



Editorial

Is accountancy education paying its social debt?

Dieter Gloeck

Executive President of the Southern African Institute of Government Auditors

Editor: *Auditing SA*

Note:

For purposes of this article, the term "accounting" refers to the subject in which the International Financial Reporting Standards and standards of the International Accounting Standards Board are taught.

The term "accountancy" refers to the broader education involving all subjects such as accounting, auditing, financial management, and taxation.

In line with best practices required by the Public Finance Management Act (PFMA), the Department of Education provides in its annual report the strategic objectives of its key programmes. Under the programme "Higher Education" the following key objective is highlighted: "To support the production of quality graduates needed for the social and economic development of the country". For the year ended 31 March 2006, in excess of R10 Billion was paid to institutions of higher education through subsidies and transfers. This excludes payments for capital assets.

Most South African universities regard their faculties of Economics / Management / Accounting Sciences as amongst their largest entities in terms of student numbers and number of graduates. Within those management faculties the training of accountants is widely recognised as the backbone and massive resources are allocated to the BCom Accountancy programmes. These programmes demand ever greater resource allocations.

That all seems fair, if we accept as real the repeated complaint by certain interest groups that South Africa needs more accountants, and preferably chartered accountants. The stated existence of this presumed "shortage" is used as the final word ending all objections and terminating all disputes and questions.

But the management landscape in South Africa has changed. Within the public sector over the last decade, major financial reforms have been introduced. These public sector reforms necessitate a re-assessment of long-held "truths" and an objective re-evaluation of statements of "fact" that no longer hold merit.

The South African media has compounded the problem as it continues to operate within outdated historical frameworks. Bad

news sells, so the media gorges itself, sensationalising the "qualified" audit and other statutory reports issued in compliance with the Public Finance Management Act and related legislation. Front page headlines announce "sensational public sector fraud" and other scandals and acts of misconduct, while providing barely comprehensible analysis of situations their journalists prefer not to place in the context of the greater public service reform process currently gaining momentum.

So, in the absence of coherent public debate, let us examine the Department of Education's stated objective "to support the production of quality graduates needed for the social and economic development of the country". In the field of accountancy what exactly is "needed"? Surely, as implied by the tone and volume of media articles about public sector fraud and other misconducts, we need public sector managers who can manage, and who can also prevent, detect, and deal with fraud. We need the public sector to be accountable. We want understandable, credible financial information that tells us how Government has used the taxes and revenue it has collected.

Establishing whether occurrences of fraud are higher in the public sector than in the private sector is not the objective for this article. What is certain is that currently, the accountability arrangements in the public sector are far more advanced and robust than those in the private sector. So are the levels of transparency. I have supported these contentions in previous articles published in *Auditing SA* (the reader can access these on the SAIGA website under "Publications").

But what is definitely not debatable is that the educational system should produce balanced accountants who are competent to serve both the private and the public sectors.

It is at this point that one realises that accountancy education in South Africa at tertiary level is in a state of crisis.

It seems that the developments in the field of accounting, normally regarded as the backbone of accountancy education, have grown out of proportion and are now exerting pressures on the rest of the body. Our "patient" (accountancy education) is experiencing a severe case of idiopathic scoliosis: an abnormal and potentially deadly curvature of the spine (accounting) causing the patient's body to deform.

Although the accounting standard-setters claim that modern accounting standards are based on principles rather than detailed rules, this is the reverse of the real world. The International Accounting Standards Board's accounting standards cover over 3,000 pages - more of an indication that detailed rules rather than basic principles are what has been "codified". By contrast the Christian Church is based on the principles contained in the 10 Commandments that can be printed on one single page in large lettering.

The sheer volume of accounting standards puts tremendous pressures on all accountancy courses and on the students, since graduates are required to know chapter and verse of these standards. The subject of accounting is not only dominating the syllabus: it has turned the whole accountancy programme into a nightmare. Although universities claim to attract the most gifted and talented students to a career in accountancy, students rarely excel: most barely survive. Educational norms indicate that around 7-10% of students pass with distinction. These norms are not applicable to accounting programmes where only a few of the thousands of final year students achieve distinction. The greatest brains look very ordinary when bombarded with the volumes of the latest International Financial Reporting Standards (IFRS).

The subject of accounting is not only dominating the syllabus: it has turned the whole accountancy programme into a nightmare. Although universities claim to attract the most gifted and talented students to a career in accountancy, students rarely excel: most barely survive.

This also has other side-effects. The South African accountancy programmes no longer produce a balanced student because accounting leaves little time for the other subjects. Accounting students do not research or discuss the origins of the standards. In fact they do not examine, discuss or assess the merits of IFRS, let alone identify weaknesses, shortcomings, future trends or the social impact of the IFRS. There is no time for anything involving critical thinking or other scholarly activities. Instead IFRS notes and disclosures have to be memorised and applied to answer questions "...without thinking, without blinking...". And so the system produces technocrats devoid of problems solving skills, possessing little communication skills no ability to argue and weigh the intricacies of ethical dilemmas that are certain to confront the real life accountants and managers.

In other words, our accountancy education fails to meet the criteria of producing "balanced" students. Let us now examine the system's ability to produce accountants that are competent to serve both the private and public sectors.

The assumption that accounting and management knowledge is generic and applicable to both private and public sector quickly turns out to be another myth. The PFMA together with the Municipal Finance Management Act (MFMA) and the Treasury Regulations have introduced financial management concepts into South Africa's public sector that are both significantly in advance of and different from those in the private sector. National and provincial departments, local authorities and public entities have to operate according to a complex and advanced system of performance management. Unique accountability structures are applicable in the public sector, and these are implemented through the public sector's distinctive organisational configurations and culture. Added to this is a unique set of accounting standards also referred to as Generally Recognised Accounting Practices (GRAP) and Generally Accepted Municipal Accounting Practices (GAMAP) for South Africa's local authorities. GRAP and GAMAP differs significantly from the private sector's Generally Accepted Accounting Practices (GAAP). The annual financial statements of national and provincial departments are drawn up to specific guidelines developed by National Treasury. The new legislation has taken public sector accountability to new levels and highly specialised skills are

The PFMA, MFMA, Treasury Regulations, Public Audit Act and GRAP are topics that have not found their way into the syllabi of the accountancy departments of South Africa's universities. Consequently, the graduates that are "needed for the social and economic development of South Africa's public sector" are not being delivered - its as simple as that.

needed to implement these far-reaching reforms. Relative to the private sector, the terminology differs, approaches differ and the legislation differs.

It is therefore not difficult to realise that these reforms are posing massive challenges to educational establishments to train and develop managers and staff capable of applying these specialised public sector competencies.

The problem is compounded by the fact that none of these unique public sector Acts and regulations are contained in the syllabus of the South African Institute of Chartered Accountants (SAICA) which, through a system of accreditation of universities, heavily influences the accountancy programme contents of South African universities.

Since the SAICA is struggling to reduce the syllabus content for chartered accountants, the likelihood of persuading them, and

The greatest brains look very ordinary when bombarded with the volumes of the latest International Financial Reporting Standards (IFRS).

the universities they so strongly influence, to add comprehensive sections on the public sector topics to the syllabus is therefore unthinkable.

Turning the focus to South African universities it should be noted that

these are the recipients of more than R10 Billion in subsidies from the Department of Education. This begs the question: What are they doing to prepare graduates that are "needed" to promote the social and economic development of South Africa's public sector?

South African universities are finding the training of chartered accountants (CAs) highly profitable and virtually every South African university has a specialist CA training unit. The SAICA "accredits" only those universities that incorporate all aspects of the SAICA syllabus into their learning programmes, thereby turning these institutions of higher learning into SAICA's training agents. Regular quality controls by the SAICA to universities (visits and other forms of evaluations) are carried out to ensure compliance with the SAICA syllabus.

Since the adoption of the SAICA syllabus greatly simplifies otherwise complicated educational processes, and since it virtually eliminates expensive activities such as research, post graduate accountancy class sizes can exceed normal university norms by far (post graduate classes in excess of 100 or even 150 are highly uncommon in other disciplines, but the norm at many accredited universities' accountancy departments). Continuing to examine the money trail: no university can afford to be without the SAICA accredited qualification. It guarantees a high volume of students, attracts R10 Billion in government subsidies and it's cheap to run. The SAICA syllabus is strictly adhered to and as an added benefit, young professionals - recently qualified CAs (as opposed to seasoned academics) are able to present the university classes.

The PFMA, MFMA, Treasury Regulations, Public Audit Act and GRAP are topics that have not found their way into the syllabi of the accountancy departments of South Africa's universities. Consequently, the graduates that are "needed for the social and economic development of South Africa's public sector" are not being delivered - it's as simple as that.

Where some chartered accountants do find themselves in a public sector environment, this is usually a temporary stay, rather than a long-term career. The Auditor-General's annual report identifies its inability to retain chartered accountants as a major cause for concern. The reasons for this seem obvious: recently qualified chartered accountants have little useable knowledge of the unique legislative requirements of the PFMA, Treasury Regulations, MFMA, GRAP, GAMAP, amongst others. They do not form part of the syllabus of CAs and they subsequently feel highly uneasy and ill-prepared for this unfamiliar environment. It is therefore only a matter of time that they move back into the environment for which they have been originally trained - the private sector.

It should now be obvious why South Africa's system of accountancy education can be described as being in a "crisis". The system owes massive social debt to the country and there are no provisions for any repayment.

One can hardly blame the South African Institute of Chartered Accountants for developing and sustaining an educational system that optimises the use of existing resources for the benefit of its members. After all, the first objective in the SAICA Constitution is "...to promote the interests of the members...".

South Africa's system of accountancy education can be described as being in a "crisis". The system owes massive social debt to the country and there are no provisions for any payment.

The real guilty party is the South African universities and they should be held collectively accountable. Our universities almost exclusively concentrate on the training of private sector accountants and managers, yet whilst receiving huge subsidies from government: this situation cannot continue unchallenged. Universities must be called upon to discharge their social responsibilities by also offering programmes that address public sector accounting (GRAP and GAMAP), and PFMA related management concepts. Failure to do so within a short period should preclude them from receiving the same levels of government subsidies for private sector accountancy training.

Accountancy education and its ability to produce balanced managers and accountants that are competent to also serve the public sector, should be the topic of an official inquiry by the Minister of Education.

In fact, the situation is currently so unbalanced and precarious that the real shortage of public sector managers and accountants threatens the very fabric of our democracy. Accountancy education and its ability to produce balanced managers and accountants that are competent to also serve the public sector, should be the topic of an official inquiry by the Minister of Education.

The need for specialised public sector skills is no longer a debatable issue - and the universities have a duty to respond. In the meantime the social debt of accountancy education is rising at an alarming rate.

Auditing SA

Visit www.saiga.co.za and find out what it means to "go the full training circle"



The SAIGA website has details of the:

- Public Finance Management Academy
- The Portfolio of short courses
- Details of how our Skills Transfer and Educational Programmes (STEPS™) approach works