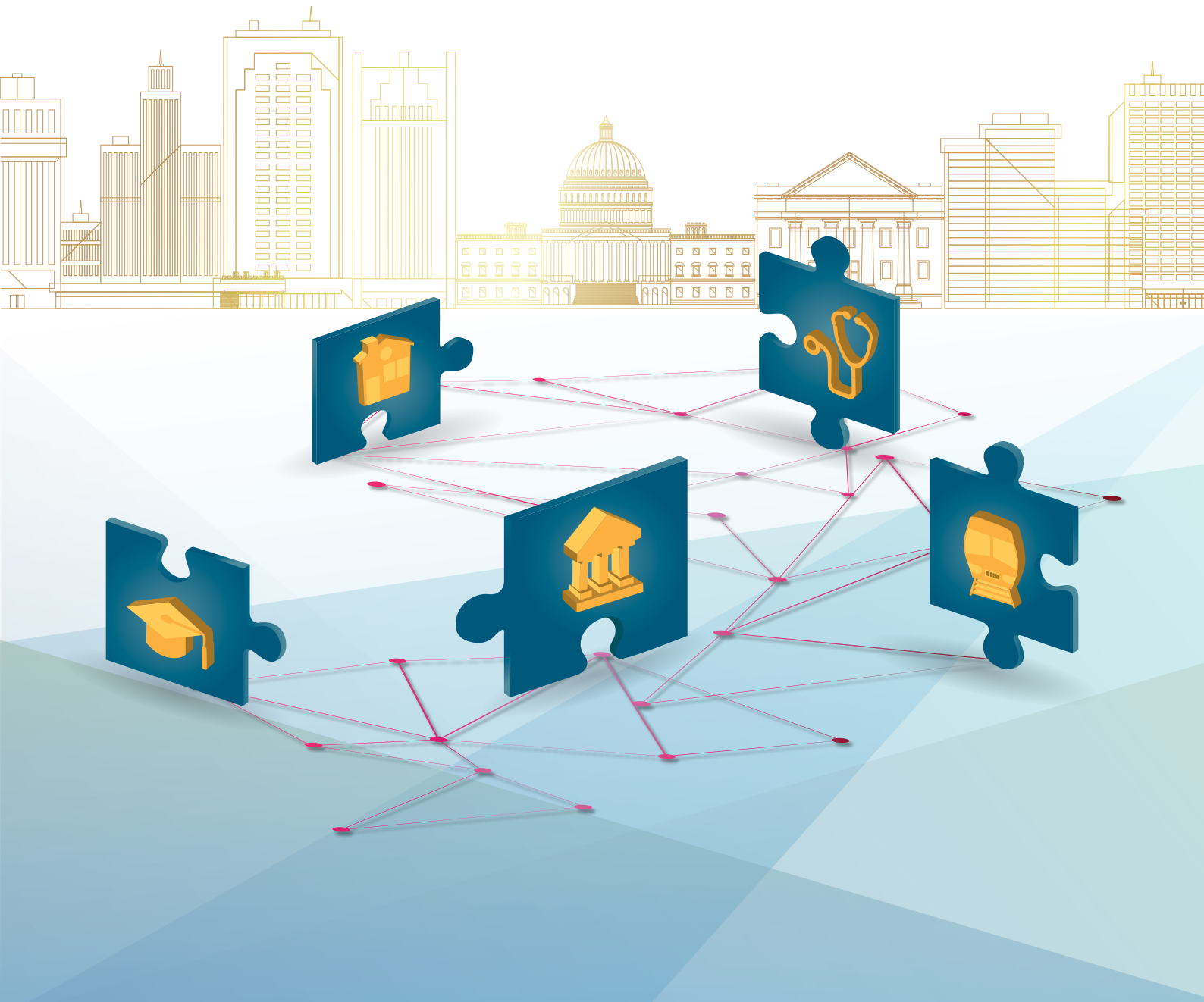


Professional Accountancy Organisations

ENGAGING WITH THE PUBLIC SECTOR



About CAPA

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 enhance the value of the accountancy profession in Asia Pacific by:

- Contributing to the development of professional accountancy organisations
- Promoting the ethical values and the benefits of high-quality accounting, reporting and assurance
- Speaking out as a voice of the accountancy profession

About PSFMC

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. Any comments on this publication should be directed to the CAPA Secretariat: admin@capa.com.my.

Endorsement



The International Federation of Accountants (IFAC) is the global organisation for the accountancy profession. With its member organisations, IFAC serves the public interest by enhancing the relevance, reputation, and value of the global accountancy profession. IFAC's vision is for the global accountancy profession to be essential to strong, sustainable organisations, financial markets, and economies.

A key strategic action for IFAC is to support its member organisations to promote quality accrual-based financial reporting and use of International Public Sector Accounting Standards as the cornerstone for sound public financial management. 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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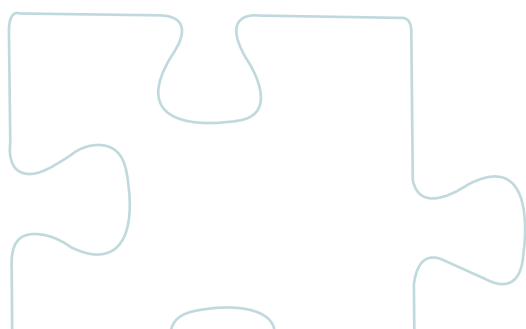
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INTRODUCTION

Strong PFM is essential because it boosts the public's confidence and trust in government...public finance professionals are key to ensuring that states achieve these goals¹.

Poor government financial management, including cash rather than accrual-based accounting, remains a significant issue in many regions and has a negative impact on decision making, accountability, and transparency. Adoption of accrual-based accounting... by all governments and public sector institutions is an urgent priority².

Governments need high quality, professionally qualified finance personnel³. It is equally clear that professional accountancy organisations (PAOs) have a unique role to play in ensuring the supply of these vital individuals. Yet in many countries around the world PAO engagement with the public sector in this regard is often limited and occasionally non-existent.

PAOs – *Engaging with the Public Sector* is the third publication issued by CAPA – all three are aimed at how PAOs can help improve public sector financial management (PFM).

The Eight Key Elements of PFM Success

For several years now CAPA, through its public sector committee, has emphasised the importance of ensuring high quality PFM. **CAPA's first publication, *Improving Financial Management in the Public Sector – The Eight Key Elements of PFM Success*TM** (hereinafter referred to as 'Eight Key Elements'), describes what is necessary to create a comprehensive and coherent system of PFM in a country. Whilst the primary focus is on what needs to be done by government, the accountancy profession is seen as having an important role to play:

The accountancy profession is committed to protecting the public interest and encouraging accountability and transparency from governments around the world. The involvement of professional accountancy organisations is vital to the implementation of the eight key elements of PFM success.

The *Eight Key Elements* draws attention to a number of specific roles a PAO could consider:

- The focus on, and support for, the public sector.
- The extent to which PFM skills are incorporated into examination and training programs.
- The provision of, or assistance in, the training of professional accountants for the public sector.
- Educating and communicating with politicians about PFM.



All public sector related publications are available on the CAPA website (www.capa.com.my).

¹ How Strong Public Financial Management in Nigeria Will Support Sustainable Growth, CIPFA, 2018.

² The Accountancy Profession - Playing a Positive Role in Tackling Corruption, IFAC, 2017.

³ In government the term "finance personnel" includes accountants, budget managers, auditors, procurement specialists and related staff.

Attracting and Retaining Finance Personnel in the Public Sector

The Commonwealth Secretariat's *Guidelines for PFM Reform*, published in 2005, address the importance of capacity and capability, making a statement as relevant today as it was then:

Without the necessary systems and skilled personnel to implement them, no PFM reform process can be successful.

One of the *Eight Key Elements* was framed as 'capacity and capability' and CAPA also took a view that a lack of skilled people would be a significant deterrent on progress. Accordingly, **CAPA's second publication**, *Attracting and Retaining Finance Personnel in the Public Sector – The Role of Professional Accountancy Organisations and Other Stakeholders* (hereinafter referred to as '*Attracting and Retaining*'), aimed to address that challenge. The nature and scale of the challenge was explicitly recognised:

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 [in the public sector] 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.

Attracting and Retaining identified nine stakeholders and the roles they can play to address the challenge. As one of the stakeholders, PAOs have a major role to play, and dependent on circumstances may take a lead in coordinating efforts. However, in some jurisdictions PAOs are not sufficiently engaged with the public sector to either provide leadership or to play the role expected of them. These circumstances have led to this third publication...



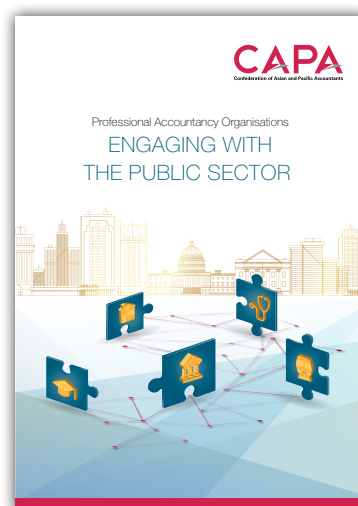
PAOs – Engaging with the Public Sector

This publication aims to identify the current extent and nature of PAO engagement with the public sector, and to encourage PAO's to consider increased engagement. To help understand the situation and develop propositions, CAPA surveyed its members and some other PAOs in the region, covering a total of 30 PAOs across 24 jurisdictions. The survey covered four areas:

- The PAO's public sector membership statistics.
- An assessment of the maturity of PFM in the country concerned.
- The PAO's focus on and engagement with the public sector and public sector members.
- Engagement challenges faced, initiatives taken and assistance needed.

The analysis of the survey responses revealed a number of messages which are described in this publication. The publication also contains advice to PAOs and other stakeholders on how they might respond to those messages.

A number of the survey questions, and hence messages arising, focus on financial accounting, reporting and auditing, however many of the messages also apply to management accounting. This discipline provides skills relevant to cost analysis, capital expenditure and investment decisions – all vitally important in the context of the public sector.



Defining “Public Sector”

Attracting and Retaining explores the definition of the public sector, noting it '*can be a reasonably complex exercise, particularly when providing a publication to be used across many different jurisdictions. The user will therefore be best-placed to adapt this publication to individual circumstances*'. The same can be said for this publication.

EXECUTIVE SUMMARY

Strong PFM is essential for the provision of high-quality services by governments to its citizens. Strong PFM also helps to address wastage due to inefficiency, maladministration, fraud and corruption.

There is widespread recognition of the need for properly qualified and trained finance personnel in government. PAOs can meet this need, through their schemes of qualification and membership.

The findings from the CAPA survey are both disappointing and encouraging. The findings clearly indicate that significant specific improvements in PFM are possible in many jurisdictions, improvements that the accountancy profession could greatly assist with, yet the profession's engagement with the public sector is often limited. To the extent PAOs wish to extend their reach into the public sector then great opportunities exist, as evidenced by the experience of others. Seven (7) key messages have been identified.

Key messages from the survey

- 1 Few professionally qualified accountants operate in the public sector.** Only 8% of the 1.8 million accountants represented by the PAOs surveyed worked in the public sector.
- 2 The public sector lags in the implementation of internationally recognised standards, especially in accounting.** Only 46% of PAOs reported that the public sector had implemented accounting standards. A larger 66% had implemented auditing standards. This is well below experience in the private sector.
- 3 Consolidated 'whole-of government' financial statements are rare in the public sector.** Whilst 56% of PAOs reported their production and publication, this included reports based on Government Finance Statistics or based on cash reporting. These are not the same as financial statements produced using international accrual-based accounting standards.
- 4 Strong political will is required to bring about improvements in PFM.** Many PAOs reported that "political issues" were one of the top three barriers to improving PFM.
- 5 Most PAOs focus on the private sector, and engagement with the public sector is limited.** More than 90% of PAO members work in the private sector. Although many PAOs reported some engagement with the public sector, this was more reflective of relationships rather than focusing on having members working in government.
- 6 PAOs in developing and emerging economies are uncertain about how to engage with the public sector.** From responses received it was not clear that PAOs had a coherent strategy to engage or extend their engagement with the public sector.
- 7 Global and regional accountancy bodies can help PAOs engage with government.**

For each of these key messages PAOs are encouraged to consider a number of specific ways in which they could respond.

A core finding from the survey is the opportunity for PAOs to increase public sector membership. Pursuit of this opportunity would require them to consider the extent to which existing qualifications meet the needs of the public sector. Whilst the public and the private sectors have much in common, there are also differences. PAOs need to consider the extent to which they ought to reflect those differences in their schemes of education and training.

Globally, a number of PAOs are growing through merges or alliances – size can bring advantages. If growth is important, then increasing membership by serving other market sectors or types of accountants represents an opportunity.

Further, PAOs know their reputation is based on some core characteristics – quality, ethics, trust and acting in the public interest. With the increased focus on accountability and transparency in government, arguably there may be no greater public interest benefit, than being integral to the professionalisation of the public sector.

Lastly, and of immediate concern, is that the *International Public Sector Financial Accountability Index, 2018 Status Report*, issued jointly by IFAC and CIPFA, indicates that the number of governments in Asia that will be reporting on an accrual basis of accounting, a major leap forward from cash accounting, will increase from 6 to 21 between 2018 and 2023. Globally, over the same period, the percentage of governments reporting on the accrual basis is expected to increase from 25% to 65%. There is a significant risk the demand for talent will outstrip the supply in this particular area.

The key question is whether PAOs wish to take the required 'next steps'. If they do not, others almost certainly will.

KEY MESSAGES FROM THE SURVEY



Few professionally qualified accountants operate in the public sector



The survey results showed that the PAOs surveyed represented, through membership, around 1.8 million professionally qualified accountants from 30 jurisdictions around the world. Of these, only some 120,000 (about 8%) were working in the public sector.

There was very little correlation between the size of the total membership and the percentage of that membership working in the public sector. Indeed the largest percentages tended to be associated with the smaller PAOs.

Fifteen PAOs reported less than 10% public sector membership as a proportion of total membership, with four reporting no public sector members. Not surprisingly, only the Chartered Institute of Public Finance & Accountancy (CIPFA), a PAO focused solely on the public sector, reported a majority of its members working in the public sector. No other PAO reported more than half of its members working in the public sector – the Mongolian Institute of Certified Public Accountants (MonICPA) came closest at 42%.

PAOs in low-income countries had the greatest percentage of members working in the public sector; those from high-income countries had the smallest. However, high-income countries also tend to have a high absolute number of professionally qualified accountants. A few PAOs reported student data that showed similarly small percentages working in the public sector.

As CAPA's publication '*Attracting and Retaining*' points out:

The PAOs throughout Asia.... with some notable exceptions such as those in Hong Kong or Singapore, tend to focus only on certain types of members...such as auditors in public practice. While many PAOs in Asia are broadening their membership base, the focus on the public sector remains low.

The publication is optimistic about future possibilities if PAOs are able to increase their engagement with the public sector:

As this focus [on the public sector] increases.... 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.



In responding to this message PAOs may wish to consider the extent to which they wish to direct effort towards increasing their focus on the public sector and thus creating a larger public sector related membership.

In countries recognised as having high-quality public sector management, including, for example, publicly available accrual-based financial reports, prepared and audited according to international standards, the percentage of the PAO's membership working in the public sector is around 10%, however these same countries have an extremely high number of total accountants. These countries tend to have strong economies. Whilst anomalies and exceptions can always be found, it could be suggested that this indicates:

- the number of qualified accountants in many countries needs to increase substantially; and
- the need for high-quality accounting and auditing in the public sector as an enabler of economic benefits should be seen as a significant public interest issue.

More than 80% of PAOs reported that they were "engaged" with the public sector. In a number of cases the nature of the engagement was in terms of understanding the sector and having relationships, rather than actively pursuing membership related activities. This represents a basis on which to develop and implement an awareness campaign regarding the value of qualified and well-trained finance personnel working in government. It is important that government decision-makers and influencers demonstrate the 'political will' to improve PFM, and as an employer, can extend to a willingness to pay for candidates to undertake the qualification programs.

Any decision by a PAO to enter this sector of the market would require consideration of risks, opportunities, costs and benefits. These will vary depending on the jurisdiction and other contextual considerations. PAOs may also wish to consider the recent CAPA publication: *Accounting Technicians – Exploring Opportunities for the Profession*, which points out the contribution this cohort can and do make to the public sector.

Interestingly, 36% of PAOs reported that they had a public sector qualification. It should also be noted that some PAOs take a view that a dedicated public sector qualification is not always necessary, and therefore rely on one high-quality program that they consider is relevant to the needs of all sectors and allows for ease of movement and transfer of skills between sectors.

Where a dedicated qualification is available, but a small number of members take it up, this may indicate a need to address the perceived relevance of the qualification to the needs of the public sector. Whilst a wholly public sector specific qualification may not be affordable or otherwise desirable for most PAOs, the content of the existing qualification may need to be reviewed to make it more relevant to the public sector.



The public sector lags in the implementation of internationally recognised standards, especially in accounting



The survey results showed that only 46% of PAOs surveyed reported that the public sector had implemented internationally recognised accounting standards, and this could relate to either the cash or the accrual based accounting standards. In this context, the survey finding appears consistent with the 2018 *International Public Sector Financial Accountability Index*⁴ ('the Index') which established that governments in 25% of the 150 jurisdictions covered by the Index reported on an accrual basis. In comparison, research now shows that 144 jurisdictions require the use of International Financial Reporting Standards (IFRS) for all or most public listed companies⁵.

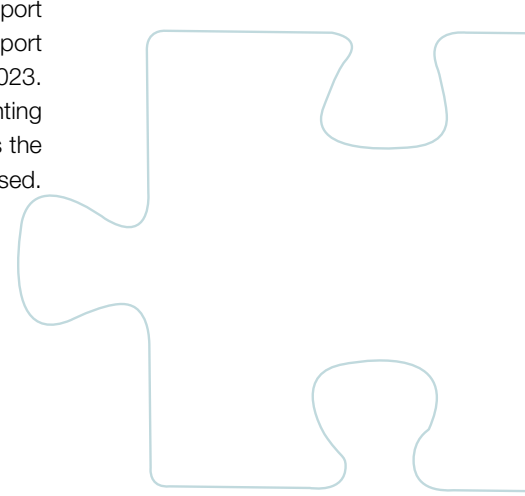
The survey revealed that the implementation of internationally recognised auditing standards in the public sector was higher than for accounting standards, at 66%.



In responding to this message PAOs may wish to consider how they could support the adoption and implementation of accounting standards by the public sector, particularly accrual-based standards. There are a number of global initiatives under way at the moment that are designed to improve the extent of take up of standards-based accounting regimes. These include the *Accountability. Now.* initiative led by IFAC. There is also the recent report⁶ by IFAC and the OECD on *Accrual Practices and Reform Experiences in OECD Countries*. This contains useful information about experience elsewhere.

However, each country will have its own set of factors influencing the adoption of standards. PAOs are well placed to help identify these and advise on their effects. Ultimately the decision to adopt and implement standards is a political one. The national PAO may be best placed to act as an independent advisor on behalf of government. It could also help to identify the benefits and costs involved in adoption.

The Index identified that by 2023 it is expected that 65% of jurisdictions will report on an accrual-basis. The Index shows that in Asia, six jurisdictions currently report on an accrual basis, and this is expected to increase to twenty-one by 2023. PAOs may therefore wish to consider whether resources related to implementing standards ought to be redirected towards accounting rather than auditing. As the extent of adoption of accounting standards increases, this shift could be reversed.



⁴ International Public Sector Financial Accountability Index, 2018 Status Report, IFAC-CIPFA

⁵ IFRS website (<https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis>) - 166 jurisdictions surveyed as at April 2018

⁶ Accrual Practices and Reform Experiences in OECD Countries, OECD-IFAC, 2017



Consolidated accrual-based financial statements in the public sector remain rare



The survey results showed that just over half of respondents indicated that Consolidated Whole of Government Accounts were in place. However further analysis indicated that there were differences in interpretation of what constitutes a set of ‘whole of government’ accounts.

Analysis showed that some PAOs interpreted “consolidated financial statements” as encompassing the production of Government Finance Statistics (GFS). These are generally used as the basis for the National Accounts of countries. Since they are underpinned by the System of National Accounts⁷ (SNA) they are based on international-standards. However, the SNA is not equivalent to International Public Sector Accounting Standards (IPSAS). Even when one takes into account the scope of the two regimes (the SNA covers the whole of the economy, whereas IPSAS is restricted to the government sector only) there are differences in the bases of the two regimes.

Further, some jurisdictions are preparing financial statements on a cash rather than accrual basis. Many commentators believe that only the latter, with complete balance sheets, should be considered as true consolidated financial statements.

The OECD/IFAC survey supports a view that production of consolidated whole of government accounts based on IPSAS or IFRS is rare. **Only 15% of OECD countries provide an overview of the public sector as a whole in their financial statements.** This percentage is considered more representative of the situation across Asia Pacific.

Why are consolidated accounts important? As expressed in an ACCA report⁸ examining such accounts in Australia, Canada, New Zealand, Sweden and the UK: *‘a common unifying theme is that consolidated accounting is seen as an important catalyst for driving reforms elsewhere in government’.*



In responding to this message PAOs may wish to consider the extent to which their government produces consolidated accrual-based financial statements, whether the benefits gained by countries that have implemented this are understood, and advocating for their need. This will likely require education of government officials and staff, and PAOs are well placed to undertake such a program of work.

⁷ “The System of National Accounts (SNA) is the internationally agreed standard set of recommendations on how to compile measures of economic activity. The SNA describes a coherent, consistent and integrated set of macroeconomic accounts in the context of a set of internationally agreed concepts, definitions, classifications and accounting rules.” - United Nations Department of Economic and Social Affairs.

⁸ Consolidated government accounts: How are they used, ACCA, 2015

KEY MESSAGES FROM THE SURVEY



Strong political will is required to bring about improvements in PFM



The survey results showed that many PAOs identified “political issues” as one of the top three barriers to improving PFM. The introduction of internationally recognised standard regimes invariably results in the surfacing of previously unidentified liabilities. It should not be surprising therefore that politicians might find this challenging. As the OECD/IFAC Survey reveals, most countries that have implemented accruals-based accounting reforms have populated their balance sheets with a wide range of asset types. However, a significant number fail to report particular liabilities, such as debt related to public-private partnerships and government employee pensions.

The OECD/IFAC Survey also points out that only just over a quarter of OECD member countries prepare their annual budgets on an accrual basis. It also observes that even where budgets are prepared on an accruals basis, appropriations “in a large majority of countries” are made on a cash basis. This may suggest that politicians are reluctant to relinquish the use of cash, a concept easier to understand and operate with, in favour of accruals, which may be regarded as more complex, when it comes to exercising fundamental control over public spending. This reluctance may be further evidence of the depth of political resistance to the adoption of standards across the full spectrum of public finance.

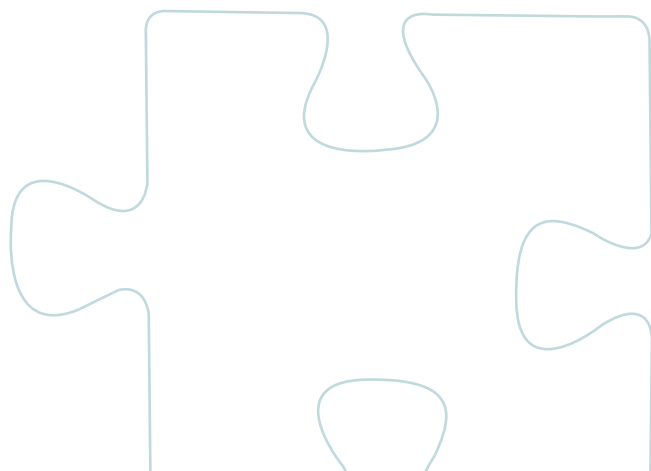


In responding to this message PAOs may wish to consider how they might work with the political leadership of the country to bring about the support necessary for change to take place. This will also require general support, particularly given the long-term nature of reforms of this kind. It will be particularly important to simply and clearly articulate why accruals based information is better for decision-making.

In this context it is encouraging to note that the CAPA survey showed that more than 70% of respondents believed their organisations were well known and respected. To the extent PAOs have credibility, they are well placed to engage with politicians.

There is a role here for global and regional accountancy bodies to play. This could include providing information on the benefits of introducing high-quality PFM, including internationally recognised standards. However the political dimension of the debate means that the most significant contribution must come from the national PAO.

CAPA's *Eight Key Elements* discusses a wide range of issues to address in a section dealing with creating an appropriate climate for reform.





Most PAOs focus on the private sector, and engagement with the public sector is limited



The survey results showed that more than 90% of PAO members were working in the private sector. This was not surprising. Governments around the world have historically been slow to adopt formal programs of training of professional accountants. This is in part because traditional approaches to managing public finances have been administrative in nature. Without explicit demand from government for professionally qualified finance personnel, PAOs have looked to service other sectors.

PAOs are, however, aware of the need to serve the public sector: 63% of respondents had a clear strategy to do this and intended to maintain that focus in the future. However with less than 10% of members working in the public sector, it may be challenging to keep focused on those strategies.

Yet membership is important. Without it, the PAO cannot require those members to maintain their technical and professional knowledge and to behave ethically. Nor can it take action in relation to members who fail to achieve expected standards.

Survey responses, including subjective ratings, inevitably reflect the history and experience of the responding PAOs, the context in which they operate, and the inherent knowledge in the subject matter: *you don't know, what you don't know*. In this context, it was interesting to note that PAOs in jurisdictions where PFM is seen to be strong often recognised a need to do more than PAOs in other jurisdictions.

PAOs reporting themselves as well engaged with the public sector, where PFM is not regarded as strong, should therefore think carefully as to whether this is the case. Further, given the highly dynamic nature of the PFM environment in all countries, the task of engaging should be regarded as an ongoing one, with the nature of the engagement changing as required.



In responding to this message PAOs may wish to consider the basis on which they assess “engagement” with the public sector. They should also think about how they can achieve a shift in their focus, from the private to the public sector. Simply recognising the significance of the public sector is not enough. There needs to be a drive to achieve an increase in members working in government. That needs to achieve an

increase in members working in government. That needs to be through a program of training, certification and continuous professional development.

To achieve this, in some countries PAOs will have to, first of all, stimulate demand for such certification and training. They may also have to demonstrate the relevance of their qualification to government. Where this is challenged, they may have to adapt the programs to better meet government’s needs. Since this will represent a strategic shift for the PAO concerned it will need a communication strategy in place to educate and create awareness to existing members of the benefits and value of having members working in the public sector.

Where the PAO is successful in implementing a program of certified training, it will be important to ensure that it retains the confidence of government. As was pointed out in *Attracting and Retaining* there is a danger that the higher remuneration packages and more structured career paths available in the private sector will cause finance staff in government to migrate to the private sector on qualification.

As a different challenge, *Attracting and Retaining* notes:

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.

Here, PAOs could consider whether a campaign to persuade government of the benefits of employing properly qualified finance staff should be linked to any reform program in place. Governments respond more effectively to a campaign that is very clearly orientated towards their own circumstances. This is an area where the PAO can contribute experience and expertise.

PAOs should determine the scale of the demand from government for properly qualified finance staff, and how the PAO ought to respond to that demand. Where the need is for services that do not lie within the PAO’s comfort zone this may indicate a need for development on the part of the PAO.

KEY MESSAGES FROM THE SURVEY



PAOs in developing and emerging economies are uncertain about how to engage with the public sector



The survey results showed that PAOs plans to continue and extend their engagement with the public sector varied. This no doubt reflects the situation facing each PAO. However, it was not clear from the responses that these plans formed part of a coherent strategy.

In the absence of such a strategy, it may be difficult for the PAO to secure the commitment of its stakeholders to specific initiatives. This could also result in difficulties in securing the resources to carry out those initiatives. There could also be difficulties in sustaining commitments made in the face of changing pressures.



In responding to this message PAOs may wish to consider the need to ensure that their plans for engagement with the public sector are fully integrated with their wider development strategy.

PAOs that are already doing this could well offer advice to colleagues on how they have approached it. Further, PAOs need to review the ways in which they measure strategic achievements. As the survey data relating to public sector members shows, it is not enough to express a desire to have members working in the public sector. Actual achievement needs to be monitored to ensure that the focus remains sharp. This will also help to ensure that action is taken to amend strategies and plans when they are not effective.

CAPA's *Attracting and Retaining* publication identifies nine stakeholder groups, each with a specific interest, and role to play, in securing finance personnel. Given this, it will be important to ensure that efforts are coordinated towards a common end. Whilst in some countries government will naturally take on this role, it may not always be the case. The PAO may however have members working in these stakeholder groups and this could provide the opportunity for the PAO to perform a valuable coordinating role.

Donors and development partners are one of the nine identified stakeholders, and these often demonstrate leadership in developing and emerging economies. It is important PAOs have relationships and are willing to work with these stakeholders.

The same applies with Supreme Audit Institutions or Auditor Generals, and inclusion of the same in a PAO's governance arrangements can only assist the achievement of mutual objectives.



Global and regional accountancy bodies can help PAOs engage with government



The survey results showed that when asked what CAPA, as a regional organisation, should do to help, there was very little unanimity. Almost one-third of respondents offered no suggestion as to a role. Those who did recommended “advocacy”. Reforming PFM is in part an educational process, which is time consuming. The time required will depend on the extent of consensus. Achieving that consensus requires patient advocacy. Global and regional accountancy organisations certainly have a role to play.

PAOs also suggested CAPA could support their efforts with the production of case studies. A desire for case studies is understandable. PAOs have a natural wish to learn from the approaches taken by others and case studies can represent one way of doing that. However a note of caution needs to be sounded: *PFM reform is complex*. There are few right or wrong answers, and the results of actions can rarely be predicted with any degree of certainty. Environmental influences can dominate, and these are country-specific. In short, what works in one country may not work in another.

Respondents also suggested CAPA provide training support, including access to skilled trainers and relevant materials. This probably speaks to a well-founded belief that PAOs lack certain knowledge and skills to allow them to support a PFM reform process. Whilst there is undoubtedly work that global and regional organisations could do in this area, their own resources are also constrained. The way forward therefore should be to involve development partners.

In addition, the significance of political factors in reforming PFM ought to caution against an over-reliance on training as a solution. Where politicians are resistant to initiatives such as the introduction of internationally recognised accounting and auditing standards they are unlikely to be persuaded by attending a training course. Rather their concerns will have to be surfaced and addressed, usually in a different environment.



In responding to this message PAOs may wish to consider what efforts may be appropriately and realistically supported globally and regionally, and which can only be directed in-country. Where PAOs see a need for global or regional support, they ought to articulate those needs clearly. This will help to produce an appropriate response.

CAPA helps PAOs engage with the public sector by organising and participating in forums with government officials during meetings across the region. CAPA will also take up the challenge to do more, commencing with identifying case studies or examples of PAOs effectively engaging with the public sector, and publishing them as success stories.

Case studies of a different nature, demonstrating how strong and effective public sector financial management is making a difference in how public services are delivered and positively impacting economies and their citizens, are also available through the accountancy profession.⁹

⁹ Global Public Financial Management Series, IFAC-ACCA, January 2019

NEXT STEPS

Making the Big Decision

The first step is for the PAO to decide whether it wishes to comprehensively engage with the public sector in terms of producing and servicing accountants that work in government, just as they do with accountants that work in the private sector.

This decision will require consideration of the unique context within which it operates, the risks and opportunities, and the costs and benefits. For many PAOs this will be an educational and consultative process, based on informing and involving governing bodies, committees and its members.

The global accountancy profession has taken a very clear stance on the subject matter by establishing **Accountability. Now.** – a global initiative to promote high-quality financial accounting and reporting by governments to improve transparency and help strengthen public sector financial management and accountability.

Based on the public interest angle, it would be expected PAOs would generally lean towards taking actions that improve PFM and hence engaging more with the public sector. Exactly how far that goes will depend on an assessment of the risks and opportunities.

Understanding the Challenge and Possible Solutions

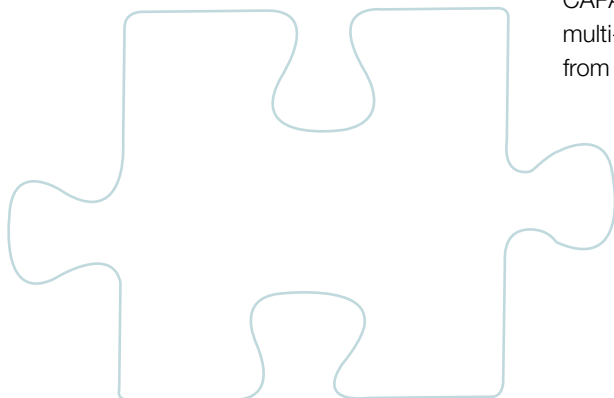
Assuming PAOs do decide to engage further with the public sector, the second step is to understand the nature of the challenge and solutions available. In addressing possible challenges in respective jurisdictions, PAOs need not feel alone – there are a large number of resources available from within the accountancy profession. Further, the more PAOs engage with the public sector, the more support they can expect from the global and regional organisations.

In developing and emerging economies, development partners may be willing to provide financial and technical assistance, since they are often significant beneficiaries of improved PFM systems.

Emerging from this analysis are two clear sides to the equation:

- Creating **demand**, in that it needs to be demonstrated to the public and governments that well educated and trained finance personnel working within the public sector are essential; and
- Providing **supply**, in that PAOs are equipped to attract, educate and train such personnel, and provide support and services that encourage on-going membership.

CAPA's publication *Attracting and Retaining* outlines a multi-stakeholder approach to addressing the challenge from both sides of the equation.



The Demand

The *Attracting and Retaining* publication identified three broad categories of stakeholders:

- Policy shapers and influencers;
- Advocates, including PAOs; and
- The front-line

Policy shapers and influencers are key to driving the demand. As the publication notes, the stakeholders in this category and their roles are:

- 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

Advocates, those that tend to have independent, credible voices and which includes PAOs, must encourage and assist the policy makers and influencers in their roles. Other advocates include academia and Supreme Audit Institutions.

The survey found that most PAOs have a level of relationship with all these stakeholders, and are in a position to deepen that relationship and advocate more strongly, should they so choose. CAPA's *Attracting and Retaining* describes various methods by which a PAO can fulfil this advocacy role.

The Supply

PAOs are key to dealing with the supply side. Various methods by which a PAO can impact and create the supply side are described in *Attracting and Retaining*. These can be categorised as follows:

Education

- Promoting PFM topics in core university finance programs
- Integrating PFM topics in core professional qualification programs
- Establishing dedicated specialist public sector qualifications, accreditation programs, certificates or modules

Training

- Providing core and specialised continuing professional development (CPD) courses for those working in the public sector

Member Services

- Establishing a separate public sector 'faculty' or 'wing', and/or relevant committees or discussion groups to identify needs and share knowledge
- Executing strategies that directly or indirectly develop and support finance personnel in the public sector including creating resources for career development and the work environment
- Speaking out on behalf of local needs
- Providing technical assistance and thought leadership

Importantly, a key goal is to create a value proposition such that public sector finance personnel want to belong to the PAO, and their employers see value in this. Membership will ensure that rigorous high standards are met through educational and membership requirements, including minimum levels of continuous professional development and compliance with a code of conduct.

The Urgency – The Opportunity

PAOs can therefore make a unique contribution to the demand for, and supply of, highly trained finance personnel in the public sector. The impact of this on improving public sector financial management would be significant. This would also be a major opportunity for some PAOs that they must not fail to grasp, especially if others may decide to fill any void or governments seek other solutions. The need for skilled and qualified finance personnel working in government is acute.

In some countries the extent of the problem is increasing. Accordingly, so is the urgency to act¹⁰.

¹⁰ Attracting and Retaining Finance Personnel in the Public Sector, CAPA, February 2016



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