

University of Alberta School of Business
Department of Accounting, Operations and Information Systems
Introduction to Financial Management in the Public Sector
Accounting 488/686
Fall 2016

Instructors

Andrew Ross, CPA, CA
Email: acr1@ualberta.ca

Stephanie Porter, CPA, CA

Class location: BUS 4-13

Class times: LEC X01 – W 1800-2100

Office hours: By appointment only

Course description and objectives

This course is an introduction to financial management and accounting in a public sector environment. The intent of this course is to provide students with a broad overview of financial management and accounting issues that may be unique to the public sector. Because this course is being offered to both undergraduate accounting students and MBA students the focus will be a combination of i) an introduction to the broad framework for financial management in government and the broader public sector and ii) some of the important accounting concepts and issues in public sector accounting. The course will emphasize how the unique environment of the public sector, influences its financial management including issues such as strategic and operational decision making, planning, controls, accounting and performance evaluation. As much as possible the course will try to illustrate these topics through their practical application in a variety of public sector institutions including each level of government (federal, provincial and municipal), Crown Corporations, Universities, Hospitals and not-for-profit entities.

Specific skills and knowledge developed in this course include the abilities to:

- Define and describe the public sector in Canada, Alberta and the Edmonton region and have a high level understanding of how government works;
- Articulate the unique characteristics of financial management in the public sector
- Gain a high level understanding of key concepts in public sector accounting standards
- Understand the heightened importance of budgeting in the public sector and have a high level understanding of how budgets in the public sector are developed and monitored;
- Appreciate the accountability and performance mechanisms that can be found in the public sector including planning, audit function and performance reporting;

In addition to the subject matter itself, this class will contribute towards the learning goals of the University of Alberta BComm program: critical thinking, ethical awareness, global awareness, oral communication, teamwork, quantitative skills and written communications.

- Through class discussion and assignments students will develop critical thinking, written and oral communication skills.
- In one of the early lectures there is a component regarding ethics in the Public Sector that is intended to generate conversation and reflection by the students.
- As part of gaining an understanding of how public sector financial management works in Canada, the course will also consider from time to time how it does (or doesn't) work in other parts of the world.
- Students will be encouraged to learn from the experiences of their classmates and guest speakers through thoughtful discussion.

At the conclusion of the course, students should be familiar with the basic framework, terminology and concepts involved in public sector financial management in Canada.

Prerequisite: Accounting 311 (undergraduate), Accounting 501 (MBA).

Course materials and activities

Textbook

Graham, Andrew, Canadian Public-Sector Financial Management, 2nd Ed., (Kingston, Queen's Policy Studies, University Press, 2014)

Calculator

A non-programmable calculator will be sufficient. This course will not involve significant complex calculations.

In-class activities

Our classes will be a combination of lectures and discussions. As much as possible we will try to relate the concepts we are discussing to events that occurred in our work experience and items that have been in the news.

Time will also be allowed for questions and discussion not specifically related to the lecture topic for that day. This course deals with issues related to our government. We encourage students to ask questions on issues that may be of interest to them in order to generate discussion among the class and with the instructors.

Out-of-class activities

There will be several essay type assignments designed to allow the students to explore certain topics more in depth and demonstrate their understanding.

Class attendance

Presence at lectures, participation in classroom discussions, and the completion of assignments are important components of this course. Students will gain the most from this class by regular attendance.

Evaluation

Your performance in this class will be evaluated based on six individual assignments and a final exam.

Task	Due Date	Weighting
Assignment 1 – Job Description	September 14	5%
Assignment 2 – Transfer Agreements memo	September 21	5%
Assignment 3 – Financial Management Framework memo	September 28	10%
Assignment 4 – Transition to PSAS memo	October 19	20%
Assignment 5 – Risk and Internal Control Analysis	October 26	10%
Assignment 6 – Audit Plan	November 23	15%
Final Exam	December 7	35%

Letter grades will be assigned to the percentage marks in accordance with University Regulations [Section 23.4(4) of the University Calendar]. Grades in this course will be based on a combination of absolute achievement and relative performance.

These grades represent the only marks available to students. No additional work or extra credit is available.

Assignments

Each assignment may cover material from the previous lecture(s), textbook readings, and lecture recommended readings. Students are welcome to use any materials from the course to assist and any information that is publicly available.

Exam

The final exam will be on the last day of scheduled classes. The exam will be closed book and cover material from the whole course. Only a non-programmable calculator is allowed. Please remember to bring your student ID cards or other acceptable photo identification.

Learning objectives

This course is designed to provide you with a general understanding of the skills required to be a financial manager in a public sector entity and thus covers a wide range of topics. The depth of understanding expected for each topic will vary and is identified next to the learning objective. These ratings are defined as follows:

- 1 - Identify Issue
- 2 - Identify and Discuss Basic Ideas
- 3 – Analyze Issue in Depth

Lecture schedule and details

Date	Topic
September 7, 2016	Introduction and survey of the public sector environment
September 14, 2016	Our system of government in Canada
September 21, 2016	How government works – key financial management authorities
September 28, 2016	Introduction to Public Sector Accounting Standards
October 5, 2016	Specific topics in public sector accounting (I)
October 12, 2016	Specific topics in public sector accounting (II)
October 19, 2016	Risk and internal controls
October 26, 2016	The budgeting cycle
November 2, 2016	Government accountability – external audit, internal audit and the Public Accounts Committee
November 9, 2016	READING WEEK – No class
November 16, 2016	Direct engagements – the value for money audit
November 23, 2016	Internal audits and not-for-profit entities
November 30, 2016	Strategic planning and performance reporting
December 7, 2016	Final exam

Introduction and survey of the public sector environment

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- Why financial management in the public sector is important (1)
- The scope of the public sector in terms of what is included in the definition of the “public sector” and its role in the larger economy in terms of employment and expenditures. (2)
- The unique qualities of a public sector organization and what this means for financial management and accountability reporting (3)
- The roles and responsibilities of financial managers in the public sector (3)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 1
- 20 Questions about Government Financial Reporting - <http://www.frascanada.ca/standards-for-public-sector-entities/resources/reference-materials/item14956.pdf>

Optional

- Public Sector Financial Management for Managers – Section 1 - <http://canadem.ca/documents/Public%20Sector%20Financial%20Management%20for%20Managers.pdf>

Our system of government in Canada

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- How parliamentary government works in Canada (1)
 - a brief history of our system
 - the government decision making process
 - the work of elected officials and how laws are passed.
- The constitution and the division of powers between different levels of government (3)
- The institutions and offices of our government (2)
 - Parliament
 - The courts
 - The public service
- How the public sector is financed and how transfer payments flow between the different levels of government (2)
- A high level understanding of the budget cycle (1)
- How our system of government differs from other systems (1)
- The role of central agencies, department and crown corporations (2)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 1

Optional reading

- How Canadians Govern Themselves
http://www.parl.gc.ca/About/Parliament/SenatorEugeneForsey/book/chapter_3-e.html
- Accountability, Performance Reporting, Comprehensive Audit – An integrated approach, Chapter 2, Governance in Canada –
http://www.ccaf-fcvi.com/attachments/102_APRCA-EN.pdf
- Speech from the throne - <http://www.speech.gc.ca/eng/frequently-asked-questions-faq>
- How legislation is passed - http://www.parl.gc.ca/About/House/Compendium/web-content/c_g_legislativeprocess-e.htm
- New shoes on budget day - <http://news.nationalpost.com/news/canada/canadian-politics/np-explainer-why-do-finance-ministers-get-a-pair-of-new-shoes-for-budget-day-when-did-it-start-and-why>
- The budget cycle - http://www.parl.gc.ca/About/House/compendium/web-content/c_d_financialcycle-e.htm
- Federal transfer programs - <http://www.fin.gc.ca/access/fedprov-eng.asp>
- The role of central agencies -
<http://www.parl.gc.ca/content/LOP/ResearchPublications/prb0901-e.htm>
- The role of Crown Corporations -
<http://www.parl.gc.ca/Content/LOP/ResearchPublications/prb0580-e.htm>

How government works - key financial management authorities

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- The role of legislation in the operation of a government (1)
- The different type of authorities that may impact the work of public sector financial manager, e.g. financial administration act, access to privacy and information act (2)
- The effect of legislation and policy on the finance function within government (3)
- Key pieces of financial legislation and policy at each level of government (1)
- The importance of enabling legislation on the operations of Crown Corporations (2)
- Spending and payment delegation of authority (2)
- The importance of ethics in the Public Sector (2)

Recommended reading

- Overview of the Financial Administration Act - <http://www.tbs-sct.gc.ca/report/rev-exa/faa-lgfp/faa-lgfp03-eng.asp>
- Report of the Auditor General of Canada “The Sponsorship Program” - <http://www.oag-bvg.gc.ca/internet/docs/20031103ce.pdf>
- The Alberta Financial Administration Act (just skim) - <http://www.qp.alberta.ca/documents/Acts/F12.pdf>

Introduction to public sector accounting standards

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- The Public Sector Accounting Board, its members and function (1)
- The users of public sector financial statements and their objectives (2)
- The key areas where public sector and for-profit accounting standards diverge (2)
- The objectives of each financial statement under the public sector accounting framework (2)
- Key performance indicators in public sector financial statements (2)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 2,3
- CPA Magazine Standards Speak – Why PSAB Matters - <https://www.cpacanada.ca/en/connecting-and-news/cpa-magazine/articles/2015/january/why-psab-matters>.
- 20 Questions about Government Financial Reporting - <http://www.frascanada.ca/standards-for-public-sector-entities/resources/reference-materials/item14605.pdf>

Optional reading

- Public Sector Accounting Standards
 - PS 1201 Financial statement presentation

Specific topics in public sector accounting I

Learning objectives

At the end of this class the student will have a greater understanding of the following accounting issues specific to government and the public sector:

- The different accounting frameworks used by public sector entities (1)
- Key criteria in determining the appropriate accounting framework (1)
- Government reporting entity (2)
- Government Transfers (2)
- Tangible Capital Assets (2)
- Tax Revenue (2)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 2,3
- 20 Questions about Government Financial Reporting - <http://www.frascanada.ca/standards-for-public-sector-entities/resources/reference-materials/item14605.pdf>
- Guide to Accounting for and Reporting Tangible Capital Assets (skim) – <http://www.frascanada.ca/standards-for-public-sector-entities/resources/reference-materials/item14603.pdf>

Optional reading

- Public Sector Accounting Standards
 - PS 1300 Government reporting entity
 - PS 3150 Tangible capital assets
 - PS 3410 Government transfers
 - PS 3510 Tax revenue
- Public Sector Accounting Board, Statement of Recommended Practice
 - SORP-3 Assessment of tangible capital assets

Specific topics in public sector accounting II

Learning objectives

At the end of this class the student will have a greater understanding of the following accounting issues specific to government and the public sector:

- Environmental liabilities (2)
- Reserve/fund accounting (1)
- Revenue recognition (2)
- Retirement benefits and post-employment benefits (1)
- Loan guarantees (1)

Recommended reading

- Public Sector Accounting Standard – PS 3260 – Liability for contaminated sites
- Contaminated Sites – KPMG guidance – <https://www.kpmg.com/Ca/en/topics/IPO-Services/Documents/Contaminated-Sites-Fall-2013-web-FINAL.pdf>

Risk and internal controls

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- How to define risk in a public sector environment (2)
- The steps in a basic risk analysis (3)
- Risks specific to government and public sector entities (1)
- The importance and key components of an effective control framework (1)
- Key internal controls and understand how they address specific risks (3)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 9, 10
- Frigo, Mark and Anderson, Richard (2011) Embracing Enterprise Risk Management, COSO, January. <http://www.coso.org/guidance.htm>

Optional reading

- Rittenberg, Larry and Martens, Frank (2012) Enterprise Risk Management – Understanding and Communicating Risk Appetite, COSO, January. <http://www.coso.org/guidance.htm> .

The budgeting cycle

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- Key characteristics of the budget process (2)
- Different budgetary methods (1)
- The purpose and scope of budget approval (2)
- The implications of unbudgeted expenses (1)
- Accrual vs. cash-based budgeting (1)
- Operating vs. capital budgeting (2)
- Budgeting for key Public Sector Accounting Standards (2)
- The inherent tensions in the budget process (1)
- Trends in public sector budgeting (1)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 4,5
- Dupuis, Jean, Library of Parliament, Economics Division (2004) Full Accrual Accounting, PRB04-04E, <http://publications.gc.ca/collections/Collection-R/LoPBdP/PRB-e/PRB0404-e.pdf>

Government accountability – external audit, internal audit and the Public Accounts Committee

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- Distinguish between different types of public sector accountability – financial and performance (3)
- Understand the role of:
 - The Legislative Auditor; (3)
 - The Public Accounts Committee; (3) and
 - Internal audit (3)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 11
- Legislative Audit: Serving the Public Interest, Canadian Council of Legislative Auditors – https://www.ccola.ca/c/document_library/get_file?uuid=bc9c8013-65d1-4231-9e4b-aca16b5edace&groupId=10137

Direct engagements – the value for money audit

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- Principals behind performance audit and program reviews (2)
- Basic knowledge of standards and techniques around planning a performance audit or program review (2)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 11
- Legislative audit: Serving the Public Interest (CCOLA) – https://www.ccola.ca/c/document_library/get_file?uuid=bc9c8013-65d1-4231-9e4b-aca16b5edace&groupId=10137
- What to expect: An Auditee's Guide to the Performance Audit Process – http://www.oag-bvg.gc.ca/internet/docs/meth_gde_e_30860.pdf

Internal audits and not-for-profit entities

Learning Objectives

At the end of this class the student will have a greater understanding of the following:

- Employment opportunities in the private sector serving public sector entities (1)
- The role of internal audit in the public sector (1)
- Challenges and unique aspects of working in finance in the not-for-profit sector (1)
- Financial governance in the not-for-profit sector (1)

Strategic planning and performance reporting

Learning objectives

At the end of this class the student will have a greater understanding of the following:

- Key elements of a strategic plan (1)
- The connection between strategic planning and budgeting (1)
- Objectives of performance reporting and results analysis (2)
- Key characteristics of performance reporting and results analysis (3)

Recommended reading

- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 11
- Canadian Public-Sector Financial Management (2nd Edition) – Chapter 6 pp. 101-104
- Report of the Auditor General of Alberta, July 2014
 - New Audit: Treasury Board and Finance – Results Analysis Reporting (pp. 15-33)
- Public Sector Accounting Board, Statement of Recommended Practice
 - SORP-1 Financial Statement Discussion and Analysis
 - SORP-2 Public Performance Reporting
 - SORP-4 Indicators of Financial Condition