



International Accounting
Education
Standards Board

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Committee: International Accounting Education Standards Board (IAESB)
Meeting Location: Radisson Blu Hotel; Nairobi, Kenya
Meeting Date: April 18-20, 2018
SUBJECT: **Public Sector Project Scoping Issues Paper (4/18)**

INTRODUCTION

1. The objective of this paper is to request input and approval from the IAESB (“the Board”) on the Public Sector (“PS”) project scope. Specifically:
 - a) The purpose and areas of primary focus
 - b) Sources of information including stakeholder outreach
2. This paper will also provide an update of the PS taskforce (the “Task Force”) activities undertaken since the November 2017 Board meeting.

BACKGROUND

3. International Education Standards (IESs) are intended to cover the core skill set needed for all aspiring and professional accountants (“Accountants”) to perform their role, regardless of the sector in which they work. However, and as discussed at the Board’s November 2017 meeting, our stakeholder outreach indicated that IESs are perceived as being entirely private sector focused and as such do not speak to the many Accountants working in and for the public sector. It is essential that IESs are relevant to the core roles of all Accountants and that they address the fundamentals of public sector accounting theory and practice. Therefore, the Task Force has undertaken detailed analysis into the skill set and competencies required of professional accountants in performing their roles in public sector accounting, financial reporting and assurance that are currently lacking and need to be addressed by the IESs.
4. The findings from the Task Force will inform the Board’s determination of the Standards’ development activities that are needed to support skills development of Accountants in the area of PS. These may include:
 - a) Amending IESs’ competence areas or learning outcomes.
 - b) Adding specific competence areas or learning outcomes to IESs
 - c) Considering additional explanatory material within IESs
 - d) Developing new IESs
 - e) Providing guidance

5. The Task Force was established in April 2017, convened for the first time in June and presented a Progress Report at the November 2017 meeting. Since then, the Task Force has endeavoured to define, scope and carry out its work in line with the strategy discussed with the Board at the November meeting. Task Force members also identified the references on PS competences to consider and guide its analyses (See Appendix I).

DISCUSSION

Methodology

6. As a first step, the Task Force took a selection of publicly available information on the subject of competencies required for public sector accountancy. Documents were sourced from various competency frameworks, syllabi and government departments with the intention to capture a wide spectrum of perspectives in the area: accounting and audit (both internal and external) from the standpoint of a government entity or an organization with capacity development objectives - be it a professional organization, intergovernmental, non-governmental agency or other entity working in or with the public sector. Geographic diversity was also a consideration. As such, the selection comprised the following:

- IIA global internal audit competency framework (Institute of Internal Auditors, 2013)
- AFROSAI-E competencies framework (African Organisation Of English - Speaking Supreme Audit Institutions, 2016)
- INTOSAI draft framework (International Organization of Supreme Audit Institutions, 2016)
- CIPFA syllabi (The Chartered Institute of Public Finance and Accountancy, 2018)
- Office of the Auditor General of Ireland (Ireland, current)
- Wales Audit Office (Wales, 2014)
- Yukon Government (Canada, 2015)
- Proficiency Requirements for Comprehensive Auditing (Canadian Comprehensive Auditing Foundation, 1998)
- ADB Competency Framework (Asian Development Bank, 2014)
- OECD Core Skills for the Public Sector (Organization for Economic Cooperation and Development, 2017)

7. The first, high level review, identified a number of frameworks / syllabi with a focus on generic auditing skills and / or behavioural, competencies for a general role in the PS; and others that addressed the PS accountant's or auditor's role more specifically. The latter category, comprising the following documents, was chosen for further and deeper analysis:

- AFROSAI-E competencies framework (African Organisation Of English - Speaking Supreme Audit Institutions, 2016)
- INTOSAI draft framework (International Organization of Supreme Audit Institutions, 2016)
- CIPFA syllabi (The Chartered Institute of Public Finance and Accountancy, 2018)
- Office of the Auditor General of Ireland (Ireland, current)
- Wales Audit Office (Wales, 2014)
- Yukon Government (Canada, 2015)
- Proficiency Requirements for Comprehensive Auditing (Canadian Comprehensive Auditing Foundation, 1998)

Summary of Findings¹

8. Detailed analysis undertaken has demonstrated that there is a large similarity of skills required by all Accountants whatever the sector in which they work, but there are also a number of key differences.

9. The differences fall broadly into the categories reported to the Board in November 2017 as areas on which to focus where PS accounting appears to differ from practice in the private and corporate sectors. These are (a) distinctive approaches to financial reporting and financial management practices, (b) distinctive approaches to audit and assurance practices and (c) the political and public policy environment and its impact – that ‘mandating environment’. More specifically, the idiosyncratic public sector competencies have been mapped to particular IES competence areas. The following table summarizes the results while identifying the areas of competence that are critical to Accountants working in the PS but are lacking in IESs. Appendix 1 presents the full detailed findings in a matrix format.

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
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

¹ The findings are based on the analysis conducted by the TF members only and has not been subject to external review by other parties.

<p>Governance, risk management and internal control (IES2f)</p>	<p>The structure & functions of the public sector: governance and accountability including distinctions between the main governance functions (legislative, judicial and managerial)</p>	<p>X</p>	
<p>Business laws and regulations (IES2g)</p>	<p>Regulatory environment in the public sector</p>		<p>X</p>
	<p>Regulatory framework of public sector audit</p>		<p>X</p>
<p>Business and organizational environment (IES2i)</p>	<p>Service delivery & public service environment / economical, efficient and effective management of public funds and resources</p>	<p>X</p>	
	<p>Public policy setting – processes and role of players [(a) nature and range of public service provision; responsible entities; mechanisms for sharing powers and responsibilities for service delivery (b) procedures, instruments and institutional arrangements in place at central, decentralised and deconcentrated government levels for creating, developing and implementing policies (the policy cycle) within the public sector]</p>		<p>X</p>
	<p>Wider context of the public sector environment (local and national) which leads to additional audit objectives - beyond merely expressing an opinion on the financial statements - that may result from parliamentary directives, government circulars, stakeholder expectations, entity specific issues, etc. and that may extend</p>	<p>X</p>	
	<p>Political environment / factors</p>		<p>X</p>
	<p>Social environment / factors</p>		<p>X</p>
<p>Economics (IES2j)</p>	<p>Budgeting (use of limited resources) [Deficit/surplus/break-even] and its economic implications + monitoring</p>	<p>X</p>	
	<p>The economic environment & the public sector</p>		<p>X</p>

10. The matrix shows that these differences are (a) concentrated in IES 2. (IPD – Technical Competence).

11. It can be noted that the differences identified generally tie in closely with the competence areas already defined within the said standards, and are of three **types** as follows:
- 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”
 - 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 multi-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”.
 - Differences pertaining to highly specialized areas such as compliance and performance audits. These may be more relevant to IES 8 (see item 12 hereunder).
12. IES 8 predominantly focuses on engagement partners for financial statement audits. While recognising that many audit firms undertake this role for public sector entities around the world, the PS equivalent might be a focus on the responsibility of Auditor Generals for performance audits, value for money audits and compliance audits, whether this responsibility is in practice delivered in-house or outsourced.
13. A further fundamental difference which has been explicitly identified in IESs 1, 4, 7, and 8, (and implicitly in IES 2) lies in the objectives of an organisation and arises in relation to the environment. A private sector organisation is managed with a profit motive where the key stakeholder to satisfy is the investors. By contrast, a PS organisation is managed with the objective of optimizing public service delivery (in light of, inter alia, the national agenda and resource constraints) where the key stakeholder to satisfy is the “citizen”. Therefore, the focus is on “public accountability” or “democratic accountability” - rather than merely the “public interest” – in the context of the broader social, economic and political landscape.

Proposals

14. The Task Force proposes that a full project plan is created to investigate how best the identified differences (See Paragraphs 11-13) may be considered and dealt with as follows:
 - a) Amending IESs' competence areas or learning outcomes.
 - b) Adding specific competence areas or learning outcomes to IESs
 - c) Considering additional explanatory material within IESs
 - d) Developing new IESs
 - e) Providing guidance

Resources

15. The Task Force members are Rania Uwaydah Mardini (Chair), David McPeak (IFAC staff), James Gunn (IFAC staff), Adrian Pulham (Secretary), Catherine Edwards, Manil Jayesinghe and Robert Zwane.
16. An evaluation of the sufficiency of resources will be made on an ongoing process throughout the PS project, and as additional resources are needed, adjustments will be made accordingly. For example, engagement of resources outside of the Board or support from the CAG.

Action Requested:

- A. Does the Board agree with the Task Force's methodology?**
- B. Is the Board satisfied with the Task Force's analysis and are there any key elements missing from the analysis?**
- C. Does the Board agree with our proposal to create a full project plan?**

PROPOSED WAY FORWARD

17. Based on the input to be provided by the CAG and the Board during April 2018, the Task Force will refine the scope of the project with the objective of submitting a project plan, including milestones and timelines to the Board for approval in July 2018.

Appendix 1: Detailed findings from key frameworks, government skills documents and syllabi

KEY PUBLIC SECTOR COMPETENCIES / LEARNING OUTCOMES NOT COVERED BY IESs									
IES Reference	Competence Area / Issue	Public Sector Competence / Learning Outcome / Focus	AFROSAI-E competency framework	INTOSAI draft framework (2016)*	CIPFA syllabus	Office of the AG of Ireland	Wales Audit Office	Yukon Gov't	CCAF
IES 2(a)	Technical Accounting / Financial Accounting and Reporting	Distinction between accounting in public and private sectors*	X						
		Financial reporting standards in the public sector (IPSAS)/ European Public Sector Accounting Standards / Other	X	Implied	X	X			
		PEFA assessments / performance evaluation	X		X			X	X
IES 2(c)	Financial Management	Comparison of pricing cost recovery strategies in the context of both commercial and public sector entities	X						
		Organisational financial objectives and methodologies including financing and investment policies (long and short term)- from a public sector angle	X		X			X	

IES 2(e)	Audit and assurance	Main types of audit [compliance and performance besides financial] carried out in entities and the purposes attaching to them	X	X	X; Value for Money Audits				X; Comprehensive Audits
		The approach to conducting audits in the public sector with particular emphasis on the types of audit unique to/predominant in the sector;	X	X	X				
		Similarities and differences between audit roles in the public and private sectors	X		X				
		Other bodies of audit standards: International Standards of Supreme Audit Institutions (ISSAI) / Internal Audit Standards / Value-for-Money Standards/Other	X	X	X	X	X		X
		Roles & responsibilities of internal audit and relationships with external audit	X		X				
		Integration of audit evaluations with other sources of operational & financial information for policy & decision making & good governance	X		X				
IES 2(d)	Taxation	Taxation models	X		X				
		Public revenues & economic management	X		X				
		Long-term estimation of public revenue & expenditure streams: relationships between taxation levels, socio-economic conditions and national macroeconomic policy and performance + appraisal of the use of public funds	X						

IES 2(f)	Governance, risk management and internal control	The structure & functions of the public sector: governance and accountability including distinctions between the main governance functions (legislative, judicial and managerial)	X	X	X			X	X
		Regulatory environment in the public sector	X	X	X				
IES 2(g)	Business laws and regulations	Regulatory framework of public sector audit	X	X	X				
		Different government systems such as Westminster and Courts of account	X						
IES 2(i)	Business and organizational environment	Service delivery & public service environment / economical, efficient and effective management of public funds and resources	X		X	X	X	X	X
		Public policy setting – processes and role of players [(a) nature and range of public service provision ; responsible entities; mechanisms for sharing powers and responsibilities for service delivery (b) procedures, instruments and institutional arrangements in place at central, decentralised and deconcentrated government levels for creating, developing and implementing policies (the policy cycle) within the public sector]	X		X			X	
		Public/private sector partnerships and donor relationships: procedures for establishment & dissolution; advantages and disadvantages; range and scope of relationships including regulatory issues and the private sector provision of public services through (inter alia) privatisation, public/private partnerships and external contracting	X		X				

Agenda Item 3-1

		Wider context of the public sector environment (local and national) which leads to additional audit objectives - beyond merely expressing an opinion on the financial statements - that may result from parliamentary directives, government circulars, stakeholder expectations, entity specific issues, etc. and that may extend	X	X	X	X	X	X	X
		Political environment / factors	X	X			X	X	
		Social environment / factors	X	X	X				
IES 2(j)	Economics	budgeting (use of limited resources) [Deficit/surplus/break-even] and its economic implications + monitoring	X		X	X		X	X
		The economic environment & the public sector	X		X		X		
		Public debt and its potential impacts on economic activity levels, economic regulation and fiscal governance	X		X				
IESs 1, 4, 7, & 8	Focus /Objective of Accounting Education Program								
		The public interest		X	X				
		Public accountability	X						
		Citizen				X	X	X	
		Democratic accountability				X			
		Commitment to a greater purpose						X	
		Commitment to public service				X			