

Lesotho Institute of Accountants
A Project to Implement the Components of a
World Bank Institutional Development Fund Grant
to the Institute

TERMS OF REFERENCE

Current Situation

1. The Lesotho Institute of Accountants (LIA) is the body corporate established by Parliamentary Act No 9 (the Accountants Act) of 1977 (as amended in 1984) to regulate both the practice and education and training of professional accountants in Lesotho. It exercises this responsibility in respect of both the regulation of the profession within the country, and the provision of a qualifications framework for aspiring professionals.
2. LIA is a full member of the International Federation of Accountants (IFAC) and the Eastern, Central and Southern African Federation of Accountants (ECSAFA). As such it provides a disciplinary system and a substantial continuing professional development (CPD) programme in accordance with IFAC and ECSAFA requirements – a copy of the 2010 CPD calendar is attached. It also publishes and distributes to members a quarterly news letter (the Accountant) providing articles updating key areas of professional practice.
3. At present LIA operates a three-tier qualifications structure recognising qualifications at the accounting technician, general accountant and professional/Chartered accountant levels. Although up to 2000 it did so, it does not at present provide its own home-grown qualifications. Instead it creates and applies criteria which recognise the achievement of various stages of the qualifications structures of other internationally recognised professional bodies with headquarters outside Lesotho. LIA currently has the following membership numbers:-

➤	Technician Accountants	132
➤	General Accountants	54
➤	Professional(Chartered)	
	Accountants	118

4. To date, LIA has concentrated on developing recognition criteria for professional accountancy qualifications specific to the private sector with the preferred external qualification being that of the UK Chartered Association of Certified Accountants (ACCA). As a result, the overwhelming majority of active holders of LIA recognised qualifications are currently employed in the private or parastatal sectors.
5. However, under the umbrella of an overarching, donor-funded project to reform the public financial management (PFM) sector, LIA has been partnering the UK based Chartered Institute of Public Finance and Accountancy in the operation of locally delivered qualifications in PFM. Under this arrangement, LIA is responsible for administering the examinations for CIPFA's International Certificate and Diploma qualifications. However, at present LIA offers no recognition in its range of qualification criteria for candidates successful in either of these qualifications.

6. The subjects of accountancy, audit and their allied disciplines are widely taught in the further and higher education systems in Lesotho. However, taught courses leading to accountancy professional qualifications are provided exclusively by the Centre for Accounting Studies (CAS). CAS was established in 1979 and its initial set-up and running costs were underwritten by Irish Aid. It provides the full range of courses leading to the examinations of ACCA (and is recognised by ACCA as the Lesotho national provider), and also operates the courses leading to the CIPFA Certificate and Diploma examinations, both in the capital Maseru, and in two regional centres. Ongoing capacity development and quality assurance support is provided by CIPFA, with the whole package again being funded by Irish Aid.

Background to the Project

7. For the last couple of decades there has been increasing emphasis throughout the world on the role of accountants and auditors in improving the accountability of business and commercial activity in both the public and private sectors. The need to ensure that privately-owned business and the public sector report regularly and comprehensively on their stewardship of financial resources is currently a central theme of the work of the profession, as is the need to improve transparency in financial reporting to tackle issues such as corruption and tax evasion. This requirement has increasingly focussed on the need not just to develop professional accountants with all-round skills in financial analysis and reporting, but on creating specialisms within the profession to address specific issues.
8. A major stumbling block on the road to greater transparency is the prevalence of fraud and corruption across all types of organisation in both the private and public sectors. Various indices compiled by international bodies such as the United Nations aimed at assessing the extent of this problem continue to demonstrate that despite the efforts of governments and donors corrupt practices still abound in many developing countries leading to the often gross misuse of resources and the slowing down of the development effort. The accountancy profession has found itself right across the world in the front line of the fight against corruption and the misappropriation of funds, and has had to develop special techniques, and train many of its members to use them, to support this work.
9. Also of fundamental importance in this context is the provision of advice on issues related to taxation on behalf of corporate bodies and individual clients. Although the principles and, to a degree, the practice of taxation are widely taught in accountancy degrees and professional qualifications, the provision of tax advice and the assessment of tax liabilities are highly specialised functions within the profession. Furthermore, legislation affecting the liabilities of various types of taxpayer is in a constant state of flux in most parts of the world, and tax practitioners require regular and repeated updates to ensure they are abreast of the changes made. This has led in most countries to the development of a specialist cohort of accountants whose prime function is to provide such advice.
10. Underpinning these specialist requirements, effective accountancy and audit are part of the overall process of promoting efficiency and stimulating investment. The skills of accountants and auditors in delivering sound analyses of business opportunities and decision making situations, irrespective of the sector in which they work, are widely recognised and exploited. To make this possible, it is essential that professional accountancy bodies have in place relevant and up-to-date qualifications frameworks which provide not only a thorough and comprehensive education in the principles of accountancy, audit and associated disciplines, but also link that education to the acquisition and

assessment of practical skills, competences and attitudes to work which are acquired through monitored progress in the workplace.

Progress to Date

11. With a settled private sector qualifications structure already in place, LIA initially sought to exploit the outcomes of its partnership with CIPFA by focussing on finding ways to enhance the level of professionalism within the government sector in Lesotho. With this in mind, it approached the donor community in 2008 requesting assistance with developing a qualifications framework specific to the public sector. However it also recognised that support was needed in developing the two key post-qualification specialisms of anti-corruption policies and operations, and tax planning, and therefore included provision for these areas in its request.
12. This approach was met with a positive response by the World Bank which saw the request as consistent with the provisions of its Staff Capacity Development Initiative (SCDI) in PFM. SCDI is specifically focussed on raising standards in the management and scrutiny of public finances throughout Africa by enhancing the skills of the human resources involved. The Bank saw the proposals in Lesotho as being a natural follow-on from work then being planned under the SCDI in Tanzania. Furthermore, as a central pillar of governance and accountability, the Bank also saw assistance to improvements in PFM as an integral part of its Country Assistance Strategy for Lesotho. The Bank therefore encouraged LIA to apply for a grant from the Bank's Institutional Development Fund (IDF) to support the creation of such a framework and provide resources for the other initiatives it wished to take in the financial management field.
13. The grant application was submitted in May 2008 and was agreed by the Bank later that year. The grant is broken down into four components as follows:-
 - *Component 1:* adapt the current LIA qualification structure and continuing professional development programme to address issues of fraud and corruption;
 - *Component 2:* develop the LIA qualification system to qualify members from the PFM sector;
 - *Component 3:* develop a core curriculum to cover tax planning and assessment;
 - *Component 4:* appoint external auditors to the project.

These terms of reference relate only to components 1 to 3; component 4 will be the subject of a separate set of ToRs and a different selection process.

14. Since the grant became effective in June 2009, there have been a number of developments which have changed some of the parameters relating to these components and at the same time limited progress in executing the project overall.
 - The SCDI pilot programme in Tanzania has been subject to a number of delays emanating from within Tanzania itself, so the materials developed, and the lessons learned from that pilot have not come on stream on the timescale originally envisaged.
 - The model being developed in Tanzania was designed to add public sector related materials to an existing local qualifications structure – however, LIA has no local qualifications structure of its own in place so developing one for the public sector would require the identification of a range of learning outcomes common to both sectors, and would thus cover the vast majority of any private sector requirements.
 - LIA has now concluded that it needs to move away from dependency on external professional bodies (see paragraph 4. above) and needs to develop its own comprehensive qualifications

framework covering all sectors. As a result, the content of component 2 has been extended to encompass the development of a framework to cover accountants and auditors in both public and private sectors of the economy.

- Since the execution of the other two components is in part dependent on progress in component 2 (for example for curriculum development), execution of these two has also been delayed.

However, LIA believes that sufficient progress has now been made in consolidating the underpinnings for this work, and that it is now possible to commence the implementation of the three key components without further delay.

Component 1 (Fraud and Corruption) - Background

15. The Government of Lesotho has long taken the issue of combating fraud and corruption seriously and has established the Directorate on Corruption and Economic Offences (DCEO) to combat corrupt practices and to act as a deterrent against them. However, to be effective the Directorate needs to attract the services of accountants, auditors and other skilled individuals who are trained in the disciplines required for the detection of fraud and corruption. LIA, as the statutory body operating in the profession, has an obligation to promote the education and training of accountants and auditors with these skills and aptitudes, but at present the supply of such accountants is insufficient to meet the demand.
16. In order to further this objective, therefore, LIA has developed a programme for enhancing the skills of existing accountants and auditors and increasing the flow of accountants and auditors being trained at the pre-professional level. The programme consists of the following two steps:-
 - building anti-corruption and anti-fraud topics into its core curriculum (ie into the education and examination system which LIA accountants need to follow in order to qualify);
 - developing appropriate continuing professional development programmes for LIA members on anti-fraud and anti-corruption topics.
17. The first of these elements is to be addressed through component 2. That component will specify the necessary knowledge and skills requirements to be built into the examinable curricula in the applicable parts of the qualifications framework. These will be aimed at aspiring members of LIA and will approach the topic at the level of initial learning.
18. Inevitably, this process will take some time to yield results. However, LIA wishes to address the twin issues of fraud and corruption urgently and has determined that the best way to do so is to build capacity at the CPD level by enhancing the skills of existing practitioners. At the same time, the very shortage of appropriately qualified resources this component is aimed to tackle makes it impossible for LIA to deal with this issue itself, so it is seeking outside assistance to do so.
19. These terms of reference are therefore directed at providing support to LIA in developing an appropriate curriculum and delivering a number of workshops using that curriculum with existing qualified and experienced practitioners. LIA wishes to:-
 - make a significant difference over a short timescale to the number and skill levels of accountants and auditors involved in the detection and exposure of corrupt practice in Lesotho;
 - develop the capacity of the Institute and its members to deal from its own resources in the future with the education and training of practitioners in this field.

Component 1 (Fraud and Corruption) – Objectives of the Component

20. The component **outcomes** are to be as follows:-

- the accountancy profession in Lesotho better equipped to deal with issues relating to fraud and corruption in the management of development and other essential funds;
- the capacity of the Lesotho Institute of Accountants enhanced to enable it to provide CPD programmes in this field in the future;
- the role of the Directorate of Corruption and Economic Offences strengthened through access to practitioners with the appropriate range of knowledge and skills.

21. The **outputs** required from the component are:-

- a comprehensive curriculum, for delivery at CPD level, dealing with all aspects of the control, detection and elimination of fraud, corruption and related malpractices with particular reference to the government and developmental sectors and linked to the pre-qualification curriculum covering the same subject matter;
- key personnel in membership of, and/or association with, LIA identified as potential experts in the field and trained as trainers in the subject areas;
- 50 existing practitioners across both public and private sectors trained on the contents of the curriculum through the provision of appropriate workshop events;
- a final report setting out the details of the curriculum, specifying the content and output of the workshops operated and indicating any additional work needed to further improve the effectiveness of anti-fraud and corruption activity within the profession in Lesotho.

22. The **main priority of the component** will be to develop expertise in respect of the public sector. In order to expedite this work, LIA wishes to draw on the lessons learned in the World Bank Tanzania SCDI qualification framework where a number of learning outcomes pertaining to anti-fraud and corruption issues were specified. It will also be essential for this component to work closely with component 2 to ensure that there is the maximum possible degree of consistency and commonality between the two sets of curricula.

Component 2 (Qualifications Framework) – Background

23. Within the context of the economic and social structures of Lesotho, LIA faces a number of ongoing challenges in creating the environment within which both general and specialist skills accountancy and audit can be developed. In particular, the number of qualified professionals practising in the country remains much too small for the needs even of the private sector because of:-

- the leakage of qualified professionals from Lesotho to the much larger economies of South Africa and beyond where earning power is much greater;
- the increasing globalisation of business where skills acquired in one country can be easily transferred to another country thus facilitating the leakage of trained professionals;
- the very limited availability of local education and training resources needed to develop the supply of qualified professionals on the scale required;
- the cost of professional accountancy training (particularly where international bodies are involved) which is prohibitive for the vast majority of Lesotho citizens.

24. The situation in the public sector is even more critical. Until the commencement of the CIPFA International Certificate and Diploma courses in 2007, attempts to raise standards in PFM were largely restricted to *ad hoc* provision through short courses and seminars which were of limited effectiveness in bringing about change. The PFM reform project and the CIPFA programme are

beginning to have some impact on operating procedures and standards in PFM, with more than 300 students having enrolled on the courses in the first three years. However, progress has not been as rapid as originally hoped and the numbers successfully completing the full Diploma qualification remain small. This in part is a reflection of the levels of prior academic attainment of students, whilst the lack of recognition of these qualifications both by PFM employers and within the Lesotho vocational qualifications structure further limits the impact of these courses.

25. LIA now wishes to develop a local professional qualification framework for accountants and auditors covering all sectors of the economy. LIA sees such a development as an opportunity to improve the relevance of accountancy qualifications to the economy of Lesotho (and as a consequence reduce the flow of professionals abroad), to reduce dependency on foreign professional bodies, to bring down the cost of accountancy training and to bind the public sector into the same professional standards as currently apply to professionals in the private sector.

Component 2 (Qualifications Framework) – Component Objectives

26. The component **outcomes** are to be as follows:-

- an accountancy profession in Lesotho equipped with the potential capacity to operate its own internal qualifications structure;
- the Lesotho public sector empowered to raise financial management standards through the provision of a full professional accountancy qualification framework for the first time;
- a long-term strategy in place to capacitate LIA and its stakeholders to implement a local qualifications structure covering all sectors of the Lesotho economy.

27. The **outputs** required from the component are:-

- a comprehensive accountancy qualifications framework, specifically designed to meet the needs of Lesotho, which covers all sectors of the Lesotho economy including company/ parastatal accounting, financial reporting and external audit, and all aspect of public financial management;
- a qualifications structure covering the requirements of the accounting technician, general accountant and professional (chartered) accountant qualification levels;
- detailed learning outcomes and curricula covering all components of the framework developed and agreed with LIA and its principal stakeholders;
- the specification of workplace requirements to complement the content of the curriculum as part of an overall Initial Professional Development Scheme (IPDS);
- a route map in place and agreed by LIA and its stakeholders which delineates the different routes/streams through the qualifications framework for all levels of accountants in the various economic sectors in Lesotho;
- the capacity of the LIA administration enhanced to enable the Institute to take on the additional functions and responsibilities of operating its own qualification requirements;
- a detailed, costed and timebound action plan setting out the further steps required to support LIA, CAS and other stakeholders to deliver the new qualifications in an efficient and professional manner, including courseware development and capacity building for assessment procedures and teaching arrangements.

28. The **main priority of the component**, as specified in the IDF grant agreement, is to develop a qualifications framework for the public sector where no such instrument is currently in existence. In order to expedite this development, LIA wishes to draw on the lessons learned in the World

Bank Tanzania SCDI pilot project and will expect to see the new framework development process draw heavily on those lessons.

29. It will also be essential for the activities in this component to be carried out in close cooperation with the developmental activities of the current CIPFA ICD programme which is expected to remain in operation throughout the implementation of this component. A substantial degree of interworking with components 1 and 3 will also be required.

Component 3 (Tax Planning) – Background

30. The provision of advice in respect of the tax planning and the assessment of liabilities in Lesotho clearly have to be related to the tax codes and legislative requirements applying in that country. In most countries, professional accountancy qualifications cover the main principles and local statutory provisions affecting the work of tax practitioners and whilst practitioners need to remain up to date with changes in the rules, the basic tool kit is in place from the time the qualification is obtained. However, LIA currently does not offer a local accountancy qualification specifically covering the legislation and practice of taxation in Lesotho. Candidates are allowed to answer questions in the applicable ACCA papers in respect of local legislation and practice, but the curricula in these subjects are heavily influenced by international rather than local requirements.
31. LIA is concerned to ensure that the number and quality of tax practitioners in Lesotho is sufficient to meet the demands of corporate and personal clients. The larger practitioner firms and partnerships present in Lesotho do undertake tax training for their own staff but beyond this there are few generally available facilities for training in tax matters for accountancy professionals. LIA is committed to ensuring that this challenge is addressed both by embedding locally based taxation requirements fully in its future qualifications framework, and providing the necessary continuing professional development opportunities to members to update and improve their skills in this major element of accountancy practice.
32. In order to further this objective, therefore, LIA has developed a programme for enhancing the skills of existing accountants and increasing the flow of accountants being trained at the pre-professional level. The programme consists of the following two steps:-
 - building locally based taxation requirements into its pre-qualification curriculum (ie into the education and examination system which LIA accountants need to follow in order to qualify);
 - developing appropriate continuing professional development programmes for LIA members on taxation topics.
33. The first of these elements is to be addressed through component 2. That component will specify the necessary knowledge and skills requirements to be built into the examinable curricula in the applicable parts of the qualifications framework. These will be aimed at aspiring members of LIA and will approach the topic at the level of initial learning.
34. Inevitably, this process will take some time to yield results. However, LIA wishes to address taxation issues urgently and has determined that the best way to do so is to develop capacity at the CPD level by enhancing the skills of existing practitioners. At the same time, the very shortage of appropriately qualified resources this component is aimed to tackle makes it impossible for LIA to deal with this issue itself so it is seeking outside assistance to do so.

35. These terms of reference are therefore directed at providing support to LIA in developing an appropriate curriculum and delivering a number of workshops using that curriculum with existing qualified and experienced practitioners. LIA wishes to:-
- make a significant difference over a short timescale to the number and skill levels of accountants involved in the provision of tax planning and assessment advice in Lesotho;
 - develop the capacity of the Institute and its members to deal from its own resources in the future with the education and training of practitioners in this field.

Component 3 (Tax Planning) – Component Objectives

36. The component **outcomes** are to be as follows:-

- the accountancy profession in Lesotho better equipped to deal with issues relating to tax planning and assessment;
- the capacity of the Lesotho Institute of Accountants enhanced to enable it to provide CPD programmes in this field in the future;
- the work of the Lesotho Revenue Authority facilitated through cooperation with practitioners with the appropriate range of knowledge and skills.

37. The **outputs** required from the component are:-

- a comprehensive curriculum, for delivery at CPD level, dealing with all aspects of the planning and assessment of tax liabilities for individuals and corporate bodies and linked to the pre-qualification curriculum covering the same subject matter;
- key personnel in membership of, and/or association with, LIA identified as potential experts in the field and trained as trainers in the subject areas;
- 50 existing practitioners trained on the contents of the curriculum through a series of CPD workshops;
- a final report setting out the details of the curriculum, specifying the content and output of the workshops, and indicating any additional work needed to further improve the effectiveness of tax planning and assessment activity within the profession in Lesotho.

Scope of Services Required

38. In respect of the outcomes and outputs specified above, LIA wishes to fund, under the IDF grant, provision of the following services:

- consultancy services to develop and populate the comprehensive qualifications framework and the anti-fraud and corruption and tax planning curricula;
- capacity building support to assist LIA and CAS to develop the new skills needed to manage and operate the qualifications framework;
- training of trainers on the content of the curricula in anti-fraud and corruption policies and operations, and tax planning respectively and;
- working with the trained trainers, delivery of an appropriate number of workshops to LIA members and others associated with anti-fraud and corruption policy and operations, and tax planning respectively;
- the delivery of three separate reports which respectively:-
 - set out the details of the qualifications framework and the strategy for its implementation;
 - the conclusions and recommendations from the anti-fraud and corruption component and requirements for further action (if any);

- the conclusions and recommendations from the tax planning component and requirements for further action (if any).
39. LIA envisages that these requirements will best be met by an organisation or consortium which has direct experience of developing and implementing professional accountancy qualifications and CPD programmes, and which has knowledge of the profession in Lesotho. Since the top priority for the project is to put in place a qualifications framework and curricula suitable for the public sector, experience of developing and operating professional accountancy qualifications and providing CPD programmes in this sector will be regarded as essential. However, it is recognised that aspects of component 3 will require expertise in what is not normally a public sector discipline and the successful contractor will be expected to make provision for acquiring these specialist skills from an appropriate source.

Implementation Issues

40. LIA will expect the approach taken to implementing all three components to be highly consultative involving LIA's principal stakeholders, including (but not limited to):-

All components

- the LIA Secretariat, Council and members,
- representatives of the users of financial information drawn from across the various types of economic entity (including significant private sector and parastatal organisations),
- the Ministry of Finance and Development Planning,
- the Lesotho Centre for Accounting Studies,
- the National University of Lesotho,
- other academic institutions teaching accountancy subjects (including taxation) at further and higher education levels;

Component 1

- the Office of the Auditor General,
- the Directorate of Corruption and Economic Offences;

Component 2

- the Office of the Auditor General,
- the Lesotho Ministry of Education;

Component 3

- the Lesotho Revenue Authority,
- companies and partnerships in Lesotho currently involved in tax planning and assessment,
- a sample of individuals and business entities seeking tax planning and assessment support.

41. In any implementation proposal LIA will expect to see the highest priority given to component 2 (which constitutes about 75% of the available funding). The remaining components should be phased into the overall implementation schedule once the curricula have been designed for the corresponding elements of the qualifications framework.
42. Given the wide range of subject matter being covered between the three components, LIA will wish to see the implementation plan making imaginative use of resources from a variety of different sources of expertise under the overall umbrella of the type of entity specified in paragraph 39. above. LIA does not wish to specify in detail any particular structure or membership requirements for the team implementing the project, and will judge all proposals on the basis of

how effectively the proposer plans to address the challenges posed by the project, the composition of the team being only one, albeit significant, part of the plan. However, participation in the implementation plan by regional as well as international personnel will be welcomed, and LIA will expect to see the appointment of a project team leader to head up the implementation of all three components and who will coordinate the work and act as a focal point between the consultancy team and the management of LIA. For its part LIA will appoint a senior member of its staff to liaise with the project team and provide local support as required.

43. LIA will do its utmost to ensure that an appropriate contractor is chosen and appointed as expeditiously as possible. The current expectation is that work will commence in April 2011 and the planned completion date for all three components is to be no later than 31 December 2011.

Lesotho Institute of Accountants
2010 Calendar Year CPD Training

Item No	Topic	Type of CPD	Target Audience
1	Performance information and performance audit – public servants	Structured	All accountants and private and public servants
2	Corporate governance and ethics	Structured	All accountants and all business sectors, directors and managers
3	Basics in accounting (preparation and presentation of financial statements) and auditing (audit procedures and files) standards and principles	Structured	All accountants
4	Fraud examination and forensic investigation	Structured	All accountants
5	Human capital management in finance	Structured	All accountants and business sectors including HR personnel
6	IFRSs and ISAs - updates and new developments	Structured	All accountants
7	Building an effective audit practice and preparation of compliant audit files	Structured	All accountants
8	International public sector accounting standards (IPSAS)	Structured	All accountants – mostly public sector
9	Supply chain management and risk management in the public sector	Structured	All accountants in both private and public sectors and private and public sector procurement personnel