. These individuals will need the right combination of skills, at the core of which is a professional accountancy qualification and membership of a professional body. In addition, aspiring senior finance leaders will need adaptability, business sense, strong communication skills and, perhaps most importantly, real determination to deliver the effective public services the world needs in the years ahead.

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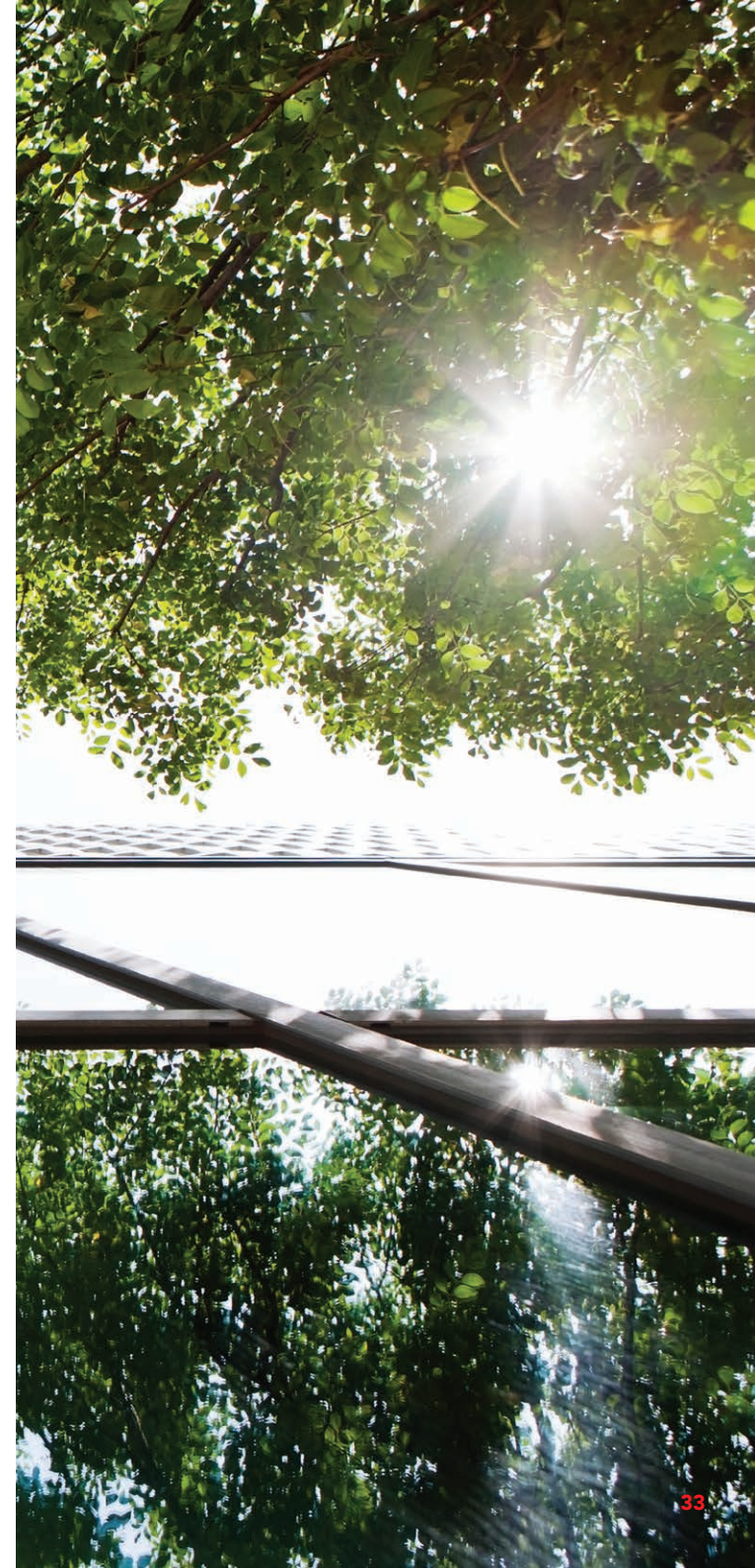
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