

ILLUSTRATIVE EXAMPLE: DESIGNING LEARNING OUTCOMES FOR CURRICULA THAT MEET PUBLIC SECTOR ACCOUNTANCY

The imperative for focus on public sector accounting

It has been identified that most governments currently prepare financial reports on a cash accounting basis. This is expected to change *dramatically in the very near future*. By 2023, it is forecast that 65% of governments will report on an accruals accounting basis, up from 25% today. Similarly, some 73% of those accrual based reports will be based on International Public Sector Accounting Standards (IPSAS), up from 51% today.¹

This fundamental transformation poses tremendous challenges and opportunities for accountancy education: current and aspiring professional accountants need to be trained now to meet the anticipated demand for the unique knowledge, competencies and expertise required for high-quality implementation of robust and evolving public sector accounting in an increasingly complex environment. Ultimately, sound public financial management rests on the ability to meet these demands.

There are also significant benefits to all accounting professionals being trained in both public and private sector competencies. It enhances their ability to address situations of interaction between the sectors (for example as service providers or through public private partnerships). It also promotes their mobility between job markets and thus their general employability.

How does the professional accountancy education world begin to prepare?

The IAESB has developed this implementation support material as well as the companion document 'Illustrative Learning Outcomes for the Public Sector Accountancy Curricula'. Together, these documents illustrate how the implementation of International Education Standards (IESs) may be adapted to create curricula that cater to the needs of professional accountants in the public sector.

This illustrative material is grounded in the Learning Outcomes approach which “embodies the idea that learning and development experiences are most effective when based on what the individual needs to demonstrate”². It uses IES 2, *Initial Professional Competence – Technical Competence* as a base as that helps establish the common ground. However, significant differences also exist between the private sector and the public sector in regard to technical competence. Therefore, the document also identifies enhancements that may be considered in the preparation of related public sector curricula that may either be integrated into existing qualification frameworks or used towards stand-alone qualifications or post-qualification specialization). As such, it addresses the *design* element of the Learning Outcomes approach in the context of public sector accountancy.

Research and engagement with key public sector stakeholders including AFROSAI-E, INTOSAI and IPSASB has substantiated the approach proposed in the document. It should also be noted that while

¹ See <http://www.ifac.org/news-events/2018-11/65-governments-globally-will-report-accrual-basis-2023-finds-new-report>

² IAESB Guiding Principles for Implementing a Learning Outcomes Approach

Technical Competence as a subject matter falls under Initial Professional Development (IPD) standards, it is equally pertinent to the Continuing Professional Development (CPD) efforts of professional accountants, especially those working in the public sector or moving from the private to the public sector. The challenges of growing or transitioning into the public sector space are great and any CPD effort needs to reflect this appropriately

Guiding Principles in Practice

Fundamental Concept	<p>It is essential that, from the outset, public sector accounting curricula address certain key concepts that are core to understanding the public sector role and the accounting information needs associated with it. As such, these concepts underlie the various competence areas and impact the related learning outcomes. They include primarily:</p> <ul style="list-style-type: none"> ➤ Definition of a public sector entity: A public sector entity is typically one that is created and given its mandate through legislation. The International Public Sector Accountancy Board (IPSASB) defines it as an entity that meets all the following criteria³: <ul style="list-style-type: none"> • 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 <p>Typical public sector entities are⁴:</p> <ul style="list-style-type: none"> • 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. <p>Not-for-profit entities may be treated as public sector if they meet all the criteria or if they choose to define themselves as such and follow the same principles.</p> <ul style="list-style-type: none"> ➤ Objectives of the public sector organization: A private sector organization is normally managed with a profit motive where the key stakeholder to satisfy is the investor. However, a public sector organization is managed with the objective of optimizing public service delivery in light of national agenda and resource constraints, amongst other things, where one key stakeholder to satisfy is the “citizen”. Other primary stakeholders are the government through its executive and parliamentary / legislative arms. In this context, economic and social impact is a key parameter of public sector performance. ➤ Revenue sources: Financing is a particular element of public sector operations. The government enjoys a unique authority to impose taxes and levies, to generate revenues. It enjoys monopolistic powers over the sales of certain rights, goods and services besides its access to other non-tax sources, but does not have access to equity financing. Therefore, while in a private sector setting, it is the customer value proposition that drives the revenue stream, the public sector revenue stream is shaped by factors such as macroeconomic policy and social development. ➤ Mandating environment: As previously mentioned, public sector entities are created and given their mandate through legislation. The ensuing governance structures encompass the legislative, judicial and managerial functions. They create distinctive mechanisms and processes that ensure accountability for the management of public funds and resources, for
----------------------------	---

³ Preface to International Public Sector Accounting Standards, paragraph 10

⁴ IPSASB Public Sector Conceptual Framework, paragraph 1.8

	<p>the quality of public services, and for the advancement of the national agenda. The functionality of such a system creates distinct information needs that go beyond financial information.</p> <ul style="list-style-type: none"> ➤ Assurance focus: As aforementioned, in a public service environment, accountability extends beyond financial performance to comprise answerability for the economical use of resources, efficient and effective management of public funds and resources, the quality of public service delivery, and the realization of economic and development objectives. This broader concept of accountability impacts the nature of assurance needed by the different stakeholders and the related assurance services and objectives. Assurance is generally provided by a Supreme Audit Institution, sometimes called a national Audit Office. ➤ Commitment of the professional accountant: In a public sector context, the professional accountant's role impacts how public resources are managed and to what end and how this management is monitored. The professional accountant has a responsibility to enhance the effectiveness and the transparency of public governance systems. To this effect, the professional accountant's commitment to the "public interest" entails a commitment to strengthen "public accountability".
--	--

NOTE: The following table should be read in conjunction with Table A of IES 2 Initial Professional Development – Technical Competence (2019).

Competence Area / Issue	Adaptation to Public Sector Accountancy
<p>(a) Financial accounting and reporting (Intermediate)</p>	<p><i>NOTE: This competence area can be renamed to "Accounting and reporting" to illustrate the fact that in the public sector, accounting and reporting extends beyond financial aspects.</i></p> <p>The existing learning outcomes pertaining to financial accounting and reporting are very relevant to the public sector context, but implementation to the public sector setting would benefit from some adjustments. A first step in this regard would be to understand the information needs of the public sector and identify the relevant framework that should be used to produce financial information.</p> <p>As per the existing standards, the professional accountant should have the competence to apply "relevant standards to transactions and other events". The bodies of standards relevant to the public sector generally include International Public Sector Accounting Standards (IPSAS), European Public Sector Accounting Standards (EPSAS), and / or other standards pertinent to the accountant's role and jurisdiction. Accordingly, present references in the IESs to "IFRS" may be read as "IPSAS", "EPSAS", or otherwise as required. Such standards will cover transactions specific to the sector such as non-exchange transactions, heritage assets and social benefits.</p> <p>In addition, professional accountants within the public and private sectors would benefit from familiarization with the key differences between the sectors given that the private sector is a key economic constituent holding a variety of ties to the public sector such as being a taxpayer, a customer, a supplier, a partner (public-private partnerships) or a lender.</p>

PUBLIC FINANCIAL MANAGEMENT	(b) Management accounting (Intermediate)	<p><i>NOTE: The categorizations of “Management accounting” and “Finance and financial management” that exist in the IESs may be better considered together as a sole heading entitled “Public Financial Management” in a public sector curriculum.</i></p> <p>In substance, the existing management accounting learning outcomes are quite relevant to the public sector role. However, some enhancements are needed for inclusion in a public sector learning program and references to “business” may be ignored.</p> <p>The existing learning outcomes list budgeting and forecasting as one among four examples of techniques that support decision making. In a public sector curriculum, the budgeting process should weigh much more heavily, particularly noting that it is used as a mechanism for expenditure authorization, and not only as a planning and control tool.</p> <p>Regarding the performance evaluation learning outcome, public sector accountants should be able to assess and report on the status of public financial management in accordance with the Public Expenditure and Financial Accountability (PEFA) framework or other relevant methodologies. Such an assessment is a prerequisite to reform planning, performance management and improvement, and progress monitoring, all of which are critical aspects of the public sector accounting role.</p>
	(c) Finance and financial management (Intermediate)	<p>Notwithstanding the general applicability of the learning outcomes in this competence area, applying them to the public sector environment requires some fundamental improvements.</p> <p>Most importantly, the sources of funding available differ between the public and private sectors. Professional accountants should understand and evaluate the different sources of revenue that fund government activities: tax revenues or non-tax sources such as sales and service revenues, grants, aid, licenses, fines, levies, bond and treasury markets, and other borrowing. Additionally, investments are assessed not only in the light of financial returns but developmental and macroeconomic effects as well.</p> <p>It is important to estimate public revenues and expenditures over both the short term and the long term and comprehend related organizational financial objectives, as well as financial and investment policies and understand their relationships to the different sources of income and macroeconomic management.</p> <p>Another key issue in this area relates to the distinction between “exchange” and “non-exchange” revenues. In the former, the consideration given up by each party is almost equal in value. In the latter, this is not the case and this type of transaction is unique to the public sector. The funding of such “non-exchange” revenues, and the related accounting treatment, needs to be understood in public sector.</p>
(d) Taxation (Intermediate)	<p>Taxation is obviously a very relevant competence area to public sector accountancy. However, the IESs approach it from a private sector perspective (paying of taxes); the public sector angle focuses on the setting and collection of taxes, which is quite different, and is entirely absent.</p> <p>In this area, taxation as a source of revenue generation and domestic resource mobilization is a distinctive feature of public sector financial management. Therefore, while in the private sector the accountant’s role comprises mostly tax calculation,</p>	

	<p>return preparation, and advisory services, in a public sector context a deeper understanding of taxation is required in terms of the following, for example:</p> <ol style="list-style-type: none"> (1) taxation principles as they pertain to revenue generation economic management, social development, and macroeconomic policy, (2) types of taxes and collection agencies as well as other elements of taxation systems, (3) national taxation compliance and filing requirements, (4) the differences between tax planning, tax avoidance, and tax evasion, and the impact they have on government's ability to deliver services and (5) the impact on the individual and business taxpayers' finances.
<p>(e) Audit and assurance (Intermediate)</p>	<p>The learning outcomes in this competence area are relevant to financial audits in the public sector. That being said, financial audits are not the only focus of public sector audit services, and thus learning outcomes pertinent to such additional types of audit engagements are absent from the existing IESs. They may be subsumed within learning outcome (v) of this competence area as other 'assurance engagements' but due to their importance, it would be better to pull out the specific outcomes more explicitly.</p> <p>Specifically, public sector audits are carried out in a different regulatory framework than the private sector. Commonly used is the INTOSAI Framework for Professional Pronouncements (IFPP). Whilst both sectors have a focus on financial reporting audits, public sector has equal focus on two other aspects of public sector accountability:</p> <ol style="list-style-type: none"> (1) compliance with legislation (Compliance audit), and (2) the economical, efficient and effective management of public funds and resources, particularly in public procurement (Performance audit). <p>An understanding, therefore, of the distinctive nature, objectives, scope, approach, and implications on professional responsibility of each of these services is essential. Thus, public sector auditors need to know International Standards of Supreme Audit Institutions (ISSAIs), for example as these set out principles, guidelines and standards for compliance audits and performance audits as well as financial audits. These standards are contained within the IFPP. International Standards of Auditing (ISAs) are still used in financial audits within the public sector but adapted as needed according to guidelines within the ISSAIs. Ultimately the ability to evaluate the integrated results of the different audits further enhances the policy-setting and decision-making which is how the professional accountant adds value to these processes.</p>
<p>(f) Governance, risk management and internal control (Intermediate)</p>	<p>With the exception of the use of the terms 'owners' and 'investors', the learning outcomes in this competence area are very pertinent to the public sector context. However, there is a need to highlight certain specificities with regard to funding, operations, organizational structures, and control mechanisms that characterize the public sector.</p> <p>The government may be much larger than a private sector entity and given the ties between its different units, the governance system (including its processes and controls) can be much more extensive and intricate. Oversight is typically multi-layered</p>

	<p>and can include applicable legislatures, independent institutions and entity-specific committees or boards. Inter alia, the governance role and legislative oversight of the Auditor General and the Supreme Audit Institutions must be understood.</p> <p>The stakeholders are different; the citizen (not the investor) is the primary stakeholder and so ensuing concerns, rights and responsibilities are different, and exercised differently as well.</p> <p>Organizational objectives are centered around public service. This entails a high 'duty of care' on those charged with governance and related accountability issues follow. These factors, among others, create a unique risk environment and shape information and reporting needs, disclosure and transparency requirements, and audit objectives. In other words, they frame the professional accountant's role and must be emphasized accordingly.</p>
<p>(g) Business laws and regulations</p>	<p>The learning outcomes in this competence area are equally relevant to the private and public sectors. However, the word 'business' in the label connotes a private sector viewpoint and is therefore more appropriately read as 'relevant'. In other words, in both contexts it is fundamental that professional accountants are capable of explaining the laws and regulations that govern different forms of legal entities and their operational environments. The difference lies in the nature of the entities and the operational environments that ensue.</p> <p>While a private sector curriculum would focus on entities such as sole proprietorships, general and limited partnerships, and corporations, a public sector program would address the different tiers of government including central, regional and local, and different types of entities including ministries, municipalities, legislatures, statement owned enterprises, authorities, regulators, constitutional institutions and other extra-budgetary</p> <p>In the same vein, the public sector operational environment is set in a different landscape that observes specific legislation pertaining to a range of operational issues including, inter alia, finance, reporting, international agreements, non-compliance (fraud, corruption, money laundering), oversight, and audit. Under the umbrella of the latter further falls an entire set of key concepts pertaining to the audit regulatory framework such as the functions of the Auditor General and the Supreme Audit Institution (SAI) as well as the types of SAI institutional models: Westminster/Parliamentarian, Judicial or Napoleonic (Courts of account), and Collegiate (Board) models. A good grasp of these models enhances the ability of professional accountants in a public sector capacity to discharge their duties appropriately and must be given commensurate weight in the curriculum.</p> <p>Finally, data protection legislation is critical to any business. However, as government departments receive vast quantities of very personal and sensitive data, understanding regulations around data is critical.</p>
<p>(h) Information technology</p>	<p>This category of learning outcomes is equally relevant to the public sector as it is to the private sector. For example, accounting systems in the public sector are typically centralized for central governments and integrated with other operational areas such as performance information and budgeting. The use of standard charts of accounts are important for compliance and reporting purposes and ensure consistency in the way financial information is categorized across entities. Understanding how this</p>

	<p>centralization of IT works is important within government and can remove the former tendency for different departments to operate in silos.</p> <p>Moreover, and given the growing attention to the accountability and transparency of governments (as evidenced by the growing popularity of freedom of information legislation), consideration as to how information technology may enhance these aspects of government performance would certainly enrich the public sector program. This places greater emphasis on data protection and control, how data is processed, the use of analytics, and how data is used for policy-making and evidence-based decision-making.</p>
<p>(i) Business and organizational environment</p>	<p>Overall, this competence area is very relevant to public sector accountancy, notwithstanding some adaptation being required in the related learning outcomes.</p> <p>Firstly, the term 'business' in its label carries a private sector connotation and may appropriately be ignored; the focus should be on the environment of the organization concerned.</p> <p>Secondly, the private sector references such as "the role of multi-nationals" and "e-commerce" and the impact of the global environment on "international trade and finance" may be replaced by knowledge areas that are more fundamental to the public sector environment. Key examples are:</p> <ol style="list-style-type: none"> (1) the nature and range of public service provision, responsibilities therein, mechanisms for sharing such responsibilities, and the related economical, efficient and effective management of public funds and resources; (2) public policy setting: processes, cycle, responsibilities; and (3) public-private partnerships: the nature and scope of cooperation, procedures to establish or dissolve; benefits and risks, regulatory and legal implications. <p>Finally, the learning outcomes identify a number of key components of the organizational environment; these include economic, legal, political, social, technical, international, and cultural forces. Bringing them together to shape the professional accountant's understanding of the broader public sector context (local, national, and international) may lead to additional reporting, disclosure, and/or audit objectives.</p>
<p>(j) Economics</p>	<p>Similar to the preceding category, this knowledge of economic theory is very relevant to public sector accountancy. However, the related learning outcomes would benefit from enhancement due to the importance of economics within the public sector</p> <p>For example, in addition to the usefulness of a general understanding of "types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly", there are other substantial knowledge areas that are equally pertinent to the public sector setting and thus demand more emphasis in the respective learning program. Examples include:</p> <ol style="list-style-type: none"> (1) the relationships between public debt, economic activity, and fiscal governance, (2) the economic implications of a budget deficit, surplus, and break-even, (3) the impact of the broader economic environment (local, regional, and international) on the national public policy,

	<p>(4) the ties between revenue generation (taxes and other sources) and macroeconomic management, and</p> <p>(5) the social impact of economic development.</p>
<p>(k) Business strategy and management</p>	<p>With the exception of the private sector connotation implied by the term 'business' in its label (which should alternatively be read as 'public administration'), this category of learning outcomes is generally applicable to the public sector as well as the private sector. That said, the types of organizations and related functional and operational areas are different, and also vary with the type of government (federal, state, or local). Moreover, design and structures, are usually stipulated by law, rather than by management considerations and strategy is often driven by Central government, which changes periodically, affecting all areas of public sector. Thus, differences in organization need to be understood.</p> <p>Specifically, when considering the organizational objectives for a learning program relating to the public sector, there are some key differences to private sector to be aware of. In particular key objectives relate to optimizing service delivery rather than maximizing profits, and these call for a different choice of strategies. In addition, parliamentary directives, government circulars, donor requirement, and stakeholder expectations weigh in heavily on organizational management. For example, within the private sector pricing strategies normally target optimization of profits, whereas the primary objective in a public sector setting is normally cost recovery (full or partial) together with social objectives. .</p>

This document was prepared by the International Accounting Education Standards Board (IAESB).

The IAESB develops education standards, guidance, and information papers on pre-qualification education, training of professional accountants, and continuing professional education and development.

The objective of the IAESB is to serve the public interest by setting high-quality education standards for professional accountants and by facilitating the convergence of international and national education standards.

The structures and processes that support the operations of the IAESB are facilitated by the International Federation of Accountants (IFAC).

International Education Standards, Exposure Drafts, Consultation Papers, and other IAESB publications are published by, and copyright of, IFAC.

The IAESB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The IAESB logo, 'International Accounting Education Standards Board', 'IAESB', 'International Education Standards', 'IES', the IFAC logo, 'International Federation of Accountants', and 'IFAC' are trademarks and service marks of IFAC.

Copyright © August 2019 by the International Federation of Accountants (IFAC). All rights reserved. Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document. Contact permissions@ifac.org.



**International
Accounting Education
Standards Board™**

529 Fifth Avenue, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.iaesb.org