

Public Sector Task Force

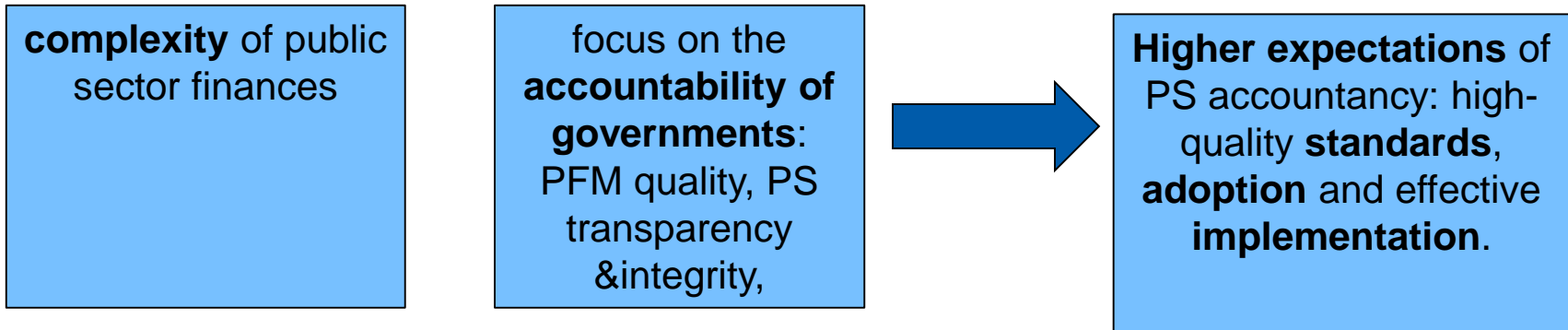
Presentation on Issues paper

April 2018

Background

THE PUBLIC SECTOR ENVIRONMENT

EXPECTATIONS OF PS ACCOUNTANCY



Examples: Kenya, Zimbabwe

IPSASB's proposed "Strategic Objective (2019-2023)":

To strengthen PFM by:

- Developing IPSAS and other high-quality financial reporting guidance for the public sector;*
- Raising awareness of IPSAS and the benefits of accrual adoption.*

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Background

THE IMPACT ON PS ACCOUNTANCY

IPSAS adoption

31% (2015) to 71% (2020).

IPSAS Evolution

Current projects (6): Social Benefits, revenue, non-exchange expenses, PS measurement, heritage, infrastructure assets

New projects (4): natural resources, discount rates, differential reporting, Conceptual Framework limited-scope review.

What About IPSAS Implementation?

- Complexity of the PFM landscape
- Limited PS accounting expertise available
- Limited accounting literacy of those using the standards

SO, ARE IESs ADEQUATE TO ADDRESS THESE CHALLENGES?

NOTE: Page numbers should not appear on Cover and Divider Slides

PS TASK FORCE PROJECT: PHASE I

METHODOLOGY

Literature review, and stakeholder outreach

FINDINGS

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

OUTCOME: Project identification and approval (November 2017)

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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.

Methodology Employed

- **Identification of relevant literature:** competency frameworks, PS syllabi and government department skills
- **High level review**
- **Detailed review of 7** selected documents
- **Identify gaps and map those to IES competence areas**
- **Determine most commonly cited gaps**

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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

KEY PUBLIC SECTOR COMPETENCIES / LEARNING OUTCOMES NOT COVERED BY IESs

COMPETENCE AREA / ISSUE	Public Sector Competence /Learning Outcome / Focus	Very Commonly Identified	Commonly Identified
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

KEY PUBLIC SECTOR COMPETENCIES / LEARNING OUTCOMES NOT COVERED BY IESs

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

Summary of Findings (1)

NOTE: *The findings have not been subject to external review by other parties.*

✓ **THREE BROAD CATEGORIES**

- financial reporting and financial management practices
- audit and assurance practices and
- the political and public policy environment

✓ **CONCENTRATED IN IES 2. (IPD – TECHNICAL COMPETENCE)**

✓ **THREE TYPES**

Summary of Findings (2)

1. Differences relating to **perspective / absence of PS references.**

For example:

- The regulatory framework:
 - IES 2(g): “**Business** laws and regulations”.
- Reporting standards:
 - IES 2(a): “IFRS and other relevant standards”, but not to IPSAS

Summary of Findings (2.1)

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

For example:

- The organizational environment:
 - IES 2(i) “the role of mutli-nationals” and “e-commerce”
 - PS specific knowledge areas: *nature and range of ‘public service provision’, ‘public policy setting’, and ‘public-private partnerships’.*
- Economics:
 - IES 2(j) “types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly”
 - PS specific knowledge areas: *“public debt and its potential impacts on economic activity levels, economic regulation and fiscal governance”*

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.

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”

Next steps

- Detailed project plan: scope, milestones and timelines
- Options to consider:
 - Amending IESs' competence areas or learning outcomes.
 - Adding specific competence areas or learning outcomes to IESs
 - Considering additional explanatory material within IESs
 - Developing new IESs
 - Providing guidance

Questions

A. Do you agree with the Task Force's methodology?

B. Are you satisfied with the Task Force's analysis and are there any key elements missing from the analysis?

C. Do you agree with our proposal to create a full project plan?