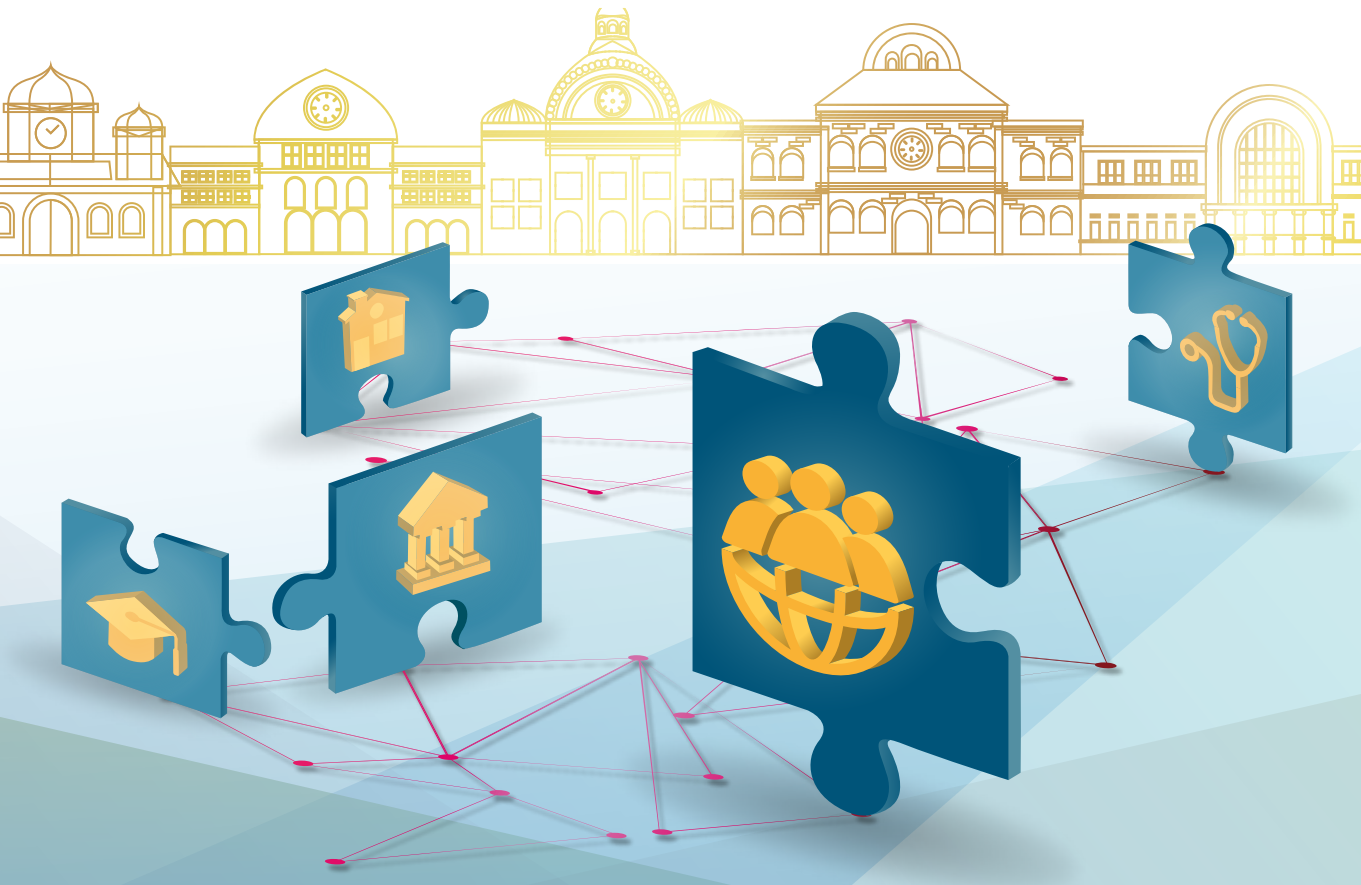
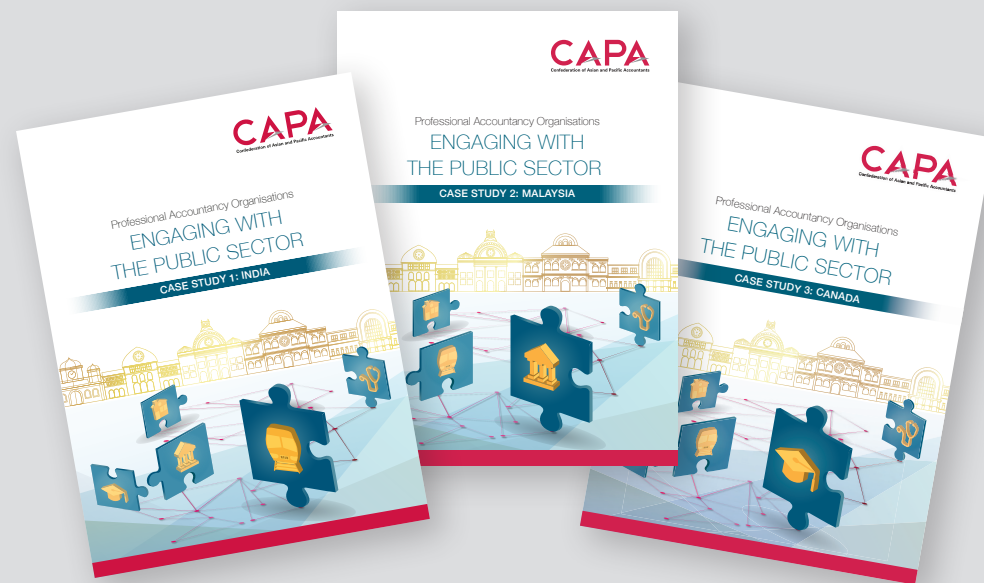


Professional Accountancy Organisations

ENGAGING WITH THE PUBLIC SECTOR

CASE STUDY 4: SRI LANKA





In 2019, CAPA issued a publication titled ***‘Professional Accountancy Organisations – Engaging with the Public Sector’***. Amongst the seven (7) findings from a survey giving rise to the publication were the following:

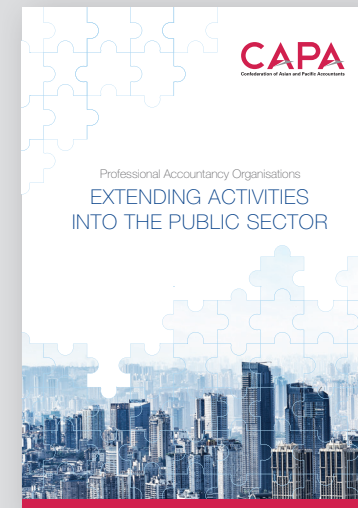
- Few professionally qualified accountants operate in the public sector.
- Most professional accountancy organisations (PAOs) focus on the private sector, and engagement with the public sector is limited.
- PAOs in developing and emerging economies are uncertain about how to engage with the public sector.

The Case Study Series represents examples of how PAOs around the world have successfully ‘engaged with the public sector’ and the benefits derived from the engagement:

Case Study 1: India describes the involvement of the PAOs in India in a major project to migrate to an accrual-basis of accounting for the Indian Railways and to improve costing systems to provide better information for decision-making.

Case Study 2: Malaysia demonstrates how a national PAO engaged with their government to assist introduce accrual accounting into the public sector and strengthen the accounting cohort working in the public sector.

Case Study 3: Canada illustrates how the national PAO in Canada developed two (2) public sector certification programs that contribute towards ‘creating a supply’ of well trained, highly competent finance personnel to enable governments to deliver on their financial management agenda.



CAPA’s publication ***‘Professional Accountancy Organisations – Extending Activities into the Public Sector’*** (refer also to page 5) released in 2021 provides reasons why a PAO may wish to focus on the public sector, and identifies and describes various activities that a PAO can pursue. Any strategy to focus on the public sector necessarily needs to consider the supporting organisational arrangements.

Case Study 4: Sri Lanka is the latest in the series and this case study illustrates how a national PAO in Sri Lanka made a strategic decision to extend its activities into the public sector, including the organisational arrangements established to deliver these activities. The circumstances at the time in Sri Lanka which underpinned how the local PAO ‘entered this market’ were unique, namely the existence of an organisation already supporting individuals with finance related careers in the public sector. The situation may exist elsewhere, making the case study directly relevant. However, the underlying message is that PAOs should assess their own markets, both existing and future potential, and if and how they may wish to extend their activities in the public sector, including the most appropriate organisational arrangements.

“

IFAC MOSAIC Global Development Report (2008):

“ICASL represents a potentially strong partner in supporting public financial management. Their active involvement in supporting the government in the issuance of public sector accounting standards, demonstrates their ability to act as a resource to government. The existence of the ICASL Public Sector Committee signifies a strong understanding of the role the profession can play in supporting PFM. Additionally, their efforts through support from the World Bank, to strengthen the accountancy knowledge and skills amongst public sector accountants all denote ICASL as a sound model for PAO engagement and support to PFM. Additional efforts to both strengthen the engagement of ICASL in PFM as well as explore opportunities for replication of the ICASL model may offer insight into further development for other Asia-Pacific region PAOs.”

”

The profession in Sri Lanka gets serious about the public sector

Forming an Independent Public Sector Wing

*For PAOs that have decided to focus on the public sector, consideration will need to be given to the **organisational arrangements** that will best deliver the related strategy. It is important to consider the advantages and disadvantages of various arrangements to find the most suitable.*

Public sector arrangements in Sri Lanka, a country with a population of 22 million, are generally modelled on the United Kingdom, and have evolved since the country became independent in 1948. Government expenditure amounts to approximately 22% of GDP¹

The Institute of Chartered Accountants of Sri Lanka (CASL) decided to increase their activities into the public sector, and in 2009 introduced the Public Sector Accounting Faculty (the Faculty) to support existing members who worked in the sector. A Faculty Committee, formed to help set the strategic direction and consider activities, comprised senior members from the public sector, CASL council members, and members of the Institute of Public Finance and Development Accountancy (IPFDA).

IPFDA, in existence since the 1980s, focused on the public sector and comprised individuals with careers as accountants, auditors, and tax assessors. Membership was attained by virtue of career experience and position, and did not require specified academic studies or qualifications.

The Faculty initiated a series of programs, such as one aimed at improving financial reporting practices in the public sector through the application of Sri Lanka Public Sector Accounting Standards (SLPSAS).

In 2011, an opportunity arose for CASL and IPFDA to work more closely together. IPFDA wanted to enhance the professional skills and expertise of their members. CASL needed to consider if it wished to further extend its activities into the public sector and the best arrangements if it was to do so.

A past president of IPFDA, who was also the Chair of the Faculty Committee, became the driving force (the sponsor) behind closer ties, and two organisational arrangement options were considered:

- A merger (forming one organisation); and
- A joint arrangement (maintaining separate organisations).

Both options can be valid for consideration, and requires an assessment of the legal factors, risks, advantages and disadvantages, and importantly any impacts on existing members. The work involved is not insignificant and requires any involved organisations to undertake appropriate internal consultations. From a CASL perspective, an increased focus on the public sector was seen as important when viewed as a matter of public interest.

In due course the Association of Public Finance Accountants of Sri Lanka (APFASL) was formed as a joint arrangement, thus creating a separate division of CASL which became widely known as the Public Sector Wing of CASL. The Articles of Constitution noted the initial purpose and objectives included:

- offering a public sector qualification (PSQ) to the members;
- building the capacity of public sector professionals through the PSQ and other professional development programs; and
- improving public sector financial reporting in the public sector.

As with any Articles, all standard items need to be and were addressed, including membership eligibility criteria and fees.

A Board of Management of APFASL (the Board) comprised members from the existing CASL and IPFDA Councils, from both public and private sector backgrounds, with the relevant skills and knowledge to take the partnership forward. The Board consisted of 11 members initially (now 15), including the President of APFASL and high-profile public officials from three organisations with permanent seats on the Board - the Ministry of Finance, the Auditor General's Department and the Inland Revenue Department.

Staff members of IPFDA were transferred to APFASL to handle the day-to-day operational, technical and membership activities.

The initial funding capital requirement was assessed and IPFDA and CASL contributed equally. CASL also:

- contributed towards the premises and other infrastructure;
- contributed to certain operational costs, including salaries; and
- provided support through its other divisions: HR, ICT, Examination, Students and Marketing, to enable APFASL to concentrate on public sector activities.

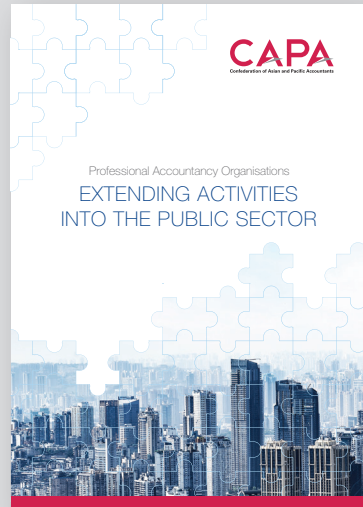
The costs of two other staff were borne by APFASL through its own funds (raised through member subscriptions). These arrangements continue to date almost unchanged.

IPFDA subsequently ceased operating. Key strategic and policy related matters are addressed by the APFASL Board, with approval as required by the CASL Council.

The President and honorary Treasurer are active in APFASL, together with remunerated staff comprising a Secretary, Technical Manager and two (2) financial management assistants. The President, Treasurer, Secretary and Technical Manager are Chartered Accountants.

¹ <https://www.statista.com/statistics/728523/ratio-of-government-expenditure-to-gross-domestic-product-gdp-in-sri-lanka/>

PAOs – Extending Activities into the Public Sector



This publication describes the types of public sector related activities a PAO can pursue and why they may want to: PAOs intending to focus on the public sector need to establish a strategy, and any strategy, especially at a country level, must consider the most appropriate organisational arrangements. The following extracts discuss each:

Strategy

PAOs may incorporate their public sector activities into their overall organisational strategy or they may choose to develop a separate public sector strategy. Before developing a detailed strategy, a PAO may need to understand:

- the current and future needs of the sector (i.e. market analysis);
- the commitment at council or board level, staff, and members; and
- its own internal resources and ability to access more over time.

The publication provides a broad outline of the range of strategies that PAOs may develop depending on their circumstances and the resources available to it. More activities require more investment; certain types of activities require more investment than others; and differing types of activities provide direct benefits to either the PAO, their members, or both.

Organisational Arrangements

In any jurisdiction, these will likely reflect national, economic, cultural, and historic factors. Typical arrangements include:

- A separate organisation focused only on the public sector;
- A separate organisation with a predominant focus on the public sector;
- A separate entity or unit established within an existing PAO; or
- Dedicated focus on the public sector, with activities supported within a PAO's existing structure.

The publication also discusses the benefits of involving senior public sector officials in the strategy development and the organisation's governance arrangements.

The Benefits to CA Sri Lanka

- ✓ CASL has **enhanced its image** with government, regulators, and the public in general as a fully-fledged PAO serving both private and public sector organisations in the country – enabling them to be a key stakeholder (through APFASL) in supporting the professionalisation of public sector accounting, reporting and auditing.
- ✓ CASL is able to **confidently support** the public sector.
- ✓ CASL has **grown in size** through the inclusion of APFASL. The additional revenue stream generated supports APFASL operational activities, while economies and efficiencies of scale are achieved by bringing two organisations together.
- ✓ CASL is able to **attract support, including funding** for specific public sector initiatives, from international development partners.
- ✓ The formation of the Public Sector Wing was instrumental in a relationship being formed in 2015 (through a Memorandum of Understanding) with the Chartered Institute of Public Finance and Accountancy (CIPFA), recognised globally as a leading public sector PAO. The international linkage:
 - provided Sri Lankans with access to the CIPFA qualification and CIPFA membership, thus **providing mobility opportunities**; and
 - further **enhanced the credibility and reputation** of CASL as a leader in this area.
- ✓ The satisfaction of knowing it is **assisting and contributing** to the improvement of public finance management (PFM) in their country.
- ✓ The increased recognition of CASL and APFASL generally, both locally and overseas (such as in international research papers) and the recognition that comes with an appropriate qualification, provides employment and consulting **opportunities for members**.

Success Factors

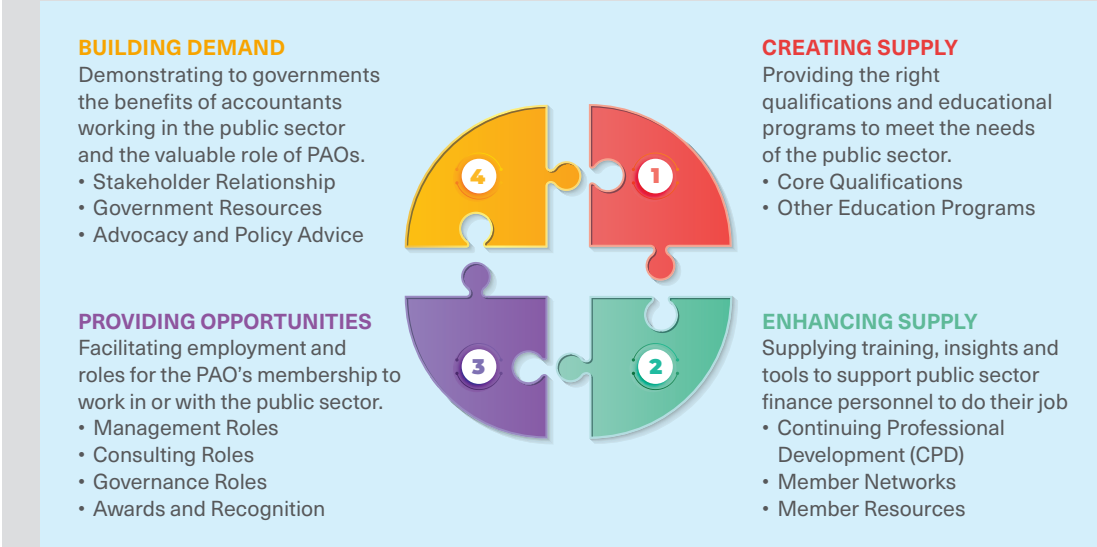
The organisational arrangement that CASL entered into is unique, given the opportunity to link up with a pre-existing organisation (IPFDA) with a ready cohort of members working in accounting, auditing and other finance related roles. Nonetheless, whether similar circumstances and opportunities exist in other countries, or whether a very different approach is required to enter or develop this area, some of the success factors from CASL's experience are worthy of consideration:

- **A strong project sponsor** - to drive proposals forward, supported by **key advocates**;
- **A clear business case** - identifying the benefits;
- **Commitment from the top** - both the governing body and executive management;
- **Legal considerations and advice** - dependent on the organisational arrangement;
- **Appropriate governance and advisory arrangements** - accessing relevant (private or public sector) experience and skills, including respected government officials to oversee the new arrangements and manage their members' interests more efficiently;
- **Attention to funding requirements** - budgets for the initial setup and ongoing operations; and where possible, access development partner funding support; and
- **Management with public sector knowledge** - to confidently undertake the required work, and gain respect and trust with members and government stakeholders.

Other Considerations

The private sector and the public sector divisions of CASL work in harmony sharing resources and expertise regularly. This has helped the separate parts of CASL to achieve their objectives efficiently and effectively to the satisfaction of all their membership.

CASL specific	APFASL specific	Joint Services
Technical Department	Public sector qualification	Human Resources
Faculties: Education, IT, Audit, Taxation, Financial Reporting etc	Public sector membership	Information Technology
Business Schools	Public sector specific training and CPD	Examination
	Public sector audit, assurance and sustainability guidance	Marketing and Communications
		Non-sector specific training available to all members



PAOs - Extending Activities in to the Public Sector identifies twelve (12) possible activities grouped into four (4) categories. CASL, through its Faculty model, carried out some activities. The formation of APFASL, with increased membership and resources, enabled a deeper focus across all categories, including:

Creating Supply:

- Introducing a suite of public sector specific qualifications and designations:
 - Associate, Fellow & Chartered Public Finance Accountant (APFA, FPFA, CPFA);
 - Master of Public Financial Management (MPFM); and
 - Diploma in Local Government Finance Management (DLGFM).

Enhancing Skills:

- Providing range of training and development opportunities, including public sector specific and topics of interest to members.
- Establishing a public sector accounting standards committee.
- Issuing a bi-annual newsletter.

Providing Opportunities

- Hosting the Best Annual Report and Accounts Award for the public sector - strengthening relationships with, and raising the profile of, the profession and CASL/APFASL.

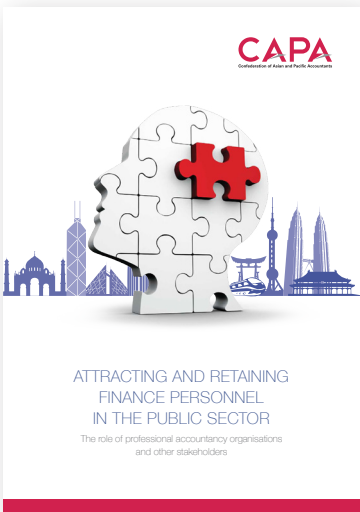
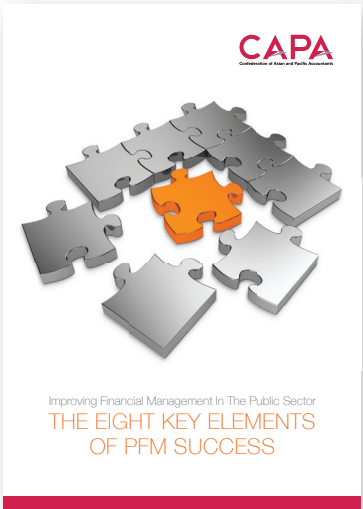
Building Demand

- Establishing several key stakeholder relationships with:
 - government ministries and departments, some with officials involved with the CASL Council or APFASL Board; and
 - development partners and similar - providing funding or other support to public finance management programs in the country, and supporting APFASL.
- Developing the SLPSAS and supporting training materials and guidance, including courses for government officials.

Related Publications

Attracting and Retaining Finance Personnel in the Public Sector

Having the right people with the right financial skills will be crucial if a jurisdiction is to have effective PFM. However, attracting and retaining finance personnel in the public sector is a challenge in many jurisdictions as they struggle to compete with the private sector. This issue can result in the public sector being bereft of financial expertise and skills. The publication suggests a multi-faceted stakeholder approach to address the challenge, including the unique role a PAO can play.



Improving Financial Management in the Public Sector – The Eight Key Elements of PFM Success™

Governments are responsible to their citizens and taxpayers for implementing effective systems of PFM. CAPA determined that eight (8) key elements are necessary to create a comprehensive and coherent system of PFM. The profession is committed to protecting the public interest and encouraging accountability and transparency from governments around the world. This publication is specifically aimed at assisting dialogue between PAOs and the public sector to identify improvement opportunities.

About CASL



The Institute of Chartered Accountants of Sri Lanka (CASL), a national Professional Accountancy Organization in Sri Lanka, has over 6000 members and a student population of 35,000 who are aspiring Professional Accountants. CASL is a member of the Confederation of Asian Pacific Accountants (CAPA), the International Federation of Accountants, the South Asian Federation of Accountants (SAFA) and Chartered Accountants Worldwide.

The Association of Public Finance Accountants of Sri Lanka (APFASL) was established as an independent body, widely known as the Public Sector Wing of CASL, with a vision to lead excellence in public financial management. Its members are public servants serving in Government Ministries, Departments, Provincial Councils, Local Authorities and Statutory Bodies. APFASL's membership is close to 15% of the combined membership of CASL and APFASL. APFASL's mission is to "Provide leadership and initiative to the members to enhance their professional status and skills to enable them to make a greater contribution to the economic development of Sri Lanka".

The Confederation of Asian and Pacific Accountants (CAPA) is recognised by the global accountancy profession, represented by the International Federation of Accountants, as a regional organisation representing national professional accountancy organisations (PAOs) operating in, or with an interest in, the Asia-Pacific region. The national PAOs, collectively referred to as CAPA's members, represent more than 2 million accountants across the world. The mission of CAPA is to enhance the value of the accountancy profession in Asia Pacific.



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