

# **Audit Wales: Working together to deliver quality and timely Local Government Accounts**

Richard Lloyd-Bithell

Director of Finance and Procurement (Section 95)

City of Edinburgh Council

# Today's Session

---



Lessons learnt from IFRS16 – Early adopters



How do we maintain the effective partnership of audit with increasingly digitalised services and government?



The sector and the profession are changing rapidly, how do we evolve and respond?



What is the 'roadmap' of the future, where are we going?

# CEC approach to Accounts and Audit

---

- **Planning & Timeliness:** Year-round planning, clear timetable (unaudited accts by June, audit done by Sept)
- **Ownership:** Group Financial Control team owns the accounts (quality checks before audit)
- **Internal Control:** Strong financial controls = fewer year-end surprises
- **Collaboration with Auditors:** Open communication, resolve issues together
- **Continuous Improvement:** Learn from errors (e.g. fixed asset classification corrected in draft) – Lessons learnt workshops are helpful

# Early Adoption of IFRS 16 – Overview

---

- What & Why: IFRS 16 (Leases) – brings leases on balance sheet. Adopted early in 2022/23 (1 year before required, subsequent deferrals from CIPFA/LASAAC occurred).
- Edinburgh among first UK councils to implement IFRS 16
- Motivation: be proactive, spread workload, reduce risk of implementation rush
- Result: +£149.7m assets, +£134.6m liabilities added to B/S (2022/23) (greater transparency)

# IFRS 16 Implementation – Challenges

---

- **Huge Data Exercise:** Identified hundreds of leases across all services
- **System/Software Issues:** Used third-party lease software – initial errors found (interest calc missing on ~153 leases)
- **Adjustment Needed:** Corrected lease data (added £12m to align records); fixed interest calc (+£2.5m ROU asset, +£2.7m liability)
- **Cross-Dept Coordination:** Involved property, procurement, legal teams for complete info
- **External Advice:** Consulted IFRS 16 experts; CIPFA guidance used

# IFRS 16 – Keys to Success

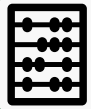
---

- **Start Early, Plan Well:** Began prep in 2019 (mapping leases, policy decisions)
- **Ownership of Policy:** Set accounting policy/judgements internally (e.g. thresholds)
- **Test and Validate:** Don't just trust software – manual checks of outputs
- **Auditor Engagement:** Early discussions, no major misstatements found by audit
- Lesson: **New standards = project management** approach (people, process, tech)

# What would we do differently?



Third Party software is **not risk** transfer.



**Owning** and doing it yourself is better.



Create a **culture** where practitioners feel confident to **pick up the code** and 'have a go'



You own the accounts and accounting policies. Have **confidence** in **your judgement** and your auditors will too.



As a Section 151 – **own** and defend your **critical judgements**.

# Developing for the future



# Predictions for 2030

---

- Skills and the profession are **rapidly changing**
- **40%** of the Public finance workforce in America and Europe are of **retirement age**, skills and **knowledge transfer** are essential.
- All finance functions will aim to evolve, with a focus on **operational automation**, to **focus on value**
- AI will change jobs not supersede the profession.
- Big expensive **ERP** systems are **not the answer** to our problems – simplicity and integration will help.

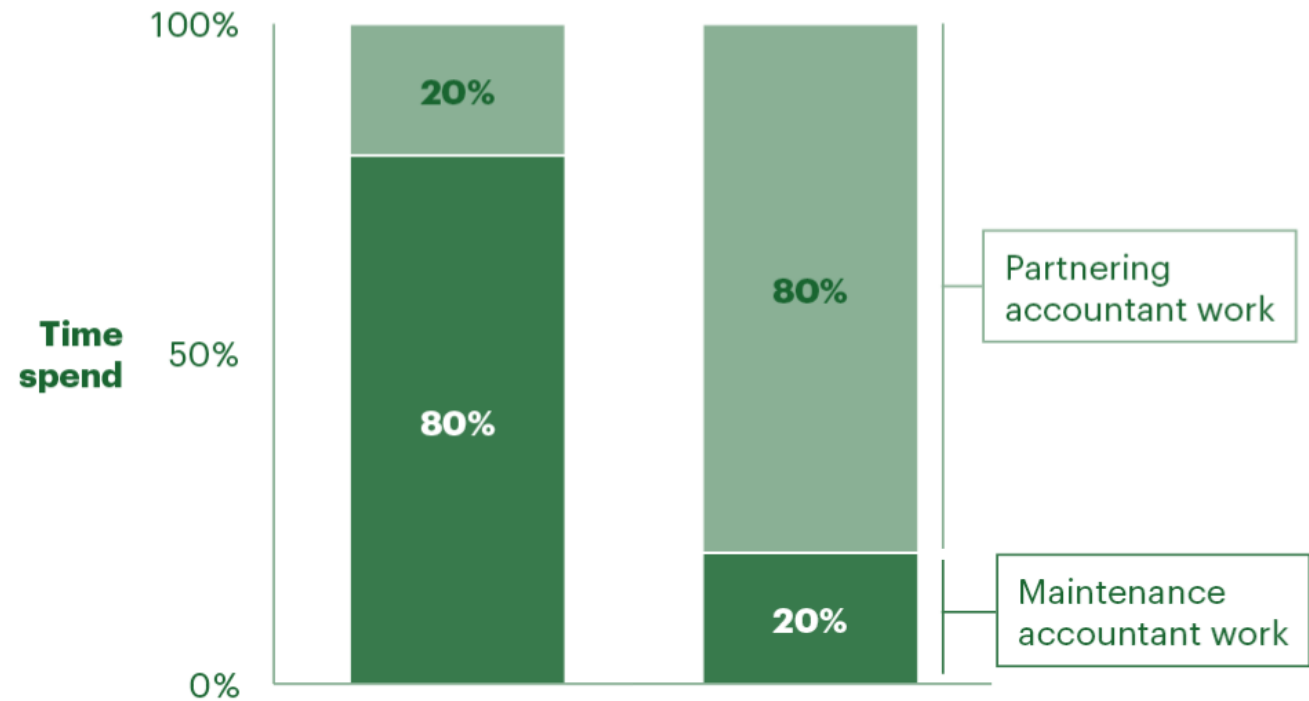
# What are CEC finance trying to achieve in the next three years?

---

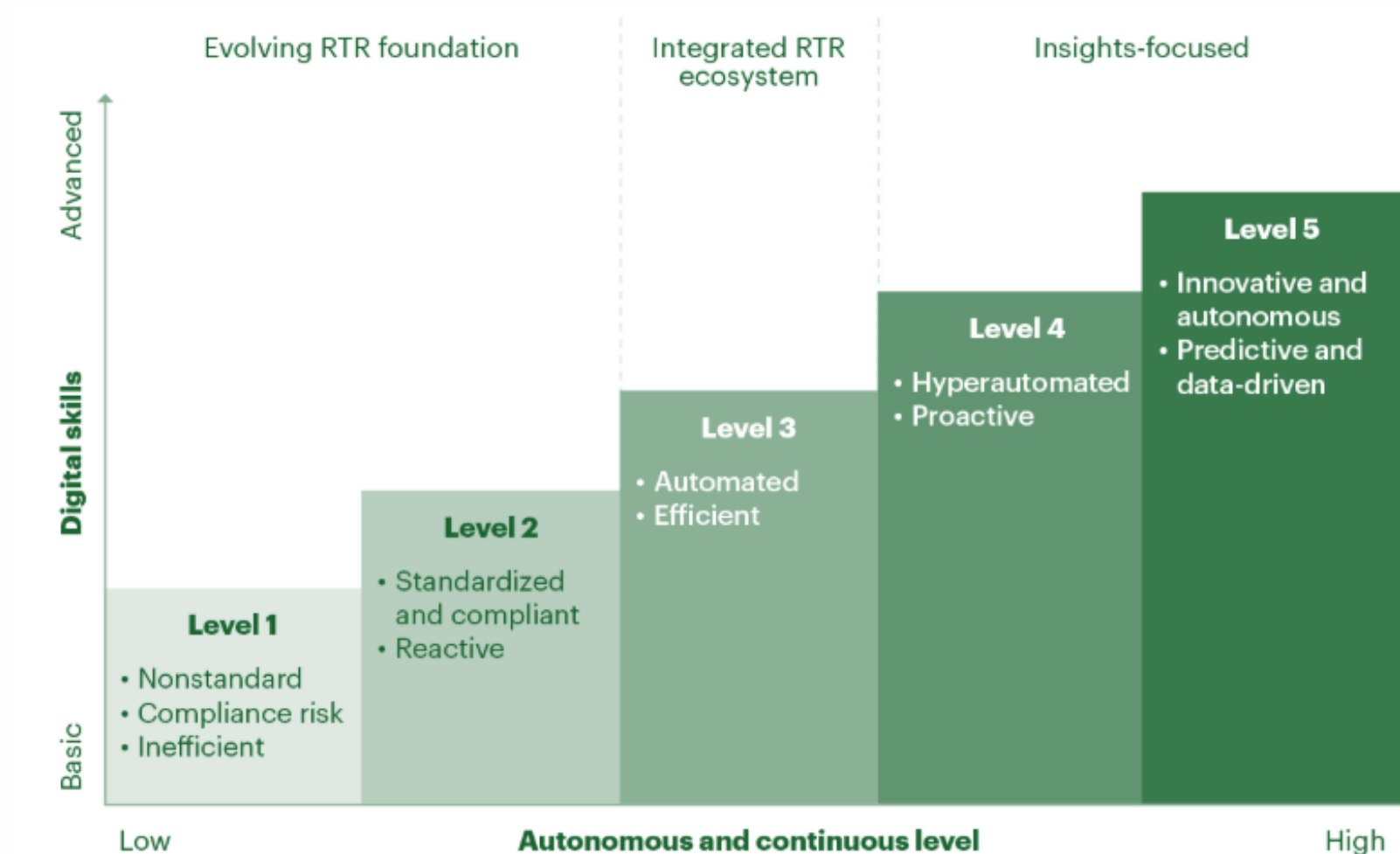
- Shift our **business model** – Stewardship to value
- Create a culture of learning and development. Pride in **professional practice**.
- Have a **reporting ecosystem** which is **integrated** and **automated**
- **Improve** the **customer experience** through clear engagement plans – understanding our customer and stakeholder needs

# Professional Services

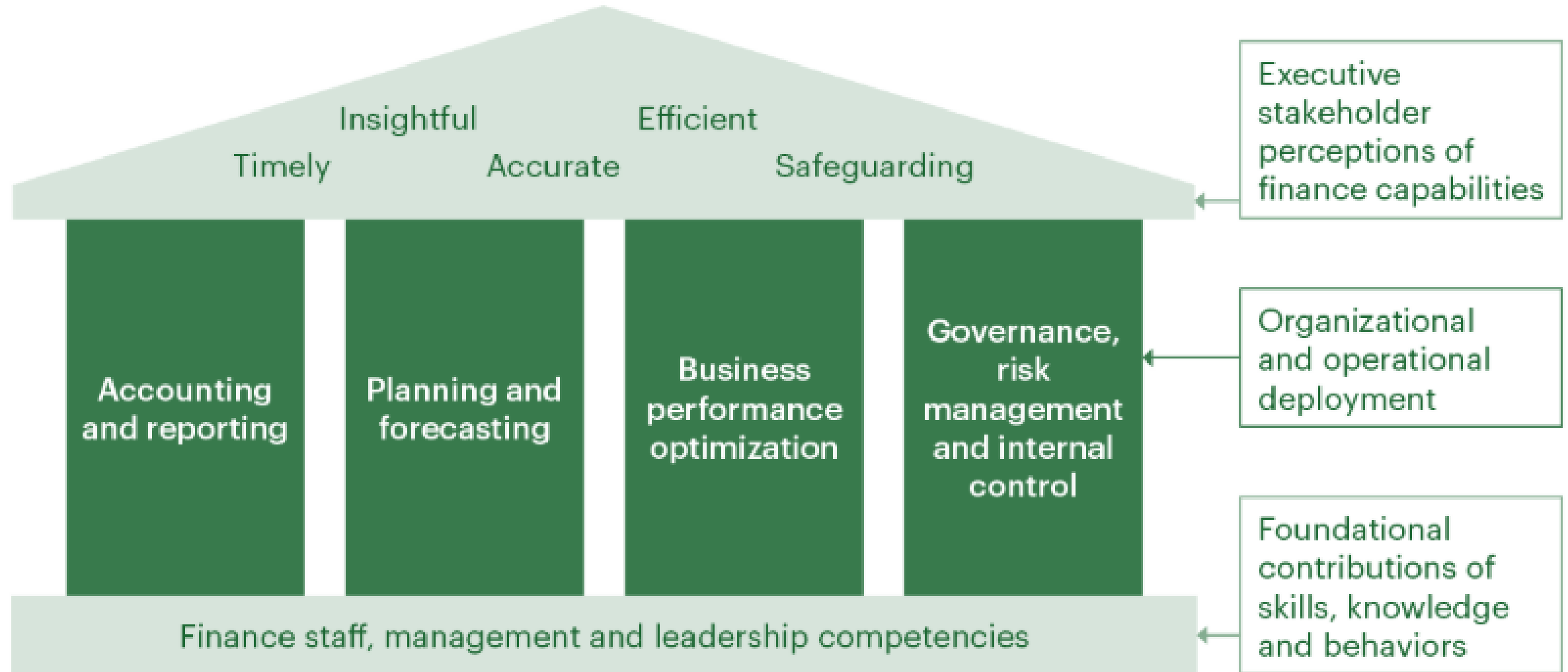
- Across the division we will **shift** from operational work **to** strategic and business **value driven** work.
- The further we move our **digital maturity** – the quicker this will happen.



# Our Target is level 3 by 2028



## Finance Capabilities Are Built on Individuals' Competencies



# Gartner Finance Competency Outlook — Accounting and Reporting

Importance (measured by prevalence and demand):

	Niche Less than 30%	Moderate From 30% to 49%	Expected From 50% to 64%	Essential More than 65%
Ⓣ Today's Importance				
Ⓣ Future Importance				
Accounting acumen				Ⓣ = Ⓣ
Attention to detail				Ⓣ = Ⓣ
Finance process expertise				Ⓣ = Ⓣ
End-to-end process familiarity				Ⓣ = Ⓣ
Integrity and ethical behavior				Ⓣ = Ⓣ
Financial acumen			Ⓣ = Ⓣ	
Business acumen			Ⓣ = Ⓣ	
Humility			Ⓣ = Ⓣ	
Internal controls acumen			Ⓣ = Ⓣ	
Process mapping		Ⓣ	→	Ⓣ
Takes ownership		Ⓣ	→	Ⓣ
Process reengineering		Ⓣ	→	Ⓣ
Adaptability		Ⓣ	→	Ⓣ
Critical thinking		Ⓣ	→	Ⓣ
Data storytelling	Ⓣ	→	→	Ⓣ
Systems thinking	Ⓣ	→	→	Ⓣ
Innovation	Ⓣ	→	→	Ⓣ
Data literacy	Ⓣ	→	→	Ⓣ
Nonfinancial data acumen	Ⓣ	→	→	Ⓣ
Intellectual curiosity	Ⓣ	→	→	Ⓣ
Machine learning technology	Ⓣ	→	→	Ⓣ
NLP technology	Ⓣ	→	→	Ⓣ
Automation risk mitigation	Ⓣ	→	→	Ⓣ

## It's changing now

The next generation of talent will be attracted to working in PFM **only** if we **embrace development**

# Skills for the future

---



Communication and Influence



Adaptability and Learning



Ethics and Integrity



Technology and data



AI and automation (RPA)

# What practical things can you do now?

---

- **Culture** is key to development: **leadership** is required to build a culture of development. **Self reflection** and **psychological safety** are key.
- Finance professionals by nature can be transactional in the way they learn, **self assessment** and frameworks help.
- Core finance skills are essential – **transferable skills** are what take you forward.
- **Protecting learning time** helps – diaries are busy
- Process mapping, customer journeys and QMS are vital for **smooth succession planning** in practitioner level roles
- **Customer/service Charters help** – plan customer engagement, how, why and what does the service provide? Keep tight on core business.



# Knowledge and Skills Framework

---

- CEC have established a Finance Practice Board
- Aimed to share practice, development opportunities and create a culture of mentoring and coaching
- This is part of our future business model change from stewardship to autonomous finance – focus on disseminating capability in the organisation not guarding the coffers.

# Thank you