Successes & Challenges: Adoption and Implementation of the International Education Standards

Perspectives from IFAC’s Member Compliance Program

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December 1, 2022
Overview

• IFAC & the International Standards’ Adoption Ecosystem
• IFAC’s Member Compliance Program
• Adoption of IES & Role of PAOs
• Challenges in Adoption of IES
• Recommendations & Resources
IFAC

- Established 1977
- 180+ members organizations
- 130+ jurisdictions
- > 3 million professional accountants in public & private sectors
- Public interest focus
- Comparative advantages:
  Global Convener • Knowledge Gateway • Influential Voice
Global Vision & Mission

Professional accountants are essential to strengthening organizations and advancing economies

IFAC, with its member organizations, serves the public interest by enhancing the relevance, reputation, and value of the global accountancy profession.

The IFAC Purpose recognizes and acknowledges that to be successful IFAC must work with and leverage the work of its member organizations.

Speaking out and engaging as the voice for the global profession

Leading and developing a future-ready profession

Contributing to and promoting the development, adoption, and implementation of high-quality international standards
IFAC’s Roles in the International Standards’ Adoption Ecosystem

- Membership Criteria & SMOs
- Country and Member Adoption Profiles
- Member surveys and Assessments
- Action plans and diagnostics
- Outreach and engagement
- Input to standards
- Implementation review
- Protect assets and provide access
- Translation permission
- Knowledge Gateway
- Guides and application resources
- Articles, videos, etc.
- Donor engagement
- Country-specific projects
PAOs’ Role

- Relevant
- Sustainable
- Credible

Professional Accountants
- Highly Trained
- Competent
- Ethical

High Quality Information & Management
- Transparency
- Accountability
- Trust

Economic Development
- Public and Private Sectors
- Foreign Direct Investment
- Effective Development Assistance and Aid

Poverty Reduction & Shared Prosperity
IFAC’s Member Compliance Program

- Requirements are codified in the Statements of Membership Obligations (SMOs)
- A clear framework for strong, capable PAOs
- When PAOs are fulfilling the requirements of the SMOs, they are committed to serving the public interest, adoption of international standards & supporting best practices
- When progress stalls, this feeds into IFAC’s capacity building & global engagement workstream

- Participation in Member Compliance Program is mandatory
- Constant interaction between IFAC members and IFAC staff
- Action Plans regularly developed and submitted by IFAC members detail plans for adoption and implementation support to fulfill the SMOs
- IFAC staff repeatedly assess / rate IFAC members’ progress with SMOs
- Powers IFAC’s ability to report on adoption of standards, share best practices, challenges & success stories on the Gateway, facilitate knowledge-exchanges among members
What are the SMOs

SMO 1 Quality Assurance

SMO 2 International Education Standards

SMO 3 International Standards on Auditing

SMO 4 Code of Ethics

SMO 5 International Public Sector Accounting Standards

SMO 6 Investigation and Discipline

SMO 7 International Financial Reporting Standards

SMO 1: QA

SMO 2: Education

SMO 3: ISA

SMO 4: Ethics

SMO 5: IPSAS

SMO 6: I&D
Adoption of IES

Global Adoption of IES
- Not Adopted: 2%
- Partially Adopted: 77%
- Adopted: 21%

Adoption of IES in: Central / Eastern / Balkan Jurisdictions
- Adopted: 13%
- Partially Adopted: 87%
PAO Authority to Adopt IES

Global PAO Authority to Adopt IES
- No Direct: 17%
- Direct: 9%
- Shared: 74%

PAO Authority to Adopt IES in: Central / Eastern / Balkan Jurisdictions
- No Direct: 6%
- Shared: 94%
Stakeholders in IES Adoption & Implementation

- Multi stakeholder process
- Varied roles/complex environments
Challenges in adoption of the IES

- Can be a lack of coordination & collaboration amongst many stakeholders
- Jurisdictions with multiple PAOs
- Legislative process delays
- University curriculum is not updated
- Difficulty moving to competency-based/learning outcomes of newer versions of IES
- Lack of information about alignment (diagnostic not yet performed)
- Requirements for accountants are not yet IES-aligned
- Limited resources and economies of scale in smaller jurisdictions
- Maturity of markets and PAOs’ institutional capacity
## Challenges in adoption

| IES 1, Entry Requirements to Professional Accounting Education Programs | • University curricula incorporates earlier versions of IES requirements rather than latest  
| IES 2, Technical Competence | • Courses needed around governance, IT, risk management  
| IES 3, Professional Skills | • University curricula & PAO programming need to strengthen training on professional values, ethics, and attitudes  
| IES 4, Professional Values, Ethics, and Attitudes |  
| IES 5, Practical Experience | • Requirement exists but no or limited monitoring & verification  
| IES 6, Assessment of Professional Competence | • Requirement focuses on length of time rather than achieving competencies based on a competency framework for the jurisdiction  
| IES 7, Continuing Professional Development | • Limited application of competency-based approach – emphasis still on theoretical knowledge  
| IES 8, Competence Requirements for Audit Professionals | • Per IES 6, assessments should ideally have high levels of reliability, validity, equity, transparency, and sufficiency which can be achieved with clearly understood marking criteria/rubric, training for evaluators, appropriate question banks, publicly available sample questions & cases, etc.  
| CPD requirements set in law & can be difficult to change  
| Limited use of output approaches  
| Limited courses on soft skills (i.e., leadership, communication) that qualify as part of CPD  
| Need to link common QA results with CPD and link non-compliance with CPD to enforcement actions |
Recommendations

- Continuing to reach out to key stakeholders to understand:
  - University curricula & programs and the extent to which both theoretical & practical knowledge on IFRS, ISA, Code of Ethics, IPSAS are incorporated
  - Labor market trends, employer needs & expectations
  - Improvements that can be made to examination process around competencies; accessibility/equity; and transparency

- Leverage IFAC’s IES self-assessment to compare & contrast national requirements

- Create an action plan to close any identified gaps
Recommendations

- Leverage regional and global networks
- PAOs within the IFAC membership:
  - Have accreditation schemes with universities
  - New risk management master’s program in Estonia
  - Exploring moving from thesis to mock businesses cases as part of final exam
  - Setting learning outcomes on risk assessment, IT skills, apply new regulations
  - Staff workshops on examination governance, preparation and administration (i.e., setting, moderating, and marking exams)
  - ‘Concept-checking’ questions to assess competency & application
  - Survey and dialogue with employers to support changes to education programming
  - Practical experience accreditation scheme, with employer assessment & mentoring system
  - Updated CPD to include soft skills
  - Enhanced websites which include sample questions, exam procedures, and clear timeline

To support ICATT in establishing its expanded review program, IFAC organized meetings between ICATT and three PAOs that successfully operate such a system for accounting services in their jurisdictions—the Association of Accountants of the Republic of Latvia; Corpul Expertilor Contabili si Contabiliilor Autorizati din Romania; and the Lithuanian Association of Accountants and Auditors. Following the meetings, all PAOs provided ICATT with templates to reference, for example: guidelines, explanatory notes, and checklists.
Appendix: Fulfillment among IFAC Member Organizations of SMO 2
PAO Fulfillment of IFAC's SMO 2

Global PAO Fulfillment of IFAC's SMO 2

- **Consider:** 6%
- **Plan:** 10%
- **Execute:** 32%
- **Review & Improve:** 25%
- **Sustain:** 27%

PAO Fulfillment of IFAC's SMO 2 in: Central / Eastern / Balkan Jurisdictions

- **Consider:** 3%
- **Plan:** 29%
- **Review & Improve:** 52%
- **Sustain:** 6%
- **Execute:** 10%