



# Public Sector Task Force

Presentation on Progress to Date

July 2018

# RECAP

## PS Task Force Project\*

### PURPOSE

To identify the skills and competences required by professional accountants in performing their roles in public sector accounting, financial reporting and assurance that need to be addressed by IESs.

### SCOPE

1. To perform an in-depth analysis
2. To identify distinctive characteristics of PS accountancy
3. To perform a gap analysis between these and extant IESs
4. To understand the impact on learning & development needs.

\*Additional details are available on page #15

**RECAP****KEY PUBLIC SECTOR COMPETENCIES / LEARNING  
OUTCOMES NOT COVERED BY IESs\***

<b>COMPETENCE AREA / ISSUE</b>	<b>Public Sector Competence /Learning Outcome / Focus</b>
<b>Technical Accounting / Financial Accounting and Reporting (IES 2a)</b>	Financial reporting standards in the public sector (IPSAS)/ European Public Sector Accounting Standards / Other  PEFA assessments / performance evaluation
<b>Financial Management (IES2c)</b>	Organisational financial objectives and methodologies including financing and investment policies (long and short term)- from a public sector angle
<b>Audit and assurance (IES2e)</b>	Main types of audit [compliance and performance besides financial] carried out in entities and the purposes attaching to them  The approach to conducting audits in the public sector with particular emphasis on the types of audit unique to/predominant in the sector;  Other bodies of audit standards: International Standards of Supreme Audit Institutions (ISSAI) / Internal Audit Standards / Value-for-Money Standards/Other
<b>Taxation (IES2d)</b>	Taxation models, public revenues & economic management
<b>Governance, risk management and internal control (IES2f)</b>	The structure & functions of the public sector: governance and accountability including distinctions between the main governance functions (legislative, judicial and managerial)
<b>Business laws and regulations (IES2g)</b>	Regulatory environment in the public sector  Regulatory framework of public sector audit
<b>Business and organizational environment (IES2i)</b>	Service delivery & public service environment / economical, efficient and effective management of public funds and resources

\* Additional details are available on pages #16-18

# RECAP

## Summary of Findings (1)

### THREE BROAD CATEGORIES

- distinctive approaches to financial reporting and financial management practices
- distinctive approaches to audit and assurance practices and
- the political and public policy environment and its impact – that ‘mandating environment’.

### CONCENTRATED IN IES 2. (IPD – TECHNICAL COMPETENCE)

### THREE TYPES AS FOLLOWS:

# RECAP

## Summary of Findings (2)\*

1. Differences relating to **perspective** and attributable basically to the **absence of PS references**.
2. Substantive gaps attributable to competencies and related **knowledge requirements that are sector specific**.
  - *Public debt nature and range of 'public service provision', 'public policy setting', and 'public-private partnerships'*.
3. Differences pertaining to **highly specialized areas** such as compliance and performance audits.
  - *Compliance audits, Value for Money audits*

**Fundamental** difference [IESs 1, 4, 7, 8, and 2 (implicitly)]:

- **objectives:** profit motive vs. public service delivery
- **key stakeholders:** investors vs. the citizens
- **Focus:** the “public interest” vs. “public accountability” or “democratic accountability”

\*Additional details are available on pages #19-22

# Main Takeaways from the April Board Discussions

QUESTION #1 (Q1):

Have we scoped this correctly?

QUESTION #2 (Q2):

Is there a need for more research / outreach?

# Response of the PS Task Force to Q1

## ➤ **Refer to IPSASB as a peer standard-setting Board:**

- *A public sector entity is one that meets all the following criteria:*
  - *Is responsible for the delivery of services (including goods, service and policy advice, including to other public sector entities) to benefit the public and/or to redistribute income and wealth*
  - *Mainly finances its activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contribution, debt or fees; and*
  - *Does not have a primary objective to make profits*
- *Typical public sector entities:*
  - *National, regional, state/provincial and local governments.*
  - *Government ministries, departments, programs, boards, commissions, agencies;*
  - *Public sector social security funds, trusts, and statutory authorities; and*
  - *International governmental organizations.*

# Response of the PS Task Force to Q1

## 1. Outreach to IPSASB:

- *How did IPSASB choose this definition of the PS?*
- *Is the definition intended to include or exclude SOEs?*
- *Is the definition intended to include or exclude NPOs?*
- *What is the view of the consistency of this definition across the world?*
- *Any other comments?*



# Response of the PS Task Force to Q1

## 1.1 Outreach to IPSASB: *Key Takeaways*

- “The project was really about [...] the **entities for which it is designing standards**. After consulting on that project, the IPSASB decided [...] to positively identify the high-level characteristics of public sector entities to **help regulators to determine which accounting framework should be applied for entities in their jurisdictions**. [...] **this question resides with the national regulator**.”
- “[...] It is possible that IPSAS might be considered appropriate for SoEs that are not profit-seeking, although there are not likely to be many of these. [...] “
- “[...] **IPSASB is not designing IPSAS for NPOs**. In 2003-2004 the Likierman Review, which led to the renaming of the IFAC Public Sector Committee as the IPSASB, considered whether NPOs should be within IPSASB’s scope. The Likierman Review acknowledged some accounting commonalities, but recommended not.[...]”

# Response of the PS Task Force to Q1

## 2. Additions to the April Paper

### PROJECT OBJECTIVE AND HOW IT SERVES THE PUBLIC INTEREST

#### A. Project Objective

In order to enhance the quality of professional accounting education worldwide, the IESs should support the development and maintenance of competence of professional accountants including those performing roles in public sector entities. Accordingly, the following project objective has been determined to address the quality of professional accounting education in the public sector:

**To support the development of competence required for professional accountants to perform their roles in public sector entities by providing principles-based IESs and implementation support materials.**

A public sector entity is one that meets all the following criteria:

- Is responsible for the delivery of services (including goods, service and policy advice, including to other public sector entities) to benefit the public and/or to redistribute income and wealth
- Mainly finances its activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contribution, debt or fees; and
- Does not have a primary objective to make profits.

# Response of the PS Task Force to Q1

## 2.1 Addition to the April Paper

As a result, public sector entities applying general purpose financial reporting include national, regional, state/provincial and local governments. It also applies to a wide range of other public sector entities including:

- Government ministries, departments, programs, boards, commissions, agencies;
- Public sector social security funds, trusts, and statutory authorities; and
- International governmental organizations.

In summary, this project will:

1. Identify the competences and accompanying learning outcomes required by professional accountants to perform their roles in public sector accounting, reporting, and assurance that need to be addressed by IESs.
2. Provide implementation support materials to support professional accountancy organizations in developing professional accounting education that enables professional accountants to perform their roles in public sector entities.
3. Provide a benchmark for those overseeing the development of curricula for IPD and CPD that enables professional accountants to perform their roles in public sector entities.

# Response of the PS Task Force to Q1

## 2.3 Addition to the April Paper

### B. Serving the Public Interest

Developing and maintaining technical competence, professional skills, values, ethics, and attitudes, supports the learning and development of professional accountants performing roles in public sector entities. This will enhance accountability in building and improving the quality of professional accounting education, and as a result, the competence of global accountancy profession.

# Response of the PS Task Force to Q2

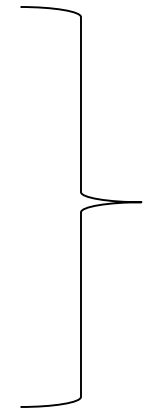
## WORK IN PROGRESS

- Solicit feedback - in the form of a **targeted consultation** from the following key public sector stakeholders: INTOSAI, African professionalization Initiative, IPSASB, and the Institute for Public Sector Accounting Research (IPSAR) – on 2 questions:
  - *Are you satisfied with the project's strategic objective and how it serves the public interest?*
  - *Do you agree with the proposed way forward?*
- **Research relevant university curricula** to further inform our analysis by deepening our understanding of :
  - The gaps of knowledge and skills to which new learning outcomes and assessment methodology may need to be revised or newly developed, and
  - How these gaps may be addressed

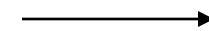
To Complete by October

# WAY FORWARD

- Draft a **project proposal** that clearly identifies (1) deficiencies in competence areas and accompanying learning outcomes by a gap analysis to the IESs, (2) detailed proposals to address these deficiencies (within the standards or their support), (3) detailed questions that will be asked to global stakeholders in the consultation and (4) the timeline of events
- Carry out a **public consultation** through roundtables and a consultation paper



By October



Pending

## Questions

**A. Do you agree with the ‘*Project Objective and How It Serves The Public Interest*’ as stated?**

**B. Do you agree with the ‘Way Forward’ as proposed (including timeline)?**

**C. Do you see any synergies between the PS project and other Board projects that are underway?**

# BACKGROUND MATERIAL for Page #2

## Methodology Employed

- **Identification of relevant literature** spanning competency frameworks, dedicated PS syllabi and government department skills, with geographical diversity
- **High level review** of all sourced documents to determine which merited further exploration in depth
- **Detailed review of 7** selected documents spanning all types and variety of geographies
- Comparison of each document with IESs **to identify gaps and map those to IES competence areas**
- Combining all individual document mapping **to determine most commonly cited gaps**
- **Summarizing** findings following these mappings

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# BACKGROUND MATERIAL for Page #3

## KEY PUBLIC SECTOR COMPETENCIES / LEARNING OUTCOMES NOT COVERED BY IESs

COMPETENCE AREA / ISSUE	Public Sector Competence /Learning Outcome / Focus	Very Commonly Identified	Commonly Identified
Technical Accounting / Financial Accounting and Reporting (IES 2a)	Financial reporting standards in the public sector (IPSAS)/ European Public Sector Accounting Standards / Other		X
	PEFA assessments / performance evaluation		X
Financial Management (IES2c)	Organisational financial objectives and methodologies including financing and investment policies (long and short term)- from a public sector angle		X

# BACKGROUND MATERIAL for Page #3

## KEY PUBLIC SECTOR COMPETENCIES / LEARNING OUTCOMES NOT COVERED BY IESs

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Audit and assurance (IES2e)	Main types of audit [compliance and performance besides financial] carried out in entities and the purposes attaching to them	X	
	The approach to conducting audits in the public sector with particular emphasis on the types of audit unique to/predominant in the sector;		X
	Other bodies of audit standards: International Standards of Supreme Audit Institutions (ISSAI) / Internal Audit Standards / Value-for-Money Standards/Other	X	
Taxation (IES2d)	Taxation models, public revenues & economic management		X

# BACKGROUND MATERIAL for Page #3

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COMPETENCE AREA / ISSUE	Public Sector Competence / Learning Outcome / Focus	Very Commonly Identified	Commonly Identified
<b>Governance, risk management and internal control (IES2f)</b>	The structure & functions of the public sector: governance and accountability including distinctions between the main governance functions (legislative, judicial and managerial)	X	
<b>Business laws and regulations (IES2g)</b>	Regulatory environment in the public sector		X
	Regulatory framework of public sector audit		X
<b>Business and organizational environment (IES2i)</b>	Service delivery & public service environment / economical, efficient and effective management of public funds and resources	X	

# BACKGROUND MATERIAL for Page #5

## Summary of Findings (2)

### 3 TYPES OF GAPS:

1. Differences relating to **perspective** and attributable basically to the **absence of PS references**.

For example:

- IES 2(g) addresses the regulatory framework – as do PS competency frameworks - but it does so from a “business” entity’s viewpoint and the competence area is entitled “**Business** laws and regulations”.
- IES 2(a) addresses reporting standards - as do PS competency frameworks - but it specifically refers to IFRS and not to IPSAS, although does reference “other applicable standards”

# BACKGROUND MATERIAL for Page #5

## Summary of Findings (2.1)

### 2. Substantive gaps attributable to competencies and related **knowledge requirements that are sector specific.**

For example:

- While IES 2(i) addresses the organizational environment with specific reference to – inter alia- ‘the role of mutli-nationals’ and ‘e-commerce’ there are some knowledge areas that are characteristic of the PS such as *nature and range of ‘public service provision’, ‘public policy setting’, and ‘public-private partnerships’*.
- While IES 2(j) addresses economics with specific reference to “types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly” there are some knowledge areas that are characteristic of the PS such *“public debt and its potential impacts on economic activity levels, economic regulation and fiscal governance”*

# BACKGROUND MATERIAL for Page #5

## Summary of Findings (3)

3. Differences pertaining to **highly specialized areas** such as compliance and performance audits.

For example:

- *Compliance audits, Value for Money audits* are core to PS, yet only Financial statement audit called out in IES2 and IES 8.

# BACKGROUND MATERIAL for Page #5

## Summary of Findings (4)

**Fundamental** difference [IESs 1, 4, 7, 8, and 2 (implicitly)]:

*Private sector Vs. Public sector*

- **objectives:** profit motive vs. public service delivery
- **key stakeholders:** investors vs. the citizens
- **Focus:** the “public interest” vs. “public accountability” or “democratic accountability”