



# ATTRACTING AND RETAINING FINANCE PERSONNEL IN THE PUBLIC SECTOR

The role of professional accountancy organisations  
and other stakeholders

## About CAPA

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The Confederation of Asian and Pacific Accountants (CAPA) is recognised by the global accountancy profession, represented by the International Federation of Accountants (IFAC), as a regional organisation representing national professional accountancy organisations (PAOs) in Asia Pacific.

The mission of CAPA is to develop, coordinate and advance the accountancy profession in the region by:

- Contributing to the formation and growth of sustainable accountancy organisations;
- Facilitating relationships and sharing knowledge;
- Promoting high-quality financial reporting;
- Influencing the development of public sector financial management;
- Influencing the development of efficient and effective capital markets;
- Promoting the value of accountants; and
- Providing input to, and supporting the global profession in, matters of public interest.

## About PSFMC

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The Public Sector Financial Management Committee (PSFMC) of CAPA is focused on the development of high-quality financial management in the public sector through the identification, development and dissemination of relevant knowledge and guidance. Importantly, this includes the promotion of high-quality financial and performance management reporting and assurance involving relevant international standards on accounting and auditing.

This publication has been prepared by the PSFMC to further these objectives. It may be downloaded from the CAPA website at: [www.capa.com.my](http://www.capa.com.my). Any comments on this publication should be directed to the CAPA Secretariat: [admin@capa.com.my](mailto:admin@capa.com.my).

## Endorsement

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The International Federation of Accountants (IFAC) is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies.

A key focus area for IFAC is transparency and accountability in the public sector. IFAC endorses this publication and recommends to all professional accountancy organisations around the world to interact with relevant stakeholders to achieve the desired outcomes.



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'Improving Financial Management in the Public Sector - The Eight Key Elements of PFM Success' published by the Confederation of Asian and Pacific Accountants (CAPA) was designed to encourage and facilitate professional accountancy organisations (PAOs) as they enter into a dialogue and work with individual governments to assess the state of public financial management (PFM) within the relevant country and consider opportunities for improvement across a number of the key elements that constitute successful PFM systems.

One of the key elements was identified as "capacity and capability". This element looks toward "ensuring that the appropriate resources are available to support the application of each aspect of PFM, particularly in terms of people and systems". The publication concludes by saying, "having the right people will be crucial. The advancement of financial management in the public sector requires professional people with professional skills who are establishing professional careers in the sector. PAOs have a key role in making this happen".

To explore the inherent human resource challenges, CAPA embarked on a project that focuses on ways to attract and retain finance personnel in the public sector. Many stakeholders have a role to play in achieving these objectives, and PAOs need to engage with these stakeholders to promote, direct, assist and support the necessary initiatives to achieve these goals.

The accountancy profession is committed to protecting the public interest and encouraging accountability and transparency from governments around the world. It also has a significant role to play in PFM, whether as an advisor to governments or as designer, implementer, executer, reporter, reviewer or assurer. The involvement of PAOs is vital to the implementation of the eight key elements of PFM success<sup>1</sup>.

<sup>1</sup> Improving Financial Management in the Public Sector – The Eight Key Elements of PFM Success, Confederation of Asian & Pacific Accountants, February 2014.



## Defining “Finance Personnel”

A broad definition of the term “finance personnel” will be used for the purposes of this publication, including the generally accepted inclusion of financial and management accountants, auditors, accounting technicians, clerks and book-keepers. This definition will include a range of competencies and qualifications, since a broad complement of personnel would normally exist to provide the required services.

Within this definition, each country may focus on certain types of finance personnel, reflecting its specific circumstances, including the available supply. For example, the availability of highly qualified professional accountants, or the opportunity to produce such persons, may be very low. Accordingly, the emphasis may be on improving basic financial literacy or the development of a cadre of well-trained accounting technicians.

Whilst professional accountancy organisations are often focused on the most highly qualified or specialist accountants and auditors, the opportunity exists to provide services across the entire finance spectrum. In some countries, PAOs may focus solely or partially on accounting technicians, for example, and these will likely form a very important component of public sector finance personnel.

## Defining “Public Sector”

Defining what is meant by “public sector” can be a reasonably complex exercise, particularly when providing a publication to be used across many different countries. Although the public sector is often simply defined as that portion of the economy controlled by national, provincial and local governments, this publication is concerned with all instances in which there are challenges to attract and retain finance personnel in any government-related entities. The user will therefore be best-placed to adopt and adapt this publication to individual circumstances. Further, certain forms of public sector entities face different challenges to others. For example, government-owned corporations often portray similar characteristics to entities in the private sector. Accordingly, a strict definition of the public sector for the purposes of this publication is not considered necessary.

Note that, throughout this publication, the word “agency” is used to denote a government ministry, department or similar entity.

## Attracting and Retaining Human Resources for the Public Sector

A great deal of literature exists in respect to the recruitment and motivation of government officials, or civil servants. In fact, the challenges of attracting personnel to work in the public sector have been the subject of extensive research and documentation. The majority of the literature is concerned with front-line workers – those in the areas of health, education and community services. Literature can also be found relating to both developed and developing countries, as challenges exist in both, albeit to varying degrees.

The challenges only tend to increase when it comes to attracting specialist or professional resources such as accountants and auditors. However, the majority of the conclusions and findings that pertain to the public sector in general are relevant to finance personnel as well.

Out of these findings, a number of strategies have evolved for improved hiring and retention. Based on experiences from around the world and the analysis of good practices followed by the relevant stakeholders and leading PAOs, this publication aims to set out the strategies and activities that have proved most successful in attracting and retaining finance personnel in the public sector.

“ As with supreme audit institutions, the effectiveness of Pacific finance ministries is generally constrained by their ability to attract, retain, and develop qualified staff due to their small sizes and remote locations, difficulties in competing with the private sector for qualified staff, often-constrained budgets, and limited access to professional accounting bodies. ”

**– Strengthening Public Financial Management in Pacific Developing Member Countries, Asian Development Bank, 2008**

## How to Use this Publication

For each stakeholder, this publication explores two areas:

- The desired role of the stakeholder and how best to approach that role
- The linkage between the PAO and the stakeholder and how to best enhance that linkage

It is recognised that the strategies that work in any particular jurisdiction will reflect its unique history, circumstances and culture. A number of case studies are included in order to provide a context for some of the approaches, methods and activities suggested.

CAPA encourages all relevant PAOs in Asia Pacific and beyond to use this publication to interact with key stakeholders and, as appropriate, to develop action plans to address agreed-upon challenges.

“ Countries should build and maintain competent managerial and technical staff capacities, including but not limited to professional accountants and auditors, with the knowledge and skills to sustain PFM reforms at different levels of government. ”  
– **Manila Consensus on PFM, 2011**

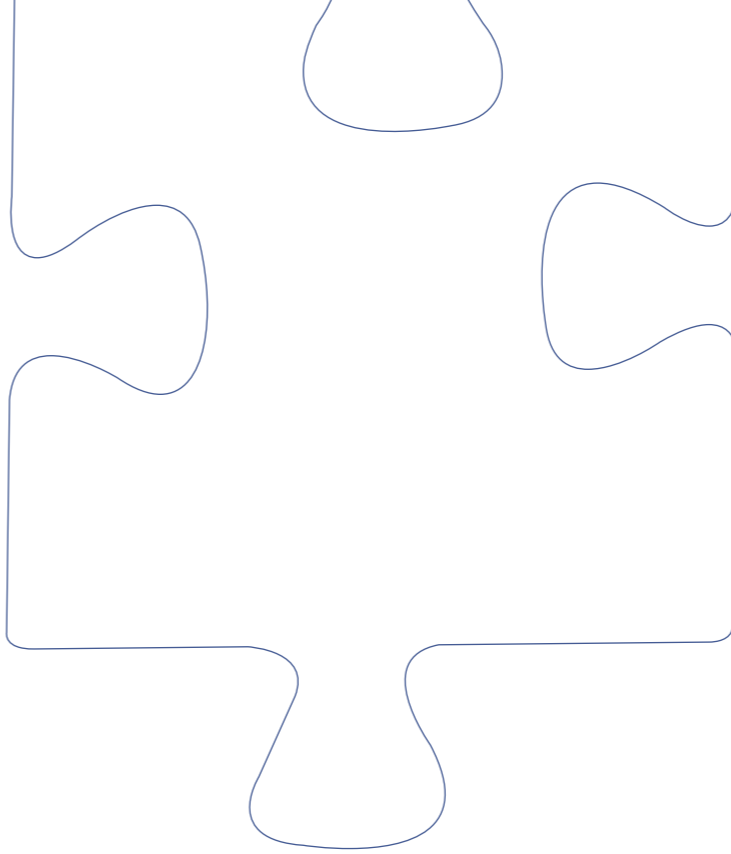
## Dialogue with Stakeholders – A Suggested Approach

Discussions between PAOs and relevant stakeholders may take place in several formats:

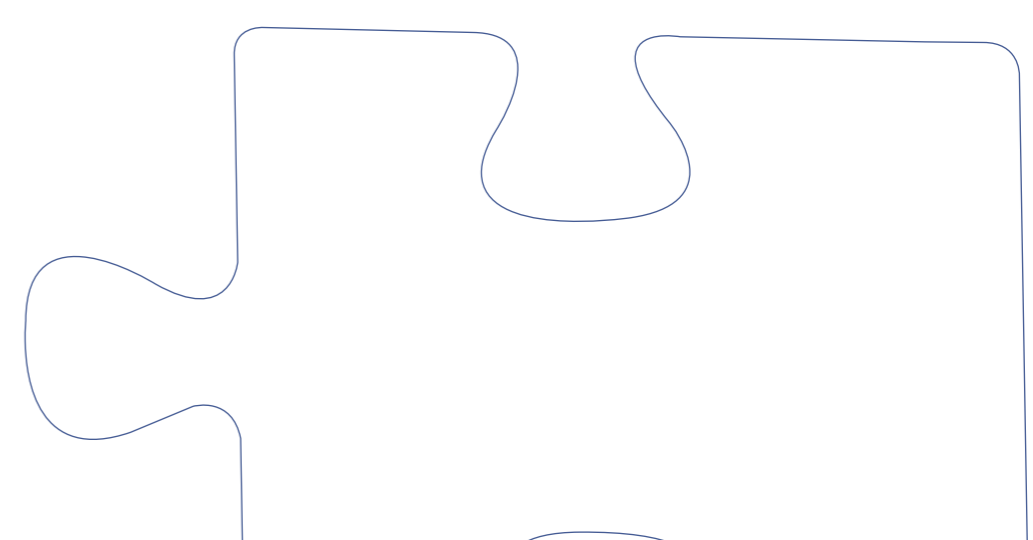
- Broader-based roundtables
- Small discussion groups
- One-on-one meetings
- Or – most likely – some combination of the above

Each PAO should determine the most appropriate approach in the context of its region’s cultural, business and professional norms. Note this suggestion is consistent with the approach suggested on page 10 of *Improving Financial Management in the Public Sector - The Eight Key Elements of PFM Success*. Further guidance on how to approach the discussions are provided in that publication.

“ In accordance with each country context, the relevant professional bodies should play an important role in the development of competent professionals with the knowledge and skills to contribute to strong financial management, the production of high quality financial information, and the audit of this information. ”  
– **Manila Consensus on PFM, 2011**



## Attracting & Retaining - The Urgent Challenge





## The Issue – the Challenges, Consequences and Urgency

Having the right people with the right financial skills will be crucial if a country is to have effective public financial management (PFM). A number of Pacific-based CAPA members, notably those in Australia, Canada, New Zealand and the United States, as well as affiliate members in the United Kingdom, are very active in the public sector. The countries themselves are also generally regarded as being advanced in PFM, offering practices ranging from sophisticated fiscal and policy frameworks and a focus on performance management to the production of the accrual-based, audited, consolidated whole of government accounts for the public sector.

The same cannot always be said of CAPA members or the countries in Asia, however. Empirical evidence is not readily available; however, the insufficient number of appropriately qualified finance personnel working in the public sector, including accounting technicians, is generally recognised, and is of concern, as it severely affects countries' ability to achieve effective PFM.

Attracting and retaining finance personnel in the public sector is a problem in some countries across Asia as they struggle to compete with the high salaries and rewards, and structured career paths, offered by the private sector. In some instances, salaries are a fraction of those offered in the private sector and as a result, talented and newly qualified financial professionals are either not attracted to the public sector, or if already in the public sector, will migrate to the private sector. In some countries, the extent of the problem is increasing. Accordingly, so is the urgency to act.

This issue can result in the public sector being bereft of financial expertise and skills. In fact, a number of public sector organisations are experiencing significant gaps in financial skills at all levels. In the worst cases, they lack even basic financial literacy.

In many cases, politicians and public service decision-makers fail to recognise the importance of having skilled finance personnel at the heart of government. This can be reflective of a low value placed on fiscal and performance management in terms of accountability for service delivery and outcome achievement. A reliance on basic cash and debt measures also makes the task of attracting more highly qualified finance personnel very challenging. Establishing the political will to act on these issues, and hence creating the demand for finance personnel, is therefore of paramount importance.

The PAO, both alone and in collaboration with other stakeholders, has a valuable role to play in supporting the public sector as it works to overcome some of these obstacles, allowing PFM to be transformed.

A warning to countries embarking on PFM reform: Finance personnel who may have developed competencies with historic systems may not be equipped to handle more complex environments. And training alone may not be the answer. Recruitment of finance personnel with the necessary skills already in place may be needed to supplement the training of existing personnel.

## The Way Forward – The Journey to Success

Acknowledging the challenges and knowing the key players will be two key steps on the journey to success. The overall journey will also require commitment, collaboration and an agree-upon strategy in order to achieve and sustain a successful outcome. A long-term commitment will be required from all stakeholders – not always easy in today's changing political climates. The complexity of the matter is not to be underestimated, nor is the solution.

Stakeholders, including PAOs, may wish to consider where their jurisdiction is positioned on the continuum in the context of attracting and retaining finance personnel, and how that relates to the effectiveness of PFM in the jurisdiction.

Creating commitment will require stakeholders to acknowledge the challenges, the consequences and the urgency of the journey. Forming a steering group of stakeholders and encouraging engagement through roundtables or similar steps will be effective means to establishing a common understanding of the issue as well as strategies and action plans.

Leadership will be vital. Should PAOs take the lead, it will be important to understand the broad context and political environment, including future anticipated issues, for example, those issues spurred by demographic or infrastructure challenges.

“ There is not a single qualified professional accountant, at the moment, working in the Financial Comptroller General Office in Nepal. ”  
– The Institute of Chartered Accountants of Nepal

### Example of the Challenge:

The government of Nepal has some 4,500 civil servants engaged in keeping accounts across the country; however, the number of qualified professional accountants is close to zero. A handful are involved in the Office of the Auditor General, with a few more involved with the central bank or government-owned commercial banks and other enterprises. Interestingly, at the same time, a standards-based accounting regime is being introduced.

## The Answer – A Stakeholder-driven Approach to Boosting Capacity and Capabilities

CAPA has identified nine key stakeholders, including PAOs, who should have an interest and be active in addressing this issue. Further, the PAOs can interact with all the other stakeholders to encourage, support, or work directly with them as they fulfil their roles.

These stakeholders may not apply in every country, and other stakeholders may be important in some countries. However, the stakeholders identified during the preparation of this publication tend to exist in the majority of countries. They tend to fall into three categories:

- The “**policy shapers and influencers**”, who have the ability to set expectations and agendas, establishing the climate for policies and reforms. They include citizens, politicians and, particularly in the case of developing countries, lender and donor partner organisations.
- The “**advocates**”, who tend to have independent, credible voices on matters of public financial management and roles that directly affect the quantity and quality of finance personnel supplied to, or working in, the public sector. This includes academics, supreme audit institutions and, of course, the PAOs. Some of these may have their own capacity challenges.
- The “**front-line**”, or those who work in the public sector and have the ability to make or influence policy frameworks and day-to-day decisions. These stakeholders are part of the civil service or public sector bureaucracy, and for this purpose have been grouped into central finance agencies, human resource functions and the professional finance personnel currently working in the public sector.

The stakeholders each have a role to play in attracting and retaining finance personnel in the public sector. Moreover, they need to work with each other, recognising the challenges, opportunities and benefits of pushing together in the same direction. The PAOs, in turn, are uniquely placed to work with each stakeholder, and have an inherent interest in reaching successful outcomes. Whether the PAOs can take a leading role will depend on capacity and resources, otherwise some other form of mechanism will be needed to drive the initiative.

### ✚ Making it sustainable

- The implemented changes are now “business as usual”
- Periodic reviews in place, including independent performance assessments

### ✚ Deliver change

- Change strategy implemented
- Systems, processes, and people introduced or adapted to meet needs

### ✚ Engage with key stakeholders

- Relevant shapers, influencers, advocates and front-line stakeholders engaged and supportive
- A clear strategy and project plan, with agreed time scales and resources

### ✚ Create commitment to change

- An agreed need to attract and retain financial skills in the public sector
- A human resource needs and gap analyses undertaken
- Political commitment for a change program

Ineffective PFM → Initial step change → On-going change → Transforming PFM



# ATTRACTING AND RETAINING HUMAN RESOURCES FOR THE PUBLIC SECTOR

Public services are generally constrained in their ability to compete financially with the private sector for top talent<sup>2</sup>. This challenge has been the subject of a great deal of research and studies, with a view to identifying alternative strategies for winning the “war” for talent. Whilst compensation is often regarded as the major challenge, other factors are often cited as well<sup>3</sup>:

- The image of the public sector as dull, with poor working conditions, and at worst, involving concerns of corruption and discrimination
- Unclear career paths, lack of career planning or personal development, and slow advancement

The situation is not helped by the fact that human resource functions in the public sector also struggle to attract the best talent and, hampered by inflexible rules and a lack of appropriate performance management and reward systems, can be poorly equipped to deliver leading recruitment and retention practices.

## Creative Strategies

The combination of financial constraints – including the ability to provide bonuses, stock options or similar – and the typical motivations of individuals inherently attracted to the public sector creates a unique challenge. It has forced many public sector organisations to develop creative strategies and solutions for recruiting and staffing<sup>5</sup>. There may be opportunities around compensation-related matters; however, the focus today is increasingly on non-monetary incentives.

In the more developed countries, strategies often include:

- The creation of a branding strategy positioning the organisation as a desirable employer
- The development of leading human resource functions and recruitment and performance management practices, including the use of advanced technology-based systems
- A focus on internships, or on transitioning temporary employees into permanent positions
- Work-life balance factors or family-friendly policies, including flexible work hours, and leave arrangements such as sabbaticals
- Favourable pension arrangements

In the less developed countries, and indeed these can be selectively important in some developed countries, strategies may include:

- The provision of free or subsidised food, housing, transportation or childcare facilities
- Favourable access to, or the provision of, loans or vehicles
- Access to social services and support, including medical insurance
- Education opportunities, for the employee or family members

In some multi-ethnic countries, the public sector may be regarded as the domain of persons of a certain background; as a result, the sector misses out on the benefits provided by diversity and access to a broader pool of talent. Yet diversity programs can also be easier to apply in the public sector than in the private sector, and diversity is generally considered to be an important attribute in creating leading and attractive workplaces.

In a similar vein, across many countries, some positions may be filled by political appointments, and the persons hired may not have the requisite skills. A thorough review of any such circumstances, and whether such appointments are necessary, may provide opportunity for change.

Scholars argue that public officials tend to have an intrinsic motivation to serve the public good. Working in the public sector has been associated with “a sense of duty” and “public morality”<sup>4</sup>. A UNDP study confirms this, citing “four factors that draw individuals to the public service”:

- Attraction to public policymaking
- Commitment to the public interest and civic duty
- Self-sacrifice
- Compassion

While the study focuses on front-line workers, these factors may – at least to some degree – also apply to specialists, including finance personnel.

## Attracting Specialist Finance Personnel

It is widely recognised that all organisations in the private and public sectors are challenged to attract and retain specialists, including professionals such as lawyers or accountants. In fact, the problems of recruitment and retention most often concern specialists<sup>6</sup>. Competition between private sector organisations alone can be fierce, and the public sector often faces even greater challenges. Making matters worse, recruitment processes in the public sector can be bureaucratic and slow, and therefore less than ideal for recruiting professionals who clearly have other options.

The creative strategies noted earlier can certainly be relevant to specialists; however, their motivations can differ. Important considerations regarding job attraction and satisfaction include the following:

- Opportunities to work on a variety of intellectually challenging matters concerning major projects or reform programs – often available in the public sector – that may also include working within different agencies within the same portfolio
- Support for ongoing education and personal development, with a view to broadening skills
- Career progression opportunities and the ability to take on leadership roles
- A seat at the executive table, that is, the most senior finance professional is positioned clearly as part of the leadership team, while other finance professionals are integrated throughout the organisation, involved in key strategic activities, new initiatives and change programs
- Working conditions conducive to professional job satisfaction, including the provision of high-quality information and communications technology support systems
- A sense of power, prestige, independence or social standing

## The Role of Professional Organisations

Public sector organisations are trying a number of different approaches for reaching specialists. The most common is that of outreach through relationships with professional organisations, according to one U.S. research study<sup>7</sup>. That opportunity goes to the heart of this publication. In many developed countries, the PAOs have a focus on the public sector and they establish relationships in various ways with politicians, key agencies, supreme audit institutions and, of course, their own members who work within the public sector.

The PAOs throughout Asia, however, with some notable exceptions such as those in Hong Kong and Singapore, tend to have a much shorter history, and therefore fewer such relationships than those in the western world. A number focus only on certain types of members as well, such as auditors in public practice. Whilst many PAOs in Asia are broadening their membership base, the focus on the public sector remains low. As this focus increases, however, the relationship between the public sector and local PAOs should strengthen, allowing the public sector to better utilise PAOs in its efforts to attract and retain finance personnel.

<sup>2</sup> Motivation of Public Service Officials, United Nations Development Programme (UNDP) Global Centre for Public Service Excellence, 2014

<sup>3</sup> Public Sector – An Employer of Choice, Organisation for Economic Development (OECD) Public Management Service, 2001

<sup>4</sup> Public Service and the Public Interest, Elmer B. Staats, 1988

<sup>5</sup> Recruiting and Staffing in the Public Sector, International Public Management Association for Human Resources, 2007

<sup>6</sup> Public Sector – An Employer of Choice, Organisation for Economic Development (OECD) Public Management Service, 2001

<sup>7</sup> Recruiting and Staffing in the Public Sector, International Public Management Association for Human Resources, 2007

# THE STAKEHOLDERS IDENTIFIED

Many stakeholders have been identified that have a role to play in attracting and retaining finance personnel in the public sector, and PAOs need to engage with their fellow stakeholders to promote, direct, assist and support the necessary initiatives to achieve this goal.



The stakeholders identified, which tend to exist in most countries, generally fall into three categories:

- The **“policy shapers and influencers”**, who have the ability to set expectations and agendas, establishing the climate for policies and reforms. They include citizens, politicians and, particularly in the case of developing countries, lender and donor partner organisations.
- The **“advocates”**, who tend to have independent, credible voices on matters of public financial management and roles that directly affect the quantity and quality of finance personnel supplied to, or working in, the public sector. This includes academics, supreme audit institutions and, of course, the PAOs. Some of these may have their own capacity challenges.
- The **“front-line”**, or those who work in the public sector and have the ability to make or influence policy frameworks and day-to-day decisions. These stakeholders are part of the civil service or public sector bureaucracy, and for this purpose have been grouped into central finance agencies, human resource functions and the professional finance personnel currently working in the public sector.

Each stakeholder has a role to play. Moreover, stakeholders need to work together, recognising the challenges, opportunities and benefits of all pushing in the same direction. The PAOs in particular are uniquely placed to work with other stakeholders to attract and retain finance personnel, and have an inherent interest in addressing this objective and achieving successful outcomes.

## Stakeholder Roles – Challenges, Opportunities and Successes

CAPA considers the main role for each “policy shaper and influencer” to be the following:

- Citizens: To establish high expectations in the use of public funds
- Donors and lenders: To link the provision of funding to the expectation of high-quality PFM
- Politicians: To commit to the effective use and reporting of public finances

These stakeholders are vital for setting the vision, context and institutional settings. Reference is often made to “political will” when discussing matters for establishing transparency and accountability in the use of public funds. Reform programs will likely be necessary given the challenges in “attracting and retaining finance personnel in the public sector” and it will be vital for citizens and politicians to understand the benefits, and for donors and lenders to both demand and facilitate change.

The roles for the “advocates” are summarised as follows:

- Academia: To provide the required public sector focused education programs
- Supreme audit institutions: To comment and make recommendations pertaining to the adequacy and quality of finance personnel
- PAOs: To advocate for, and support, appropriately qualified finance personnel to assist in the delivery of effective PFM

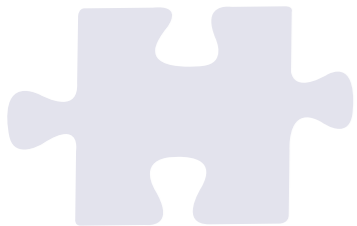
Each of these stakeholders is generally seen as working in the public interest, acknowledging the expectations of citizens and delivering independent views, and all countries have these institutions to some degree. In some less-developed and smaller countries, we note that the supreme audit institution (SAI) is often stronger than the PAO, and indeed, is sometimes the catalyst for the emergence of a PAO. Given that education and training is central to each of these institutions, they should work closely together, acting as important components in the supply chain of skilled finance personnel.

Finally, those on the “front-line” have very direct roles:

- Central finance agencies: To design the required policies and create the appropriate employment incentives
- Human resource functions: To implement the necessary recruitment programs
- Finance personnel: To be active within their membership body and contribute to improvement debates

In more developed countries, employment frameworks and policies in the public sector tend to closely reflect practices in the private sector. As a result, working in either sector is regarded as a viable alternative by professional accountants and auditors – and indeed, such persons may move between the sectors during the course of their careers. This fluidity provides benefits not only to the individuals involved, but to both sectors, as knowledge and good practices are shared.

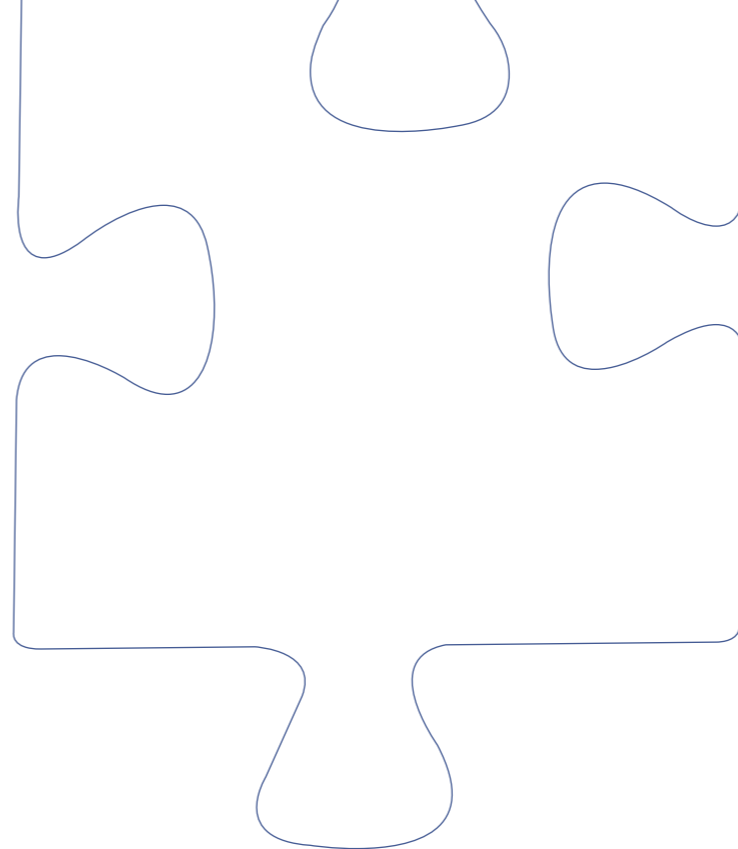




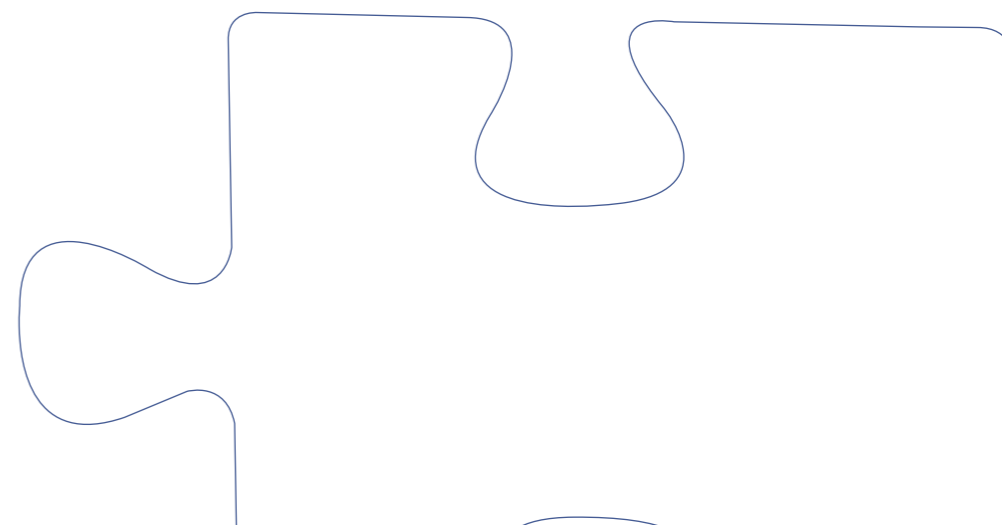
The following section discusses in further detail:

- The role of each stakeholder and the methods it can employ to effect change, and
- The ways a PAO can interact with that stakeholder to support and advance its objectives

The details provided herein are not exhaustive. They are intended to prompt conversations tailored appropriately to each country's context. Similarly, the focus of such conversations will likely differ by country, reflecting stages of development and varying stakeholder roles.



## *The Stakeholders*



Members of the community served by the public sector, often represented through civil society organisations or through the independent media and commentators.

Tax-paying citizens of any country expect their public finances to be well-managed. They expect them to be allocated effectively and used to deliver quality services. Governments are responsible to their citizens and taxpayers for implementing effective systems of public financial management and for utilising those systems to safeguard, and ultimately enhance, a country's economic sovereignty<sup>8</sup>.

“ PAOs need to be more active in engaging with citizens on matters of public interest. As governments provide more information, PAOs have the opportunity to comment. ”  
**– CAPA**

Citizens	PAO and Citizens
<p><b>Key role:</b></p> <ul style="list-style-type: none"> <li>• To require governments to effectively manage public resources</li> <li>• To pressure governments to transparently report on financial and non-financial performance</li> </ul>	<p><b>PAO role:</b></p> <ul style="list-style-type: none"> <li>• To be an independent and credible voice, speaking in the public interest, educating and informing citizens on matters of effective public sector financial management and the link to service delivery</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>• Taking an interest in, and understanding, the issues</li> <li>• Holding political parties to account to value high-quality public financial management</li> <li>• Expressing views and demanding information in available communications channels, including social media</li> <li>• Engaging with civil service organisations focused on improving transparency and accountability</li> <li>• Supporting media that focus on keeping governments honest</li> <li>• Challenging governments to provide information to demonstrate the effective use of public resources</li> <li>• Participating in organised and constructive public meetings</li> </ul>	<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>• Widely disseminating relevant information</li> <li>• Advocating for a strong public service to serve the citizens of the country</li> <li>• Promoting the benefits of strong public sector financial management and, in particular, the link with between that and having highly skilled finance personnel</li> <li>• Encouraging citizens to demand the highest quality governance, accounting, financial management and reporting, and auditing in the public sector</li> <li>• Engaging with its own members to identify and understand community concerns</li> <li>• Liaising with PAOs in other countries, and the global and regional accountancy profession, to understand trends, expectations and better practices</li> <li>• Speaking out on identified issues, challenges, weaknesses and opportunities</li> <li>• Being involved on boards or committees of civil society organisations</li> <li>• Providing support for independent research</li> <li>• Considering funding support for appropriate organisations</li> </ul>

Persons holding or seeking to hold office in government, whether by election or appointment, at relevant national, regional, state or local levels.

Parliaments, national assemblies and similar institutions ultimately establish the laws, regulations and frameworks by which countries operate. Improving public sector financial management requires politicians and lawmakers to commit to, and establish, the necessary supporting policy frameworks that underpin recognised standards and arrangements for high-quality fiscal transparency, accountability and governance. In certain cases, regulatory intervention may be required to deal with the specific issues of attracting and retaining finance personnel.

Politicians	PAO and the Politicians
<p><b>Key role:</b></p> <ul style="list-style-type: none"> <li>• To demand a strong public service and facilitate the necessary systems</li> </ul>	<p><b>PAO role:</b></p> <ul style="list-style-type: none"> <li>• To advocate for systems providing a strong public service and educate and encourage politicians to take on existing challenges and opportunities</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>• Commissioning reviews of current positions and blueprints for the future</li> <li>• Demanding leading PFM systems to support high performance, service delivery, transparency and accountability</li> <li>• Enacting policies to invest in required education programs and systems</li> <li>• Enacting legislation where appropriate to mandate certain matters, example, qualifications for roles, reporting and audit requirements and governance structures</li> <li>• Establishing public accounts committees or similar groups which hold governments and civil servants to account for the delivery of public services</li> </ul>	<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>• Articulating the benefits and demonstrating the business case for strong PFM capabilities</li> <li>• Understanding the national issues and political context and motivations</li> <li>• Demonstrating issues using data and evidence, including any revenue leakage</li> <li>• Establishing policy positions and sharing those with politicians</li> <li>• Participating in political debates – both formally and informally</li> <li>• Establishing relationships with key politicians</li> <li>• Supporting politicians who have an accountancy background and involving such persons in the accountancy profession's activities</li> <li>• Providing financial-management education to politicians</li> <li>• Engaging with politicians (including through the use of “live” scenarios) on the value that quality financial management can create in terms of improving decision-making for the efficient and effective use of scarce public resources</li> </ul>

<sup>8</sup> Improving Financial Management in the Public Sector – The Eight Key Elements of PFM Success, Confederation of Asian & Pacific Accountants, February 2014

# DONORS AND LENDERS

International or national providers of funds, loans, advice or other services for development purposes or at times of need.

Donors and lenders have a vital role to play in responding to public sector reform needs in developing and emerging nations, including financial management reforms. Reform programs are typically long-term and multifaceted, requiring careful planning, execution and monitoring. In addition, PAOs may need development support. Note that PAOs can be a key partner to donors and lenders in identifying needs. They are part of the solution in terms of developing and supporting accountants and auditors working in the public sector.

Donors/Lenders	PAO and Donors/Lenders
<p><b>Key role:</b></p> <ul style="list-style-type: none"> <li>To act as independent and credible sources of leadership and support in advocating for high-quality public sector financial management</li> <li>To support and finance development and reform programs</li> <li>To provide loans whilst countries undertake policy reforms to correct underlying problems</li> </ul>	<p><b>PAO role:</b></p> <ul style="list-style-type: none"> <li>To engage and collaborate with donors and lenders to advocate the need for appropriately skilled finance personnel in the public sector</li> <li>To partner with donors and lenders to identify and establish human-resource development programs</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>Consistently advocating to governments and other key stakeholders the need for properly trained and qualified PFM professionals working in the public sector</li> <li>Encouraging PAOs to consider how they can contribute to producing properly trained and qualified PFM professionals</li> <li>Staging or supporting seminars and workshops to discuss appropriate strategies for achieving the professionalisation of PFM</li> <li>Describing good practice as experienced in other countries</li> <li>Publishing examples of good practice in the use of professionalisation as a component of PFM reform programs</li> <li>Replicating successful, funded PFM reform programs</li> <li>Measuring and reporting on the public sector's ability to attract and retain finance personnel</li> </ul>	<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>Briefing donors and lenders on relevant aspects of the PFM environment</li> <li>Advocating a PFM reform strategy</li> <li>Describing the role that the PAO can play in terms of the professionalisation of PFM</li> <li>Identifying capacity issues and other development needs of the PAO in supporting reforms</li> <li>Contributing to the formulation of donor development programs</li> <li>Supporting training to manage reform programs and projects</li> </ul>

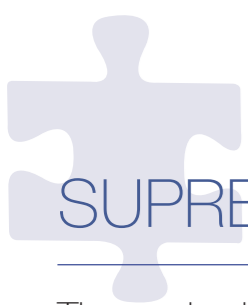
# ACADEMIA

The organisations and individuals responsible for tertiary education at universities, colleges and similar institutions.

Academia provides the required public sector focused education programs for finance personnel to acquire knowledge and skills in the areas of public budgeting, accounting, finance, taxation and auditing. Academia also has a role in research and advocacy.

“ The opportunity exists for PAOs to collaborate much more with academia to advocate for, and support the development of, stronger public sector financial management. ”  
**- CAPA**

Academia	PAO and Academia
<p><b>Key role:</b></p> <ul style="list-style-type: none"> <li>To provide educational programs that cultivate and train finance personnel for the public sector</li> <li>To be an independent and credible voice for the promotion of high-quality public sector financial management</li> </ul>	<p><b>PAO role:</b></p> <ul style="list-style-type: none"> <li>To establish strong links with academia that assist in developing the necessary public sector tertiary and post-graduate education programs to support an appropriately educated and trained supply of public sector finance personnel</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>Developing introductory and basic courses on public sector budgeting, financial accounting and management, and including as mandatory in certain curricula</li> <li>Providing advanced curricula and master's and doctoral programs that specialise in public sector financial management</li> <li>Providing continuing professional development programs for finance personnel in the public sector, including internal and external auditors</li> <li>Promoting "best" public sector financial management practices based on strong theoretical research and empirical evidence, including the adoption of accrual-based accounting for budgeting and financial reporting</li> <li>Establishing academic networks to support dialogues on public sector financial management</li> <li>Promoting the public sector as an attractive employee destination</li> <li>Providing scholarships for students embarking on public sector financial management careers</li> </ul>	<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>Co-developing relevant pathways and curricula with academia</li> <li>Establishing, with input from academia, a range of specific qualifications for finance personnel working in the public sector</li> <li>Providing case-study materials for inclusion in programs</li> <li>Establishing mechanisms to identify, support and fund research</li> <li>Providing appropriate mechanisms and structures (example, committees) to support the required relationships and initiatives between the PAO, public sector and academia</li> <li>Encouraging the engagement and deep involvement of academia in public sector seminars, conferences and similar events</li> <li>Partner with educational institutions on long-term and short-term initiatives</li> </ul>



# SUPREME AUDIT INSTITUTIONS

The umbrella term for auditor generals, comptroller generals, courts of audit and similar institutions responsible for the independent audit of public sector entities.

Supreme audit institutions (SAIs) exist to provide assurance to parliaments, courts and national assemblies on the way public money is spent, are influential in supporting parliament's efforts to hold governments effectively to account, and primarily focus on systemic issues facing governments and their resources, that is, ensuring resources are spent economically, efficiently and effectively. SAIs are key public sector employers of finance and auditing personnel and, by leveraging the skills and expertise of their staff, they can act as strong catalysts for improving public financial management. In some countries, a viable strategy may be to use the SAI for initial recruiting and training and then deploy the trained personnel into the agencies.

“ Strengthening SAIs is often a key focus, since a strong SAI is both a catalyst for PFM improvements generally and a source of skilled personnel. ”  
– The World Bank

Supreme Audit Institutions
<p><b>Key role:</b></p> <ul style="list-style-type: none"> <li>• Where possible and appropriate, to observe and evaluate the capacity and capability of finance personnel working within government agencies, and to make recommendations for improvement.</li> <li>• To set the example as an employer of highly skilled and valued finance personnel</li> </ul>
<p><b>Methods:</b></p> <p><b>At the agencies:</b></p> <ul style="list-style-type: none"> <li>• Promoting best practice and influencing change through reporting recommendations for the improvement of finance personnel capacity and capability</li> <li>• Assisting in building the capacity of finance personnel through the provision of technical assistance, training, and other activities</li> </ul> <p><b>Within the SAI:</b></p> <ul style="list-style-type: none"> <li>• Undertaking a needs analysis to determine the numbers, types, competencies and professional qualifications the SAI requires</li> <li>• Developing and implementing a recruitment strategy</li> <li>• Building and leveraging finance and audit skills in the areas of economic policy, auditing and accounting practices to promote effective PFM</li> <li>• Creating a stimulating and rewarding environment for personnel to develop by creating clear paths for career progression</li> </ul>

PAO and Supreme Audit Institutions
<p><b>PAO role:</b></p> <ul style="list-style-type: none"> <li>• To advocate for strong public audit</li> <li>• To encourage the SAI to use its unique role as a catalyst for PFM improvement and change.</li> <li>• To engage with the SAI and work collaboratively to strengthen it</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>• Understanding the expectations of the SAI and considering whether those expectations are being met</li> <li>• Understanding the SAI's legal mandate, strategic plan and professional qualifications for audit staff</li> <li>• Discussing with the SAI whether a needs assessment has been performed and, if so, where the PAO can assist in addressing any gaps</li> <li>• Sharing details of technical assistance, courses, qualifications and support that the PAO can provide</li> <li>• Undertake joint events with the SAI</li> <li>• Providing support to a SAI seeking to develop pay and reward structures and a career-progression path</li> <li>• Supporting SAIs in their bids with donors for capacity building funding</li> <li>• Involving SAIs in PAO governance or operating structures</li> </ul>



# CENTRAL FINANCE AGENCIES

The ministries and agencies with collective responsibility for the design and execution of a country's wide array of financial and fiscal functions<sup>9</sup>. For the purposes of this document, public service commissions (PSCs) responsible for employment related matters are not included, but instead classified under Human Resource Functions. Note that the allocation of responsibilities between PSCs (or similar) and other central finance agencies will likely differ by country.

Central finance agencies are responsible for setting the legislative, financial and employment frameworks within which all other government agencies operate. In this regard, they have the ability to establish the necessary employment incentives to attract and retain finance personnel in the public sector.

“ Central agencies have the important role of coordinating and formulating public sector strategy and policy across multiple Government fronts. Their ‘front and centre’ role in driving whole of Government reforms and Public Sector performance is critical to underpin Government’s economic and policy responses to key issues. ”  
– Ernst & Young

Central Agencies
<p><b>Key role:</b></p> <ul style="list-style-type: none"> <li>• To establish strong governance and management arrangements that include highly skilled finance personnel to oversee and manage public sector revenues and expenditures</li> <li>• To demand and provide leadership and professionalism on all finance-related matters</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>• Establishing clear expectations of the systems, processes and structures required for allocating, monitoring and reporting on the efficient and effective use of financial and other resources across the public sector</li> <li>• Ensuring that sufficient numbers of trained and qualified personnel are employed by central and other agencies to meet these expectations</li> <li>• Formulating professional accountant position requirements, supported by law if necessary</li> <li>• Considering the need to build and sustain dedicated training entities within the government</li> <li>• Advocating for high quality finance functions to measure and report on performance against planned objectives, to generate required information for good decision-making and to assist in achieving value for money in the use of public finances and resources</li> <li>• Establishing and supporting financial management recognition schemes and public awards</li> <li>• Establishing minimum relevant continuing professional development requirements for public sector finance professionals</li> </ul>

PAO and Central Agencies
<p><b>PAO role:</b></p> <ul style="list-style-type: none"> <li>• To engage with senior management in the central agencies to prove that skilled finance personnel are an essential element in the improvement of operating-level performance in the public sector</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>• Demonstrating the value of professional qualifications</li> <li>• Highlighting examples of the ways in which skills developed in financial and non-financial management in the public sector are relevant and transferrable to private sector entities</li> <li>• Participating in central agency forums, conferences and similar events</li> <li>• Collaborating on the development and maintenance of qualifications and programs for those working in the areas of measurement and reporting of public sector activities</li> <li>• Sponsoring awards</li> </ul>

<sup>9</sup> Economic Premise, The World Bank, January 2012



# HUMAN RESOURCE FUNCTIONS

The agencies, functions and individuals responsible for implementing the policies and activities relevant to attracting and retaining personnel, including recruitment, compensation and performance management. For the purposes of this document, this definition includes central public service commissions (or similar agencies) with employment-related responsibilities.

Attracting and retaining finance personnel needs to be looked at broadly across the public sector. This is often done through a dedicated agency such as a public service commission. However, it must also be addressed by each public sector entity individually, taking into account its own particular circumstances. Department secretaries, chief executives and other entity leaders all have roles to play, as do individual human resource (HR) departments, should they exist.

Human Resource Functions	PAO and Human Resource Functions
<p><b>Key role:</b></p> <ul style="list-style-type: none"> <li>To implement the necessary techniques to attract, recruit and retain finance talent. These techniques will include policies and approaches affecting competency identification, learning and development, performance appraisal, recognition and reward</li> </ul>	<p><b>PAO role:</b></p> <ul style="list-style-type: none"> <li>To convey to HR managers the importance and benefits of high-quality finance personnel in helping public sector organisations achieve their objectives</li> <li>To collaborate in designing programs for training and qualification, as well as the ongoing development of public sector finance personnel</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>Gaining an understanding of the importance and benefits of high-quality PFM</li> <li>Considering recommendations and commentaries from appropriate stakeholders, example, donors, SAIs and PAOs</li> <li>Conducting internal stakeholder surveys to understand expectations and aspirations</li> <li>Advocating the necessary work environment to support high-quality finance personnel, including appropriate values, ethics, governance and information technology</li> <li>Establishing competitive remuneration and benefits systems</li> <li>Promoting learning and development through formal and informal education and training programs</li> <li>Encouraging the secondment of finance professionals between agencies and to the private sector to train, share and assist in the implementation of better practices</li> </ul>	<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>Promoting the benefits of working as a finance professional in the public sector</li> <li>Assisting the public sector generally, or specific organisations, with finance personnel recruitment initiatives</li> <li>Working with HR managers to conduct surveys and studies to understand competency and recruitment needs</li> <li>Supporting HR managers as they implement learning and development strategies and programs</li> <li>Sharing knowledge resources for learning and development</li> <li>Developing specialised certification program for public sector finance professionals</li> </ul>



# FINANCE PERSONNEL

Existing finance-related personnel working in the public sector in either governance roles (example, board and audit committee members) or management roles (example, chief financial officers and controllers).

Many accountants, finance managers, technicians and auditors already work in the public sector. More than any other stakeholders, this cohort is well-placed to recognise the challenges and opportunities of working in the public sector. Further, many will be members of a professional accountancy organisation (PAO) and hence are well placed to work with their PAO in devising and implementing strategies to attract and retain finance personnel.

“ Finance professionals play an important role in ensuring public services are cost-effective. They support strong financial management and help to put finance at the centre of decision-making within the organisations where they work. ”  
– **Government Finance Profession, United Kingdom**

Finance Personnel	PAO and Finance Personnel
<p><b>Key role:</b></p> <ul style="list-style-type: none"> <li>To demonstrate and promote, within the relevant government agency, the value of high-quality finance personnel</li> <li>To be involved in the design and execution of PAO advocacy, education, training and other activities that promote and support public financial management</li> </ul>	<p><b>PAO role:</b></p> <ul style="list-style-type: none"> <li>To provide education, training and other services that develop and maintain the finance skills needed in the public sector</li> <li>To recognise and embrace PAO members that work in the public sector</li> </ul>
<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>Promoting and, where possible, introducing within the agency, leading public sector governance, accounting, financial management, reporting and auditing policies and practices</li> <li>Undertaking professional qualifications, education and training and, as appropriate, doing so with public sector specialisations</li> <li>Promoting, establishing or joining PAO public sector committees or discussion groups</li> <li>Participating in public sector focused conferences, seminars and other learning events</li> </ul>	<p><b>Methods:</b></p> <ul style="list-style-type: none"> <li>Including public sector relevant content in recognised professional qualification programs</li> <li>Developing and offering specific formal qualifications (and pathways) for public sector finance personnel</li> <li>Providing continuing professional education programs focused on public sector skills, competencies and knowledge</li> <li>Establishing and supporting structures and mechanisms to encourage the involvement of public sector finance personnel in PAO activities. This may include public sector member committees or discussion groups</li> <li>Recognising individual achievements in public sector financial management, including awards, certificates and prizes</li> </ul>





# PROFESSIONAL ACCOUNTANCY ORGANISATIONS

Membership-based organisations comprised of individual professional accountants, auditors and accounting technicians.

Professional accountancy organisations (PAOs) have the ability to liaise with key stakeholders to advocate, develop and implement the necessary arrangements to support high-quality public sector financial management. PAOs may be solely public-sector focused or include members that work in the public sector. They must provide the relevant required services to support such members as they develop and maintain their knowledge and skills. Note that PAOs are often in a unique position to advocate for effective public sector financial management when reform or improvements are considered necessary.

“ In some countries, if accountants are seen as book-keepers, the PAOs may need to improve their articulation of the value propositions of professional accountants and accounting technicians. ”  
– CAPA

## Professional Accountancy Organisations

### Key role:

- To establish and maintain appropriate governance, management and member arrangements that contribute to developing and implementing strategies and initiatives to encourage, develop and support public sector financial management
- Advocating, in the public interest, the benefits of high-quality public financial management and the consequent need for highly skilled finance personnel in the public sector

### Methods:

- Gathering data about the number and type of finance personnel throughout the public sector in the relevant jurisdiction, benchmarking it to other locations, and considering needs
- Including public sector leaders in the PAO governance structures (on councils, boards or committees) and in management
- Recognising a membership category for demonstrated knowledge, skill and experience in public sector financial management and, as appropriate, establishing a separate “faculty” or “wing”\*
- Establishing strategies that directly or indirectly develop and support finance personnel in the public sector
- Promoting public sector financial management topics in core university finance programs
- Integrating public sector financial management topics into core professional qualification programs
- Establishing, potentially through collaboration with other PAOs, a dedicated specialist public sector qualification, accreditation program, certificate or module\*
- Providing continuing professional education for public sector finance personnel
- Encouraging and developing commentary in the media and professional journals regarding the key elements for successful public financial management, including appropriate governance frameworks and systems, effective management, transparent and relevant financial and performance reporting, and appropriate scrutiny and assurance mechanisms<sup>10</sup>
- Recognising excellence in the public sector, both organisation and individual achievements
- Providing feedback to global influencers, such as standard setters, in respect to local needs

\* Some PAOs may take the view that a separate category of membership, a separate “wing” and specialist qualifications are not needed if existing qualifications, supported by supplementary programs, provide all the necessary learnings and skills to operate in the public sector (as well as the private sector).



## Case Studies

<sup>10</sup> Improving Financial Management in the Public Sector – The Eight Key Elements of PFM Success, Confederation of Asian & Pacific Accountants, February 2014

# ACKNOWLEDGING THE CHALLENGE

## Case Study 1: Analysis by the Institute of Chartered Accountants of Nepal

Most of the professional accountants in Nepal are either in public practice or serving in the private sector; there are very few in the public sector. What are the reasons behind this scarcity?

There are several government agencies in Nepal who hire, or might hire, qualified accountants to serve in the public sector. One is the Financial Comptroller General Office (FCGO), which is responsible for maintaining and controlling the accounts of the Government of Nepal (GoN). The FCGO currently engages about 4,500 civil servants in keeping accounts across the country. Under the country's public financial management reform agenda, the GoN decided to adopt Nepal Public Sector Accounting Standards (equivalent to Cash-Based International Public Sector Accounting Standards) in 2010. Qualified professional accountants in the government treasury are required to support this type of reform; however, there is not a single qualified professional accountant, at the moment, working in the FCGO.

The rest of the civil service has a strong need for professional accountants as well. Professional accountants are highly desirable for budget preparation; funds management; debt management; review of tax returns; compiling financial statements at the ministry level, along with consolidated accounts of the government as a whole; and internal audit. Yet only a handful of professional accountants are working in the civil service. The profession is recognised primarily by the Office of the Auditor General, Ministry of General Administration, Ministry of Finance and Public Service Commission. But professional accountants are also needed in the regulatory authorities, the Ministry of Commerce and elsewhere.

One reason for the apparent dearth of professional accountants is that the GoN has no specific policy in place to engage professional accountants for the public sector. In addition, the Civil Service Act does not speak specifically about any privileges to be given to qualification holders. But in the view of the Institute of Chartered Accountants of Nepal (ICAN), "Unless and until the accountancy profession is recognised as a reputable profession and some special favour is accorded, the attraction of professional accountants to join the civil service will likely remain unchanged."

Another reason is that the remuneration offered to professional accountants in the public sector rarely matches that in the private sector and in some cases it is significantly lower. Similarly, professional accountants perceive civil service roles as unexciting and the time for getting promotions too long. Doctors and engineers also serve in the public sector without any privileges, but doctors are at least given some incentives, such as non-practicing allowances.

While, based on specific regulations in the Civil Service Act, the auditor general is able to grant scholarships to its staff to pursue accountancy studies, of the very few that have undertaken this scheme to date, the majority have resigned after successful completion of their studies. The main reason behind their resignation seems to be the lack of additional opportunities or promotion available to them, under the regulations. The officers who have resigned are now serving in foreign countries or practicing within Nepal. Currently, four members of ICAN, out of the eight supported for their studies, are working in the organisation, with one of these having been separately recruited.

An approximate overview of professional qualified accountants in the public sector as of 31 December 2015 is as follows:

	No. of Accountants	Total No. of Officers
<b>Government Departments</b>		
Government of Nepal, Ministry of Finance; Finance Comptroller General Office	0	n/a
Office of the Auditor General	3	300
Company Registrar	0	n/a
<b>Autonomous Regulatory Bodies</b>		
Nepal Rastra Bank	30	600
Insurance Board	2	40
Securities Exchange Board	1	20
<b>Public Sector Enterprises (PSEs) / Government owned Enterprises (GoEs):</b>		
GoN owned Commercial Banks (3 Banks)	50	5,000
Citizen Investment Trust (CIT) and Employee Provident Fund (EPF):	6	500
Nepal Electricity Authority	5	3,000
Nepal Telecom	10	2,000
Nepal Airlines	2	500
Nepal Oil Corporation	2	500

### Conclusion

The government is the largest employer in the country. Despite an increased budget and a variety of new programmes being implemented, financial management is becoming more complex and the existing government reporting and accounting system is not capable of providing adequate information for decision-making. In some government-run projects, the project authorities are using the services of outside experts to prepare the project accounts due to the lack of internal knowledge about preparing such statements. Similarly, the government revenue account has not been reconciled with the Nepal Rastra Bank for many years. Separately, the government's investments in various public enterprises have not been confirmed.

With some exceptions, professional accountants are not serving in the civil service at the moment. In this context, qualified and skilled accounting manpower is essential. The government should plan to inject qualified professional manpower to look after all of its treasury.

Major areas to be considered in attracting accounting professionals to the civil service are:

- Career development, training and promotion
- Proper incentives, including competitive market compensation
- Job security
- Challenging opportunities
- Professional recognition

### Source

Based on commentary from the Institute of Chartered Accountants of Nepal

## Case Study 2: Lessons from Australia

Important benchmarking studies conducted in Australia during the key PFM reform period for that country provide insight as to what may be expected in other countries embarking on similar reforms. At the time, some Australian States had embarked on various reforms, including the introduction of accrual accounting, and others were about to.

The findings of the Australian studies are noteworthy, given that many countries in Asia and other regions have committed in recent times to major reforms, notably the adoption and implementation of international accounting standards – sometimes cash-based, but increasingly accrual-based.

By 1997, 70% of senior finance professionals in Australia were professionally qualified accountants, increasing to 82% by 2000. The more senior officials, the chief financial officers (CFOs), were increasingly well-regarded during this period, with 95% having their skills rated as either "very good" or "excellent" by the agency leaders.

Similarly, the number of professionally qualified finance staff appeared to be increasing, with 91% of survey responders in 2000 indicating the number of professionally qualified staff had increased over the past two years (compared to 63% in the 1997 survey).

Perhaps the most interesting finding lies deeper, however. Both the agency leaders and the CFOs rated the finance skills of their staff lower in 2000 than in 1997, and the report concluded that "this most probably reflects the growing complexity of the activities associated with financial management in an accrual environment".

### Source

Based on:

1. Beyond Bean Counting: Effective Financial Management in the APS (Australian Public Service), Commonwealth Management Advisory Board, 1998
2. Beyond Bean Counting, CPA Australia, 2000

**Case Study 3: A public service commission leads and shapes a unified, high performing Australian public service**

The Australian Public Service (APS) Commission is a central agency within the Prime Minister and Cabinet portfolio. Statutory responsibilities are detailed in a Public Service Act and include responsibility for providing policy advice and promoting good practice in human resource management in the APS, including ethical behavior, diversity, capability development and leadership, as well as an evaluation role in ensuring the APS is performing consistently with the APS Values.

According to a 2005 National Audit Office survey titled "Workforce Planning", more than half of the 86 responding government agencies reported shortages in skilled occupations, and accounting and finance professionals were high on the list. The APS Commission followed up in 2012-13, only to find that the position had not improved. To gain a better understanding of the nature of the shortages in this occupation, agencies were also asked to identify in more detail the nature of the shortages they experienced with reference to specific job roles. This review provided more detailed information.

**Table 6.5 Extent of skill shortages experienced by agencies in accounting and finance, 2012-13**

Job Family	Limited	Moderate	Severe
	Agencies (%)		
Accounts processing	44	12	
Budgeting	29	41	2
Financial accounting or reporting	33	36	2
Finance analyst	32	39	
General finance	49	15	
Management accounting	40	31	2
Performance/output reporting	39	24	
Tax accounting	32	15	2
Non-executive manager	32	2	2
Executive manager	29	5	2

Accounting and finance skills shortages reported by agencies primarily reflect the broader labour market. In further research, however, employees in accounting and finance who reported they intended to leave their current agency in the next 12 months also indicated they intended to continue to work in the APS. Interestingly, such employees were more likely to report they intended to continue working in the APS than APS employees overall. The three top drivers for leaving comprised of a lack of career opportunities, perceived quality of senior leadership, and a desire to try a different type of work or seek a career change.

The type of information gathered from such exercises assists in the development of effective strategies to address shortages. Whilst it would appear the finance skills and capabilities of these employees will be retained in the APS, for individual agencies, the perspective is clearly different.

**Source**

- Based on:
1. The Australian Public Service Commission website ([www.apsc.gov.au](http://www.apsc.gov.au))
  2. Chapter 6, State of the Service Report – Series 2012-13, Australian Public Service Commission, 2013



**Case Study 4: The Institute of Chartered Accountants of India (ICAI) take a proactive approach**

**Citizens**

Amongst other activities, ICAI focuses on creating awareness in public finance management among India's citizens through knowledge sharing.

India is one of the largest democracies in the world, having a federal structure with a union government at the central level and state governments in 29 states. Every year, central and state governments prepare annual budgets showing the intended ways and means of raising revenue, and the expenditures these governments intend to make.

ICAI has taken the lead in assisting citizens in their awareness of government financial management by undertaking various initiatives, including:

- Submission of pre-budget and post-budget memoranda
- Arranging public meetings to discuss the budget: Some 200 meetings and workshops are held each year across the country
- Releasing various publications about the budget proposal and its implications
- Arranging press and media interactions highlighting budget implications
- Arranging programs and otherwise making citizens aware of their right to Information

The ICAI has a separate Committee on Public Finance and Government Accounting. Its main objective is to undertake research on public finance. The ICAI has released various publications and study reports on the subject of public finance for the benefit of India's citizen

The public meetings aim to make citizens aware of their right to information, and the financial position of the government. They allow citizens to stress to the government the need for prudent financial discipline, and indirectly help create a need for finance professionals in government.

**Politicians**

In India, various public representatives are elected through democratic processes, such as Members of Parliaments (national level), Members of Legislative Assembly (state level) and Members of Local Authorities (known as Zilla Parishads, Panchayats and Municipal Corporations).

Together with various government organisations, the ICAI has organised different programs for such elected representatives, including:

- Workshops on financial management and evaluation for elected members of the legislative assembly of the state of Rajasthan and the state of Jharkhand. The workshops included important aspects of financial management, such as the Fiscal and Budget Management Act, 2011; the budget preparation and approval process; accountability of public money; effective and timely management of public funds; quality and accuracy of financial reporting; etc.
- Training programs for the elected members and executives of municipal corporations on the conversion of accounts to the accrual-based system
- Training programs for representatives of the municipal corporation of Jodhpur on implementation of the accrual-based accounting system and accounting standards such as ASLB-1 (preparation of financial statements), ASLB-3 (accounting policy changes in accounting estimates and errors) and ASLB-17 (property, plant and equipment). These training programs helped the elected representatives of the municipal corporation in understanding municipal accounting reforms

Through these measures, politicians as key policy makers come to understand the benefits of the accrual system of accounting, which in turn is creating a demand for public finance professionals in the public sector. Opportunities are thereby created as well, as the implementation of the reforms requires technical people who are aware of the intricacies of finance and accounting, specifically the introduction of international and local accounting standards.

**Source**

Based on commentary from the Institute of Chartered Accountants of India



## DONORS SEEK TO ADDRESS THE ISSUE

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### Case Study 5: A PFM Competency Framework is developed in the Philippines with the assistance of funds from Australia

The government of the Philippines, with support from the Australian Department of Foreign Affairs and Trade (DFAT) commissioned the development of a PFM Competency Framework under the Philippines-Australia Public Finance Management Program (PFMP). This program was designed to directly assist the national government to implement its PFM Reform Roadmap.

The project was undertaken with the recognition that developing the capacity of PFM staff is a generally accepted prerequisite for reforms to take place and be effective. A consortium comprising WYG International and the Chartered Institute of Public Finance and Accountancy (CIPFA) carried out the initial design work between June and December 2013, delivering the final set of competency frameworks covering the five core PFM disciplines of budgeting, procurement, accounting, auditing and cash management, along with a sixth set of common competencies that all PFM staff were expected to acquire.

The frameworks were to be implemented through the development of three pilot training courses, along with a learning and development strategy setting out a curriculum of training courses and other forms of learning and development interventions. Further, a Program Delivery Model recommended, amongst other things, the establishment of a PFM Institute to act as the focal point for PFM capacity development in the future and to help ensure the sustainability of the reform efforts over time.

One significant feature of the environment in the Philippines, highlighted during the design phase, was the low capacity of the supply side of the training market and, in particular, the effect this was likely to have on the provision of PFM training. The projected lack of training capacity has clear implications for the rate at which the government might reasonably seek to strengthen its PFM capabilities in the short term, and for the government's role in stimulating the emergence of a healthy PFM training and development market in the future.

#### Source

Based on Philippines-Australia Public Finance Management Program website (<http://pfmp.org.ph/>)



## FINANCE PERSONNEL SEEK TO ADDRESS THE ISSUE

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### Case Study 6: A community of finance professionals is created in New South Wales, Australia

Australia's most populated State is New South Wales (NSW). Finance professionals working in the state government sector created a "community" in 2008 as one of the initiatives flowing from the Accountancy Skill Shortage Strategy Group, which has been working for some time on measures to better promote NSW public sector as an employer of choice for finance professionals, and to retain those people in the sector.

The community's mission is to generate and maintain an active association of finance professionals, encompassing all organisations in the NSW public sector, that will:

- Foster and promote the sector as a place to work and build a professional career
- Assist people working in the sector in accounting and finance roles

The community operates on voluntary efforts. To set directions and priorities, an advisory board has been established with various office holders. It provides channels for communication, information sharing and problem solving. The board accomplishes this by operating a dedicated website, which includes an email service, and by organising specific activities and events.

Two of Australia's professional accountancy organisations, CPA Australia and the Chartered Accountants Australia and New Zealand, are involved as non-voting members, and many of the organised activities and events qualify towards the requirements for continuing professional development (CPD).

#### Source

Based on the NSW Public Sector Community of Finance Professionals website ([www.finacc.net.au](http://www.finacc.net.au))





# STRENGTHENING SUPREME AUDIT INSTITUTIONS IS OFTEN THE FOCUS

## Case Study 7: The International Organisation of Supreme Audit Institutions (INTOSAI) identifies critical issues in recruiting, rewarding and retaining staff

### Recruitment

To control their recruitment procedures and processes, some SAIs have determined the numbers, types, competencies and qualifications required in their capacity building strategies. They have decided on how to meet demands through tailored recruitment and training policies. They have also considered the scope for becoming an accredited training body for a professional qualification, and anticipated departures over a planned period of time. They have also considered the types of competencies and technical skills required, and considered short term appointments to fill immediate gaps.

### Rewarding and retaining staff

To address difficulties in attracting and retaining staff, some SAIs have been able to negotiate flexibility within the public pay systems. Others have sought freedom to set up their own systems. As part of this effort, SAIs benchmark their own salaries against other key public sector bodies and the private sector auditors, and use this benchmarking to ensure they are paying enough to retain staff, whilst recognising that there are other intrinsic benefits such as security and pensions.

To combat difficulties in retaining staff when they become qualified and experienced, some SAIs have considered how their pay and benefits compare with those in comparable organisations in the relevant country. They also have considered whether they have fostered a stimulating working environment to ensure that staff are motivated and feel able to fulfil their potential, including work-life balance, career breaks and secondments. A structured approach to reward performance has also been introduced by some SAIs, with clear criteria for promoting staff. This approach includes, for example, introducing competition for promotions through mechanisms such as assessment tests and panels, as well as the introduction of periodic career-development appraisals, with discussions about future prospects and development opportunities.

### Source

Based on *Building Capacity in Supreme Audit Institutions*, International Organisation of Supreme Audit Institutions (INTOSAI), 2007

## Case Study 8: A consortium of donors finance a program in Bangladesh to upskill government auditors

This program focused on strengthening the capacity of the Office of the Comptroller and Auditor General (OCAG) to carry out the external audit of public bodies. The program consisted of a number of components, but the most relevant to the issue of attracting and retaining finance staff was the component to strengthen the capacity of the OCAG's Financial Management Academy (FIMA). This included establishing a program of certificate training in PFM – largely the International Public Financial Management (IPFM) qualifications offered by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The project began in May 2012, and the component dealing with capacity development was subsequently extended to June 2016. A feature of the project was the development of a national module, to complement the international modules produced by CIPFA, which covered in some detail the main characteristics of PFM as practiced in Bangladesh. The scope of work also included a training-needs analysis that formed the basis for developing a core curriculum of courses to be delivered by FIMA.

The project targeted the qualification of 50 members of OCAG staff, with a further 150 staff being trained in audit skills and techniques through short courses.

### Source

Based on commentary from the Chartered Institute of Public Finance and Accountancy (CIPFA)

## Case Study 9: Upskilling the Auditor General's Office in Zimbabwe

To improve the numbers of accounting and auditing specialists in the public sector, ACCA worked in partnership with the Public Service Commission (PSC) and the auditor general's office to increase capacity and address the skills shortage. The partnership helped to support the auditor general's office in recruiting, training and retaining professional staff.

ACCA worked with its partners on ways of using quality training as a recruitment and retention tool, improving the conditions of service for finance professionals and training support, and on introducing a system of mentoring for trainees.

As a result, professional qualifications such as ACCA's certified accounting technician's qualification and the diploma in financial management were given appropriate recognition within the civil service salary and benefits reward system. For the first time, finance professionals were included in the technical categories together with other professionals such as engineers and doctors. This provided individuals with an increased sense of value and status.

As part of the change program, the auditor general became an approved employer, with the capacity to train auditors. Qualified staff provided mentoring for trainees, as did the external audit firms that undertook subcontracted work. To ensure that there was adequate breadth and depth in the coverage of the audit competences, the trainees were seconded to external audit firms and given an opportunity to be seconded to other regional auditor general offices. Both the employer and the students were also supported with regular guidance.

Public sector-specific continuing professional development events were arranged to deal with the unique requirements of public sector accounting and auditing, such as the need to demonstrate value for money. Funding was provided from the auditor general as well as by donors, who paid for expenses and exam fees. In 2009, the African Development Bank paid for a range of initiatives to support 48 members and students from the auditor general's office to increase accountancy and auditing capacity.

These changes have led to an increasingly professionalised civil service in which accountancy students and members are supported, and to an increase in the numbers of professional accountants working in government, particularly in the auditor general's office. There is a general sense that the civil service is turning a corner in the recruitment and retention of professional accountants. As a result, it is likely that more partners and donors will be prepared to support similar capacity-building initiatives within the public sector.

### Source

Based on *Improving Public Sector Financial Management in Developing Countries and Emerging Economies*, ACCA, 2010

## Case Study 10: ACCA works in partnership with the Botswana Auditor General

ACCA, in partnership with the Office of the Auditor General (OAG), worked on a plan similar to the one in Zimbabwe, whereby the OAG became a registered employer with the capacity to train auditors. Mentoring for trainees was provided by the OAG's qualified expatriate staff as well as by the external audit firms that undertook subcontracted work.

A practical experience requirement (PER) that was specifically tailored to the OAG's type of work and the level of progression within the exams was developed in partnership with the OAG. This PER was based on the competence matrix used by the large audit firms. It was followed through with in-house training and coaching of both trainees and their supervisors covering how to implement the PER. This training included sample reviews of PER records and discussions on the lessons learnt. As a result of these initiatives, trainees tended to stay with their employer for longer periods, as they appreciated the structured approach to their professional development.

### Source

Based on *Improving Public Sector Financial Management in Developing Countries and Emerging Economies*, ACCA, 2010



### Case Study 11: The Court of Audit introduces a progressive post-educational training program

The Algemene Rekenkamer, the Netherlands Court of Audit (the Court), has a post-educational program which has been continuously improved in response to new developments and insights. It is aimed at all auditors in the SAI, as well as employees performing staff and support functions.

New auditors entering the Court from various academic disciplines or higher vocational education are required to attend an extensive in-house educational program called "The Learning Circle". This 32-day programme is spread over a two-year period. Completion of the training program does not result in obtaining a title, and employees are not formally required to complete the program in order to become permanent members of staff. However, completion is common practice.

In addition to The Learning Circle, there is a rich variety of training courses available to all levels of auditors and other employees. This education is mainly implemented in-house, but also in cooperation with external partners who are engaged on an ad hoc basis. In addition to the in-house training, employees may choose to attend training programmes and seminars organised by external training organisations. Decisions on the appropriate quantity and content of training programmes for every individual employee are a joint matter involving the employee, his or her superior and the professional education department.

The Court has developed a system of permanent education for its certified public accountants. This system is closely tied to the system imposed by NIVRA, the Dutch institute of chartered accountants. The Court is currently considering extending this system to all its other auditors, taking into account their specific backgrounds and professional requirements.

#### Source

Based on *Introducing Professional Qualifications for Audit Staff – A Guide for Supreme Audit Institutions*, International Organisation of Supreme Audit Institutions (INTOSAI), 2010



## PROFESSIONAL ACCOUNTANCY ORGANISATIONS - TAKING THE LEAD

### Case Study 12: The Institute of Chartered Accountants of Sri Lanka focuses on the public sector

Recognising developments in public sector accounting and auditing, in early 2012 the Institute of Public Finance and Development Accountancy (IPFDA), the professional body for public sector accountants and auditors, joined with the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in establishing the Association of Public Finance Accountants of Sri Lanka (APFASL).

Established as a public sector wing of CA Sri Lanka, its current membership is 850, with potential membership of over 2,500. The outcome witnesses CA Sri Lanka having an excellent relationship with government and related agencies, and providing equal focus to private and public sectors. The following initiatives were cited as laying the foundation for the establishment of the APFASL:

- Establishment of a Public Sector Accounting Standards (PSAS) Committee and publishing of Sri Lanka PSASs
- Establishment of a Public Sector Accounting Faculty to enhance financial reporting processes in the public sector through professional development
- Signing of a memorandum of understanding with the Chartered Institute of Public Finance & Accountancy (CIPFA) to offer a joint qualification – Chartered Public Finance Accountant
- The provision of paths for existing public sector accountants, auditors and assessors to obtain full qualifications
- Initiating capacity building programs with the World Bank to implement Sri Lanka PSASs

APFASL has proceeded with many initiatives since, including:

- Conducting awareness sessions with government agencies
- Planning for other certificates and diploma courses in public financial management and public procurements
- Organising best annual report competitions

The mission and objectives of APFASL are stated as:

#### Mission

Provide leadership and initiative to the members to enhance their professional status and skills and thereby make a greater contribution to the economic development of Sri Lanka.

#### Objectives

1. Capacity building among public sector financial management professionals by launching professional qualification on public financial management and conducting professional development programs.
2. Improving public sector financial reporting by rolling out Sri Lanka Public Sector Accounting Standards through training materials and training manuals.
3. Conducting seminars and workshops on public financial management.
4. Conducting conferences with regional participation on public sector financial reporting and public sector auditing.
5. Providing, or arranging for the provision of seminars, conferences and training, leading to the professional qualification of Chartered Public Finance Accountant.
6. Awarding scholarships, certificates and diplomas to persons who have completed the courses and achieved proficiency.
7. Specifying the qualification for membership of the Association and the standards of professional conduct to be maintained by members of the Association, and ensuring the maintenance thereof.
8. Establishing and maintaining libraries and documentation centres and providing services to members in other related areas such as finance, auditing and related fields.
9. Providing a platform for public finance accountants to develop their leadership and entrepreneurial skills.
10. Promoting the interests, welfare, rights and privileges of the profession of public finance accountants and the interest of the public in relation to that profession and of persons desiring to qualify as Chartered Public Finance Accountants.
11. Enhancing the competence of members through continuing professional development programs.
12. Creating opportunities for public finance accountants to build up a close relationship with the Association and its activities and also encouraging them to develop their network in the field of their own profession and other communities.
13. Conducting disciplinary inquiries related to members in cases of misconduct.
14. Liaising with universities with a view to conducting programs leading to further education.

#### Source

Based on the prospectus of the Association of Public Finance Accountants of Sri Lanka – a Public Sector Wing of the Institute of Chartered Accountants of Sri Lanka



# ACCOUNTING TECHNICIANS MAY BE THE KEY IN ASIA

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## Case Study 13: An initiative in South Africa with the Association of Accounting Technicians (AAT UK)

The South African Institute of Chartered Accountants (SAICA), in collaboration with AAT UK, sought to address a shortage of introductory and intermediate accounting skills in local government (as well as commerce and industry). AAT(SA) was established as a joint venture, with a suite of qualifications tailored to suit the needs of South Africa, including specific local government and public sector accounting qualifications. After eight years, AAT(SA) has over 3,690 graduates.

The public sector has been the focus, given where the need for skills development is most acute. 10,000 students have now progressed through the program or are currently studying, supported by 30 accredited training providers. The training providers have also received dedicated support and development, increasing national capacity. Key outcomes from this program include improved financial management and reporting, with AAT(SA) participants feeling valued, which has had a positive impact on confidence and performance. As public sector staff have become increasingly committed to their work, absenteeism rates have also dropped.

In launching the program, the joint venture agreed a number of performance indicators, including:

- Number of individuals
  - registered on the programs
  - completing a certain number of specified units within a level and a complete level
  - passing the Intermediate Level, becoming an accounting technician member of the PAO and complying with international standards and ethics
  - transitioning to chartered level qualifications
- Number of national/local training providers
- Class participation and drop-out rates (95% participation and 8% drop-out rate are reflective of the time and effort spent in delivering a tailored approach and a retention strategy)
- Reach of the programme:
  - number of participants from rural and urban areas (the training program was delivered not only in cities, but also in rural areas such as Limpopo, North West and Kwazulu Natal, addressing the needs across the country)
  - beyond the core target group some municipalities extended the program to unemployed learners or those in very low-skilled public sector jobs. Unemployed learners gained full-time employment after progression through the qualification
- Surveys:
  - of managers to understand efficiency and effectiveness of the program and staff behaviour, with the emphasis on practical training and whether staff felt empowered to deal with issues, whether there are fewer problems for managers to deal with, if absentee rates have dropped, and if decision-making is easier)
  - of program participants to understand whether training has had a positive impact on areas such as behaviour, feelings of value and levels of confidence
- Number of audits that are unqualified after program implementation
- A range of measures specifically looking at the quality, improvement, efficiency and effectiveness in areas of PFM such as accountability, budgeting, recording and reporting

### Source

Based on commentary from the Association of Accounting Technicians (United Kingdom)



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