



International Accounting
Education
Standards Board

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Committee: International Accounting Education Standards Board (IAESB)
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TASK FORCE: **Public Sector Accounting, Reporting, and Assurance - Transition Memo (4/19)**

INTRODUCTION

This paper summarises the Task Force's examination of the skills and competences required by professional accountants working in public sector accounting, financial reporting and assurance, and the extent to which these are addressed by the extant IESs.

RECOMMENDATIONS FOR INTERNATIONAL ACCOUNTING EDUCATION PANEL

That the International Accounting Education Panel considers the development of **authoritative** guidance for public sector accountancy.

There is substantial pressure on the public sector accountancy profession to develop the knowledge and expertise required for high-quality implementation of accounting standards. The context is an increasingly challenging environment, evidenced by the following trends:

- The increased adoption of IPSAS
- The ongoing evolution of IPSAS
- Increasing complexity of public sector finances
- The growing focus on anti-corruption and accountability of governments, entailing the quality of public financial management and public sector transparency and integrity.

There are initiatives underway to step in and fill this gap. For example, the International Organization of Supreme Audit Institutions (INTOSAI) is in the final stages of developing a competency framework for public sector professionals. There are also efforts in Africa by the African Organization for English-speaking Supreme Audit Institutions (AFROSAI-E) and the Pan African Federation of Accountants (PAFA) to 'professionalize' accountants and auditors in the public sector.

It is therefore important that IFAC act on this obviously pressing need, capitalize on current momentum, and coordinate with its stakeholders to close the gap and avoid unnecessary duplication of efforts. Failure to do so is likely to undermine IFAC's authority in the accounting education *standard-setting space*.

OBJECTIVE OF TASK FORCE/WORKING GROUP

The project set out to identify the skills and competences required by professional accountants in performing their roles in public sector accounting, financial reporting and assurance that are currently lacking from the IESs.

The outcomes proposed were standards development activities (if any) needed to support professional accountants and auditors working in the public sector. These activities would be determined based on the analysis of the project findings and may include:

- Amending extant IES competence areas or learning outcomes
- Adding specific competence areas or learning outcomes to extant IESs
- Adding explanatory material within extant IESs
- Developing new IESs
- Providing guidance through Implementation *Support Materials*.

BACKGROUND, INCLUDING RESEARCH AND OUTREACH CONDUCTED

IESs are intended to cover the core skills for all aspiring and professional accountants (“Accountants”) to perform their role, regardless of sector. However, stakeholder research indicated that IESs are perceived as being entirely private sector focused.

As such, the IESs do not speak to the many Accountants working in and for the public sector, particularly in respect of financial management and financial reporting, audit and assurance practice and the public policy or ‘mandating environment’ within which these accountants work.

For the IESs to be relevant to the core roles of all Accountants, they must address these fundamentals of public sector accounting theory and practice.

Currently, therefore, a significant gap exists in the education standards.

Phase I (June to Nov 2017) comprised literature review and meetings (in-person or by teleconference) with the following stakeholders:

- Inter-American Development Bank (capacity building)
- INTOSAI (public audit and assurance)
- World Bank (capacity building)
- CIPFA (public accounting and audit curriculum, role of the public sector CEO, public audit, public sector financial reporting, counter fraud)
- IPSASB (standards setting and maintenance)
- OECD - Organization for Economic Cooperation and Development (Standards setting and contextual differences)

Following were the main findings:

- IESs are perceived to be private sector-oriented
- Expectations of private and public sector accountants are fundamentally different
- Accordingly, there is a perceived need to expand public sector education offerings.

Phase II (Nov 2017 to April 2018) comprised in-depth analysis, including review of relevant research literature and engagement with stakeholder organisations and IPSASB to: (a) identify distinctive characteristics of public sector accountancy; (b) perform a gap analysis between these and extant IESs; and (c) understand the impact on learning needs.

The following methodology was employed:

- Identification and high level review of relevant literature: competency frameworks, PS syllabi and government department skills
- Detailed review of the following seven selected documents:
 - AFROSAI-E competency framework
 - INTOSAI draft competency framework
 - CIPFA Syllabus
 - Office of the AG of Ireland
 - Competency Framework of the Wales Audit Office
 - Core Competency Framework Yukon Government
 - Proficiency Requirements for Comprehensive Auditing: A Guide for Practitioners (CCAF-FCVI Inc.)
- Identify gaps and map those to IES competence areas (see Appendix 1)
- Determine most commonly cited gaps

The main findings were:

- There is large similarity of skills required by all Accountants whatever the sector in which they work, but there are also a number of key differences.
- The differences fall broadly into three broad categories: (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’.
- The differences are concentrated in IES 2 (IPD – Technical Competence)

- There are three main types of differences:
 - 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.

Phase III (April 2018 – present) was initiated with a view to drafting a project proposal that identified: (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 by means of roundtables and a public consultation; and (4) the timeline of events.

The Task Force amended its work plan following IFAC’s decision in June 2018 to develop a new model for accounting education, to produce:

- Non-authoritative implementation support guidance on the preparation of a public sector curriculum (Appendix 2)
- Non-authoritative learning outcomes for a public sector curriculum (Appendix 3)

PROGRESS AND MILESTONES

Three major milestones were achieved:

- A detailed gap analysis covering competence areas needed for private and public sector accounting roles (Appendix 1)
- Non-authoritative implementation support guidance on the preparation of a public sector curriculum (Appendix 2)
- Non-authoritative learning outcomes for a public sector curriculum (Appendix 3)

Appendix A

Attachments:

- Appendix 1: Detailed findings from key frameworks, government skills documents and syllabi
- Appendix 2: Non-authoritative implementation support guidance on the preparation of a public sector curriculum
- Appendix 3: Non-authoritative learning outcomes for a public sector curriculum

Items catalogued with IFAC Staff

- All of the above

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	

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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				

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		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

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		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				
		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

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		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			