

Realizing the Potential of a PAO to Strengthen the Accounting Profession in Belarus



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Context

- » Government reform of the national accounting and auditing system to improve accountability and transparency in key sectors
- » Importing international regulations and approaches (e.g. standards and legal frameworks) to make financial statements and information more reliable
- » How to sustain an improvement in the national accounting and auditing system?
 - » Is there a skills gap?
 - » Do the implementing institutions have the capacity necessary to provide good guidance on new requirements, training and enforce new requirements?
- » Clarifying stakeholder roles and responsibilities



Objectives of this session: A “big picture” view

- » Understand why Belarus needs an accounting profession
- » Identify the characteristics of an accounting profession better equipped to provide reliable financial information following international practices
- » Identify the impediments to advancing the accounting profession
- » Identify possible approaches to overcoming these impediments



Glossary



What is a Professional Accountant?

- » *An individual who achieves, demonstrates, and further develops professional competence to perform a role in the accounting profession and who is required to comply with a code of ethics as directed by a professional accounting organization or a licensing authority*
 - » International Accounting Education Standards Board
- » *An Individual who is a member of an IFAC member body*
 - » *International Ethics Standards Board for Accountants*



What do professional accountants do?

» Working in public practice, education, government service, industry and commerce:

- Preparing, analyzing, and reporting relevant and faithfully represented financial and non-financial information;
- Partnering in decision making, and in formulating and implementing organizational strategies;
- Auditing financial and non-financial information, and providing other assurance and advisory services; and
- Preparing and analyzing relevant tax information.



What is a Professional Accounting Organization (PAO)?

» *“Professional Accounting Organizations (PAOs) are membership bodies comprised of individual professional accountants, auditors, and/or accounting technicians who perform a variety of roles in the accountancy field and adhere to high-quality standards of practice”*

(September 2014 Professional Accountancy Development Committee Fact Sheet)



What are the key functions of a PAO?

- » Acts in the public interest
- » Develops and produces competent accounting professionals
- » Promotes and enforces strong professional and ethical standards
- » Acts as a resource to Government and regulators



Globally PAOs are not all the same

- » Globally, accounting professions are structured in different ways with roles and responsibilities distributed amongst the professional bodies, Government and other stakeholders in different ways
- » The contribution of PAOs is defined by the 'space' within which it can operate which is guided or prescribed by the legal framework
- » PAOs that are members of IFAC have an obligation to use *best endeavors* to contribute to key areas even where they have no responsibility



**Why does Belarus need an
accountancy profession?**



A strong accounting profession improves the business environment

- » A financial reporting and auditing system that inspires confidence in reliable financial information is dependent upon a strong accounting profession
 - » Legal Framework
 - » Implementation
 - » Monitoring and Enforcement
- » The skills necessary to control and improve performance and grow. Providing useful information and insight and ethical input for decision making



**What does a strong national
accountancy profession look
like?**



A strong national accounting profession has good fundamentals

- » An effective accounting **education** system that produces professional accountants that have met and continue to maintain the competencies demanded by users of accounting services
- » Professional accountants behave **ethically**, they demonstrate leadership in the business community in this regard and use ethical frameworks to find solutions to ethical problems
- » **Enforcement** systems provide the necessary incentive for professional accountants to fulfill their professional obligations.

A strong national accounting profession is well integrated domestically





A strong national accounting profession is well integrated internationally

- » Relationships/Memberships of note that may help:
 - » International Federation of Accountants
 - » Regional Accountancy Bodies (i.e. Accountancy Europe, European Federation of Accountants and Auditors for SMEs)
 - » Other PAOs in the region
 - » International Standard Setters for Financial Reporting and Audit
 - » Forums for Independent Audit Regulation

A strong national accounting profession has PAOs that are members of IFAC

» PAOs can join an international community through membership of the International Federation of Accountants (IFAC)

» Membership criteria outlined in the Bylaws of IFAC

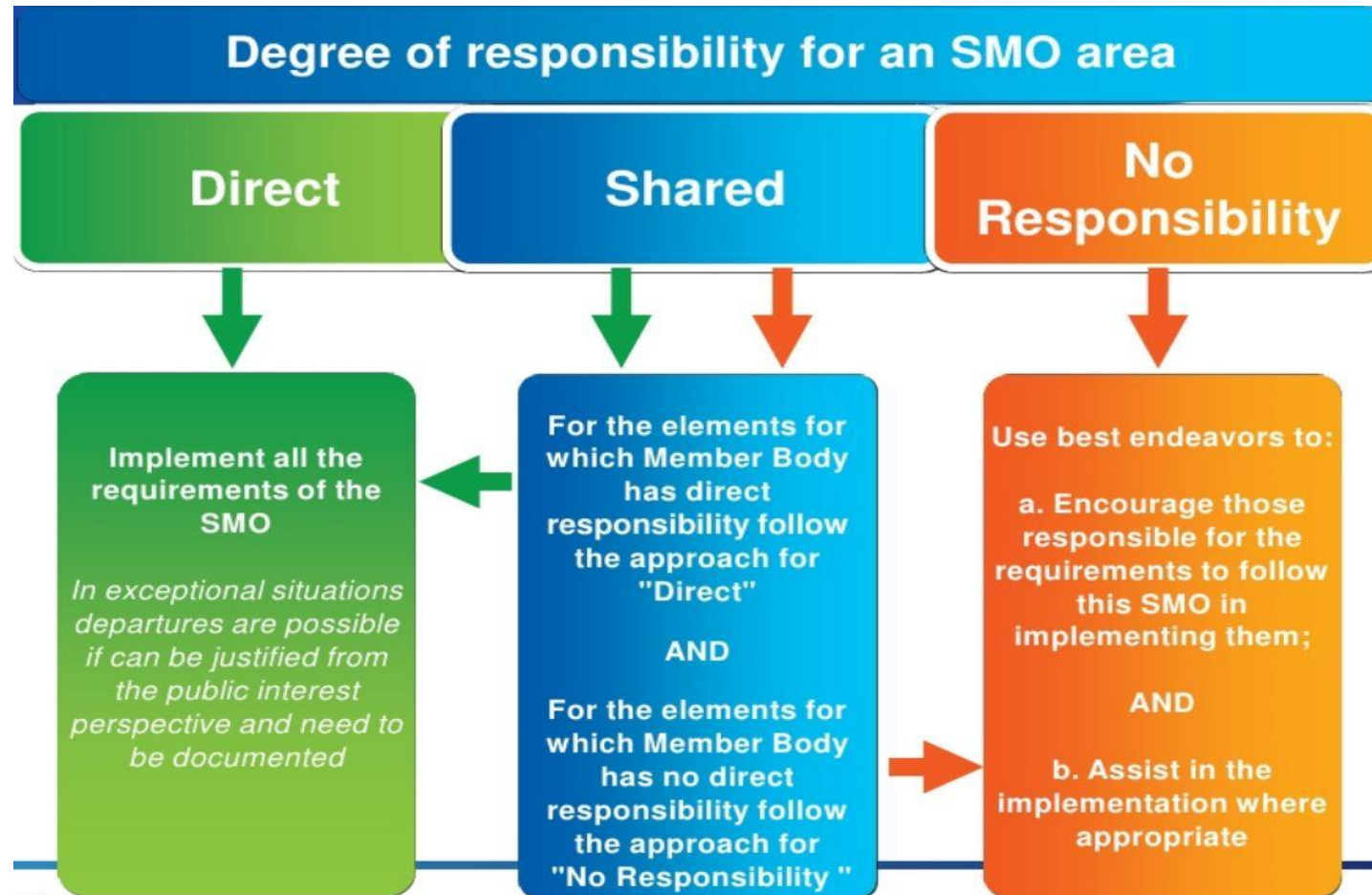
- 1.1 Member status shall be open to Professional Accountancy Organizations (“PAO”s) that meet the following criteria:
 - a. the PAO is acknowledged, either by legal decree or by general consensus, as being a national PAO in good standing in the jurisdiction in which it operates. In case of acknowledgement of the foregoing by general consensus, evidence shall exist that such PAO has the support of the public and other key stakeholders;
 - b. the PAO supports the mission of IFAC;
 - c. the PAO fulfills the requirements specified in the Statements of Membership Obligations (“SMO”s) approved by the Board, and demonstrates evidence of compliance as required by the Member Compliance Program;
 - d. the PAO demonstrates capacity to actively participate in the Member Compliance Program;
 - e. the PAO is financially and operationally viable, and has an appropriate governance structure;
 - f. the PAO has an internal operating structure that provides for the support and regulation of its members;
 - g. the PAO has the financial capacity to make the Member contributions determined in accordance with the basis of assessment approved by the Council, and makes such contributions; and
 - h. the PAO abides by the relevant provisions of the Constitution and Bylaws.

IFAC's SMOs provide a framework for developing the accounting profession

- SMO 1: Quality Assurance
- SMO 2: International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB
- SMO 3: International Standards and Other Pronouncements Issued by the IAASB
- SMO 4: IESBA *Code of Ethics for Professional Accountants*
- SMO 5: International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
- SMO 6: Investigation and Discipline
- SMO 7: International Financial reporting Standards and Other Pronouncements issued by the IASB



Obligations of PAOs are responsive to responsibilities in the national legal framework





A well constructed and comprehensive SMO action plan is a catalyst for strengthening the accounting profession

- » Stress test PAO governance (i.e. working through actions and seeking consensus on important areas)
- » Take a look at other SMO action plans on IFAC's website



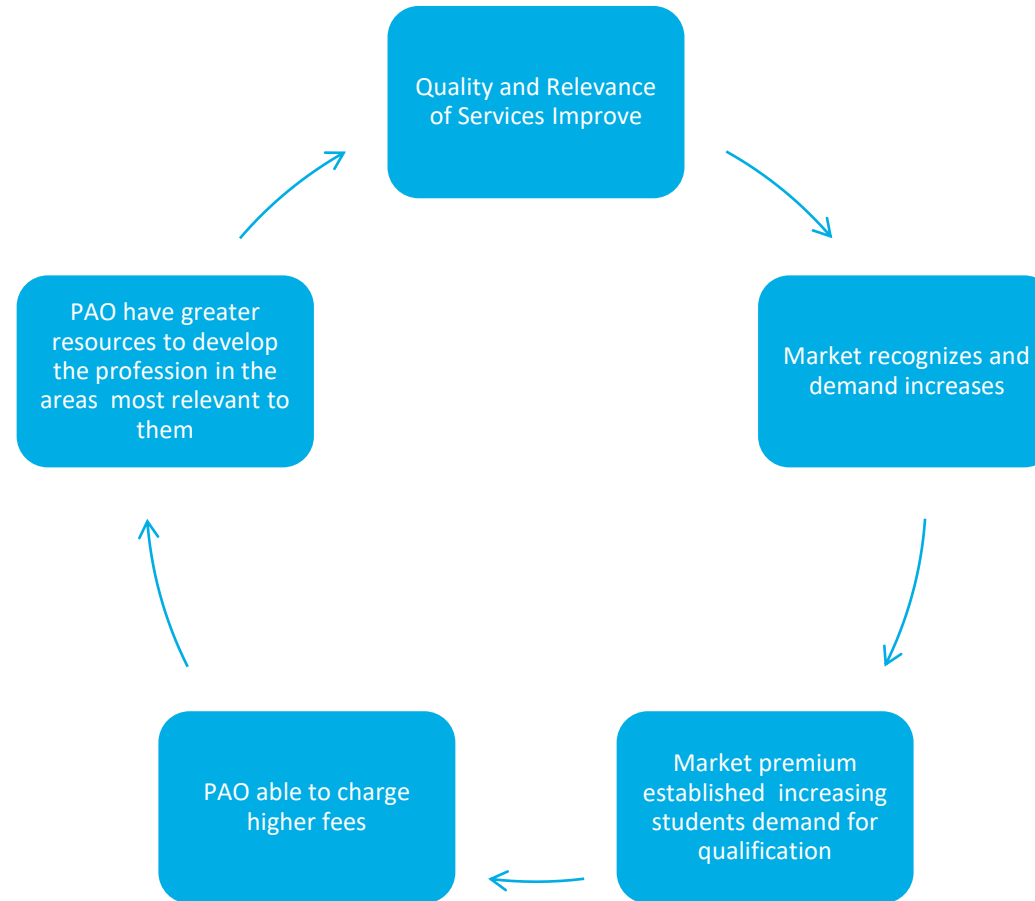
Not established by law and/or qualification is not a legal requirement to practice accounting...this a problem?

- » In the past, it was not uncommon for PAOs to be established by law but this is no longer the trend
- » In modern legal frameworks, PAOs may not receive any mention. However, they can qualify as an authority to undertake specific functions and exercise delegated authority.
Example: Audit Oversight EU Legal Framework
- » Of course legal recognition of the qualification can make things easier for developing PAOs, but in the long run market recognition of a relevant qualification is key

Example: Delegation of oversight tasks to European PAOs

OVERSIGHT OF	non PIEs	PIEs
Approval and registration of statutory auditors and audit firms	may be delegated	may be delegated
Adoption of relevant standards	may be delegated	may be delegated
Continuing education	may be delegated	may be delegated
Quality assurance system	may be delegated	may NOT be delegated
Investigative and administrative disciplinary system	may be delegated	Member States are provided with an option to delegate the tasks related to sanctions and measures, but only to a body independent from the profession ⁸ .

A strong accounting profession has a PAO that is sustainable in a market economy





The key challenges faced by new PAOs



Developing a qualification that meets the requirements of the market over the longer term

- » Markets to be able to source the skills to produce transparent financial information as well as control, analyze performance and support growth strategies
- » Competency framework: International standards for local delivery
- » Assessment techniques
- » Resource requirements



Government may not understand the benefits of a good relationship with the PAO

- » Being viewed as a credible body necessary for the development of a better profession
- » Legal recognition of the qualification, self-regulatory role (QA & I&D), standards and translations etc.
- » The “voice of the profession”: Single source of trusted advice on issues related to the design and implementation of the legal and institutional framework and on the profession in general



Universities may lack incentives to work with PAOs

- » The supply chain of the profession
- » Coordination of the roles and accountabilities in developing and implementing competency frameworks



Larger international network firms may not understand the role of the PAO

- » Being viewed as relevant
- » Significant employer of professional accountants (and therefore potential members). Important they support the qualification as relevant to career management choice of their new staff
- » Open dialogue on issues for advocacy



The market does not understand the profession, the services it provides, and the value it brings

- » Developing a new positive brand for the profession
 - » Changing or establishing what employers and clients associate with the qualification/designation
 - » Building demand for services and establishing a premium for services compared to unqualified accountants
- » Commoditization: “Race to the bottom” for service fees
- » Understanding the market and the needs it has in an ever-changing economy and globe
- » Financial resources required for market research



No sense of community in the profession

- » Bringing leaders together to volunteer their time, reputation and experience to move the accounting profession forward
- » Developing meaningful dialogue between stakeholders to clarify and build on roles and responsibilities and get input and feedback to capture a sense of ownership and belonging
- » Numerous associations and bodies coming together to work out what the best way forward is




PAO has weak governance and strategic planning capacity

- » PAOs need to be more than “registration bodies” in order to deliver value to members for the cost of their membership
- » Good governance and developing a strategic plan
- » Limited financial resources and operational capacity to improve the range and quality of services to members



PAO does not have capacity to positively influence the quality of financial information (and of services generally)

- » Quality Assurance systems cost money to operate and require well qualified people
- » Investigation & Discipline systems are also resource intensive and can be confronting
- » Guidance materials and CPD training courses cost money to develop and are not always demanded by members.
- » Internationally available standards and guidance need to be translated for the national market



The profession has limited access to technology (e.g. audit and accounting software etc.)

- » Technology can enable improved efficiency
- » Audit software can enable greater support for compliance with standards



Approaches to overcoming challenges



Focus on the future of the profession

- » How many professional accountants does the economy need in 10 years, 20 years?
- » Are current students developing the skills needed by the economy to compete in a global market place 5 years from now? 10 years?



Look for opportunities to gain scale and diversify PAO resources

- » Take a broad view of the accounting profession (capturing the different functions provided across all sectors of the economy)
- » Consolidate a fragmented profession to gain scale
- » Actively manage the membership “pipeline” (identify it, measure it and report on it)
- » Revenue streams
 - » Advertising and sponsorship packages
 - » CPD (members and non-members)



Collaborate with Universities and others to build a stronger accounting education system

- » Enter MOUs with key Universities (how will you work together to create professional accountants with the required competencies)
- » Transforming from a knowledge approach to a competency based approach to accounting education



Look for cooperation with Government

- » Given an approach of “importing” international standards, PAOs that meet international practices are relevant to government to support the success of accounting and audit reform
- » Capitalize on this relevance by engaging with relevant ministries and regulatory agencies
 - » What role can PAOs play in the legal framework?
 - » Establishing an ongoing “voice of the profession”
 - » Seek an MOU

Example: Legal protection of PAO designations (NZ Example)

14 Improper use of terms implying membership of Institute

- (1) Every person commits an offence who,—
 - (a) not being a member of the Institute, uses in connection with his or her business, employment, or profession any written words, initials, or abbreviations of words intended to cause or which may reasonably cause any other person to believe that the person is a member of the Institute; or
 - (b) not being entitled to do so under the rules, describes himself or herself in writing as a chartered accountant or a chartered accountant in public practice or an associate chartered accountant or an associate chartered accountant in public practice or an accounting technician; or
 - (c) not being a member of the Institute, describes himself or herself in writing as a registered accountant, unless it is proved that the manner and circumstances in which the description was given were such as to raise no reasonable inference that it was referring to membership of the Institute; or
 - (d) not being entitled to do so under the rules, uses in connection with his or her name, or with the name under which he or she carries on business, the initials CA, ACA, FCA, FACA, CA (PP), ACA (PP), or AT or an abbreviation of the words chartered accountant, associate chartered accountant, registered accountant, or accounting technician, or any combination of any such initials or abbreviations, unless it is proved that the manner and circumstances in which the initials or abbreviations were used were such as to raise no reasonable inference that they were referring to membership of the Institute.
- (2) Every person who commits an offence against subsection (1) is liable on conviction to a fine not exceeding \$5,000.

Section 14(2): amended, on 1 July 2013, by [section 413](#) of the Criminal Procedure Act 2011 (2011 No 81).



Engage with the larger accounting firms

- » Regular dialogue with main accounting firms about key issues facing accountability and transparency and MOU/Working Group (Unite the voice of the profession)
- » View these firms as a supply-chain for volunteers and staff



Think about your digital presence

» Website is the gateway to the PAO, focus on making it a good one



Work on the demand drivers

- » Plan engagement on demand drivers (Employers and Students)
 - » Meetings with key employer and student groups
 - » Events
 - » Look for speaking opportunities to get message out
 - » Have a message that's relevant to them. Understand their needs. Do students want to gain experience around the region, the world?



Collaborate with mature PAOs

- » Consider a CEO-CEO mentoring relationship
- » Look for guidance and insights
 - » Market research on needs of members
 - » Relationship with Government and other key stakeholders
 - » How to diversify revenues
 - » Understand trends and horizon issues