

PROFESSIONALISATION OF PUBLIC SECTOR ACCOUNTING AND AUDITING IN AFRICA

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Introduction

AFROSAI-E Organisation

AFROSAI-E is the English language subgroup of AFROSAI, the African branch of the International Organisation of Supreme Audit Institutions. After existing as an informal association since its inception in 1998, AFROSAI-E was formally established on 1 January 2005 by the adoption of a set of statutes and regulations by the heads of its twenty-three member SAs. The Southern African Development Community Organisation of Supreme Audit Institutions (SADCOSAI) was incorporated into AFROSAI-E at the same time.

Objectives of AFROSAI-E:

With the current membership of 24 English and 2 Portuguese-speaking SAls the objectives are as follows;

- **Enhance audit performance** of member SAls
- **Develop and share resources** on regional and local levels
- **Professional and technical development** and co-operation
- **Sound relations** with local and international institutions
- **Support regional institutions** that promote good governance

STATEMENT OF INTENT

Making a difference in the performance of SAIs

OUR MISSION

AFROSAI-E is, through innovation, committed to cooperate with and support its member SAIs to enhance their institutional capacity to successfully fulfil their audit mandates, thereby making a difference to the lives of citizens

VALUE STATEMENT

**Innovation
and
Creativity**

**Developing
Competence**

**Enhancing
Confidence**

**Improving
Credibility**



STRATEGIC IMPERATIVES

2015 – 2019

Professionalising public sector auditing and accounting

Being a credible voice for beneficial change

- Communicating effectively with stakeholders
- Lead by example

Turning leadership from capacity into capability

Driving innovation and creativity

- Application of modern information technology
- Global developments
- Audit innovation

WHY DOES THE PUBLIC SECTOR NEEDS PROFESSIONALS?

- The public sector has different managerial and accountability needs than the private sector
- Many of these differences are reflected to the way the public sector is legislated, raises and uses finance and reports
- Advancing public financial management standards is a complex process involving many partners at many levels

BUT

- There is no inherent reason why the public sector should follow standards of financial management less stringently than those in the private sector

AFROSAI-E 'VISION' TO PROFESSIONALISATION

... desires to professionalise public sector accounting and auditing in order to facilitate broader sustainable public financial management

AFROSAI-E **is** seeking to create an inclusive process to support efforts of individual governments to professionalise through:

- exploit as far as possible what is currently available
- develop new ideas and approaches where needed
- work at international/regional/sub-regional levels

AFROSAI-E **is not** seeking to:

- become a professional body
- award qualifications
- deliver national professionalisation programmes

BUT PROFESSIONALISATION WILL ONLY WORK IF...

Organisations create the necessary circumstances in which professionalism can flourish:

- management structure with appropriate levels of delegation
- reward structures reflect responsibilities and achievements

There is a **professional accountancy institute/organisation (PAO)** that:

- Provides an appropriate professional qualification (compliant with IFAC)
- Specifies and enforces a code of conduct and disciplinary arrangements
- Provides a range of technical support services for members and employers

There is an appropriate **education and training infrastructure** in place:

- educational provision at the levels and of the type required
- systems for pre- and post qualification development (IPD and CPD)

CURRENT STATUS

- Compiled a **concept note** on the need for the professionalisation of SAIs and an overview of initiatives in Africa
- Followed by a **three-day workshop** with representatives from stakeholders in the professionalisation of public sector accounting and auditing
- Developed a **strategy to support** the way forward, to be used as a basis for planning, coordinating and monitoring, and for engagements for funding
- Established an **Interim Oversight Board** of 5 AGs and an independent chair
- Developed a **competencies framework**, mapping differences between the public and private sectors
- **Engagements** with interested parties

CONCEPT NOTE AND STRATEGY

Defined Professionals to:

- **possess a wide range of knowledge and understanding** and comprehend wider issues relating to how systems and procedures interact to produce the outcomes and outputs
- **display work-related competences** to deliver required outputs efficiently and effectively and with minimum levels of supervision
- **comply with independently established and enforced standards** in technical and managerial responsibilities
- **be committed to a programme of lifelong learning (CPD)**
- **subscribe to an independent code of conduct**, breaches of which can lead to externally imposed sanctions on their continued status and earning capacity

WHY SO LITTLE PROGRESS?

- Emphasis in PFM reform on hardware and procedures supported by short courses
- Inappropriate project designs, over-dependence on external inputs and lack of a holistic approach
- Absence of quality (local) qualifications with public sector content
- Piecemeal approach – auditors or accountants but rarely both
- Failure of existing PAOs to adapt and support professional needs and market demands
- Planning horizons too short with overemphasis on quick fixes
- Education infrastructure is inadequate
- Other: Lack of personal commitment from executives!

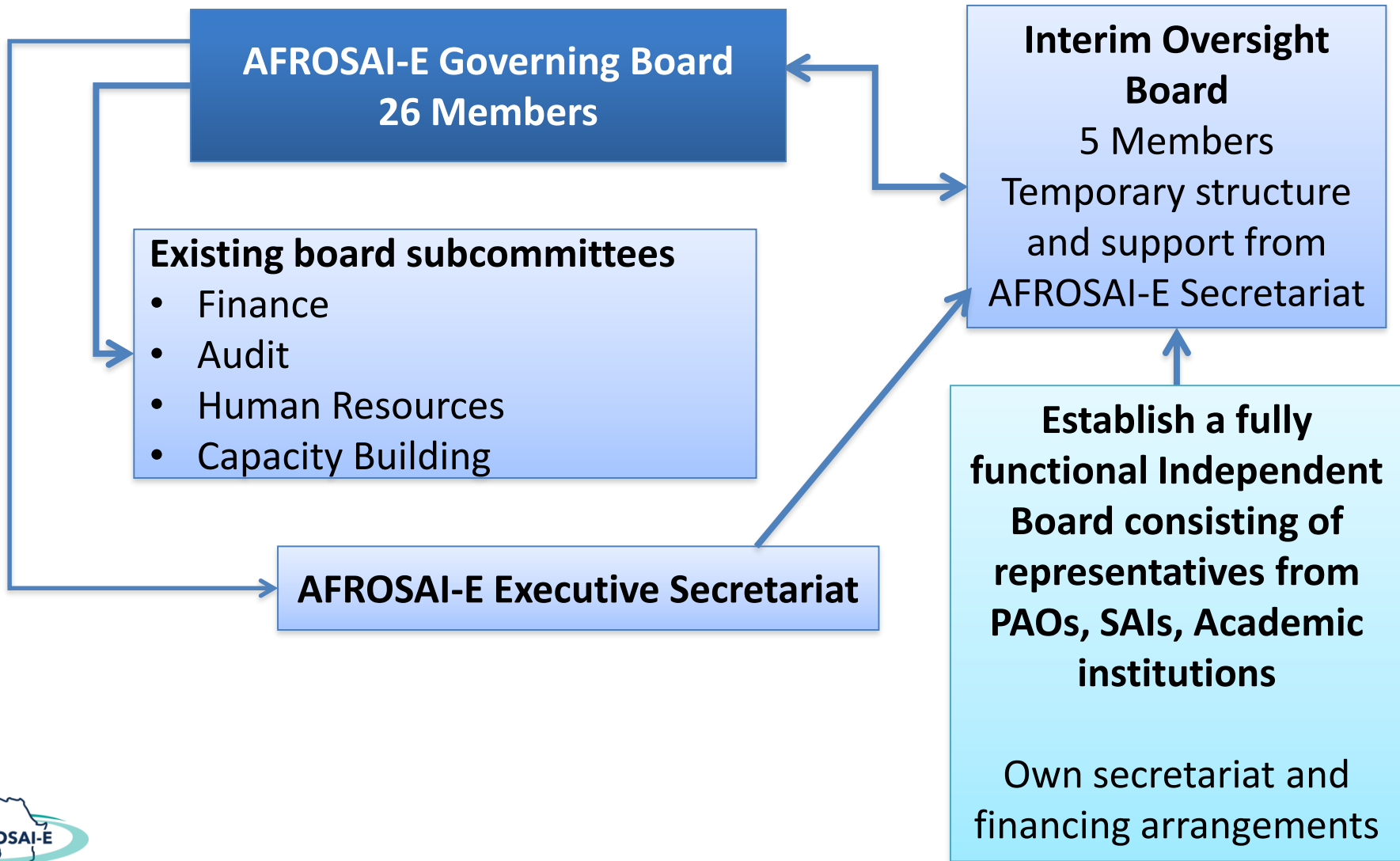
STAKEHOLDERS

- **Citizens / Civil Society Organisations**
- **Governments:** establish a network of support and advice for planning, managing and executing professionalisation strategies. Governance structures i.e. audit committees, internal auditors etc.
- **Parliaments / PACs / Regional political organisations**
- **Professional accountancy organisations:** develop appropriate curriculum and managerial guidance and qualifications to cater for the public sector
- **Training institutions:** create a range of relevant teaching/learning materials and guidance (Ministry of Education)
- **Global and regional professional community** (IFAC, IPSASB, MOSAIC, IDI, PAFA) – to provide assistance with the development of expertise, capacity and delivery
- **Development partners** – to provide secure, stable and long-term funding for a region-wide programme
- **Private sector audit firms** doing work for/on behalf of SAIs
- **Other: African Union** (Agenda 2063 and SDGs)

RISKS

- The main risks perceived at this stage relate to:
 - Strategy heavily dependent on cooperation of wide range of stakeholders
 - Levels of commitment from governments and member SAls
 - Funding from development partners
 - Linguistic challenges
- Risks will need to be actively managed through:
 - regular, in-depth monitoring and evaluation of progress
 - continuous and meaningful dialogue between stakeholders
 - the integration of risk management strategies within implementation programmes
 - appropriate contingency and mitigation plans
 - Development of transitional arrangements between stages.

LINK WITH EXISTING AFROSAI-E STRUCTURES



ENVISAGED STRUCTURE

Key Stakeholder: African Union (Agenda 2063)

Observers:

IDI; INTOSAI Regional Structures i.e. CAPA/PASAI; OLACEFS; CIPFA; ACCA; IFAC, **ICAEW**,
IIA, etc.

AFROSAI-E
AFROSAI

**Independent
Oversight
Board**

FIPP: INTOSAI's framework
of professional standards

PAFA
Others e.g. ESAAG,
African Organisation of
Accountants

Users of public sector
audit and accounting
services

Academic Training
Institutions

**Public Sector Professional Development
Framework (Regional adaptation)**

Accredited national PAOs

National qualifications
(inclusive public sector auditing and
accounting)



NEED FOR AN INDEPENDENT OVERSIGHT BOARD

The responsibilities of the Board;

- To contribute towards achieving Agenda 2063 and SDG 16
- Establishment, ownership and maintenance of public sector Professional Development Framework
- Issue competency frameworks and curriculum requirements for the public sector
- Engagements with local and international regulatory bodies
- Facilitate establishment of PAOs
- Provide guidance and assistance to PAOs on public sector matters
- Accreditation of PAOs public sector auditing and accounting frameworks

RESPONSIBILITIES OF BOARD

- Establish quality control systems on public sector auditing and accounting
- Promote continuous professional development
- Engage and establish relations with key stakeholders and regional bodies such as the African Union, groupings of finance permanent secretaries, heads of Civil Service Commissions etc.

COMPETENCIES FRAMEWORK

Five areas of competence required. Based on IFAC educational standards and other international practices

- Professional context
- Accounting
- Auditing
- Raising revenue
- Information and computer technology

Ethics and professional behaviour built into all pillars

Three levels - basic, intermediate and advanced

CONCLUSION

- The professionalization initiative is still in the conceptual stage. In the near future, AFROSAI-E will require a buy-in by AFROPAC.

FUNDAMENTAL DIFFERENCES BETWEEN THE PUBLIC AND PRIVATE SECTORS

Characteristic	Public Sector	Private Sector
Ownership / Basis of interest	Citizens Organisations owned and operated by government	Private individuals and corporate entities
Legal Framework	Statute law, common law	Company law, common law
Legal Basis and Power to Act	Statute law / Ultra vires	Articles of Association
Motivation / purpose for existence	Protect and improve social fabric Service delivery	Profit driven
Funding / Capitalisation	Borrowing (and grants)	Owners and borrowing
Operations	Delivery of services and public goods	Production and delivery of products
Decision making	Hierarchical and controlled decision making. Decisions subject to some	Decisions generally made at the top A more flexible approach to decision

Fundamental Differences between the Public and Private Sectors cont.

Characteristic	Public Sector	Private Sector
Financial Control	<ul style="list-style-type: none"> • Fixed budgets and budgetary control • Legislative and regulatory matters may prevent the manager from acting with a great deal of autonomy • Supply chain management regulation and scrutiny • Wasteful and fraudulent expenditure • May not be a financial going concern but need to provide public services 	<ul style="list-style-type: none"> • Profit opportunity • Variable budgets, costings and variance analysis • Financial manager generally have the leeway to get done what needs to be done in order to maintain the bottom line • If a private sector entity ceases to be a going concern legal and ethical provisions require that it ceases trading
Revenue Stream	<p>Taxation and service charges</p> <p>Level of income raised related to annual budget plan</p>	<p>Sale of products</p>
Pricing Policy	<p>Cost recovery, but often not full cost recovery</p>	<p>Profit optimisation</p> <p>Long-term maximisation</p>



Fundamental Differences between the Public and Private Sectors cont.

Characteristic	Public Sector	Private Sector
Governance	Applicable legislature	Board of Directors
	Annual financial reporting IPSAS and local standards Often still cash-basis of accounting	Annual financial reporting IFRS and local standards Accrual basis
	Annual report on budget utilisation and performance reporting	Annual report on governance standards, financial and activity reports
	Audit report to applicable legislature Audit of financial and performance information conducted by AG/SAI in accordance with AG act and ISSAIs Performance audits	Audit report to shareholders Audit of annual financial statements by commercial external auditor in accordance with relevant legislation and ISAs
Oversight / performance measurement	Service delivery achievement Parliamentary and public scrutiny The measurement of progress or success is more difficult in the public sector than the private sector	Profitability Owner scrutiny The private sector predominantly use profit as a measurement

Fundamental Differences between the Public and Private Sectors cont.

Characteristic	Public Sector	Private Sector
Personnel matters	<p>High compensation are unlikely</p> <p>Difficult to encourage outstanding performance and discourage poor performance</p> <p>Little personal gain for taking risks on policy or programs and being successful.</p> <p>Managers often know what needs to be done but are facing restrictions of laws, regulations, policies</p> <p>Goals and objectives are ill-formed, fuzzy and soft</p> <p>Senior/political leadership in turns over more frequently</p> <p>Lower productivity levels</p>	<p>Most individuals have expectation and hope to earn high compensation</p> <p>Requires the ability and skill to change, evolve, adapt and improve constantly</p> <p>Employees have more flexibility to achieve their job related goals and objectives</p> <p>In outstanding organizations goals and objectives are clear and well-understood</p> <p>Executive leadership tends to remain longer in those positions</p> <p>Higher productivity</p>

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