

**GAE 2012**

**Dynamics of Global Accountancy Education**

**Principal Investigator**

Prof Dr G.H. Karreman

**Editors**

Prof Dr J.G. Kuijl, RA  
Prof I.F.Y. Marrian, MA, CA  
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**Research Director**

Prof Dr J.P.J. Verkruijsse, RE, RA

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Department of Accountancy  
DePaul University, Driehaus College of Business  
Leiden University, Leiden Law School, Department of Business Studies  
CARANA Corporation

To all committed experts and staff  
who were willing to share their expertise  
and the support of their organisations.  
Their contributions made the project  
possible, their friendship made it  
worthwhile!

Gert Karreman and Hans Verkruijsse

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## **EXECUTIVE SUMMARY**

*The Executive Summary starts with an introduction of the global accountancy education research that was conducted by the Global Accountability Development Institute (GADI). It describes the central research objective, international cooperation, selection of countries and regions, access to the publication, and contact details. More specific information is given in three boxes:*

*Box I – Content Matrix*

*Box II – Abstracts and Authors*

*Box III – Acknowledgments*

The transparency and quality of audits performed by professional accountants and auditors are of crucial importance for the functioning of the global financial infrastructure. Over the last decade, more and more auditors were confronted with the globalization of their clients and became so-called group auditors responsible for the overall quality of the audit engagement even if other auditors in other jurisdictions may be involved. It goes without saying that auditors around the globe do not work in the same environment, do not have to comply to the same rules and regulations and do not have the same level of education before they can apply for an audit license. The GADI started a research project called Global Accountability Transparency Index (GATI). This Index measures eight aspects of a country's transparency and accountability infrastructure named Pillars and is built on existing international accepted standards and best practices in the areas of accounting and auditing leaving out the country specific standards. This part of the research study contains information of the GATI Pillar 3: Global Accountancy Education, hereafter GAE 2012.

The qualification, education, training and experience of professional accountants and auditors are of crucial importance for the functioning of the global financial infrastructure. A wide range of stakeholders, including regulators and standard setters, professional accountancy organisations and accountancy firms as well as issuers of financial reports and users of accounting services depend on their professional expertise. The GAE 2012 study analyses competences and capabilities of accountants and auditors in selected countries around the world. A competency framework for accountancy education has been developed that includes qualification requirements, general and professional education, practical training and experience, as well as continuing professional development for accountants and auditors. International Education Standards (IES) of the International Accounting Education Standards Board (IAESB) are used as benchmarks. GAE 2012 results will support the recognition of qualifications as a means for international mobility. Specific attention is given to the requirements of International Standards on Auditing (ISA) 600 on audits of group financial statements and the work of component auditors.

*Central Research Objective: Evaluation of the status of accountancy education with its components of qualification, education and training in selected countries and regions compared with the requirements of the IES.*



## **International Cooperation**

GAE 2012 is organised through the GADI using its expertise and networking facilities. Capabilities for successful completion of GAE 2012 are available as is witnessed by responsibility and participation of GADI experts in previous research in this field. GADI founding partners are Leiden University and Tilburg University (both in the Netherlands), DePaul University (Chicago, United States of America, USA), CARANA Corporation (Washington D.C., USA) and Royal NIVRA (Netherlands). The Dutch Professional Organization for Accountants (NBA) entered into existence on the 1<sup>st</sup> January 2013. On that date, the Act on the accounting profession came into force. The NBA is the result of the merger of Royal Dutch Institute of Chartered Accountants (NIVRA) and the Dutch Association of Accountants (NOvAA). International experts from leading professional and academic institutions around the world participate as partners in the GAE 2012 study. The research objective and approach have been discussed with representatives from the International Federation of Accountants (IFAC), the IAESB, the International Association for Accounting Education and Research (IAAER), the National Association of State Boards of Accounting (NASBA), and other international institutions.

## **Selection of Countries and Regions**

The present selection of countries and regions is given below. For three regions, Asia & Pacific, Latin America and Sub Saharan Africa, regional projects have been prepared.

- *Asia & Pacific:* Australia, Hong Kong, India, Japan, Malaysia, New Zealand, Pakistan, Singapore and Sri Lanka.
- *Middle East, North Africa, Central Europe and Eurasia:* Kazakhstan, Kosovo, Moldova, Saudi Arabia, Serbia and Turkey.
- *European Union:* Czech Republic, France, Hungary, Ireland, Italy, Netherlands, Romania, Sweden and United Kingdom.
- *Latin America:* Argentina, Brazil, Chili, Colombia, Cuba, El Salvador, Mexico, Peru and Venezuela.
- *North America:* Canada and USA.
- *Sub Saharan Africa:* Cameroon, Ghana, Kenya, Lesotho, Senegal, South Africa, Tanzania, Zimbabwe.

Working through the GADI country information will be regularly updated and new countries will be added.

## **Content Matrix and Dissemination**

A modular structure has been developed for ease of access to the publication. In the modular approach a distinction will be made between abstracts, text of the chapters, boxes with tables, graphs and illustrations, appendices and specific country information. The idea is that readers should have the opportunity to select those parts of the study that have their particular interest. In Box 1: Content Matrix a summary is given of the content of the publication. Box 2: Abstracts and Authors is intended to give the reader an overview of the separate chapters. Box 3: Acknowledgments gives credit to all participants that made the study possible.

The publication will be in English with translations of the text in Spanish, Portuguese and expected in Russian and French. This approach has been chosen to facilitate general understanding of the research results with more detailed information in the English language for international flexibility and comparability. For distribution and access to country information internet facilities will be used.

## About us

The Global Accountability Development Institute founding partners are Leiden University and Tilburg University (both in the Netherlands), DePaul University (Chicago, USA), CARANA Corporation (Washington D.C., USA) and Royal NIVRA (Netherlands and the predecessor of the NBA). International experts from leading professional and academic institutions around the world participate as partners in the research studies. The GADI is situated at the Tilburg University, School of Economics and Management, Department Accountancy. An international advisory board with several well-known experts and academics will oversee this global project and its outcomes.

The core research group, in alphabetical order, consists of:

- ❖ P.F.M. (Paul) Hurks, NBA & Vrije Universiteit Amsterdam, Netherlands
- ❖ Prof Dr G.H. (Gert) Karreman, DePaul University, USA & Leiden University, Netherlands
- ❖ Prof Dr J.G. (Hans) Kuijl, Leiden University, The Netherlands
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## Box 1: Content Matrix

Chapters	Boxes, Tables and Figures
<b>Executive Summary:</b> Content of global accountancy education research; international cooperation; publication and dissemination; contacts	Box 1: Content Matrix Box 2: Abstracts and Authors Box 3: Acknowledgments
<b>Chapter 1 – Scope and Relevance of GAE 2012:</b> Relevance of accountancy education research for the global financial infrastructure	Table 1.1: Stakeholders Figure 1.1: Accountancy Development Index
<b>Chapter 2 – Global Coordination of Accountancy Education:</b> The global environment of accountancy education and the need for coordination; the position of stakeholders	Box 4: Core Model of Accountancy Education Figure 2.1: Research support IAAER
<b>Chapter 3 – Framework and Development of International Education Standards:</b> Process from guidance to standards, conceptual framework, content, due process, and future directions	
<b>Chapter 4 – Characteristics of Accountancy Education:</b> Research method, competency framework, qualification requirements based on IES, pillar structure for accountancy education	Box 5: Competency Framework Box 6: International Education Standards Box 7: Questionnaire Tree Table 4.1: Country Selection
<b>Chapter 5 – Compliance with International Education Standards:</b> Global convergence, measurement, accountants and auditors, respondents and reviewers	Box 8: Pillar Outline Table 5.1: Country Scores by Region Table 5.2: Country Scores by Pillars Figure 5.1: Aggregate Scores by Region Figure 5.2: Cluster Chart Figure 5.3: Pillar Scores by Region Figure 5.4: Personal Development by Region Figure 5.5: Professional Accountancy Education by Region Figure 5.6: Professional Development by Region Figure 5.7: Auditors Competency by Region Figure 5.8: 40 Country Accomplishments and Gaps
<b>Chapter 6 – Countries and Regions:</b> Selection of countries and regions; characteristics of accountancy education; analysis of country and regional characteristics.	Box 9: Country Characteristics Box 10: Characteristics Asia & Pacific Box 11: Characteristics Latin America Box 12: Characteristics Sub Saharan Africa Accomplishments and Gaps Figure 6.1: Asia & Pacific Figure 6.2: Latin America Figure 6.3: Sub Saharan Africa
<b>Chapter 7 – International Cooperation:</b> Accountants and auditors, global challenges, capacity building; recognition framework, mutual recognition agreements, international qualifications	Box 13: Recognition Framework
<b>Chapter 8 – Development of Accountancy Education:</b> Consideration of trends; comparison GAE 2012 with GAE 2007 and Accountancy Development Index development questions; relevance of the IES	Figure 8.1: 40 Country Accomplishments and Gaps

## **Box 2: Abstracts and Authors**

The GAE 2012 publication considers developments in global accountancy education in eight chapters. The content is summarized in the abstracts of the individual chapters that can be found underneath. Titles and authors of the chapters are mentioned.

### **Chapter 1     *Scope and Relevance of the Global Accountability Development Institute Research***

*Prof Dr J.P.J. (Hans) Verkruijsse, Tilburg University, Netherlands*

*A.M. (Anthon) Verweij, Leiden University, Netherlands*

The transparency and quality of audits performed by professional accountants and auditors are of crucial importance for the functioning of the global financial infrastructure. Global financial markets are asking for global financial statements with an opinion of an independent auditor. Over the last decade, more and more auditors were confronted with the globalization of their clients and became so-called group auditor. Still the group auditor remains responsible for the overall quality of the audit engagement the group auditor is assigned to even if other auditors may be involved. It goes without saying that auditors around the globe do not work in the same environment, do not have to comply with the same rules and regulations and do not have the same level of education before they can apply for an audit license. The Global Accountability Development Institute (GADI) research is called Global Accountability Transparency Index (GATI). This Index is an innovative look and proxy for the condition of the accountability development in a country and measures eight aspects of a country's transparency and accountability infrastructure named Pillars. The methodology in use is based on a sound statistical framework. For reason of comparability, the methodology is build on existing international accepted standards and best practices in the areas of accounting and auditing leaving out the country specific standards. This part of the research study contains information of the GATI Pillar 3: Global Accountancy Education, hereafter GAE 2012. The GAE 2012 study makes available information about the qualification, education and training of accountants and auditors in selected regions and countries.

### **Chapter 2     *Global Coordination of Accountancy Education***

*Prof Dr B.E. (Bel) Needles Jr., DePaul University, United States of America*

This chapter addresses the complex global environment of accountancy education and focuses on the need for coordination, especially among accounting academics. It begins by placing accountancy education in global historical context. It then summarizes the current environment of accountancy education including the factors that influence the qualifications of professional accountants. Next, it enumerates and discusses the forces for change in accountancy education. Attention is paid to benchmarking accountancy education and to the factors underlying professional judgment and qualifications. Finally, in addressing the global infrastructure for accountancy education, attention is paid to the efforts of organizations, including the work of the IAAER and the IAESB. Further, this chapter highlights the work of the UNCTAD in coordinating accountancy education globally, and the recent UNCTAD capacity building initiative for high quality corporate reporting. It also anticipates and points out some future directions of global accountancy education.

### **Chapter 3     *Framework and Development of International Education Standards***

*Prof C. (Mark) Allison, Institute of Chartered Accountants of Scotland & Robert Gordon University, United Kingdom*

In this chapter the framework for and development of IES is discussed. Attention is given to both the content of the IES, moving from guidelines to standards and to the process of their establishment by the IAESB. As in all sectors of the global financial infrastructure, benchmarks for accountancy education in countries with very different characteristics have become increasingly important. The IES establish the necessary elements of pre-qualification and post-qualification education and training. Conceptual subjects are covered in a Framework for IES with the objectives of the IES, the

mission and strategy of the IAESB, the consultative process and, not in the least, the nature, scope and authority of the IES. The roles of learning, education, on-the-job training and off-the-job training are considered. The concepts of capability and competence are discussed. The Framework and the strategic plan of the IAESB both point to the objective of the IES being ultimately being accepted by governments, regulators, academics, accountancy practices and the public. Over the last decade the IES have become increasingly accepted as benchmarks for good practice.

#### **Chapter 4      *Characteristics of Accountancy Education***

*Prof Dr G.H. (Gert) Karreman, DePaul University, United States of America & Leiden University, Netherlands*

This chapter starts with an overview of research questions that are addressed in the GAE 2012 Global Accountancy Education research study. The overall objective of the study is to evaluate the status of accountancy education in selected countries and regions compared with the requirements of the IES. A competency framework for accountants and auditors has been developed. The competency framework distinguishes three major areas: general country characteristics, standards for accountancy education, and competency pillars for accountants and auditors. The use of the competency framework makes it possible to present country results in a comparable format that can be used for analysis and evaluation. IES have been used as benchmarks for accountancy education on a country level. Higher level requirements of the IES are discussed, as well as the principles of the benchmarking methodology. Classification criteria for the selection of countries are considered.

#### **Chapter 5      *Compliance with International Education Standards***

*R. W. (Bill) Phelps, CARANA Corporation, United States of America*

Chapter 5 focuses on the importance of adoption and implementation of IES and the use of benchmarking in identifying country accomplishments and gaps from these standards. To enhance comparability a distinction is made between the four competency pillars of accountancy education that are developed in chapter 4: personal development, professional accountancy education, professional development, and competence requirements for auditors. Together the pillars cover all IES in a comprehensive approach that strengthens the statistical analysis of the results. Using a self-assessment survey together with third party expert validation, results from 43 countries were compiled with interesting results. Highlights include graphical representations of the adoption and implementation of the separate IES in all countries, in countries distinguished by level of development, and of countries distinguished by region. In addition to the overall analysis in chapter 5, graphical results for each country are presented in the separate country overviews that are attached to the study.

#### **Chapter 6      *Countries and Regions***

*Prof Dr G.H. (Gert) Karreman, DePaul University, United States of America & Leiden University, Netherlands*

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This Chapter addresses the selection of countries and regions for the GAE 2012 study followed by an analysis of accountancy education in each country. In total 43 countries have been considered. The countries come from different regions and have different economic and legal backgrounds. In the discussion of country characteristics specific attention is given to the characteristics of accountancy education in the following areas: certification requirements, education providers, responsibility for requirements, and, licensing of auditors. Country overviews contain information about the adoption and implementation of IES. Specific attention is given to three regions that in general get limited attention in research: Asia & Pacific, Latin America (LA), and Sub Saharan Africa. The discussion of the regions includes country information, regional characteristics, adoption and implementation of

IES, and recognition of qualifications. Finally, the status of accountancy education in the three regions is compared with global trends.

### **Chapter 7      *International Cooperation***

*P.F.M. (Paul) Hurks, Dutch Professional Organization for Accountants & Vrije Universiteit Amsterdam, Netherlands*

*Prof Dr G.H. (Gert) Karreman, DePaul University, United States of America & Leiden University, Netherlands*

*L.L. (Linda) Biek, Hong Kong Institute of Certified Public Accountants, Hong Kong; formerly National Association of State Boards of Accounting, United States of America (Recognition)*

The main subjects for this chapter are international recognition of the qualifications of accountants and auditors, recognition of audit rights and international cooperation to promote capacity building and recognition. The GAE 2012 Competency Framework is used for an analysis of existing recognition agreements. Specific attention is given to the roles of governments, government agencies, regulators, professional accountancy organisations, and if applicable universities in the recognition of qualifications. A distinction is made in approaches to recognition: mutual recognition compared with international recognition and international presence, recognition of qualifications compared with practice rights for cross-border mobility. Increasingly audit quality is a major factor in cross border and international cooperation. The next subject is comparability of audit qualifications in view of the requirements of ISA 600. Finally recent initiatives to promote capacity building for accountancy education are considered, in particular for professional accountants in business and specialization.

### **Chapter 8      *Development of Accountancy Education***

*Prof Dr G.H. (Gert) Karreman, DePaul University, United States of America & Leiden University, Netherlands*

This Chapter summarizes the results of the GAE 2012 Global Accountancy Education research study. Existing partnerships for the global coordination of accountancy education are placed in the context of the global financial infrastructure. The question is raised whether all relevant stakeholders are adequately represented in the process. Closer to the core subject of accountancy education the actual adoption and implementation of the present set of the IES is considered as basis for future development. Consideration is given to results that have been realized in the recent past, and to perceived need for further change. An issue with increasing importance for the accountancy profession, and for individual accountants and auditors who work in an international environment, is comparability and recognition of qualifications. It is argued that new approaches beyond Mutual Recognition Agreements (MRA) are needed to support international cooperation. Finally attention is asked for the scope of the present IES. Do they actually cover all necessary elements in an increasingly global infrastructure with new and challenging approaches to networking, communication and the use of information technology? Some areas for future research are identified.

## **Box 3: Acknowledgements**

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### **Supportive International Organizations**

- ❖ FEE, European Federation of Accountants
- ❖ IAAER, International Association for Accounting Education and Research
- ❖ IAESB, International Accounting Education Standards Board
- ❖ IASCF, International Accounting Standards Committee Foundation
- ❖ IFAC, International Federation of Accountants
- ❖ NASBA, National Association of State Boards of Accounting
- ❖ USAID, United States Agency for International Development
- ❖ WB, World Bank



## **Chapter 1 Scope and Relevance of the Global Accountability Development Institute Research**

### **Abstract**

*The transparency and quality of audits performed by professional accountants and auditors are of crucial importance for the functioning of the global financial infrastructure. Global financial markets are asking for global financial statements with an opinion of an independent auditor. Over the last decade, more and more auditors were confronted with the globalization of their clients and became so-called group auditor. Still the group auditor remains responsible for the overall quality of the audit engagement the group auditor is assigned to even if other auditors may be involved. It goes without saying that auditors around the globe do not work in the same environment, do not have to comply with the same rules and regulations and do not have the same level of education before they can apply for an audit license. The Global Accountability Development Institute (GADI) research is called Global Accountability Transparency Index (GATI). This Index is an innovative look and proxy for the condition of the accountability development in a country and measures eight aspects of a country's transparency and accountability infrastructure named Pillars. The methodology in use is based on a sound statistical framework. For reason of comparability, the methodology is built on existing international accepted standards and best practices in the areas of accounting and auditing leaving out the country specific standards. This part of the research study contains information of the GATI Pillar 3: Global Accountancy Education, hereafter GAE 2012. The GAE 2012 study makes available information about the qualification, education and training of accountants and auditors in selected regions and countries.*

### **1.1 Research at Large**

The transparency and quality of audits performed by professional accountants and auditors are of crucial importance for the functioning of the global financial infrastructure. A wide range of stakeholders, including regulators and standard setters, professional accountancy organisations and accountancy firms as well as issuers of financial reports and users of accounting services depend on their professional expertise. Living in a time frame in which boundaries disappear and globalization is the key word business is driven by global markets. Global financial markets are asking for global financial statements with an opinion of an independent auditor. Over the last decade, more and more auditors were confronted with the globalization of their clients and became so-called group auditor. Still the group auditor remains responsible for the overall quality of the audit engagement the group auditor is assigned to even if other auditors may be involved. The group auditor is responsible for the direction, supervision and performance of the group audit in compliance with professional standards and the applicable legal and regulatory requirements, and whether the auditor's report issued is appropriate in the circumstances<sup>1</sup>. But also the group auditor should obtain an understanding of the entity and its environment, including the entity's internal control. This is a continuous, dynamic process of gathering, updating and analyzing information throughout the audit. The understanding establishes the frame of reference within which the auditor plans the audit and exercises professional judgment throughout the audit<sup>2</sup>. The group auditor shall obtain an understanding among others of the relevant industry, regulatory and other external factors including the applicable financial reporting framework.

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<sup>1</sup> IFAC, International Standards on Auditing 600: Special considerations audits of group financial statements (including the work of component auditors) paragraph 11

<sup>2</sup> IFAC, International Standards on Auditing 315: Identifying and assessing the risks of material misstatement through understanding the entity and its environment paragraph A1

It goes without saying that auditors around the globe do not work in the same environment, do not have to comply with the same rules and regulations and do not have the same level of education before they can apply for an audit license. That's even in the case of audit firms with global connections, strict or loose organized in networks. So as a consequence of globalization a very important question arises namely:

*To what extent can an auditor rely on the work performed or an opinion issued by another auditor in another jurisdiction.*

This question of globalization was discussed in the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) during the clarity project.

As pointed out before the group auditor has to rely on the work of other auditors, the so-called component auditors, sometimes situated in other jurisdictions than their own, in forming his auditor's opinion. In foreign jurisdictions there might be a situation of unusual governmental intervention in areas such as trade and fiscal policy, or restrictions on currency. How sure can the group auditor be that the component auditor is knowledgeable of that situation. To rely on the work of the component auditor the group-auditor has to have enough knowledge about the quality of the work of the component auditor. To get those knowledge he should have among others an understanding of the environment the component auditor is working in, the relevant rules and regulations that apply in that jurisdiction and the education required to get a license in that jurisdiction.

During the clarity project some cases related to the questions mentioned above were taken to court. The question to what extent can a group auditor rely on the work performed by a component auditor became one of the leading principles in redrafting the International Standard on Auditing (ISA) 600: *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*. The introduction section of ISA 600 states in paragraph 4 that:

*'...the group auditor is required to be satisfied that those performing the group audit engagement, including component auditors, collectively have the appropriate competence and capabilities'.*

This is followed by the requirement in paragraph 19:

*'If the group engagement team plans to request a component auditor to perform work on the financial information of a component, the group engagement team shall obtain an understanding of the following:*

- 1. Whether the component auditor understands and will comply with the ethical requirements that are relevant to the group audit and, in particular, is independent.*
- 2. The component auditor's professional competence.*
- 3. Whether the group engagement team will be able to be involved in the work of the component auditor to the extent necessary to obtain sufficient appropriate audit evidence.*
- 4. Whether the component auditor operates in a regulatory environment that actively oversees auditors.'*

In practice it will be a very difficult task for the group auditor to comply with the requirements in ISA 600 paragraph 19 for the following reasons:

- The relevant independent data as a basis for the opinion about the component auditor's competencies and capabilities is not centralized available. On this moment the required data might be available on a variety of places in different formats and different levels of reliability. So the group auditor has to do his own research in different jurisdictions which will be very time consuming.
- The group auditor does not always have the opportunity to test the data received on the level of reliability.
- Budget constrains will have a negative impact on the actions the group auditor will perform in collecting and reviewing the data needed to fulfill his obligations with regard to the ISA 600 requirements.

We have learned over the last couple of years that the accountancy profession stands in the middle of the spotlights when it comes on performing a quality audit. Time after time the group auditor is running the risk to issue his auditor's opinion whiteout the appropriate high quality audit evidence as a basis. The GADI started a global research project to bring together in one independent place the information the group auditor needs to start his investigation to be in compliance with ISA 600 as mentioned before. The outcome of this global project will give the group auditor a head start which however is, nor will be in the future, the answer to all the ISA 600 requirements. After having gathered the information the group auditor needs, he still has to confront the component auditor with it and he still has to decide if he can and will rely on the work of that component auditor. This global research project can be seen as a small step in the direction of restoring the trust in the accountancy profession and the auditor's opinion.

## **1.2 Supporting the objective 'Restoring the Trust' with an Index**

Over the years the GADI researched, discussed and presented views about the content of the data the auditors in practice needed. Those discussions took place on global level with global players among others IFAC, the International Accounting Education Standards Board (IAESB), the IAASB, the International Association for Accounting Education and Research (IAAER), the World Bank (WB) and the other international institutions. After having build-up a global network of among others universities, oversight bodies, government agencies and accountancy institutes. The GADI started after a global pilot this broader global project to help the auditors in practice in gathering data needed as a basis to comply with ISA 600 requirements. The global pilot was made possible through funding by the United States Agency for International Development (USAID) and the commitment of CARANA Corporation, Royal NIVRA and Leiden University. A Steering Council of international experts discussed, reviewed, analyzed and came to consensus about the methodology that was developed.

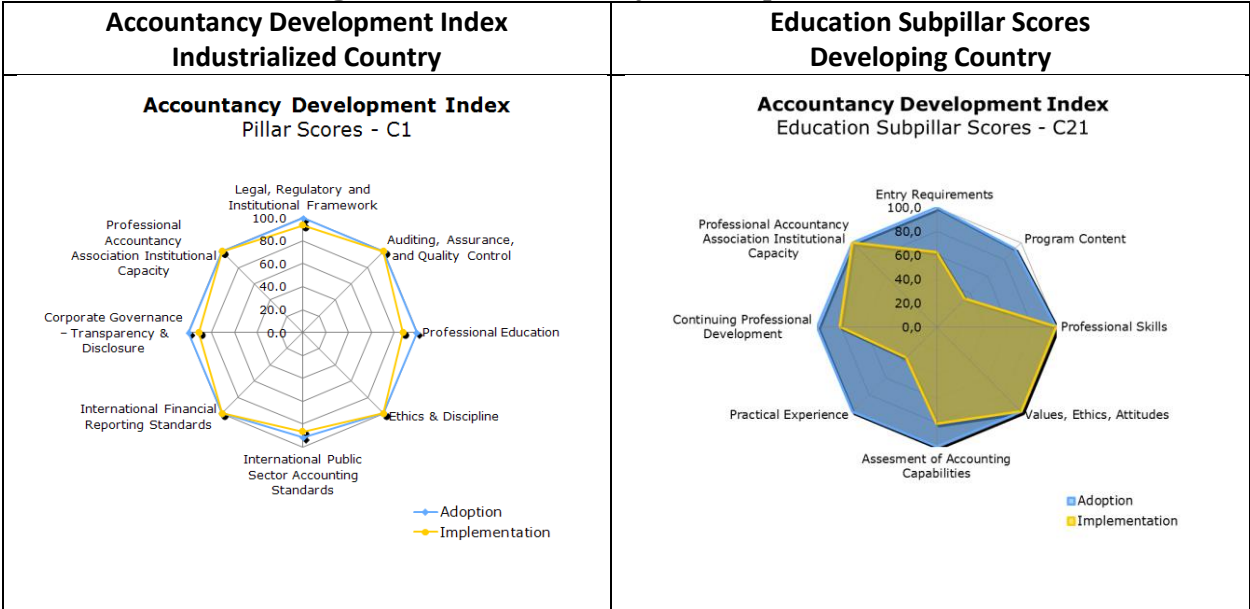
The GADI project is called Global Accountability Transparency Index (GATI). This Index is an innovative look and proxy for the condition of the accountability development in a country. The GATI will be data rich, allows the user to drill down on compliance gaps and will help to inform future actions.

After long debates and several years, it was concluded that the GATI should start with measuring eight aspects of a country’s transparency and accountability infrastructure, called Pillars, divided into milestones and indicators After all the Pillar-data are processed per country an overall spider diagram per Pillar will be available as well as an overall score in the index. Those eight not independent but interrelated Pillars are:

1. Pillar 1, Legal, Regulatory and Institutional Framework
2. Pillar 2, Audit, Assurance and Quality Control
3. Pillar 3, Global Accountancy Education
4. Pillar 4, International Public Sector Accounting Standards
5. Pillar 5, International Financial Reporting Standards
6. Pillar 6, Ethics & Discipline
7. Pillar 7, Corporate Governance – Transparency & Disclosure
8. Pillar 8, Professional Accountancy Association Institutional Capacity

Figure 1.1 below comes from the Accountancy Development Index (ADI) global pilot study performed for USAID (Phelps, 2011). The figure illustrates how adoption and implementation of international standards can be visualized for all pillars of the global financial infrastructure and how separate pillar scores can be used to clarify results at the subpillar or milestone level.

**Figure 1.1: Accountancy Development Index**



Results comparable with the examples in Figure 1.1 are often seen for industrialized countries and for developing countries. Industrialized countries normally have high levels of adoption and implementation of international standards, but adoption is often not complete and implementation gaps may still exist. In comparison developing countries have often already reached relatively high levels of adoption with gaps for actual implementation.

According to the ADI pilot study (Phelps, 2011) performance measurement data and analyses may provide donor agencies, government officials, regulators, academics and professional accountancy associations a wide range of incentives and enhance the operations of a variety of different stakeholders. The various potential uses and incentives are displayed in Table 1.1.

**Table 1.1: Stakeholders**

Stakeholder	Primary Use	Primary Incentive
Standard Setters	Determine status of adoption and implementation	Improve standards, communication and out reach
Professional Accounting & Auditing Associations	Demonstrates progress in compliance	Greater international recognition of members
Government Agencies	Identify areas for improved public policy	More favorable capital markets recognition
Regulators	Identify non compliance	Improve enforcement and reduce negative capital markets ratings
Donors	Identify strategic priorities for assistance	Targeted assistance yielding sustained results
Educators	Greater understanding of current financial realities	Improving curriculum and relations with business community
Investors	Better understanding of country risk profiles	Reducing risk or adequately pricing risk for investments

The methodology in use is based on a sound statistical framework and will apply widely recognized index building approaches to a traditional qualitative field. For reason of comparability, the methodology is built on existing international accepted standards and best practices in the areas of accounting and auditing leaving out the country specific standards. As examples of those international accepted standards reference is made to the IFAC Statements of Membership Obligation (SMO), the International Accounting Standards Board (IASB), the IAESB, the IAASB, standards and best practices from the Organisation for Economic Co-operation and Development (OECD) Corporate Governance principles, USAID Non-Governmental Organization (NGO) Sustainability Index, the WB, UNCTAD and common legal, regulatory and institutional practices. The adoption and implementation distinction is important as the global financial crisis highlighted the urgency to move more quickly on implementing reforms.

Using those international accepted standards and best practices, the GATI provides a numerical benchmark of a country's position at a point in time and its progress toward greater implementation of these standards and practices in near future. The standards are incorporated into the mentioned eight Pillars and divided into multiple milestones and hundreds of indicators to provide a survey instrument resulting in indices on adoption and implementation. It is very important that the user of the Index realizes that for a profound understanding of the situation in a country not the index score itself nor the top level spider diagram is the most important element. It is the understanding of the composition of the milestones in relation to the information need of the user that is the most important element of the index. For that reason it is possible to drill down in the index to find those information elements the professional is looking for.

After a Pillar is accepted as reliable by the core research group, the data will be available through the website of the Global Accountability Development Institute. To get access to the data, the first time the user should apply for an ID and password by filling in an application form.

A modular structure has been developed for ease of access to the publication. In the modular approach a distinction will be made between abstracts, text of the chapters, boxes with tables, graphs and illustrations, appendices and specific country information. The idea behind it is that readers should have the opportunity to select those parts of the data that have their particular interest.

### **1.3 Publications and Presentations until December 2012**

For reasons to harmonize and/or to recognize the different accountancy educations on a global level, the predecessors of the GADI started in 1999 to bring together information about the global Professional Education of accountants, resulting in 2002 in the first publication. As from 2002 several research papers have been published:

- 2002 “Impact of Globalization on Accountancy Education”; a global classification study
- 2005 “Global Accounting Education Benchmarking”; a regional benchmarking study of accountancy education in South East Europe
- 2007 “Trends in Global Accounting Education”; a global analysis of trends in development of accountancy education
- 2009 “Accountancy Development Index”; a global benchmarking pilot study of the accountancy environment that includes accountancy education
- 2011 “Measuring country-level accountancy performance and achievement”; an accountancy development index, a pilot study funded by USAID

Over the years the research papers were presented many times and got back input from fellow researchers, practitioners, standard setters and legislators.

### **1.4 Global Accountability Transparency Index Pillar 3: Global Accountancy Education**

This part of the research study contains information of the GATI Pillar 3: Global Accountancy Education, hereafter GAE 2012. The GAE 2012 study makes available information about the qualification, education and training of accountants and auditors in selected regions and countries around the world with different economic and legal characteristics. It builds on the above mentioned previous published research papers that addressed global accountancy education by comparison in selected countries worldwide. A core element of the study is the development of a conceptual framework for the qualification of accountants and auditors that will be used for an analysis of their qualification, education and training. The GAE 2012 analysis is placed in the context of the IAESB International Education Standards (IES) as a global benchmark for comparison.

GAE 2012 makes available an updated analysis of the qualification, education and training of accountants and auditors in selected regions and countries around the world with different economic and legal characteristics. GAE 2012 results will support the recognition of qualifications as a means for international mobility, assist international cooperation through increased knowledge about local achievements and circumstances, and will make a positive contribution to requirements for group auditors. The selection of GAE 2012 research questions is driven by the market demand for capacity, mobility and international recognition.

As mentioned in paragraph 2, performance measurement data and analyses may provide donor agencies, government officials, regulators, academics and professional accountancy associations a wide range of incentives and enhance the operations of a variety of different stakeholders. This is certainly true for the domain of accountancy education in which a wide range of stakeholders should find ways for coordinated development and if necessary improvement. The present status of accountancy education in countries with different backgrounds is discussed in this GAE 2012 study. The results will be made available to providers of accountancy education and training, to governments, standard setters and regulators, to the accountancy profession and to interested academics.

A subject driven approach has been chosen for the publication, as is witnessed by the titles of the next chapters:

- Chapter 2 Global Coordination of Accountancy Education
- Chapter 3 Framework and Development of International Education Standards
- Chapter 4 Characteristics of Accountancy Education
- Chapter 5 Compliance with International Education Standards
- Chapter 6 Countries and Regions
- Chapter 7 International Cooperation
- Chapter 8 Development of Accountancy Education

Country overviews with selected, standardized information are available for consultation.

## Chapter 2 Global Coordination of Accountancy Education

### Abstract

*This chapter addresses the complex global environment of accountancy education and focuses on the need for coordination, especially among accounting academics. It begins by placing accountancy education in global historical context. It then summarizes the current environment of accountancy education including the factors that influence the qualifications of professional accountants. Next, it enumerates and discusses the forces for change in Accountancy Education in Developing Economies. Attention is paid to benchmarking accountancy education and to the factors underlying professional judgment and qualifications. Finally, in addressing the global infrastructure for accountancy education, attention is paid to the efforts of organizations, including the work of the International Association for Accounting Education and Research (IAAER) and the International Accounting Education Standards Board (IAESB). Further, this chapter highlights the work of the United Nations Conference on Trade and Development (UNCTAD) in coordinating accountancy education globally, and the recent UNCTAD capacity building initiative for high quality corporate reporting. It also anticipates and points out some future directions of global accountancy education.*

### 2.1 Historical Context of Global Accountancy Education

This chapter is concerned primarily with accountancy education. It addresses the complex global environment of accountancy education and focuses on the need for professional academic coordination.

Sound professional judgment is fundamental to the application of international accounting and auditing standards. The factors affecting the judgment of professional accountants in the application of these standards are the education, experience, and culture. Education is obtained through the educational programs that the future professional accountants complete. Experience is gained through application of knowledge in a professional setting. One's cultural background derives mainly from one's native upbringing and professional influences. It is important to place accountancy education in the context of the global financial infrastructure. The elements of a global infrastructure as specified by the United States of America (USA) Securities and Exchange Commission (SEC)<sup>3</sup> are:

- effective, independent and high-quality accounting and auditing standard setters;
- high-quality auditing standards;
- audit firms with effective quality controls worldwide, profession-wide quality assurance;
- active regulatory oversight based on International Accounting Standards (IAS).

The International Accounting Standards Board (IASB) is the independent standard-setting body of the International Financial Reporting Standards (IFRS) Foundation. Its members are responsible for the development and publication of IFRSs, including the IFRS for Small and medium-sized enterprises (SME) and for approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee (formerly called the International Financial Reporting Interpretations Committee, IFRIC). The IASB is responsible for the International Standards on Auditing (ISA). One of the major roles of the International Federation of Accountants (IFAC) is the adoption and implementation of applicable international standards as specified in the IFAC Statements of Membership Obligations (SMO). IFAC is a global organization for the accountancy profession, which consists of a network of 157 member bodies in 123 countries and represents 2.5 million professional accountants. The stated mission of IFAC<sup>4</sup> is as follows:

- to serve the public interest by: contributing to the development, adoption and implementation of high-quality international standards and guidance;

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<sup>3</sup> SEC, Securities and Exchange Commission, [www.sec.gov](http://www.sec.gov)

<sup>4</sup> IFAC, International Federation of Accountants, About IFAC, Organizational Overview, [www.ifac.org](http://www.ifac.org)



- contribute to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants;
- promote the value of professional accountants worldwide;
- speak out on public interest issues where the accountancy profession's expertise is most relevant.

Competences and capabilities of accountants and auditors play a key role in the functioning of the international financial infrastructure. The IAESB<sup>5</sup> which is the successor of the IFAC Education Committee also plays a significant role in the globalization of accounting education standards. The IAESB has set objectives of:

- establishing a series of internationally-relevant standards and other pronouncements reflecting good practice in the learning, development and assessment of professional accountants;
- developing education benchmarks for measuring the implementation of International Education Standards (IES);
- advancing international debate on emerging issues relating to the learning, development and assessment of professional accountants.<sup>6</sup>

Increasingly countries consider the IES of the IAESB as standards for accountancy education. This promotes comparability of qualifications of accountants and auditors as is witnessed by the increasing number of Mutual Recognition Agreements (MRA) between countries. An MRA is an international agreement by which two or more countries agree to recognize one another's professional qualifications. MRAs have become increasingly common since the formation of the World Trade Organization (WTO)<sup>7</sup> in 1995. These have been forged within and among various trade blocs, including Asia-Pacific Economic Cooperation (APEC)<sup>8</sup> and the European Union (EU)<sup>9</sup>. MRAs are most commonly applied to goods, such as various quality control MRAs. However, the term is increasingly applied to agreements on the recognition of professional qualifications as well. For recognition of professional qualifications between countries the principle of non-discrimination is particularly relevant. This is included in the requirements of the General Agreement on Trade in Services (GATS)<sup>10</sup> which is the first and only set of multilateral rules governing international trade in services. Negotiated in the Uruguay Round, it was developed in response to the huge growth of the services economy over the past 30 years and the greater potential for trading services brought about by the communications revolution.

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<sup>5</sup> IAESB, International Accounting Education Standards Board, International Federation of Accountants, Education, [www.ifac.org](http://www.ifac.org)

<sup>6</sup> IFAC, International Federation of Accountants, Education, Proposed IAESB 2010-2013 Strategy and Work Plan, [www.ifac.org](http://www.ifac.org)

<sup>7</sup> WTO, World Trade Organization, [www.wto.org](http://www.wto.org)

<sup>8</sup> APEC, Asia-Pacific Economic Cooperation, [www.apec.org](http://www.apec.org)

<sup>9</sup> EU, European Union, [europa.eu/index\\_en.htm](http://europa.eu/index_en.htm)

<sup>10</sup> GATS, General Agreement on Trade in Services, [www.wto.org](http://www.wto.org)

## 2.2 Current Environment of Accountancy Education

Educational programs do not operate in a vacuum. In fact, accountancy education programs and educators operate in a very complex environment that is at once deeply rooted in local concerns and also affected by outside influences and international movements. Professional accountancy education programs are particularly sensitive to the educational requirements graduates of accounting programs must meet to become qualified accountants. The factors influencing these qualifications are regulation through the requirements for memberships set by law and/or by professional bodies, by the criteria set by academic organizations such as accreditation bodies to judge the quality of accounting programs, and by hiring standards set by professional alliances such as international accounting firms and associations of accounting firms.

In the environment of influences and requirements, the global coordination of accountancy education takes place at the national, regional, and international levels. National level means it is owned, controlled or financially supported by the state. Regional level means it is related to a large and particular geographic region or district. International level involves more nations and organizations of which are established by, controlling, or legislating for several nations which are beyond the regional level.

In spite of the complex environment described and perhaps because of it, accountancy education can be quite resistant to change. However, there are powerful global forces for changes in accountancy education (ICAA, 1998). Institute of Chartered Accountants in Australia (ICA Australia) has identified these as:

- unrelenting Competitive Pressure;
- impact of Information and Communication Technologies;
- globalization of Business;
- focus on Value Accounting;
- demand for New Knowledge and Skills;
- demand for improvements in corporate governance and ethics.

Karreman (2002) goes on to postulate a set of assumptions that can underlie the development and improvement of accountancy education globally:

- a profession's only real capital is its human capital;
- nationally-based education systems must reflect the global dimension;
- the modern professional needs both broad knowledge and specialized skills;
- professionals must continually acquire new knowledge and skills;
- future accountants need training in ethics and objectivity.

If one accepts these assumptions, then the case for a global movement to improve and bring more conformity in accounting generally to international accountancy education standards cannot be denied.

The complex environment of accountancy education is illustrated in Box 4: Core Model of Accountancy Education. In this relational model three levels are distinguished that are considered to be relevant for accountancy education. On the upper row the accountancy profession is influenced by the demands of the global financial infrastructure and by standard setters and regulators. Accountancy education on the middle row is placed between country characteristics and international developments. Country characteristics of accountancy education are summarized in the lower row influenced by stakeholders and international cooperation.

## **2.3 Accountancy Education in Developing Economies**

One of the challenges facing global accountancy education is the quality education of accountants in developing economies. A roundtable of accounting academics from Africa and around the world held in South Africa (Needles, 2005) identified weaknesses in students, education and post-graduate practice. The students coming from emerging economies are often not adequately prepared and do not always reflect the diversity of the population. Also, they face serious economic and health issues. The following weaknesses of prequalification education were identified as follows:

- the quality of academic education for pre-qualification needs improvement;
- there is too much emphasis on bookkeeping in the accounting curriculum, instructors lack knowledge of international standards and practices;
- there is a lack of adequate resources for higher education;
- professional ethics is not taught as a separate subject.

Post-graduate education displays the following weaknesses in developing countries:

- professional examinations do not always represent good international practice;
- practice training requirements;
- continuing education requirements do not always exist in emerging economies.

Although these observations related mainly to Sub-Saharan Africa, they can be applied to most developing economies of the world.

## **2.4 Benchmarking Accountancy Education**

A subsequent academic roundtable held in Istanbul in 2006 (Karreman, 2006) explored the benchmarking techniques, a promising technique for improving and coordinating accountancy education globally. Phelps, who directed the project, summarized goals of benchmarking as follows:

- to support professional development by making available a benchmarking methodology;
- to identify strengths and weaknesses in the professional qualification of accountants and auditors;
- to measure progress over time towards sustainable institutional capacity.

The benchmarking methodology may be summarized as follows:

- country experts with up-to-date knowledge of the present situation conduct the self assessment;
- external and independent assessors validate the results of the self assessment to achieve internal relevance and external credibility; and,
- multiple indicators mark the priorities for development.

In setting up an Education Pillar, international standards and benchmarks could provide useful sources of information. At a global level this includes the IAESB requirements in the area of education and professional training. It also includes the model curriculum (UNCTAD, 1998) of the Intergovernmental Working Group of Experts on International Standards of Accounting and

### Box 4: Core Model of Accountancy Education

<b>Global Financial Infrastructure</b>	<b>Accountancy Profession</b>	<b>Standard Setters and Regulators</b>
Professional expertise of accountants and auditors is a necessary condition for the functioning of the global financial infrastructure	IAESB IES for Qualifications of Professional Accountants and Auditors and IFAC Compliance Program for Professional Accountancy Organizations	International, regional and country standard setters are responsible for IFRS, ISAs and comparable standards that regulate the functioning of the global financial infrastructure
<p style="text-align: center;"><b>Country Characteristics</b></p> <p>Differences between countries</p> <ul style="list-style-type: none"> <li>• Cultural background</li> <li>• Legal system</li> <li>• Economic position</li> <li>• Higher education</li> </ul> <p>Country characteristics define the regulatory environment and the structure of accountancy education in a country</p>	<p style="text-align: center;"><b>Accountancy Education</b></p> <p>Core elements of accountancy education</p> <ul style="list-style-type: none"> <li>• Professional qualification objective and standards</li> <li>• Final examination of professional competence</li> <li>• Professional education</li> <li>• Practical experience</li> <li>• General education</li> </ul>	<p style="text-align: center;"><b>International Developments</b></p> <p>Codification based on international developments</p> <ul style="list-style-type: none"> <li>• Standards</li> <li>• Guidelines</li> <li>• Directives</li> </ul> <p>IES of the IAESB can be used as benchmarks for international comparability and recognition of qualifications</p>
<p style="text-align: center;"><b>Accounting in the public interest</b></p> <p>Stakeholder approach to accountancy education</p> <ul style="list-style-type: none"> <li>• Standard setters</li> <li>• Professional accounting and auditing bodies</li> <li>• Government agencies</li> <li>• Regulators</li> <li>• Donors</li> <li>• Educators</li> <li>• Investors</li> </ul> <p>Cooperation between stakeholders is a necessary condition for accountancy education that is relevant on the country level and compliant with international standards</p>	<p style="text-align: center;"><b>Characteristics of accountancy education</b></p> <p>Certification requirements: professional accountancy education, practical experience, final assessment, CPD</p> <p>Providers: professional accountancy organizations, universities and education institutes, government</p> <p>Responsibility: government, government with the profession, professional accountancy organization, universities</p> <p>Licensing: academic study, practical experience, licensing examination, CPD and/or re-examination</p>	<p style="text-align: center;"><b>International cooperation</b></p> <p>Global and regional initiatives</p> <ul style="list-style-type: none"> <li>• IAAER academic and professional partnership</li> <li>• UNCTAD capacity building initiative</li> <li>• Regional academic associations</li> <li>• Global accountancy firms and professional associations</li> <li>• Twinning</li> </ul> <p>International networks play an important role in achieving comparability and progress</p>

Reporting (ISAR)<sup>11</sup> of UNCTAD which is based on IAESB standards and provides more detailed guidance on the content of accounting curriculum based on best practices. Other useful references include the Common Content Initiative<sup>12</sup> devised by a group of professional bodies in the EU and the EU 8th Directive on Statutory Auditors (EU, 1984). Some standards that are set at a national level, such as Certified Management Accountant (CMA) and American Institute of Certified Public Accountants (AICPA) have an international influence.

## 2.5 Academic-Professional Partnerships

At the national level most countries have a national association of academics who meet regularly to present and discuss research and curricular issues. Examples are the British Accounting and Finance Association (BAFA)<sup>13</sup>, the Southern African Accounting Association (SAAA)<sup>14</sup>, the Japanese Accounting Association (JAA)<sup>15</sup> among many others. In recent years, regional groups have become more important both at the academic and professional levels including, for example, the American Accounting Association (AAA)<sup>16</sup>, the European Accounting Association (EAA)<sup>17</sup> and the Federation of European Accountants (FEE)<sup>18</sup>. At the global level, the academic IAAER<sup>19</sup> and the professional IFAC, especially through the IAESB, are having an increasingly positive impact globally.

There are many issues raised by standards for global accountancy education. Some of the major issues standard setters face is how to instil the characteristics of lifelong learning in future professional accountants through accountancy education, how to design and implement a program of accountancy education that achieves the objectives of the prequalification education, and how to develop awareness of the need for improvement in accountancy education and encourage the development of accountancy education.

Another major issue surrounding global accountancy education is research. There will need to be research into specifications of appropriate assessment methods, competencies, professional attitudes and ethics, variations in nationally-imposed requirements, and supply and demand for accountants and auditors who can produce and audit transnational accounts.

## 2.6 International Association for Accounting Education and Research

The academic community must be involved more fully than it has in the past in Accounting Education Research. Heading the effort to accomplish this task globally is the IAAER. The mission of the IAAER is to promote excellence in accountancy education and research on a worldwide basis and to maximize the contribution of accounting academics to the development and maintenance of high quality, globally recognized standards of accounting practice. The IAAER is uniquely qualified to perform its mission because its membership consists of individual members, academic associations, and professional associations from around the world. It is ideally situated to serve a coordinating function among academics and professionals worldwide on matters of accountancy education.

Among the coordinating functions IAAER currently performs are the following: the organization of World Congresses of Accounting Educators and Researchers, International Conferences on Accounting Education and Research, Institutional Member Meetings, and Cooperative Conferences for Education and Research Directors of Professional Accountancy Organizations.

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<sup>11</sup> UNCTAD, United Nations Conference on Trade and Development, ISAR, [www.unctad.org/isar](http://www.unctad.org/isar)

<sup>12</sup> Common Content Initiative, [www.commoncontent.com](http://www.commoncontent.com)

<sup>13</sup> BAFA, British Accounting and Finance Association, [www.bafa.ac.uk](http://www.bafa.ac.uk)

<sup>14</sup> SAAA, Southern Africa Accounting Association, [www.saaa.co.zw](http://www.saaa.co.zw)

<sup>15</sup> JAA, Japanese Accounting Association, <http://manage74.cc.sophia.ac.jp/~jaa/>

<sup>16</sup> AAA, American Accounting Association, [www.aahq.org](http://www.aahq.org)

<sup>17</sup> EAA, European Accounting Association, [www.eaa-online.org](http://www.eaa-online.org)

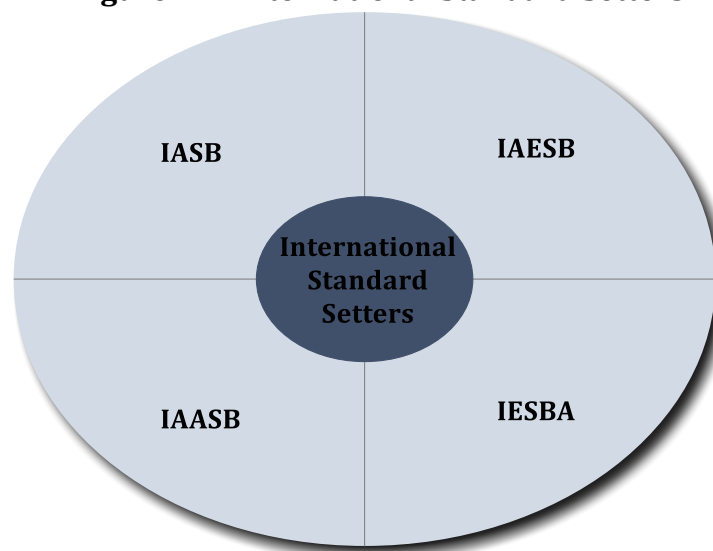
<sup>18</sup> FEE, Federation of European Accountants, [www.fee.be](http://www.fee.be)

<sup>19</sup> IAAER, International Association for Accounting Education and Research, [www.iaaer.org](http://www.iaaer.org)

Important on-going initiatives for the IAAER are organizing research conferences and world congresses, relations (including sponsoring policy-relevant research) with standard-setting bodies and representation, and communication with accounting academics around the world. The IAAER provides communications through its website and its semi-annual newsletter, the COSMOS Accountancy Chronicle. It also is officially associated with two academic research journals: the Journal of International Financial Management and Accounting (JIFMA) and Accounting Education: An International Journal.

IAAER promotes international development in developed and emerging economies through research conferences and activities that are relevant for all standard setters. International standard setting is the responsibility of four major organizations, which represent four aspects of accounting, as represented in Figure 2.1. The IASB<sup>20</sup> is an accounting standard setting organization that is responsible for the IFRS. The International Auditing and Assurance Standards Board (IAASB)<sup>21</sup> is an auditing and assurance standard setting organization. The IAESB is an education standard setting organization that is responsible for the IES<sup>22</sup> (IFAC, 2010a). Finally, the International Ethics Standards Board for Accountants (IESBA)<sup>23</sup> is an ethics standard setting organization.

**Figure 2.1: International Standard Setters**



At present, the IAAER has projects and activities directly related to the work of three of these boards. IAAER is the only academic body with a permanent observer seat on the IAESB and has sponsored two grant programs to inform the work of the IAESB. Further, the IAAER provides feedback on key IAESB documents. IAAER also has a seat on the IFRS Foundation EAG and on the IFRS Advisory Council and is a co-sponsor of IFRS Teaching workshops on a regular basis with the IFRS Foundation. IAAER along with KPMG sponsors two successful research grant programs to inform the work of the IASB and IAASB. Further, IAAER builds research and teaching skills capacity with its ACCA paper development workshops and now the Deloitte IAAER Scholars Program.

## **2.7 IAESB and IFAC Compliance Program**

<sup>20</sup> IASB, International Accounting Standards Board, [www.ifrs.org](http://www.ifrs.org)

<sup>21</sup> IAASB, International Auditing and Assurance Standards Board, International Federation of Accountants, Auditing & Assurance, [www.ifac.org](http://www.ifac.org)

<sup>22</sup> IFAC, International Federation of Accountants, Education, Handbook of International Education Pronouncements 2010 Edition (Current edition), [www.ifac.org](http://www.ifac.org)

<sup>23</sup> IESBA, International Ethics Standards Board for Accountants, International Federation of Accountants, Ethics, [www.ifac.org](http://www.ifac.org)

The most important development in global accountancy education has been the increased role that the IAESB is playing in developing high quality standards and other guidance to strengthen accountancy education worldwide. The IAESB focuses on prequalification accountancy education, practical experience and training, assessment, and the continuing professional education needed by accountants. The IAESB provides a global perspective on education with due process and public interest oversight.

The IAESB of IFAC has issued a series of IES which cover pre-qualification of members and continuing professional development, along with extensive background guidance. IFAC Statement of Membership Obligations 2 (SMO 2)<sup>24</sup> requires member bodies to use their best endeavors to achieve these standards. So far the IAESB has issued the following standards:

- IES 1: Entry Requirements for Professional Accounting Education Program;
- IES 2: Content of Professional Accounting Education;
- IES 3: Professional Skills and General Education;
- IES 4: Professional Values, Ethics and Attitudes;
- IES 5: Practical Experience Requirements for Aspiring Professional Accountants;
- IES 6: Assessment of Professional Capabilities and Competence;
- IES 7: Continuing Professional Development;
- IES 8: Competence Requirements for Audit Professionals.

All IFAC members were required to comply with IES 1-6 by January 2005, IES 7 by January 2006, and IES 8 by July 2008. Compliance is required within the standards with “black” (bold faced) lettering. Commentary in “gray” (plain faced) lettering is intended to explain or elaborate on the requirements in black letter. Compliance with black letter requirements is self-enforced by professional bodies. However, there is some national oversight as well as the involvement of third parties such as universities, employers, and commercial companies. An important objective of the IAESB and its IES is to “serve the public interest by the world-wide advancement of education and development for professional accountants leading to harmonized standards.” Although the IES are targeted at IFAC member bodies, they are increasingly accepted as relevant for countries irrespective of who is responsible.

Within the EU, the 8th Company Law Directive for Statutory Auditors (EU, 1984) lays down education and training requirements for statutory auditors in the EU. These are similar to and do not contradict the IFAC education standards, for example IES 8, which deals with requirements for audit professionals.

## **2.8 UNCTAD and Capacity Building**

UNCTAD promotes the development-friendly integration of developing countries into the world economy. UNCTAD has progressively evolved into an authoritative knowledge-based institution whose work aims to help shape current policy debates and thinking on development, with a particular focus on ensuring that domestic policies and international action are mutually supportive in bringing about sustainable development. In the field of accountancy education it produces the *Guidelines on National Requirements for Qualification of Professional Accountants*, which provides a global curriculum that draws heavily on IAESB’s IES (UNCTAD, 1998). This is the benchmark for qualifications for professional organizations and assists with the mutual recognition of qualifications.

Capacity-building framework for high-quality corporate reporting was discussed and agreed by the twenty-seventh session of UNCTAD’s ISAR. The deliberations of the twenty-seventh session of ISAR have culminated in guidance on this issue. The capacity-building framework is structured into four main pillars:

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<sup>24</sup> IFAC, International Federation of Accountants, About IFAC, Membership & Compliance Program, [www.ifac.org](http://www.ifac.org)



- legal and regulatory framework;
- institutional framework;
- human capacity; and,
- capacity-building process.

As one of the pillars of a capacity-building framework, human capacity development includes the education and training, as well as retention of professional accountants and other participants in the regulatory and financial system. The types of education required cover:

- general education (school and often university);
- professional education of auditors and accountants (preparers);
- CPD;
- education for accounting technicians;
- specific training in specialized areas, such as accounting, auditing, government accounting, internal controls and disclosures associated with financial instruments, financial firms, sound governance, and requirements for listed companies;
- education of other participants in the system, including regulators and analysts.

Extensive training is absolutely essential to expand capacity and facilitate the smooth functioning of the corporate reporting system. Education and training may be provided by schools, universities, private sector tutors, professional accountancy organizations, and accounting and consulting firms. Programs are also offered by international organizations, such as the IAAER, the IASB, International Organization of Securities Commissions (IOSCO)<sup>25</sup>, the World Bank (WB)<sup>26</sup>, UNCTAD and others. The recipients of this education may be: students (at public or private institutions); trainees (who may or may not be graduates) with accounting firms and other employers; and other participants (who may or may not be accountants) of the reporting chain.

While developing a national plan on capacity-building based on international standards and benchmarks, it is important to consider specific country needs and good practices of technical assistance and capacity-building programs. To facilitate efficiency of capacity-building efforts, a number of activities could be considered, such as sharing good practices and lessons learnt by other countries, participation in international benchmarking exercises, exchange programs, cooperation with major international bodies, regional coordination, and twinning arrangements. In this regard, evaluation of the position of a country in comparison to international standards and codes in Reports on the Observance of Standards and Codes (ROSC) reports developed by the WB provides a good starting point for action plans in relevant cases. (UNCTAD, 2010)

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<sup>25</sup> IOSCO, International Organization of Securities Commissions, [www.iosco.org](http://www.iosco.org)

<sup>26</sup> WB, World Bank, [www.worldbank.org](http://www.worldbank.org)



## 2.9 Conclusion

Several broad conclusions can be drawn from the current status of professional accountancy education around the world.

The need for upgrading of accountancy education in many parts of the world has been clearly demonstrated by such mechanisms as the IAAER Globalization Roundtables. The IAAER brings together individual academics, academic associations, professional associations and standard-setting bodies in a unique way that has the potential to play a significant role in the implementation of IES and the upgrading of accountancy education globally.

The IAESB has developed a comprehensive set of consistent, high-quality standards for educating professional accountants. This effort stretching back a decade or more to the former IFAC Education Committee has strengthened the essential third leg, together with financial reporting and auditing standards, of a strong global accounting profession. Educational programs in compliance with these standards will undoubtedly produce high quality professional accountants.

UNCTAD has produced the Guidelines as a global curriculum and has progressively evolved into an authoritative knowledge-based institution. In recent years it has been working on its Capacity Building Initiative to support developing nations. The third pillar covers human capacity for which the IES are used as benchmarks.

The process of uniformly implementing education standards globally is a challenging task. The Globalization Roundtables have pointed out many of the practical aspects of implementation. It is clear that implementation in many parts of the world is a multi-year undertaking, requiring communication, resources, training, and benchmarking progress. In many countries, accountancy education is defined much more broadly than preparation for membership in IFAC member bodies. Accountants who become members of member bodies represent a minority of the accountants who graduate from educational institutions. In many countries, a minority of accounting educators are members of IFAC member bodies.

Increasingly research has addressed the global development of accountancy education. In this chapter specific reference is made to comparative studies by Karreman and Needles (Karreman, 2002, 2006, 2007; Needles 1994, 2005, 2008, 2010, 2011). This research has identified numerous occasions of internationally compatible development. As such the present study is just another step in academic and professional support for the further development of the global financial infrastructure for which accountancy education of the right level and content is a necessary condition.

## Chapter 3 Framework and Development of International Education Standards

### Abstract

*In this chapter the framework for and development of International Education Standards (IES) is discussed. Attention is given to both the content of the IES, moving from guidelines to standards and to the process of their establishment by the International Accountancy Education Standards Board (IAESB). As in all sectors of the global financial infrastructure, benchmarks for accountancy education in countries with very different characteristics have become increasingly important. The IES establish the necessary elements of pre-qualification and post-qualification education and training. Conceptual subjects are covered in a Framework for IES with the objectives of the IES, the mission and strategy of the IAESB, the consultative process and, not in the least, the nature, scope and authority of the IES. The roles of learning, education, on-the-job training and off-the-job training are considered. The concepts of capability and competence are discussed. The Framework and the strategic plan of the IAESB both point to the objective of the IES being ultimately being accepted by governments, regulators, academics, accountancy practices and the public. Over the last decade the IES have become increasingly accepted as benchmarks for good practice.*

### 3.1 From Guidance to Standards

During the 1980's, the International Federation of Accountants (IFAC)<sup>27</sup> Education Committee issued six International Education Guidelines (IEG). The Education Committee was a group of experts appointed by the Board of IFAC, nominated from the member bodies of IFAC. Members were appointed for an initial term of three years and there was a rotation policy. In accordance with the then Constitution of IFAC, member bodies subscribed to the mission of the Committee and, in fulfilling this mission, IFAC expected member bodies to comply with the Guidelines. There was, however, a large gap between expectation and compulsion. The Committee issued the first of its six Education Guidelines in February 1982 with IEG 6 being issued in 1989.

#### *Importance of IEG 9*

By 1991, the Education Committee had consolidated its Guidelines on pre-qualification education into International Education Guideline 9 on Pre-Qualification Education, Assessment of Professional Competence and Experience Requirements (IFAC, 1996). IEG 9 was an important forerunner to the issue of Standards, and effectively bridged the gap as the one international benchmark between 1991 and the issue of IES 1-6 in 2005. Although IEG 9 was not a Standard, it became through regular referencing and association, a primary benchmark for both professional accountancy bodies in developed countries and those in developing countries. There were attempts by United Nations Conference on Trade and Development (UNCTAD), the European Union (EU) and individual professional bodies to promote other pronouncements and practices as some form of accepted benchmark. However, in the absence of any generally accepted alternatives, IEG 9 filled an important gap.

#### *Principles Developed in the 1990's*

IEG 9 consolidated earlier principles and there was significant amendment to these principles either on its initial issue or following a later revision. However, by consolidating the earlier Guidelines into one document the thinking behind the earlier Guidelines became far more widely appreciated. The key principles set out in IEG 9 covered all of the areas of pre-qualifying education.

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<sup>27</sup> IFAC, International Federation of Accountants, [www.ifac.org](http://www.ifac.org)

- *Entry*: Entrants to professional examinations should be educated to the equivalent of university entry standard (IEG 9, paragraph 13).
- *Education Provision*: Professional education courses should provide historical, ethical and theoretical perspectives on accountancy (IEG 9, paragraph 15a). Courses should teach interpretation, conceptual integration, proposal formulation and adequate communication skills (IEG 9, paragraph 15b).
- *Core Content*: Courses should address the core subjects of financial accounting and management accounting, information technology, auditing, tax and business finance. Courses should also contain supportive subjects of economics, law, maths with statistics, behavioural sciences and management (IEG 9, paragraph 19).
- *Length of Programme*: Education courses need to last three years full time, or equivalent (IEG 9, paragraph 22).
- *Assessment*: Professional education courses should end with a test of professional competence and the Guideline asserted that public confidence would be given if the professional exams were considered sufficient. Examination design required students to demonstrate skills deemed to be desirable (IEG 9, paragraphs 15b, 33 and 40).
- *Practical Experience*: There needed to be a period of approved practical experience (IEG 9, paragraph 50) and the length of that practical experience should be no less than three years (IEG 9, paragraph 54).

IEG 9 was wide ranging and general in its scope, but it was based on the education models of a number of members of the Committee. By the end of the 1990's the Committee had developed further Guidelines, discussion papers and other information documents on pre-qualification and post-qualification training. The Committee had set itself a target of also expecting to act as a catalyst in bringing together developed and developing nations, together with nations in transition. These wide objectives, however, did not extend to the creation of a fundamental framework, nor to the matter of compliance with Guidelines.

## 3.2 Conceptual Framework

### *Creation and Content*

A sub-group of the IFAC Education Committee was set up in 1999 to develop a framework for International Education Statements<sup>28</sup>. Although not specifically a conceptual framework, this framework document covered a wide range of areas, some of which were conceptual in nature, whilst others were more concerned with the system and process of the work of the Committee. The group was led by the Committee Chair, Warren Allen, and it brought together many of the principles and practices set out in the IEG and International Education Papers issued previously by the Committee. The framework covered the following:

- introduction with objectives and matters of language;
- education committee mission and strategy;
- nature, scope and authority of Statements;
- consultative process;
- quorum and voting;
- development concepts;
- capability and competence relationships; and,
- glossary of terms.

Many of the matters covered in this Framework become embedded in subsequent activities of both the Committee and latterly the Board.

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<sup>28</sup> IFAC, International Federation of Accountants, Education, Handbook of International Education Pronouncements 2010 Edition (Current edition), [www.ifac.org](http://www.ifac.org)

## *Issues in the Development of the Framework*

The objectives of the Framework set out for the first time that the Education Committee was formed to develop Standards as well as Guidelines, discussion papers and other information documents. This move was significant as it sets the Committee far closer to the work of other standard setting groups under IFAC.

The Framework was exposed for comment to member bodies, and the acceptance of the Framework gives the first wide-spread support for Standards as benchmarks for the accountancy profession. The Framework states that “International Education Standards for professional accountants” establish essential elements that education development programmes are expected to contain. Although these Standards cannot override authoritative local pronouncements, they are prescriptive in nature. Guidelines assist in the implementation of good practice but are not expected to be prescriptive. The Committee by comparing its Standards to authoritative local pronouncements and the potential for statutory override, were for the first time putting the Committee regulations in the same arena as law or other national regulations. The assertion that the Standards are prescriptive introduced the matter of compliance and regulation.

The Committee did consider being more prescriptive in the requirements within its Standards but concluded that it was for each individual member body to determine the detailed requirements of its programme. There was significant debate about the Committee issuing a detailed syllabus, not least in comparison with the work of UNCTAD and its detailed model curriculum (UNCTAD, 1998). However, the Framework settled on the conclusion that the Standards would only establish the essential elements on the programmes for professional accountants.

The Committee confirmed that the Standards would be issued in English but with IFAC approval member bodies were authorised to prepare translations. Although clear in policy terms, the issue of translation has affected the Education Committee’s work. Regulations issued by a committee often dominated by an Anglo-Saxon perspective, and issued in English, have the potential to reduce the level of implementation of the regulation.

The strategy of the Committee was clearly set out to:

- understand the needs of users of professional accountants;
- develop standards, guidance and other forms of advice;
- be aware of implementation issues; and,
- promote education of professional accountants.

Principally, however, the key strategy was to become a standard setter.

The Framework also set out the criteria which would be applied to each of the Committee’s projects and pronouncements. The work of the Committee would be intended to fill one of the following three functions:

- prescribe good practice (establish Standards for member bodies to achieve and be measured against);
- provide guidance, interpretation, discussion, illustration, examples of application or in any other way assist member bodies to achieve good practice; and,
- discuss, promote or facilitate debate on education issues.

Guidance was given to the Committee, and to users, on how the Committee would allocate issues across the three categories of prescription, guidance and discussion. The Framework also explained the structure of documents, including the practice of black lettering bold typeface items within Standards, which are required to be followed. Plain typeface (grey letter) were to be considered as explanatory.

### *Application of the Framework*

The Framework encapsulated some of the concepts of the earlier documents in a development process. The development process comprised a number of subsets – learning, education, on-the-job training and off-the-job training. It also introduced the concepts of capability and competence into the language of IFAC. Each of these concepts was defined and the definitions included in a first Glossary of Terms.

The explanations behind the definitions in the Glossary of Terms became essential reference points through the writing of future education pronouncements. The definitions and the concepts come from an English speaking background and in time some of these definitions became difficult to apply and to translate. In spite of these problems, the creation of a Glossary informed all future work of both the Education Committee and its replacement, the IAESB<sup>29</sup>. The Glossary of Terms was also very important for the priority audience of the Committee's pronouncements (i.e., the IFAC member bodies) but also those outside the IFAC family, principally academics but on occasion regulators and others interested in the work of international benchmarks and regulations in education.

All of the content of the Framework was then applied to the work of the education committees from 2001 to 2009.

### **3.3 Evolution of the Framework**

#### *Reasons for Re-evaluation of the 2003 Framework*

The Framework created by the IFAC Education Committee was written prior to the IFAC reforms, implemented in 2005 (see Section 3.5.1). As organisations sought to implement IES 1-7, a number of areas of uncertainty arose and the newly formed Board felt that greater clarity would assist all of those interested in the pronouncements of the Board. The Framework from the Committee was a more general document rather than a conceptual framework. There were sections dealing with concepts and also the process of the work of the Committee.

The Framework was subject to consultation and then redrafted. The purpose states that “the Framework is intended to assist IFAC member bodies, as they have direct or indirect responsibility for the education and development of the members and students”. Clear benefits from the Framework included:

- the development of IES that are consistent because they are based on a common set of concepts;
- more efficient and effective standard setting process because the IAESB debates issues from the same conceptual base; and,
- increased transparency and accountability of the IAESB because the concepts underlying the Board's decisions are known.

The 2009 Framework is written primarily from a conceptual standpoint with other content secondary.

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<sup>29</sup> IAESB, International Accounting Education Standards Board, International Federation of Accountants, Education, [www.ifac.org](http://www.ifac.org)

### *Structure and Content of 2009 Framework*

The Framework contains an introduction and purpose as stated in Section 3.3.1. The authority and scope of the Framework is covered but the major sections consisted of Part 1: Educational Concepts and Part 2: IAESB Publications and Member Body Obligations.

The educational concepts covered similar areas as in the previous Framework but these were clarified, re-written and, in some areas, revised. The concepts extended to:

- competence;
- learning and development;
- initial professional development;
- continuing professional development; and,
- assessment - measurement of the effectiveness of learning and development.

This created, for the first time, an important distinction between the activity “continuing professional development” (CPD) and “initial professional development” (IPD), bringing together all of the pre-qualification education, experience and assessment. The language of the Framework was deliberate in considering development, rather than qualification. There is much debate that setting standards based on qualification only applied to a number of IFAC member body environments. In other environments, qualification was less important than development. The Board considered that development was a more embracing concept.

The Board also concluded that standards would be written from the perspective of competence and the understanding of capability was reduced in its importance, compared to the previous Framework.

The revised Framework is more generic than the previous Framework but this loss of specificity was offset by the greater applicability of the Framework. Greater applicability of the Framework should, in theory, lead to greater acceptance of both the Framework and the Standards that followed, and ultimately more compliance with the benefits that a common set of standards would then give the accounting world.

### *Application of 2009 Framework*

By 2009, IFAC had issued eight IESs, all of which had been written on the basis of the 2003 Framework. Seven of these Standards had been issued by the predecessor, Education Committee, with the Standards being adopted by the IAESB on its inception. Only IES 8 was issued in the early term of the IAESB (in 2007). As a consequence, the IAESB decided that the first step in a revision or redrafting of Standards was an agreement over the Framework. With this in place, the concepts and the Framework were applied to the existing Standards and the thinking of the Board changed in its outlook.

### 3.4 The First Set of IES (2003–2007)

#### *Standard Setting in a Committee Structure*

The IFAC Education Committee which existed from the early 1980's until 2005 was a committee of expert members selected by the IFAC Board. Members came from a variety of backgrounds but all were put forward by an IFAC member body. The IFAC Board tried to ensure that there was a balance between practising accountants, accountants from industry and commerce, academic and educational experts from member bodies and others to represent a wide-interest group. There was broad geographic coverage. There was not, however, any involvement of regulators, non-IFAC member bodies, accountancy firms (unless put forward by IFAC member bodies) or other public members.

IES 1 to 6 (IFAC, 2003) were developed by a small working party of the Committee, led by three representatives from the United Kingdom. IES 7 (IFAC, 2004) was led by a work party from the United States and Canada with other Committee members contributing at each of the twice yearly meetings. The process of developing the Standards was relatively quick. There was a small group of experts authoring with consultation amongst working party and wider committee members. There was, however, very little external consultation beyond the Exposure Draft stage, and with no prior experience of standard setting, the Committee were establishing its own decisions on a number of matters of principle as the projects progressed. IES 8 (IFAC, 2006) covered requirements for audit professionals as specialised accountants.

#### *Issues in the Development of the First Set of IES*

There were a number of issues of debate around fundamental concepts in each of the IES 1–8. Many of these debates were a consequence of a lack of agreement, both in the Committee and globally on the most appropriate standard. The major points of debate on each of the Standards are set out below.

- *IES 1: Entry Requirements:* Should the minimum entry requirement to the professional accounting education programme be a university degree? In some parts of the world, the standard of a university degree is very different from other parts of the world. In some countries, the traditional entry route to the accountancy profession is a degree and in some countries this is a legal requirement. Yet in other countries there is a tradition of a school-leaver entry scheme with a far more open approach. The Committee concluded that entry should be “at least equivalent to that for admission into a university degree programme”.
- *IES 2: Content of Professional Accounting Education Programmes:* IES 2 states that required material to be followed in a programme should follow three headings:
  1. Accounting, finance and related knowledge;
  2. Organisational and business knowledge; and,
  3. Information technology components.

Underneath each of the three headings was a short list of large subject areas, for example, “audit and assurance” or “economics”. These wide subject areas were a mandated requirement of the Standard. However, there was no further detail given and there was much debate over the principle of whether IFAC should be providing a greater level of regulation within a subject or whether that was a matter for each member body of IFAC to define within the academic infrastructure of their own country. The approach taken by IFAC in IES 2 seems to show that many of the subject areas are equivalent. Yet for those involved in creating accountancy education programmes, the depth of study in, for instance, management and strategic decision making might be significantly greater than the depth of study in marketing. Within IES 2, the area of information technology was included and based on the IEG 11 guidance issued by the Committee in the 1990's. There was very little guidance as to the depth and

breadth of coverage in Information and Communication Technology (ICT) subject matter within the Standard. Many users did not accept IEG 11 as a regulation being an IEG, and the detail of IEG 11 was so extensive as to be unhelpful to many organisations.

- *IES 3: Professional Skills and General Education:* This followed a similar approach to IES 2 in setting a high level requirement with supporting “grey letter” materials. However, it was not clear where these skills were to be developed. Were they to be developed in the work place, in the class room or in some mix or simulation? The area of general education was a matter of debate. Some IFAC member bodies education systems required several years of broad general education within a university degree as part of the core underpinning. Other IFAC member bodies relied on the general education which was picked up from high school or from the work place.
- *IES 4: Professional Values, Ethics and Attitudes:* This set, in some ways, a more useful Standard for those applying regulation into a qualification. There was a greater set of requirements than in other standards. However, the approach in IES 4 then caused a question on coverage of ethics material that had already been set out in IES 2 and IES 3. There was some debate as to whether there should be a separate Standard on ethics education, or whether ethics should be considered to be part of IES 2 and IES 3 only.
- *IES 5: Practical Experience:* The IES 5 requirements were influenced by a model where students studied and worked at the same time. A number of IFAC member bodies have models where work experience comes after significant, or indeed all, of the education requirements. There are other member bodies where work experience can often come ahead of the final education and assessment component. Setting a Standard which specified a period of work experience “should be a minimum of three years” does not necessarily meet the accepted practice in a number of countries. Often two years is the norm.

The problems in IES 5 apply elsewhere in standard setting. The Standard setter often has to either follow a route of being definitive in a regulation or in approaching standard setting with attempt at considering the concept of equivalency. The IES 5 issued in 2005 does allow equivalency against some of the requirement. That equivalency was set as a benchmark of one year credit for learning in an environment simulative of the work place. This, in itself, was not a concept which was easily transferable or understood.

- *IES 6: Assessment of Professional Capabilities and Competence:* This set a Standard on formal examinations and assessment of candidates. Different education models have the final assessment of the education programme taking place either before, concurrent with or after the periods of work experience. The Standard was not clear on its requirement for this issue.
- *IES 7: Continuing Professional Development:* This Standard sets out a CPD route which covered both approaches currently in use. Most IFAC member bodies followed an input based (hours approach) where a very small number of member bodies follow an output or combined approach where learning is set in respect of outcomes rather than time spent being educated. This is a fundamental difference and the Standard concluded to allow both methods. There is a debate, however, whether an input based system and an output based system is in any sense equivalent.
- *IES 8: Competence Requirements for Audit Professionals:* This Standard was drafted to set requirements for those working as auditors. The Committee found it difficult to identify this group of individuals and the reality for many member bodies is that they do not set the standard for the work place and experience aspects of auditing competence development. The group most closely connected to assessing the experience on developing auditors are the auditing firms providing that experience. Yet the standards are not within the locus of auditing firms. IFAC set the standards for IFAC member bodies and has no scope to require auditing firms to follow these standards.



### *Audience for IES*

The Standards are principally written towards IFAC member bodies. However, both the Committee and latterly the IAESB concluded that the Standards needed to be aimed at a far wider audience. The development of the Framework and the most recent strategic plan of the IAESB both point to an objective of the Standards ultimately being accepted by governments, regulators, academics, accountancy practices and the public. This is a wide objective, and it is an objective which is shared by other IFAC standard setting boards. The reality, however, for the IAESB is quite different as a board with limited resources and a very different constituency than, for instance, the International Auditing and Assurance Standards Board (IAASB). Unless resources are allocated it will be a long-term objective to seek to have the IES accepted more widely.

### *Benchmarks*

The Standards have become far more widely accepted as benchmarks for good practice, and have in some member bodies set a level of aspiration. Making change towards the Standards set by the IAESB has been a slow process, but it has been one that has been assisted by donor agencies and accepted by the profession. The IAESB identified in their consideration of the environment that the initial set of Standards were not as useful as benchmarks as they might have been. This has been a primary driver in the revision and redrafting process of the last three years.

### *Enforcement of Standards*

The IES issued by IFAC are only able to be enforced by IFAC through its member bodies compliance with the Statements of Membership Obligations (SMOs)<sup>30</sup>. One of those SMOs requires that IFAC member bodies follow all of the IES that have been issued. Wider acceptance of the Standards requires organisations which are not part of IFAC to voluntarily accept the Standards or potentially for regulators, governments and academic bodies, to endorse the Standards as a national benchmark. The approach of seeking government adoption and application of Standards is one that has been followed over a long period of time by the International Accounting Standards Board (IASB) and IAASB. However, the IES have far less acceptance around the world and the variety of different education models which exist almost precludes the wide-spread acceptance of the Standards in the short term.

IFAC seek to ensure compliance with the Standards through the requirement for a self-assessment against all of IFAC's SMOs by member bodies. Where some member bodies have not met the Standards, there is the potential for enforcement through penalties and ultimately expulsion from IFAC. This is a path which has seldom been pursued.

The lack of an active enforcement mechanism means that member bodies and others not under IFAC's radar can choose to apply Standards in whole, in part or not at all. This makes international benchmarking difficult because often there is a lack of understanding of the comparison of one country to the next.

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<sup>30</sup> IFAC, International Federation of Accountants, About IFAC, Membership & Compliance Program, [www.ifac.org](http://www.ifac.org)

### **3.5 From Committee to Board**

#### *IFAC Reforms*

In 2005, IFAC changed its Constitution and governance structure. The Public Interest Oversight Board (PIOB) was formed and an independent Monitoring Group made up of regulators from interested inter-governmental organisations oversaw IFAC's activities. In addition, the forum of firms became closely attached to IFAC and provided both funding and membership to many of IFAC's boards and committees. These reforms were wide-ranging in purpose and IFAC activities would be overseen in a transparent and inclusive manner.

#### *IAESB Inception*

The IAESB was formed as part of these reforms and the governance and activities of the Board changed in nature. Public Interest members attended all meetings, the due process for the issue of documents changed to follow that of other standard setters, there was significantly more public consultation on documentation and permanent involvement from five Forum of Firm members on the Board.

#### *Oversight in the Public Interest*

The public interest became paramount in the thinking of the Board and was a touch point on every project and pronouncement. Defining the public interest in accounting education was not straightforward, nor was getting agreement. The most obvious feature of the new approach was that any pronouncements effectively took between 36 and 42 months from commencement to issue.

In addition to the formal public interest members and the role of the PIOB in overseeing due process, the Education Board also worked alongside a new group, the Consultative Advisory Group (CAG). The CAG comprised organisations that were not able to be elected to the Board but who had a high degree of interest in the pronouncements of the IAESB.

#### *Strategic Plans and Working Practices*

The IAESB creates its Strategic Plan for a three or four year period, has this approved by the IFAC Board and then issues it as an Exposure Draft for comment. The due process which is followed therefore requires a Strategic Plan to be developed 18 months ahead of its implementation. The Strategic Plans of the IAESB have over recently concentrated on the redrafting and revision of the IES 1–8 using the principles set out in the 2009 Framework. Other activities of the Board set out in its objectives cover adoption, implementation, advising on best practices and taking part in debate on current issues have had less emphasis. The IAESB is constrained by a lack of permanent resource to take forward new projects at a time of a significant redrafting and revision. This is clearly a restriction when there are other areas that some interested parties would like to see covered by the Board. However, the strategic planning exercise has been transparent and considered a wide range of comments to help the Board decide on its priorities and work plan.

#### *Stakeholders Involvement in IES*

The IFAC reforms and the continued development of processes from these have led the IAESB into significantly more communication and engagement with stakeholders than the IFAC Education Committee. Stakeholder involvement, however, has continued to largely come from IFAC member bodies. There have been a number of Exposure Drafts where there have been less than ten comments from other organisations, such as accountancy firms, academic organisations, regulators or private individuals. Many of the comments received continue to be in English which is barely surprising given that the IAESB does not issue its Exposure Drafts in languages other than English. This makes the translation and consideration of proposed pronouncements difficult in many countries. The

Standards are themselves complex and closely tied to the definitions. The language of standard setting and the approach taken do not make the Standards straight forward for smaller professional accounting bodies, nor those who do not have a developed education committee or board structure. In many countries, the education side of professional accountancy is completely covered by the academic sector and it is then incumbent on the institutes in those countries to work with academic colleagues. This can be very difficult to achieve in the timescale of the Exposure Draft period.

### **3.6 The Landscape for Clarified and Improved Standards**

#### *Reasons for the Review of IES (2010)*

The IES were identified for review in the IAESB Strategic Plan 2010-2013 (IFAC, 2010b) as a direct consequence of the approval of the Framework. The existing IES were written prior to the IFAC reforms and did not have the public consultation and oversight of process that was subsequently implemented. The existing IES were written from a general framework and not from a more conceptually based framework. There was therefore the opportunity to redraft the IES into a consistent format which would in turn improve clarity. Clearer Standards will be more easily implementable, and provide a more useful benchmark for international comparison and ultimately development projects.

In considering the process of redrafting, a number of features of the existing Standards were identified for consideration for revision. Where the IAESB considered a revision to be required, then it is incumbent under the due process of the IAESB that more detailed consultation take place. Between 2010 and 2012 there has been consultation exercises undertaken on most of the existing Standards, leading to Exposure Drafts on IES 1, 4, 5 and 7 being issued in 2012 with further Exposure Drafts being issued in 2013.

#### *Emerging Issues in the Redraft and Revision Process*

The recent history of accounting education has seen a steady move from an input base approach to one which concentrates more on outcomes and outputs. The revision to the IES has sought to embrace a more output based approach. Accordingly, much of the consultation and questions on exposure have been around the concept of setting learning outcomes, both in curriculum and in work experience.

In respect of IES 1 (Entry Requirements), there was much debate over the principle of open access compared to minimum requirements. The Board were also concerned about ensuring fairness of qualifications and achievability.

In respect of IES 6 (Assessment), a number of fundamental principles of examination testing have been developed and consulted upon.

The Board have concluded to review IES 2, 3 and 8 at the same time. These Standards are all interrelated, tying together the learning outcomes of the curriculum with the skills outcomes which can be developed in the workplace or in the classroom and the competencies required of the audit partner.

The 2009 Framework brought in the concept of IPD and the Standards, therefore, also required to make the change from being qualification based to integrating stages of development into the language.

### *Dissemination of IES*

The IES continue to be the only global benchmark. Usage increases with the full adoption by IFAC member bodies and full application of the SMOs. Support of regional organisations of IFAC, including most recently the Pan African Federation of Accountants (PAFA) (May 2012) are important developments. The IES require to be adopted by as many non-IFAC member body organisations as possible, and once the revision process has been completed, this will be an important goal for IFAC.

The dissemination process is resource constrained and where IFAC and others consider the Education Standards to be a lower priority than, for instance, auditing or public sector accounting standards, then resources will not be put in this direction and the process will be slowed.

### *Importance of IES for Stakeholders*

One set of global standards in accountancy education applied consistently has the potential to improve the mobility of labour. International businesses, including accounting practices, will be able to be more efficient in their accounting, management, reporting and assurance functions as there will be trust and confidence from one location to another. In the world of immediate information, it is less that individuals will move between locations but that individuals in different locations will share information in real time. If the creators or assurers of that information are not working from a common base then in language terms there is a need to have translations. IES have the potential to lessen the need for translation.

### *Future Directions*

The issue of a revised suite of IES will not be completed until the end of 2013. Following the completion, there will be several years of adoption and also the requirement for some implementation activities. These benchmark standards, therefore, have a long road to follow to achieve the potential successes offered by such an approach. However, the foundations have been set in the IFAC reforms and the path towards global IES is provided by the IAESB.

## Chapter 4 Characteristics of Accountancy Education

### Abstract

*This chapter starts with an overview of research questions that are addressed in the GAE 2012 Global Accountancy Education research study. The overall objective of the study is to evaluate the status of accountancy education in selected countries and regions compared with the requirements of the International Education Standards (IES). A competency framework for accountants and auditors has been developed. The competency framework distinguishes three major areas: general country characteristics, standards for accountancy education, and competency pillars for accountants and auditors. The use of the competency framework makes it possible to present country results in a comparable format that can be used for analysis and evaluation. IES have been used as benchmarks for accountancy education on a country level. Higher level requirements of the IES are discussed, as well as the principles of the benchmarking methodology. Classification criteria for the selection of countries are considered.*

### 4.1 Global Accountancy Education Research

The qualification, education, training and experience of professional accountants and auditors are of crucial importance for the functioning of the global financial infrastructure. A wide range of stakeholders, including regulators and standard setters, professional accountancy organisations and accountancy firms as well as issuers of financial reports and users of accounting services depend on their professional expertise. The GAE 2012 Global Accountancy Education Research study analyses competences and capabilities of accountants and auditors in selected countries around the world. A competency framework for accountancy education has been developed that includes qualification requirements, general and professional education, practical training and experience, as well as Continuing Professional Development (CPD) for accountants and auditors. The IES<sup>31</sup> of the International Accounting Education Standards Board (IAESB) are used as benchmarks. GAE 2012 results will support the recognition of qualifications as a means for international mobility. Specific attention is given to the requirements of International Standards on Auditing (ISA) 600 on audits of group financial statements and the work of component auditors.

*Central Research Objective: Evaluation of the status of accountancy education with its components of qualification, education and training in selected countries and regions compared with the requirements of the IES*

Four Research Questions (RQ) have been formulated that combined address the central research objective:

- RQ 1, Competency Framework: What are the elements of a competency framework for accountants and auditors, which cover qualification, professional education, practical training and CPD?

The use of a competency framework for accountants and auditors is a necessary condition for comparability of accountancy education between countries. Elements of the competency framework are identified in the core model for accountancy education that is summarised in Box 4, in the framework for IES and in the separate IES. The structure of the GAE 2012 Questionnaire is based on the competency framework and relates to adoption and implementation guidance. The description of the competency framework can be found in the next paragraph.

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<sup>31</sup> IFAC, International Federation of Accountants, Education, Handbook of International Education Pronouncements 2010 Edition (Current edition), [www.ifac.org](http://www.ifac.org)

- RQ 2, Accountants: What are the characteristics of the qualification, education and training of accountants in selected countries and regions around the world? Can the differences be compared with legal, economic and cultural background? How do the differences influence international cooperation?

There are great variations in accountancy education models in existence around the world. For comparison between countries reference is made to the main parameters according to the GAE 2002 classification model: regulation index, final examination, professional education and practical experience, education background.

- RQ 3, Auditors: What are the characteristics of the qualification, education and training of auditors in selected countries and regions around the world? Can the differences be compared with legal, economic and cultural background? How do the differences influence international cooperation?

To foster understanding it is necessary to pay specific attention to auditor qualifications and licensing requirements. Competence requirements for auditors are addressed in IES 8, but also in European Union (EU) regulation. Cooperation between auditors in different countries is addressed in ISA 600.

- RQ 4, Recognition: How can the use of a competency framework promote recognition of qualifications and contribute to international mobility of accountants and auditors? Is it possible to move from mutual recognition between countries to a more general approach of international recognition?

Regional regulation and agreements will be considered in the context of the competency framework. Equivalences between competency elements in different countries and regions can be used to further develop recognition and promote cooperation based on understanding of achieved capabilities.

Based on a review of accountancy education in 43 countries, this study endeavours to answer the research questions, or to at least give indications of the answers.

## **4.2 Competency Framework for Accountants and Auditors**

As part of the research study a competency framework (represented in Box 5) for accountants and auditors has been developed. The competency framework distinguishes three major areas:

- General Country Characteristics;
- Standards for Accountancy Education;
- Competency Pillars for Accountants and Auditors.

General country characteristics define the context in which accountancy education takes place. Attention is given to overall country characteristics (legal system, economic position, region), professional characteristics (professional regulation and recognition), and qualification characteristics (practice rights of accountants and auditors; international recognition of qualifications).

## Box 5: Competency Framework

General Characteristics	Considerations
Country Characteristics	Legal system, economic position, region
Professional Characteristics	Professional regulation and recognition
Qualification Characteristics	Practice rights of accountants and auditors International recognition of qualifications
Accountancy Education	Standards and Implementation Guidance
<i>Conceptual Framework</i>	IAESB Framework for IES
<i>Pre-Qualification</i>	
Entry Requirements	IES 1 – Entry Requirements Professional Accountancy Education
Knowledge, Skills and Attitudes	IES 2 – Content of Professional Accountancy Education IES 3 – Professional Skills & General Education IES 4 – Professional Values, Ethics & Attitudes
<i>Practical Experience</i>	IES 5 – Practical Experience Requirements
<i>Assessment</i>	IES 6 – Assessment of Professional Capabilities & Competence
<i>Post-Qualification</i>	
Life-Long Learning	IES 7 – Continuing Professional Development
Specialization	IES 8 – Competence Requirements for Audit Professionals
Competency Pillars	
<i>Personal Development</i>	University Entrance & Exit Level (IES 1 and IES 2) Professional Skills & General Education (IES 3) Professional Values, Ethics & Attitudes (IES 4)
<i>Professional Accountancy Education</i>	Accountancy, Finance & Related Knowledge (IES 2) Organizational & Business Knowledge (IES 2) Information Technology (IES 2)
<i>Professional Development</i>	Practical Experience Requirements (IES 5) Assessment of Professional Capabilities & Competence (IES 6) Continuing Professional Development (IES 7)
<i>Competence for Auditors Professionals</i>	Advanced Professional Knowledge (IES 8) Advanced Professional Skills, Values, Ethics & Attitudes (IES 8) Advanced Practical Experience, Assessment & CPD (IES 8)

Standards for accountancy education are formulated in the IES of the IAESB. A distinction is made between pre-qualification requirements for accountants (IES 1–6) and post-qualification requirements for CPD (IES 7) and for auditors (IES 8). Additional standards for the qualification of auditors have been formulated by the EU (EU, 1984). The IES are published by the IAESB as standards for professional accountancy organizations that are members or associate members of International Federation of Accountants (IFAC). In the GAE 2012 global accountancy research study the IES are used as country benchmarks for adoption and implementation. This is widely accepted. A recent example is the United Nations Conference on Trade and Development (UNCTAD) capacity building initiative<sup>32</sup>.

Competency pillars for accountants and auditors can help in the analysis of their qualifications. A distinction is made between personal development, professional accountancy education, professional development, and competency requirements for auditors. Pillar 1, personal development, combines elements that in many countries are achieved through university education. Pillar 2, professional accountancy education, emphasises competences in accounting, finance & related knowledge; in organizational & business knowledge; and in information technology. Normally courses are provided by universities and/or professional accountancy organizations. Pillar 3, professional development, combines practical experience, assessment of professional competence, and CPD. Normally the accountancy profession is leading in these areas. Pillar 4, competency for audit professionals, includes higher level requirements for licensed accountants and auditors.

### **4.3 Qualification Requirements for Accountants and Auditors**

According to the IAESB the IES “prescribe standards of generally accepted 'good practice' in the education and development of professional accountants. IES are intended to advance the profession of accountancy by establishing benchmarks for the minimum learning requirements of qualified accountants, including education, practical experience and continuing professional development”. The overview in this paragraph is based on the Handbook of International Education Pronouncements (IFAC, 2010a). The goal of accounting education is to produce competent professional accountants capable of making a positive contribution over their lifetimes to the profession and society in which they work. The IAESB recognizes that IES may be complied with in a variety of different ways.

The entry requirement to begin a program of professional accounting education leading to membership of an IFAC member body should be at least equivalent to that for admission into a recognized university degree program or its equivalent (IES 1). Professional accounting study should be long and intensive enough to permit candidates to gain the professional knowledge required for professional accountants (IES 2).

Accounting, finance and related knowledge provide the core technical foundation essential to a successful career as professional accountant. This component further develops and integrates the knowledge, skills and professional values, ethics and attitudes from elsewhere into the subject areas all accountants need to study. This part needs to be delivered at least at the level of an accounting degree. Organizational and business education equips prospective professional accountants with knowledge of the environment in which employers and clients operate and provide the context for the application of all professional skills. As part of their pre-qualification education, all professional accountants are expected to participate in at least one of the roles of manager, designer or evaluator of information systems, or, a cluster of these roles (IES 2).

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<sup>32</sup> UNCTAD, United Nations Conference on Trade and Development, ISAR, [www.unctad.org/isar](http://www.unctad.org/isar)



The aim of professional skills is to ensure that candidates are equipped with the appropriate mix of skills to function as professional accountants. Intellectual skills enable a professional accountant to solve problems, make decisions and exercise good judgment in complex organizational situations. Technical and functional skills consist of general skills as well as skills specific to accountancy. Personal skills relate to the attitudes and behavior of professional accountants. Interpersonal and communication skills enable a professional accountant to work with others, receive and transmit information, form reasoned judgments and make decisions effectively. Organizational and business management skills have become increasingly important to professional accountants (IES 3).

The aim of professional values, ethics and attitudes is to ensure that candidates are equipped with the appropriate professional values, ethics and attitudes to function as professional accountants. The coverage of values, ethics and attitudes should lead to a commitment to the public interest; continual improvement and lifelong learning; reliability and responsibility; and laws and regulation (IES 4).

The aim of practical experience is to ensure that candidates seeking to qualify as professional accountants have acquired the practical experience considered appropriate at the time of qualification to function as competent professional accountants. The period of practical experience should be long enough and intensive enough to permit candidates to demonstrate they have gained the professional knowledge, professional skills, and professional values, ethics and attitudes required for performing their work with professional competence (IES 5).

The professional capabilities and competence of candidates should be formally assessed before the qualification of professional accountant is awarded. The assessments need to be appropriate for the professional knowledge, professional skills and professional values, ethics and attitudes being evaluated. The final assessment of capabilities and competence is normally in addition to purely academic qualifications and is beyond undergraduate degree level (IES 6).

IFAC member bodies should implement a CPD requirement as an integral component of a professional accountant's continued membership. According to the CPD requirement all professional accountants have to develop and maintain competence relevant and appropriate to their work and professional responsibilities (IES 7).

Advanced requirements for audit professionals are necessary not only because of the specialist knowledge and skills required for competent performance in this area, but also because of the reliance the public and other third parties place on the audit of historical financial information. Audit professionals are required to qualify as a professional accountant, hold an undergraduate degree or comparable, and satisfy advanced program requirements, professional skills, values, ethics and attitudes, as well as practical experience before qualification, and CPD for auditors after qualification (IES 8).

An overview of the IES is presented in Box 6.

## Box 6: International Education Standards<sup>33</sup>

### Pre-Qualification Standards

#### *Entry Requirements for Professional Accounting Education Programs (IES 1)*

IES 1 requires an entry level that is equivalent to that for admission in a recognized university degree program.

#### *Content of Professional Accounting Education (IES 2, 3 and 4)*

IES 2, Content of Professional Accounting Education, is divided in Accounting, Finance & Related Knowledge, Organizational & Business Knowledge, and Information Technology.

IES 3, Professional Skills and General Education, distinguishes five major areas: intellectual skills, technical and functional skills, personal skills, interpersonal and communication skills, organizational and business management skills.

IES 4, Professional Values, Ethics and Attitudes, that are necessary to function as a professional accountant.

#### *Practical Experience (IES 5)*

IES 5 requires a minimum period of three years for certification, one of which can be covered by theoretical education.

#### *Assessment (IES 6)*

IES 6 requires a formal assessment before the qualification of professional accountant is awarded.

### Post-Qualification Standards

#### *Continuing Professional Development (IES 7)*

IES 7 describes a CPD requirement as an integral component of a professional accountant's continued membership.

#### *Specialization for Auditors (IES 8)*

IES 8, Competence Requirements for Audit Professionals, requires audit professionals to qualify as a professional accountant, to hold an undergraduate degree or its equivalent, and to satisfy specialization requirements for auditors.

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<sup>33</sup> IFAC, International Federation of Accountants, Education, Handbook of International Education Pronouncements 2010 Edition (Current edition), [www.ifac.org](http://www.ifac.org)

#### 4.4 Adoption and Implementation of International Education Standards

Country respondents have answered a questionnaire about the adoption and implementation of IES. The answers were subject to independent review. In the questionnaire the IES and related publications of the IAESB are used as benchmarks for the qualifications of accountants and auditors on a country level for all involved stakeholders. This approach is widely accepted. Out of a survey of 39 countries 33 consider the IES as benchmarks at least once in every five years.

A distinction is made between adoption and implementation questions. Adoption questions refer to the existence of a program component. The answers to adoption questions are based on observations. Answers to adoption questions are either YES (score 1), or NO (score 0). Implementation questions refer to actual compliance with specific requirements of the IES. Answers to implementation questions are based on professional judgment. Answers to implementation questions can be given in five categories:

- A (score 0) - There is no implementation;
- B (score 1) - Implementation is considered;
- C (score 2) - There is a low level of implementation;
- D (score 3) - There is a medium level of implementation;
- E (score 4) - There is a high level of implementation.

Equivalence in range between adoption questions and implementation questions is achieved by using the formula  $\text{score}/4$  for implementation questions.

For the GAE 2012 analysis in Chapter 5 a pillar structure is used that is based on the IES:

- *Pillar 1:* Personal Development, IES 1, 3 and 4, separate IES are milestones.
- *Pillar 2:* Professional Accountancy Education, IES 2, milestones reflect areas of knowledge.
- *Pillar 3:* Professional Development, IES 5, 6 and 7, separate IES are milestones.
- *Pillar 4:* Competence for Audit Professionals, IES 8, milestones reflect areas of expertise.

The GAE 2012 Questionnaire Tree is attached, see Box 7. Section 1 covers General & Background. Section 2 covers the IES; reference is made to applicable requirements. In general the IES work well for adoption questions. It is far more difficult to answer questions about the level of implementation based on the IES. For example a statement about integration of other subjects in Accounting, Finance & Related Knowledge can be found in the grey lettering and is not immediately obvious as a leading principle. In general the requirements of the IES were accepted by the respondents as relevant. There were doubts about the limited requirements of IES 1 on university level requirements.

### Box 7: Questionnaire Tree

<b>1</b>		<b>General</b>	<b>Background information and explanation</b>
	1.0	Respondent	Contact details of the respondent
	1.1	Content	Content of the questionnaire; IES as benchmarks
	1.2	Answers	Distinction between adoption and implementation questions
<b>2.0</b>		<b>Compliance IES</b>	<b>Use of IES as benchmarks; development</b>
	2.0.1	IES benchmarks	Frequency of consideration of IES
	2.0.2	Ethics	Compliance with the IFAC Code of Ethics
	2.0.3	Improvement	Improvement over the last three years
	2.0.4	Development	Need for change for education, certification and CPD
<b>2.1</b>		<b>Entry Level</b>	<b>Entry requirements ( IES 1)</b>
	2.1.1	Entrance level	University entrance level to accountancy education
	2.1.2	Benchmark	Entry requirement in compliance with IES 1
<b>2.2</b>		<b>Content</b>	<b>Content of professional accounting education programs (IES 2)</b>
	2.2.1	Study level	Equivalence of two years of full time, undergraduate study
	2.2.2	Accounting	Content of Accounting, Finance & Related Knowledge
	2.2.3	Business	Content of Organizational & Business Knowledge
	2.2.4	IT	Content of Information Technology Knowledge
	2.2.5	Benchmark	Professional accounting education in compliance with IES 2
<b>2.3</b>		<b>Prof. Skills</b>	<b>Professional skills and general education (IES 3)</b>
	2.3.1	Intellectual	Intellectual skills in compliance with IES 3
	2.3.2	Technical	Technical and functional skills in compliance with IES 3
	2.3.3	Personal	Personal skills in compliance with IES 3
	2.3.4	Interpersonal	Interpersonal and communication skills in compliance with IES 3
	2.3.5	Organizational	Org. and business management skills in compliance with IES 3
	2.3.6	Benchmark	Professional skills in compliance with IES 3
<b>2.4</b>		<b>Values and Ethics</b>	<b>Professional values, ethics and attitudes (IES 4)</b>
	2.4.1	Ethics education	Program of ethics education
		Benchmark	Professional values, ethics and attitudes in compliance with IES 4
<b>2.5</b>		<b>Experience</b>	<b>Practical experience requirements (IES 5)</b>
	2.5.1	Content	Content and duration of practical experience
		Benchmark	Program of practical experience in compliance with IES 5
	2.5.2	Organization	Supervision, mentorship and monitoring
		Benchmark	Organization of practical experience in compliance with IES 5
<b>2.6</b>		<b>Assessment</b>	<b>Assessment of professional capabilities and competence (IES 6)</b>
	2.6.1	Format	Requirements for the assessment methodology
	2.6.2	Content	Requirements for the content of the assessment
		Benchmark	Assessment in compliance with IES 6
<b>2.7</b>		<b>CPD</b>	<b>Continuing Professional Development (IES 7)</b>
	2.7.1	Duration	Requirements for the duration and assessment of CPD
	2.7.2	Organization	Requirements for the organization and monitoring of CPD
		Benchmark	CPD in compliance with IES 7
<b>2.8</b>		<b>Audit</b>	<b>Competence Requirements for Audit Professionals (IES 8)</b>
	2.8.1	Program	Advanced program requirements for audit professionals
	2.8.2	Skills	Advanced skills requirements for audit professionals
	2.8.3	Ethics	Advanced values, ethics and attitudes for audit professionals
	2.8.4	Experience	Practical experience in an audit environment
	2.8.5	Assessment	Advanced assessment for audit professionals
	2.8.6	CPD	CPD requirements for audit professionals
		Benchmark	Competence of audit professionals in compliance with IES 8

## 4.5 Country Classification Criteria

Systems of accountancy education in countries are influenced by the characteristics of the countries that are considered. To help understand differences between countries it is relevant to consider classification criteria. According to the GAE 2002 study (Karreman, 2002) legal system and economic position are independent variables. It is also of interest to distinguish countries by region. An overview of countries included in the GAE 2012 study is presented in Table 4-1. In the first column countries are divided in six regions: Asia & Pacific, Central Europe & Eurasia combined with Middle East & North Africa, European Union, Latin America, North America, and Sub Saharan Africa.

For legal system in the second column of Table 4-1 a distinction is made between common law, civil law and mixed. It is of interest to observe that due to the influence of international standards and regulation the number of systems that have to be considered mixed has increased. However for understanding it may still be relevant to consider the historic background of a country. Attention is asked for the situation in Saudi Arabia and in Canada. Saudi Arabia has an Islamic (sharia) legal system with elements of Egyptian, French, and customary law. However for international business the classification can be common law. Canada has a common law system except in Quebec where civil law based on the French civil code prevails.

For economic position in the third column of Table 4-1 reference is made to the World Economic Forum (WEF)<sup>34</sup> Competitiveness Index. In this index three stages of development are distinguished. The three stages are factor driven, efficiency driven, and innovation driven. The level of competitiveness increases as a country moves from factor driven (low skilled labour and natural resources) to efficiency driven (more efficient production processes and increased product quality) to innovation driven (new and different products, services and processes). Naturally as a country moves upwards in the WEF classification, the needs for accountancy services and qualified accountants and auditors will also increase. Countries can of course have an intermediate position. This is the case for Sri Lanka, with transition from factor-driven to efficiency driven, and for Malaysia, Kazakhstan, Turkey, Hungary, Argentina, Brazil, Chile and Mexico, all with transition from efficiency driven to innovation-driven.

In the last column of Table 4-1 country information is mentioned in regard to previous GAE 2002 and 2007 studies (Karreman, 2002, 2007), the Global Accountancy Education Benchmarking (GAEB) 2005 study (Phelps & Karreman), Accountancy Development Index (ADI) pilot study (Phelps, 2011) and Reports on the Observance of Standards and Codes (ROSC) Accounting and Auditing reports<sup>35</sup>. Information about Professional Accountancy Organizations in a country can be found on the IFAC website<sup>36</sup>. The compliance information consists of three parts: Part 1, Regulatory and Standard-Setting Framework; Part 2, SMO Self-Assessment; and, Part 3, Action Plans.

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<sup>34</sup> World Economic Forum, The Global Competitiveness Report 2012-2013

<sup>35</sup> ROSC, Reports on the Observation of Standards and Codes, Accounting & Auditing, World Bank, [www.worldbank.org](http://www.worldbank.org)

<sup>36</sup> IFAC, International Federation of Accountants, About IFAC, Membership & Compliance Program, [www.ifac.org](http://www.ifac.org)

**Table 4.1: Country Selection**

Country	Legal	Economic	Information
<b>Asia &amp; Pacific</b>			
Australia	Common law	Innovation	GAE 2002, 2007; ADI
Hong Kong	Mixed	Innovation	GAE 2002, 2007; ADI
India	Common law	Factor	GAE 2002, 2007; ROSC 2004
Japan	Civil law	Innovation	GAE 2002, 2007
Malaysia	Mixed	Efficiency	GAE 2002, 2007; ROSC 2012
New Zealand	Common law	Innovation	GAE 2002, 2007
Pakistan	Common law	Factor	GAE 2002, 2007; ROSC 2005
Singapore	Common law	Innovation	
Sri Lanka	Mixed	Factor	ROSC 2004
<b>Middle East, North Africa, Central Europe &amp; Eurasia</b>			
Kazakhstan	Civil law	Efficiency	ADI; ROSC 2007
Kosovo	Mixed	Not available	GAEB 2005; ADI; ROSC 2006
Moldova	Civil law	Factor	GAEB 2005; ADI; ROSC 2004
Saudi Arabia	Common law	Factor	GAE 2002, 2007; ADI
Serbia	Civil law	Efficiency	GAEB 2005; ADI; ROSC 2005
Turkey	Civil law	Efficiency	GAE 2002, 2007; ADI; ROSC 2005
<b>European Union</b>			
Czech Republic	Civil law	Innovation	GAE 2002, 2007; ADI; ROSC 2003
France	Civil law	Innovation	GAE 2002, 2007; ADI
Hungary	Civil law	Efficiency	GAE 2002, 2007; ROSC 2004
Ireland	Common law	Innovation	
Italy	Civil law	Innovation	ADI
Netherlands	Civil law	Innovation	GAE 2002, 2007; ADI
Romania	Civil law	Efficiency	ROSC 2009
Sweden	Civil law	Innovation	GAE 2002, 2007
United Kingdom	Common law	Innovation	GAE 2002, 2007; ADI
<b>Latin America</b>			
Argentina	Civil law	Efficiency	ROSC 2007
Brazil	Civil law	Efficiency	ADI; ROSC 2005
Chile	Civil law	Efficiency	ROSC 2004
Colombia	Civil law	Efficiency	ROSC 2003
Cuba	Civil law	Not available	
El Salvador	Civil law	Efficiency	ADI; ROSC 2005
Mexico	Civil law	Efficiency	GAE 2002, 2007; ADI; ROSC 2004
Peru	Civil law	Efficiency	ROSC 2004
Venezuela	Civil law	Factor	
<b>North America</b>			
Canada	Common law	Innovation	GAE 2002, 2007
USA	Common law	Innovation	GAE 2002, 2007; ADI
<b>Sub Saharan Africa</b>			
Cameroon	Mixed	Factor	
Ghana	Mixed	Factor	ROSC 2004
Kenya	Mixed	Factor	GAE 2002, 2007; ROSC 2010
Lesotho	Mixed	Factor	
Senegal	Civil law	Factor	ROSC 2005
South Africa	Mixed	Efficiency	GAE 2002, 2007; ADI; ROSC 2003
Tanzania	Common law	Factor	ROSC 2005
Zimbabwe	Mixed	Factor	ROSC 2011

## Chapter 5 Compliance with International Education Standards

### Abstract

*Chapter 5 focuses on the importance of country adoption and implementation of International Education Standards (IES) and the use of benchmarking in identifying country accomplishments and gaps from these standards. To enhance comparability a distinction is made between the four competency pillars of accountancy education that are developed in chapter 4: personal development, professional accountancy education, professional development, and competence requirements for auditors. Together the pillars cover all IES in a comprehensive approach that strengthens the statistical analysis of the results. Using a self-assessment survey together with third party expert validation, results from 40 countries were compiled. Highlights include tables and graphs of regions' scores in the aggregate, by adoption, implementation and by the four pillars. In addition to the overall analysis in chapter 5, graphical results for each country are presented in the separate country overviews that are attached to this study.*

### 5.1 Global Adoption and Implementation

The accountancy profession is based on standards, rests on their adoption and successful implementation, and is governed by the overarching principle of serving the public interest. These are complex sets of variables made even more difficult with sovereign interests and multiple stakeholders playing out on a global stage. Nevertheless, the capital markets, in the aftermath of the 2008 financial crisis, are demanding a single set of high quality internationally accepted accountancy standards where transparency, comparability and reliability of financial information is paramount.

Naturally the stakeholders to financial reporting are now, more than ever, focused not only on adoption but also on successful implementation of internationally recognized accountancy standards. The IES<sup>37</sup> of the International Accounting Education Standards Board (IAESB) are no exception. It is not a question of whether gaps or conversely accomplishments exist in adoption and/or implementation but rather the nature and size of the gaps and the speed of convergence. The results of this study surprisingly show a high level of achievement that far exceeds the gaps. Gaps do exist and are highlighted later in this chapter.

It is important to make a distinction between adoption and implementation. Adoption refers to a formal requirement in law or regulation to include a component in the program. Implementation as discussed below addresses actual compliance with the requirement. Accelerating adoption and implementation requires measuring the gaps; formulating action plans, energizing advocacy for action and allocating resources. International accountancy standards have been promulgated and are widely known; nevertheless many problems exist including:

- no enabling legislation to formally adopt these standards;
- current legislation does not fully embrace the totality of the international standards;
- existing legislation is confusing or contradictory;
- regulations or the will for enforcement are weak;
- institutions involved in accountancy lack the resources for implementation and enforcement;
- and,
- no reliable measurement exists.

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<sup>37</sup> IFAC, International Federation of Accountants, Education, Handbook of International Education Pronouncements 2010 Edition (Current edition), [www.ifac.org](http://www.ifac.org)

The IAESB IES, by their very nature, are more comprehensive in scope with pre and post-qualification requirements; subject to influential academic institutional stakeholders, and require greater appreciation to the cultural context of countries. IAESB's current focus is on competency which, with recognition of inputs, processes and outputs increases the layers of complexity. The methodology for measurement is similar with all standards but more comprehensive for accountancy education.

## 5.2 Measurement

Compliance gaps or more positive, accomplishments, in global accountancy education are most frequently expressed through qualitative assessments. These qualitative assessments provide a general sense of the problems that exist of formally adopting and fully implementing international education standards through passage of laws, development of rules and regulations and/or requirements established by governmental agencies, regulators and professional accountancy bodies and the capacity of institutions.

It is important to discuss, at this point, convergence. Discourse on convergence looms large in current accountancy literature. Almost from the beginning of the International Accounting Standards Committee in 1973 (as of 2001 International Accounting Standards Board (IASB))<sup>38</sup>, moving national standards closer to an international standard began. For close to three decades the discussion was about accounting practices, methods and disclosure.

In the decade of the 1980s and 1990s harmonization (a process), harmony (a state) and standardization (a process), uniformity (a state) were the cornerstones of accountancy research into measurement of accounting practice, methods and disclosure. In the decade since 2000, convergence became a focal point fueled by Financial Accounting Standards Board (FASB) and IASB release of the Norwalk Agreement in 2002.

The meaning of convergence depends on the source of the discourse. In a pure sense, convergence is a movement along a continuum where the starting point is total diversity of practice and at the end is uniformity of practice. However, some would express the end point as not uniformity but substantial equivalency. Irrespective, convergence is a movement along a continuum. Measuring where a country is at any point in time along this continuum requires a methodology for quantitative measurement. This methodology must have:

- benchmarks, for example, recognized standard(s);
- access to credible data;
- knowledge of country legal system, stage of economic development;
- a statistical framework; and,
- expert validation, if self-assessment is a key component of the data collection.

Lost in the research and discourse were other International Federation of Accountants (IFAC) standards notably education, ethics, discipline, audit and assurance, quality control and quality assessment. It was not until 2002 that Karreman researched *The Impact of Globalization of Accountancy Education*, a classification and comparative analysis of accountancy education (Karreman, 2002). In 2005, Phelps and Karreman authored a pilot United States Agency for International Development (USAID) funded Report on the *Results of the Global Accounting Education Benchmarking Pilot Project*, based on qualitative self-assessment surveys of nine Balkan countries (Phelps, 2005). This was a gap analysis that was viewed from a development perspective. In 2007, Karreman and others published *Trends in Global Accounting Education*, a five year update of general developments in accounting education (Karreman, 2007).

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<sup>38</sup> IASB, International Accounting Standards Board, [www.ifrs.org](http://www.ifrs.org)



Finally, in 2011 a report on another USAID funded project was released. This report, titled *Measuring Country-Level Accountancy Performance and Achievement* developed the Accountancy Development Index (ADI) a proxy for measuring the condition of the accountancy development in 32 countries (Phelps, 2011). This index included pillars for all IFAC Statements of Membership Obligations (SMO)<sup>39</sup> as well as governance, legal, regulatory and institution framework and professional accountancy association institutional capacity. The authors acknowledge limitations to the pilot project that would require further research and development and academic rigor. However, the report highlights gaps and the power of indices in today's real time global information.

Measurement requires an understanding of benchmarking. Benchmarking can be a process widely used in organizations to compare elements of performance, identify gaps and develop improvement targets. The core of benchmarking is a systematic approach that compares against select benchmarks most often a peer organization or sector.

IAESB IES fits nicely into benchmarking. Importantly, benchmarks, once established, provide a starting point for subsequent monitoring of progress overtime. In this regard it is a systematic review of a countries' accountancy education inputs, processes and outputs against a benchmark—SMO 2. This research report uses a benchmarking framework to identify the gaps in adoption and implementation of international education standards.

### 5.3 Methodology and Statistics

In keeping with the systemic nature of benchmarking and the requirement for credible data, the critical elements of GAE 2012 research included using:

- SMO 2 and attendant authoritative pronouncements as a benchmark;
- a self-assessment questionnaire completed by knowledgeable country experts;
- a questionnaire segregated by adoption and implementation; and,
- publically available data and external expert reviewers to validate or refine the survey data.

The self-assessment questionnaire is built on four pillars compiled from the conceptual framework of the IES and easily identified as personal development, professional accountancy education, professional development, and competence for audit professionals. A more granular breakdown within each pillar is milestones which are statements within the questionnaire based on the requirements of IES 1-8.

*Box 8, Pillar Outline*, is a pillar roadmap to the milestones of IES 1-8. Note that IES 2 overlaps both the pillars of *personal development* and *professional accountancy education*. IES 1, 3, 4, 5, 6, 7, and 8 roadmaps easily without overlap. The numbers in the last column refer to the questionnaire that is summarized in Box 7, Questionnaire Tree.

SMO 2 is comprehensive which naturally covers the multidisciplinary requirements of accountancy education. Over 100 questions were presented in the questionnaire which resulted in data that is in depth purposely to assist in removing, as much as possible, ambiguities from the respondents view point. But more importantly, questions cover both adoption and implementation. Adoption questions are designed to be answered either *Yes* or *No*. An example of adoption type questions is found under *Pillar 1 – Personal Development* and requires a *Yes* or *No* to the statement “*Accountancy education and training includes university entrance or the equivalent level at the start.*”

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<sup>39</sup> IFAC, International Federation of Accountants, About IFAC, Membership & Compliance Program, [www.ifac.org](http://www.ifac.org)

### Box 8: Pillar Outline

Pillars	Milestones	Questionnaire
Pillar 1 Personal Development	1.1 Academic Entry & Exit Level  1.2 Intellectual & Technical Skills  1.3 Values, Ethics & Attitudes	2.1 University Entry Level (IES 1) 2.2.1 Academic Level (IES 2) 2.3 Professional Skills (IES 3) 2.0.2 IFAC Code of Ethics 2.4 Professional Values, Ethics & Attitudes (IES 4)
Pillar 2 Professional Accountancy Education	2.1 Accounting, Finance & related Knowledge 2.2 Organizational & Business Knowledge 2.3 Information Technology	2.2.2 Accounting, Finance & related Knowledge (IES 2) 2.2.3 Organizational & Business Knowledge (IES 2) 2.2.4 Information Technology (IES 2)
Pillar 3 Professional Development	3.1 Practical Experience 3.2 Assessment  3.3 Continuing Professional Development	2.5 Practical Experience (IES 5) 2.6 Assessment of Professional Capabilities and Competence (IES 6) 2.7 Continuing Professional Development (IES 7)
Pillar 4 Competence for Audit Professionals	4.1 Advanced Audit Program  4.2 Advanced Audit Skills & Ethics 4.3 Advanced Audit Professional Requirements	2.8.1 Advanced Audit Program (IES 8) 2.8.2 Advanced Audit Skills (IES 8) 2.8.4 Practical Experience in an Audit Environment (IES 8) 2.8.5 Advanced Assessment for Audit Professionals (IES 8) 2.8.6 CPD Requirements for Audit Professionals (IES 8)

Implementation questions are more complex and refer to actual compliance with specific IES requirements. Answers are based on professional judgment and are presented into five categories:

- A. There is no implementation.
- B. Implementation is at the discussion stage.
- C. Implementation is beyond discussion and beginning steps are being taken to comply.
- D. Implementation is accelerating and falls in mid-range of the continuum to uniformity.
- E. Implementation has reached a high level.

Continuing with the Pillar 1 adoption statement above is the statement “*Entry requirements to a program of accountancy education are in compliance with the most up-to-date version of IES 1*”. Response requires an A, B, C, D or E answer and likewise requires a professional conclusion on the part of the respondent and an affirmation by an expert reviewer.

One additional category of questions is general in nature serving as background to better frame the adoption and implementation questions. This assists in understanding the broad country context from which accountancy education operates. An example found in the questionnaire is the following general question “*Over the last three years substantial improvements have been realized for: (b) Accounting and auditing certification.*” Responses requires *strongly agree, agree, disagree, or strongly disagree answers.*

The quantitative build up from the questionnaire is based on a binary scale of 0 and 1. YES adoption answers are assigned 1 and NO answers assigned a 0. Likewise, implementation answers are based

on the formula where the score (1, 2, 3 or 4) is divided by 4. No score can equal greater than 1. Therefore, an equivalency is maintained between adoption and implementation. The levels are assigned the following numerical values:

- A. 0
- B. 1 or  $1/4 = .25$
- C. 2 or  $2/4 = .50$
- D. 3 or  $3/4 = .75$
- E. 4 or  $4/4 = 1.0$

Using a binary scale is a key piece of the statistical framework for this report. Other considerations include:

- the sample size of 40 countries based on representation from all regions and classification types;
- use of self-assessment together with independent reviews and publically available data to enhance data quality and completeness;
- use of pillars and milestones aggregated primary data which was later expressed in summary form;
- weighting reflected through the binary scheme of 0 to 1 for both adoption and implementation questions; and,
- results compared, to test for correlation with other quantitative data.

As illustrated later, applying quantitative measures to accountancy education provides the reader with the ability to quickly focus on gaps in compliance and, over time trends. They also appeal to a wide audience of stakeholders who may interpret data to:

- change or enhance regulatory policy;
- judge effectiveness of standards;
- refocus education or training;
- enhance effectiveness of advocacy; and,
- improve the usefulness of financial reports.

The methodology that is used for the GAE 2012 study builds on and extends the approach in the design of the pilot ADI (Phelps, 2011). In the ADI study and in the present research the requirements that are formulated in the Organisation for Economic Co-operation and Development (OECD) Handbook on Constructing Composite Indicators (OECD, 2005) have been observed.

#### **5.4 Summary of Results and Findings**

GAE 2012's central objective is an evaluation of the status of accountancy education in 43 countries and six regions compared with the requirements of the IAESB IES. GAE 2012 essentially demonstrates, for 40 countries<sup>40</sup>, what has been achieved and what gaps remain. Stakeholders, while having different views, should analyze the results and findings through the lens of what each country has achieved and what remains.

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<sup>40</sup> Cameroon and Senegal are not included in the statistical analysis as the two countries make use of international qualifications; data collection for Kenya is still in progress.

For comparison the countries for which statistical information is available have been clustered by region:

- *Asia & Pacific*: Australia, Hong Kong, India, Japan, Malaysia, New Zealand, Pakistan, Singapore, and Sri Lanka
- *Central Europe and Eurasia, Middle East and North Africa*: Kazakhstan, Kosovo, Moldova, Saudi Arabia, Serbia, and Turkey
- *European Union*: Czech Republic, France, Hungary, Ireland, Italy, Netherlands, Romania, Sweden, and United Kingdom
- *Latin America*: Argentina, Brazil, Chile, Colombia, Cuba, El Salvador, Mexico, Peru, and Venezuela
- *North America*: Canada, and United States of America (USA)
- *Sub Saharan Africa*: Ghana, Lesotho, South Africa, Tanzania, and Zimbabwe

The following *Table 5.1 – Compilation of Country Scores by Region* shows the average numerical results of all 40 countries summarized for six regions into three scores which are “Aggregate” (the mean of adoption and implementation); “Adoption” and “Implementation”.

**Table 5.1: Compilation of Country Scores by Region**

Region	Aggregate	Adoption	Implementation
Asia & Pacific	.93	.95	.91
Central Europe and Eurasia, Middle East and North Africa	.79	.88	.70
European Union	.92	.93	.91
Latin America	.60	.69	.51
North America	.90	.88	.92
Sub Saharan Africa	.88	.95	.80

*Table 5.2 –Compilation of Country Scores by Pillars* shows the Adoption and Implementation scores for the regions by the four pillars of Personal Development, Professional Accountancy Education, Professional Development and Competence for Audit Professionals. Information about the actual adoption and implementation of IES in each country is included in separate country overviews. It is interesting to note that for some countries implementation scores are higher than adoption. One explanation is that material harmonization can take place without being initiated by standard setters (van der Tas, 1988). While he was speaking directly about accounting policies, it may also be true in accountancy education. Essentially practical needs overtake the process of formal adoption by government agencies or professional associations. The requirement by securities regulators for audits or reviews of sub-divisions of multinationals may explain why many countries moved ahead of formal adoption with implementation.

**Table 5.2: Compilation of Country Scores by Pillars**

Country	Personal Development		Professional Accountancy Education		Professional Development		Competence for Audit Professionals	
	Adopt	Imp	Adopt	Imp	Adopt	Imp	Adopt	Imp
Asia & Pacific	.91	.81	.98	.97	.98	.89	.91	.95
Central Europe and Eurasia, Middle East and North Africa	.93	.61	.80	.61	1.00	.70	.83	.71
European Union	.97	.86	.91	.94	.95	.89	.91	.96
Latin America	.90	.58	.84	.57	.32	.23	.70	.58
North America	.97	.89	.96	.96	.83	.89	.75	.95
Sub Saharan Africa	.97	.76	.96	.95	1.00	.70	.89	.77

A review of Table 5.1 and Table 5.2 highlights the following:

- The regions of Asia & Pacific, European Union (EU) and North America have scores over .90 in the aggregate. The economies in these regions are well developed and competitive.
- English speaking countries in Sub Saharan Africa are close at .88. An explanation for the relatively high country scores is the professional cooperation in the region with contributions from the Pan African Federation of Accountants (PAFA) (formerly the Eastern Central and Southern African Federation of Accountants, ECSAFA) as a regional body, and from the South African Institute of Chartered Accountants (SAICA) in South Africa, and the Institute of Certified Public Accountants of Kenya (ICPAK) in Kenya as professional accountancy organizations.
- Central Europe, Eurasia, Middle East and North Africa shows a .88 for adoption which reflects the push to move forward; however, implementation lags pulling the aggregate score down significantly.
- Latin America (LA) is an interesting region given the surprisingly lower scores. It is important to consider that the primary focus of IES is on professional, practice oriented requirements for accountants and auditors while countries in LA have systems that focus on academic accountancy education.
- In all regions except North America, adoption scores are higher than implementation. Both Canada and the USA have comprehensive accountancy education curriculums. Canada tends to be focused on professional development and the USA is more academic based. The level of implementation of IES is high in both countries. Adoption scores for the USA are lower than for Canada as not all professional requirements in the IES are formally adopted in the USA.
- The influence of uniform requirements of the EU shows with all scores relatively the same.

Overall scores are summarized in *Figure 5.1 – Region Aggregate Scores* as a linear bar graph of aggregate scores by six regions:

**Figure 5.1: Region Aggregate Scores**

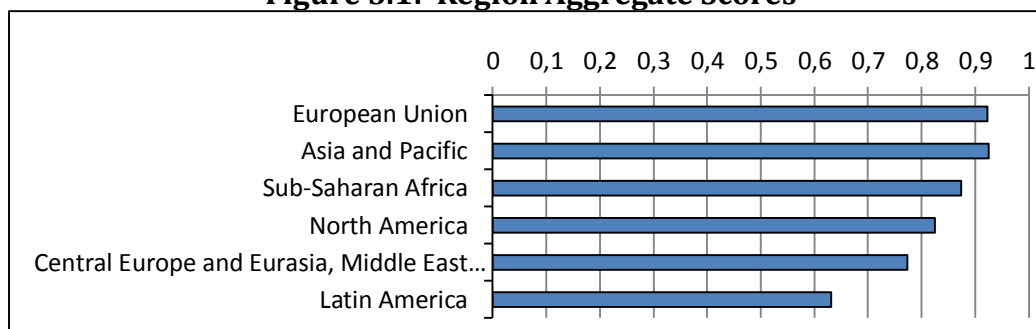
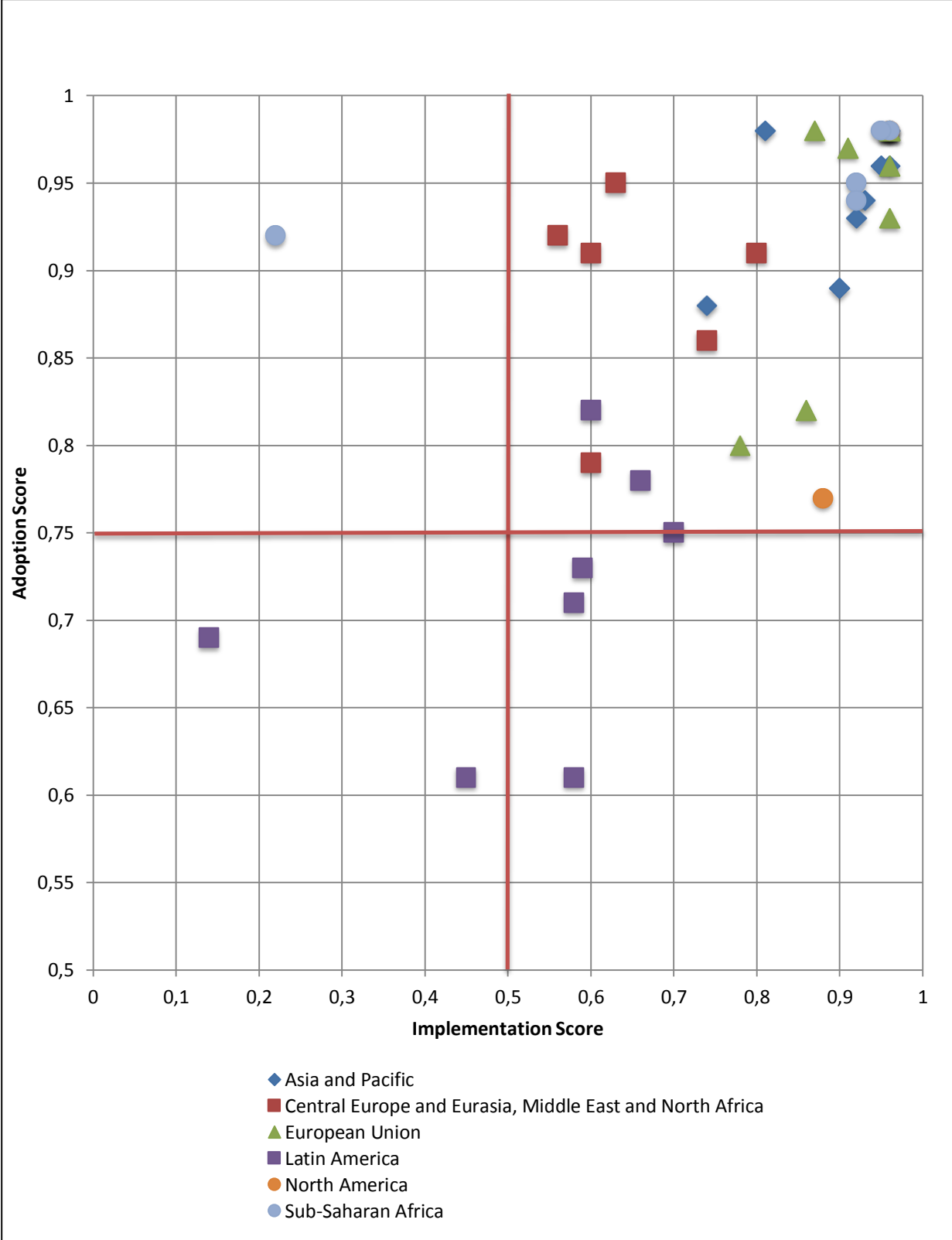


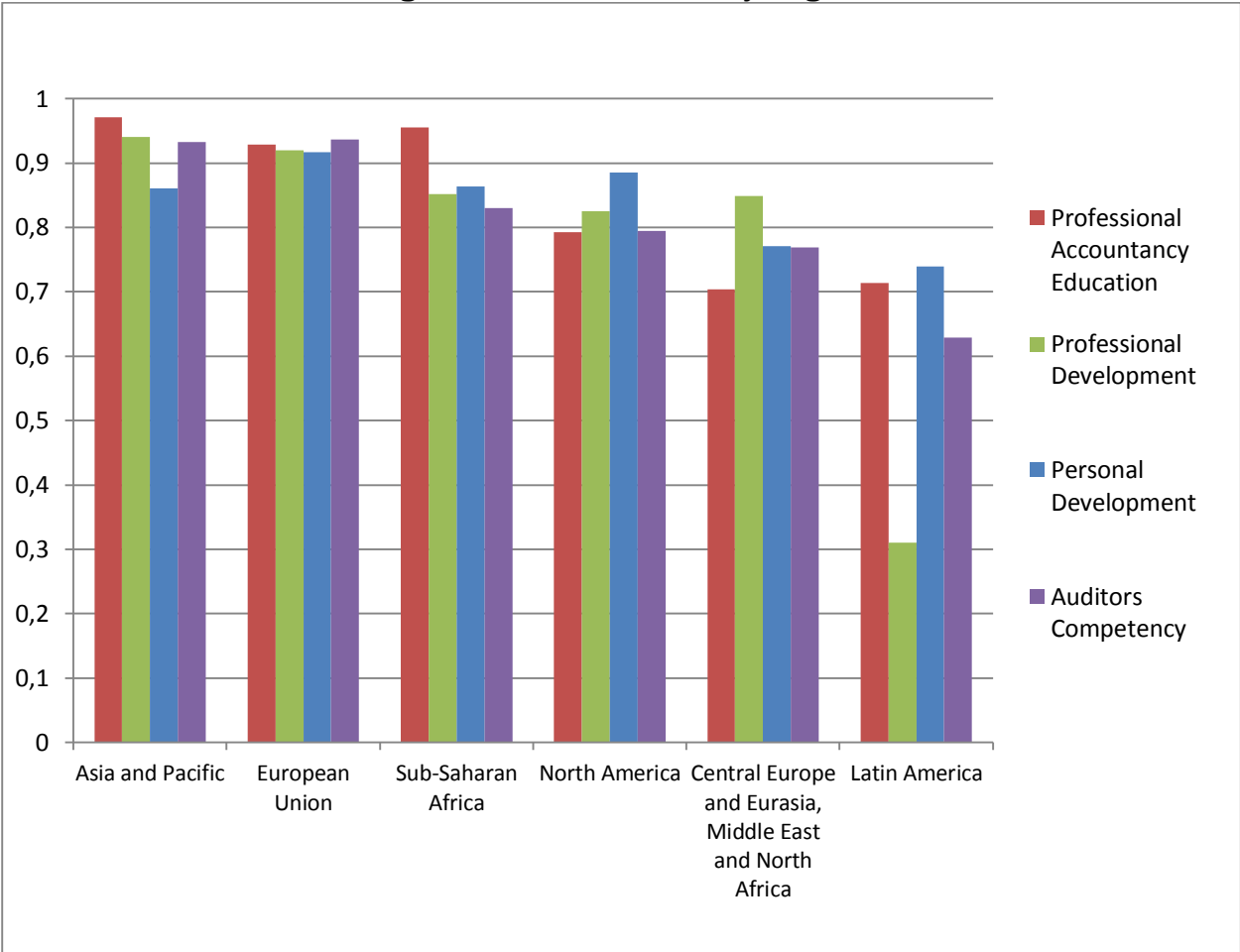
Figure 5.2 – Cluster Chart underneath shows that there is a concentration of country aggregate scores in the high adoption and high implementation quadrant. Countries outside the high adoption/high implementation quadrant are predominately from LA.

Figure 5.2: Cluster Chart



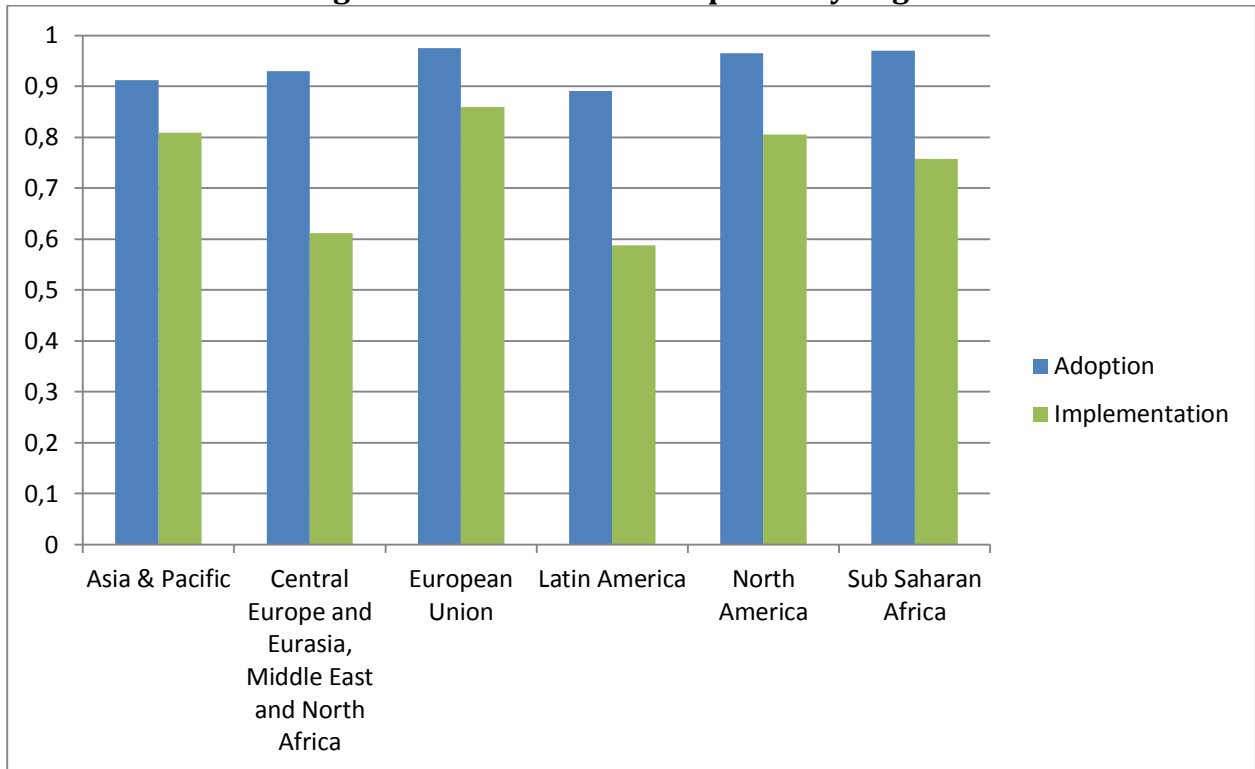
In Figure 5.3 – Pillar Scores by Region aggregated pillar scores are summarized by region.

**Figure 5.3: Pillar Scores by Region**

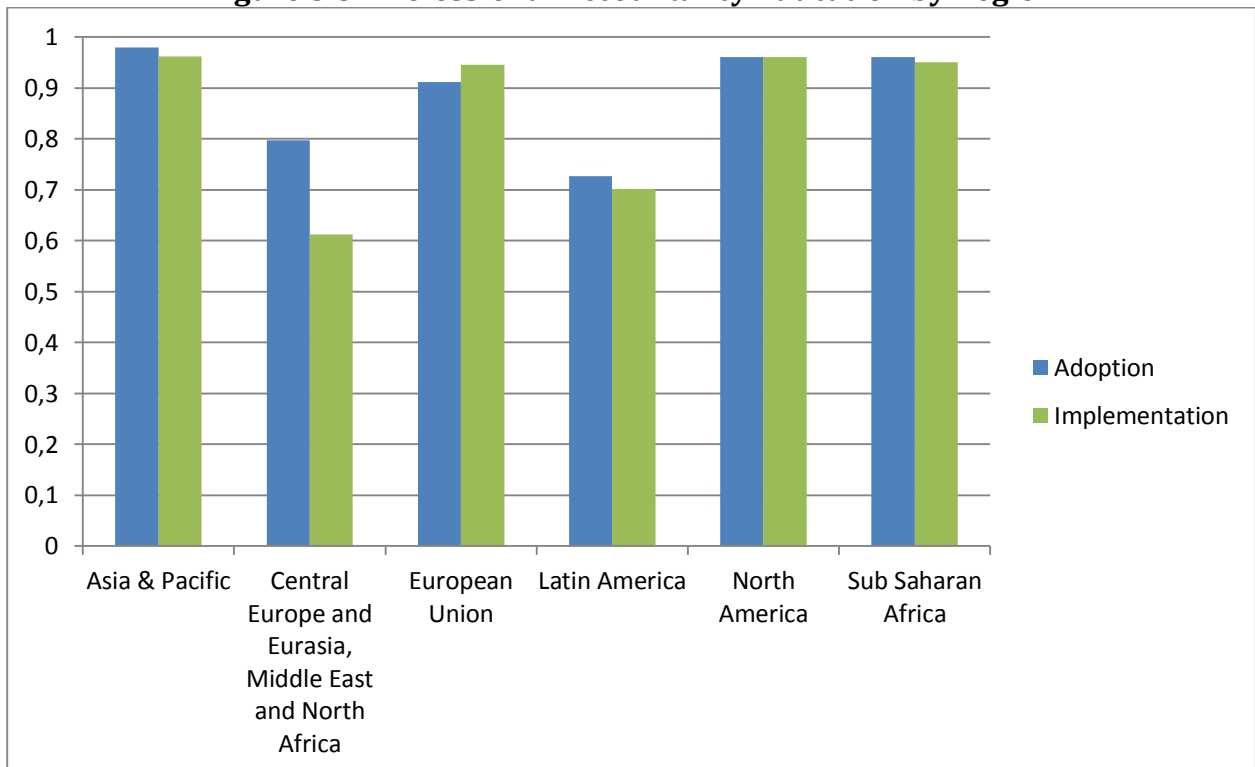


Figures 5.4 to 5.7 on the next two pages compare, by region, the adoption and implementation of the IES for the four separate pillars. The central observation from these figures is that the regions have been relatively successful at adopting the requirements of IES in the areas of personal development and professional accountancy education. However, overall, it appears that it is much more difficult to successfully adopt the professional qualifications and audit competency. Likewise, implementation lags almost across the regions except for one notable exception in auditor competency where Asia & Pacific, EU and North America have pushed implementation ahead of adoption. Anecdotally the needs of the capital markets that rely on speed in moving funds globally push audit requirements beyond a much slower pace country adoption processes.

**Figure 5.4: Personal Development by Region**

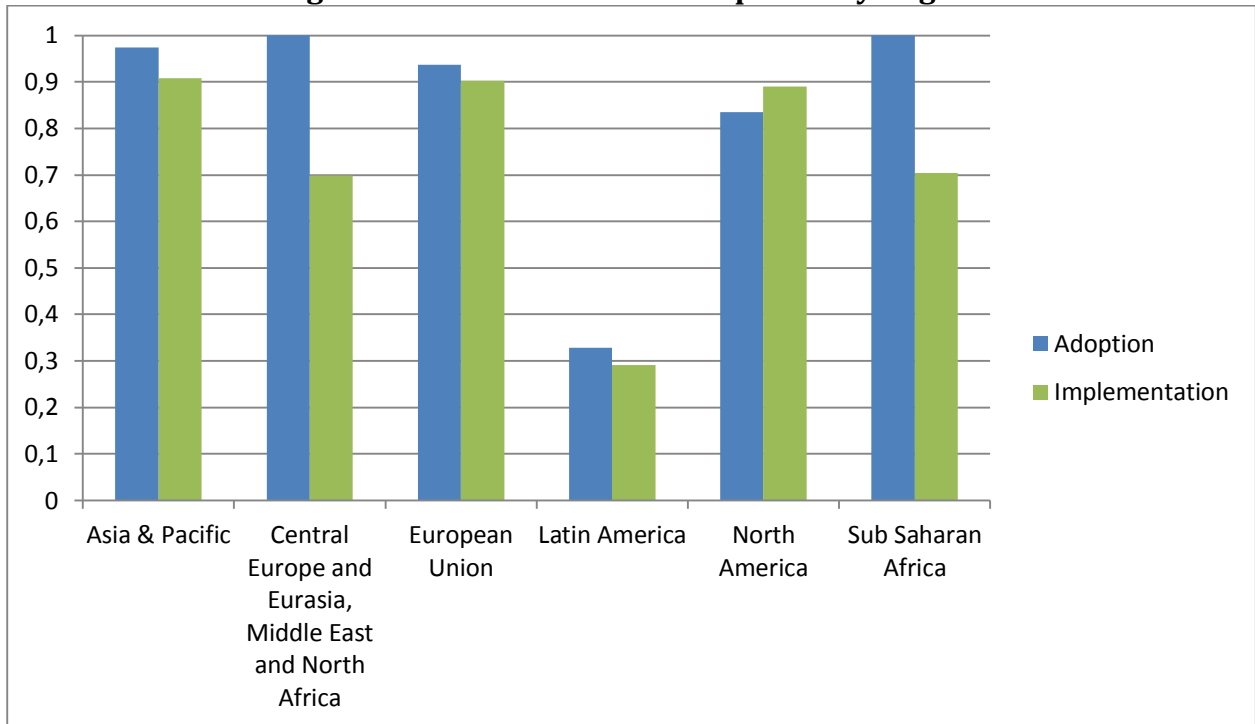


**Figure 5.5: Professional Accountancy Education by Region**

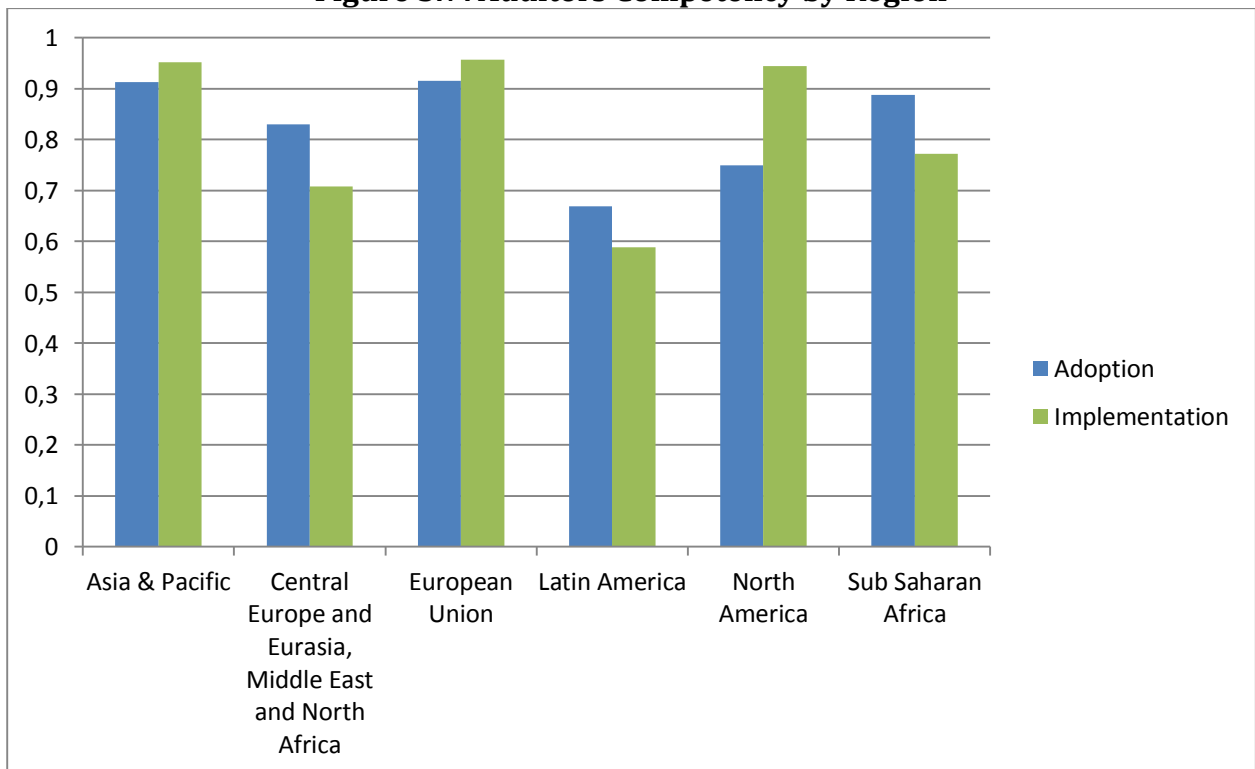




**Figure 5.6: Professional Development by Region**



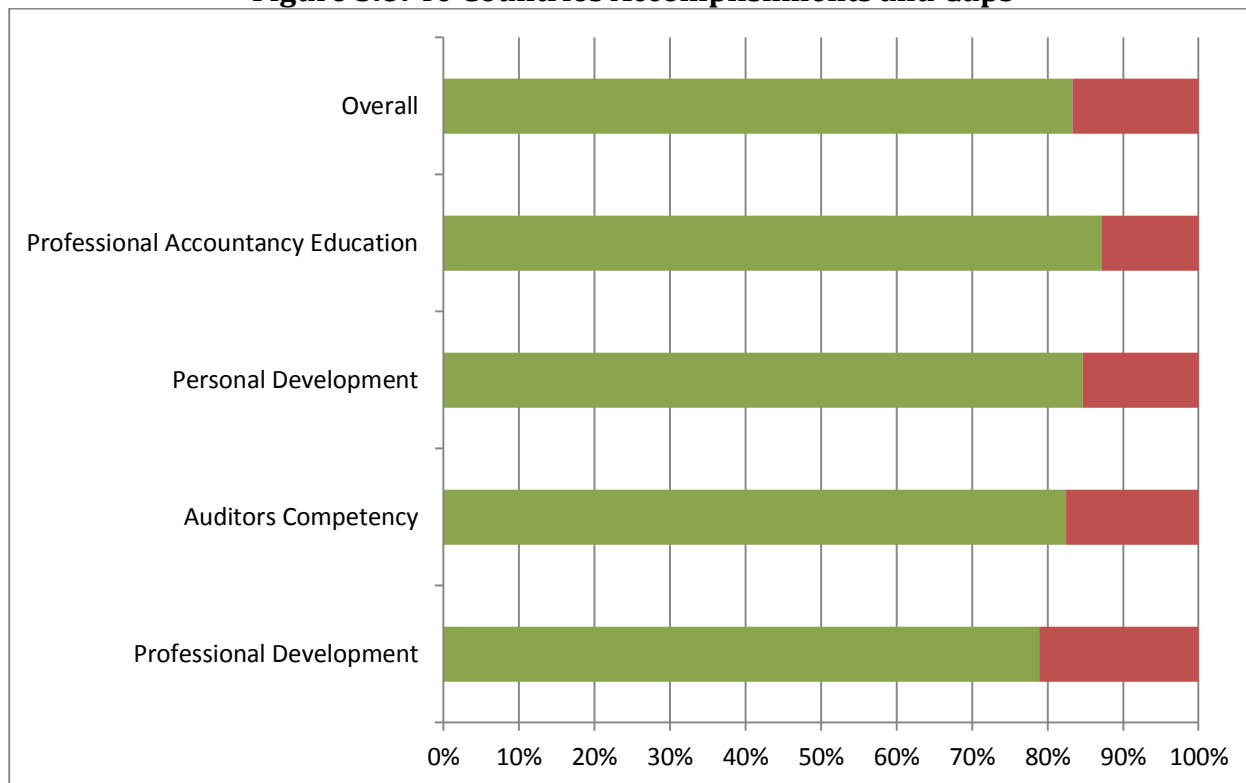
**Figure 5.7: Auditors Competency by Region**



## 5.5 Accomplishments and Gaps

Figure 5.8 – 40 Countries Accomplishments and Gaps, shows the pillar accomplishments and gaps for all countries. For three regions, Asia & Pacific, Latin America, and Sub Saharan Africa, accomplishments and gaps are discussed in chapter 6.

**Figure 5.8: 40 Countries Accomplishments and Gaps**



It is not surprising that gaps continue to exist in compliance with IES. The fact that overall a high level of compliance has been achieved is probably more surprising. The IES have been in existence as mandatory standards for professional accountancy organizations less than ten years. In that time important accomplishments have been made in all regions notwithstanding major differences between countries. Under these circumstances the level of adoption and implementation that was found in the present study was higher than could be expected. The fact that the IES are considered as benchmarks reflects their relevance and the need for international comparability of qualifications.

Some remarks can be made about the different levels of compliance for the four pillars. The Professional Accountancy Education pillar includes Accounting, Finance & Related Subjects, Organizational & Business Knowledge, and Information and Communication Technology (ICT). These areas have long been the core of accountancy education in both academic and professional settings. This explains the relatively high level of compliance for this pillar. In comparison at least parts of the Personal Development pillar are more recent with emphasis on competences, skills, values and ethics. In many countries more work needs to be done for this pillar. The results for Competence for Audit Professionals are influenced by specific regulation for auditors which varies between regions. Finally, the Professional Development pillar includes areas like practical experience, professional assessment and Continuing Professional Development (CPD) that can traditionally be weak in developing economies and in countries with a mostly academic system of accountancy education.

The IES prescribe standards of good practice for all countries irrespective of their background. This needs to be considered when stakeholders in a country consider the benchmarking results of this study as possible input for country action plans. The relevance of the comparison of accountancy education with the IES can depend on the economic position and the legal system of a country. Table 4-1 in Chapter 4 shows that based on the World Economic Forum (WEF) classification out of 43 countries, 13 countries are factor driven, 14 countries are efficiency driven and 14 countries are innovation driven. For two countries the WEF classification is not applicable. The stage of economic development naturally has a high impact on labor market needs and on priorities for accountancy education. This is also true for the legal system that can have a major impact on accountancy education and the balance between academic and professional approaches. According to Table 4-1 10 countries have a common law system, 23 countries have a civil law system, and 10 countries have a mixed law system.

The analysis in this chapter shows that the IES can play an important role in achieving comparability of professional qualifications, education and training of accountants and auditors. However for the consideration of results due attention should be given to the influence of country characteristics. This chapter has addressed parts of Research Question (RQ) 2 for Accountants and RQ 3 for Auditors: “What are the characteristics of the qualification, education and training in selected countries and regions around the world? Can the differences be compared with legal, economic, and cultural background? How do the differences influence international cooperation?” A further discussion of three regions, Asia & Pacific, Latin America, and Sub Saharan Africa is included in Chapter 6. The main subject of Chapter 7 is international comparability of qualifications as an important consideration for international cooperation.

## Chapter 6 Countries and Regions

### Abstract

*This Chapter addresses the selection of countries and regions for the GAE 20112 study followed by an analysis of accountancy education in each country. In total 43 countries have been considered. The countries come from different regions and have different economic and legal backgrounds. In the discussion of country characteristics specific attention is given to the characteristics of accountancy education in the following areas: certification requirements, education providers, responsibility for requirements, and, licensing of auditors. Country overviews contain information about the adoption and implementation of International Education Standards (IES). Specific attention is given to three regions that in general get limited attention in research: Asia & Pacific, Latin America (LA), and Sub Saharan Africa. The discussion of the regions includes country information, regional characteristics, adoption and implementation of IES, and recognition of qualifications. Finally, the development of accountancy education in the three regions is compared with global trends.*

### 6.1 Selection of Countries and Regions

In total respondents and reviewers from 59 countries have been approached, including the first group of 10 pilot countries\*. The comments received from the pilot countries were used to prepare the final version of the GAE 2012 questionnaire. Mid April 2012 answers were available for 41 countries; for 4 countries answers were still expected; 14 countries had to be postponed until a later stage. For three regions, Asia & Pacific, LA and Sub Saharan Africa, regional projects have been prepared. Consideration of countries for which the data are not yet available in April had to be postponed until a later stage. The regional distribution of the 43 countries in the final sample is given below.

- *Asia & Pacific:* Australia\*, Hong Kong\*, India, Japan, Malaysia, New Zealand, Pakistan, Singapore and Sri Lanka.
- *Middle East, North Africa Central Europe and Eurasia:* Kazakhstan, Kosovo\*, Moldova, Saudi Arabia, Serbia and Turkey.
- *European Union:* Czech Republic\*, France\*, Hungary, Ireland\*, Italy, Netherlands\*, Romania, Sweden and United Kingdom\*.
- *Latin America:* Argentina, Brazil\*, Chili, Colombia, Cuba, El Salvador, Mexico, Peru and Venezuela.
- *North America:* Canada and United States of America (USA).
- *Sub Saharan Africa:* Cameroon, Ghana, Kenya, Lesotho, Senegal, South Africa\*, Tanzania, Zimbabwe.

Working through the Global Accountability Development Initiative (GADI) country information will be regularly updated and new countries will be added.

## 6.2 Characteristics of Accountancy Education

For each country in the GAE 2012 research publication an analysis is prepared of the present status of adoption and implementation of IES in the country. To help readers of the report to understand the system of accountancy education in the country, a short and more or less standardized description of the characteristics of accountancy education in the country is included in the country information. Country respondents have been asked to check the text for their country and to correct any mistakes that may be present. The checklist below mentions the subjects that are included.

### *Characteristics of Accountancy Education*

1. Certification Requirements:
  - Is there a program of professional accountancy education?
  - Is there a practical experience requirement?
  - Is there a final assessment of professional capabilities?
  - Is Continuing Professional Development (CPD) mandatory?
2. Providers of Professional Education:
  - Professional accountancy organizations?
  - Universities, and/or other providers of higher education?
  - Government bodies?
3. Responsibility for Education Requirements:
  - Government or government agency?
  - Government with the accountancy profession?
  - Professional accountancy organizations?
  - Universities, and/or other providers of higher education?
4. Licensing Requirements for Auditors:
  - Academic study?
  - Practical experience?
  - Licensing examination, and/or final qualifying examination?
  - On-going requirements to retain a license (CPD and/or re-examination)?

The separate overview for each country starts with some general characteristics of the country and with information about the accountancy profession in the country. The second part is a summary of characteristics of accountancy education. This is followed by a graphical representation of the adoption and implementation of IES. Finally a short description of specifics of accountancy education is given.

The information that is collected for each country is based on the GAE 2012 analysis, on International Federation of Accountants (IFAC) compliance information and on additional fact finding as far as possible, either by consulting the websites of the professional accountancy organizations or by information made available by country respondents and reviewers. The subjects are summarized in Box 9, Country Characteristics. Box 9 is used as the standard format for the country information.

### Box 9: Country Characteristics

Country Data: general data only, identify data sources	To be collected for all countries; comparable structure for information
<b>Country Data I, General Characteristics</b>	
1.1 Background (public sources) Source CIA website, <a href="http://www.cia.gov">www.cia.gov</a>	Flag, Map (graphic) Total population (Millions) GDP per capita (USD) Business language(s)
1.2 Accountancy Profession Source IFAC website, <a href="http://www.ifac.org">www.ifac.org</a> and GAE 2012 analysis	Professional accountancy organisation(s) IFAC membership (full member, associate member) Web address and language of the website Regional affiliations Qualifications of accountants and auditors
<b>Country Data II, Accountancy Education</b>	
2.1 Certification Requirements Source IFAC website and GAE 2012 analysis	Program of professional accountancy education Practical experience requirement Final assessment of professional capabilities CPD
2.2 Providers of Professional Education Source IFAC website and GAE 2012 analysis	Professional accountancy organisation(s) Universities and/or education institutes Government bodies
2.3 Responsibility for Education Requirements Source IFAC website and GAE 2012 analysis	Government or government agency Government with the profession Professional accountancy organisations Universities
2.4 Licensing Requirements for Auditors Source IFAC website and GAE 2012 analysis	Academic study Practical experience Licensing and/or final qualifying examination On-going requirements (CPD, re-examination)
2.5 Mutual Recognition Agreements Source GAE 2012 analysis	Recognition agreements and requirements
<b>Country Data III, Analysis</b>	
3.1 Personal Development 3.2 Professional Accountancy Education 3.3 Professional Development 3.4 Competence Requirements for Auditors Source GAE 2012 analysis	Graphical representation of the adoption and implementation of IES based on the GAE 2012 analysis of the adoption and implementation of IES
<b>Country Data IV, Description</b>	
Characteristics of Accountancy Education	Summary based on GAE 2012 analysis and if available other sources

### 6.3 Consideration of Country Characteristics

Professional qualifications have been considered for 52 professional accountancy organizations in 43 countries. Comparison between countries shows that general characteristics are to a high degree comparable for most countries and regions. This paragraph presents a short overview about general results with some additional comments on the situation in Asia & Pacific, LA and Sub Saharan Africa.

Certification requirements in general cover professional accountancy education, practical experience, final assessment and CPD. With one exception this is true for all countries in the Asia & Pacific region. The Malaysian Institute of Accountants (MIA) has a specific position and does not conduct its own final examination. In LA Brazil and Mexico have all the requirements, but for the other countries in the survey requirements are limited to professional accountancy education. Finally in Sub Saharan Africa only Cameroon does not have a CPD requirement and Lesotho does not have a final examination.

Most countries have systems in which universities and professional accountancy organizations are providers of accountancy education. This is certainly true if accredited higher level education is considered to be part of professional accountancy education. LA is the only region for which this observation is not true. With the exception of El Salvador, universities are the sole providers of professional accountancy education in the countries that are considered in LA. Worldwide government bodies play no role as providers of professional accountancy education.

Overall responsibility for education requirements is evenly shared between governments, governments with the profession, and the profession. However there are differences between regions. In the Asia & Pacific region the profession is responsible, or the government with the profession. The only exception is Sri Lanka where the government is responsible. In LA the government is responsible with the exception of Peru in which country universities have direct responsibility for professional qualifications. In Sub Saharan Africa the profession is responsible, or the government with the profession. This is true for both the English and French speaking countries.

Licensing requirements for auditors, if applicable, cover academic study and examination requirements, practical experience, and CPD. Specific licensing requirements or a final qualifying examination for auditors are not always mandatory as they can be included in the general membership requirements. This is the case for some countries in the Asia & Pacific region. In LA the only requirement for auditors is academic study. In Sub Saharan Africa in general academic study, practical experience, and CPD are required for auditors. There are no specific licensing requirements or a final qualifying examination. Only in Senegal there is no practical experience requirement for auditors.

## 6.4 Introduction to Regional Approach

This chapter gives an overview of accountancy education in three regions: *Asia & Pacific*, *Latin America* and *Sub Saharan Africa*. In the context of increasing cross-border, regional and global cooperation, it is important to identify different approaches to accountancy education in countries that are situated in the same region. The regions included in this study have in common that in general they get little attention in comparative research on accountancy education. Their characteristics as described in this chapter however are very different. Understanding the characteristics is highly relevant for regional development.

For each region the following subjects are covered:

- *Introduction of the Region*: population, legal system, economic position.
- *Selection of Countries*: countries, professional associations, affiliations, and available material; separate country overviews will be included in the appendix.
- *Regional Characteristics*: regional comparison of country characteristics, including certification requirements, providers of professional education, regulation and responsibility for education requirements, and licensing requirements for auditors.
- *Adoption and Implementation of International Education Standards*: based on information provided by country respondents; four sub-pillars: personal development (IES 1, 3 and 4), professional accountancy education (IES 2), professional development (IES 5, 6 and 7), and competence for audit professionals (IES 8).
- *Recognition of Qualifications*: distinction between recognition of professional qualifications and recognition of practice rights; consideration of the role of regulators. Specific attention is given to the existence of Mutual Recognition Agreements (MRA) between professional accountancy organizations in two countries.

Research Questions (RQ) 2 and RQ 3 from Chapter 4 are addressed: “What are the characteristics of the qualification, education and training of accountants and auditors in the three regions? Can the differences be compared with legal, economic and cultural background? How do the differences influence international cooperation?” At the end of the chapter the situation in the three regions is compared with global trends.

## 6.5 Asia & Pacific

### *Regional Overview (Box 10)*

The regional overview in Box 10 gives a general introduction to the region. It summarizes characteristics that are important for the financial infrastructure in the region and as a consequence for the accountancy profession including the qualification of accountants and auditors. Box 10 also contains information about regional organizations that are active in the Asia Pacific Region (APR).

### *Country Information*

In this paragraph an overview is presented of the countries from the region that are included in the study; and for each country the professional accountancy organizations that were considered, their affiliations and an indication of available material. For each country a separate summary of the characteristics of accountancy education is available that covers the subjects of Box 9, Country Characteristics.



- *Australia*: CPA Australia and Institute of Chartered Accountants of Australia (ICA Australia). CPA Australia: full member of IFAC, IFAC compliance information, GAE 2007 study, no affiliations. ICA Australia: full member of IFAC, IFAC compliance information, GAE 2007 study (Karreman, 2007), affiliations Confederation of Asian and Pacific Accountants (CAPA).
- *Hong Kong*: Hong Kong Institute of Certified Public Accountants (HKICPA): full member of IFAC, IFAC compliance information, GAE 2007 study, Accountancy Development Index (ADI) pilot, affiliations CAPA.
- *India*: Institute of Chartered Accountants of India (ICAI): full member of IFAC, IFAC compliance information, GAE 2007 study, affiliations CAPA and South Asian Federation of Accountants (SAFA).
- *Japan*: Japanese Institute of Certified Public Accountants (JICPA): full member of IFAC, IFAC compliance information, affiliations CAPA.
- *Malaysia*: MIA and Malaysian Institute of Certified Public Accountants (MICPA). MIA: full member of IFAC, IFAC compliance information, GAE 2007 study, affiliations CAPA and ASEAN Federation of Accountants (AFA).
- *New Zealand*: New Zealand Institute of Chartered Accountants (NZICA): full member of IFAC, IFAC compliance information, GAE 2007 study, affiliations CAPA.
- *Pakistan*: Institute of Chartered Accountants of Pakistan (ICAP): full member of IFAC, IFAC compliance information, GAE 2007 study, affiliations CAPA and SAFA.
- *Singapore*: Institute of Certified Public Accountants of Singapore (ICPAS): full member of IFAC, IFAC compliance information, affiliations AFA.
- *Sri Lanka*: Institute of Chartered Accountants of Sri Lanka (ICASL): full member of IFAC, IFAC compliance information, affiliations CAPA and SAFA.

Additional information about the accountancy profession and about professional accountancy qualifications is available in World Bank (WB) Reports on the Observance of Standards and Codes (ROSC) Accounting & Auditing Reports for India, Japan, Malaysia, Pakistan and Sri Lanka; and in the Association of Chartered Certified Accountants (ACCA) Report: Easy Guide to Setting Up Accountancy Practices in ASEAN Countries (ACCA, 2007) and in a report from Deakin University: *Developing a Global Model of Accounting Education and Examining IES Compliance in Australia, Japan and Sri Lanka* (Watty, 2012).

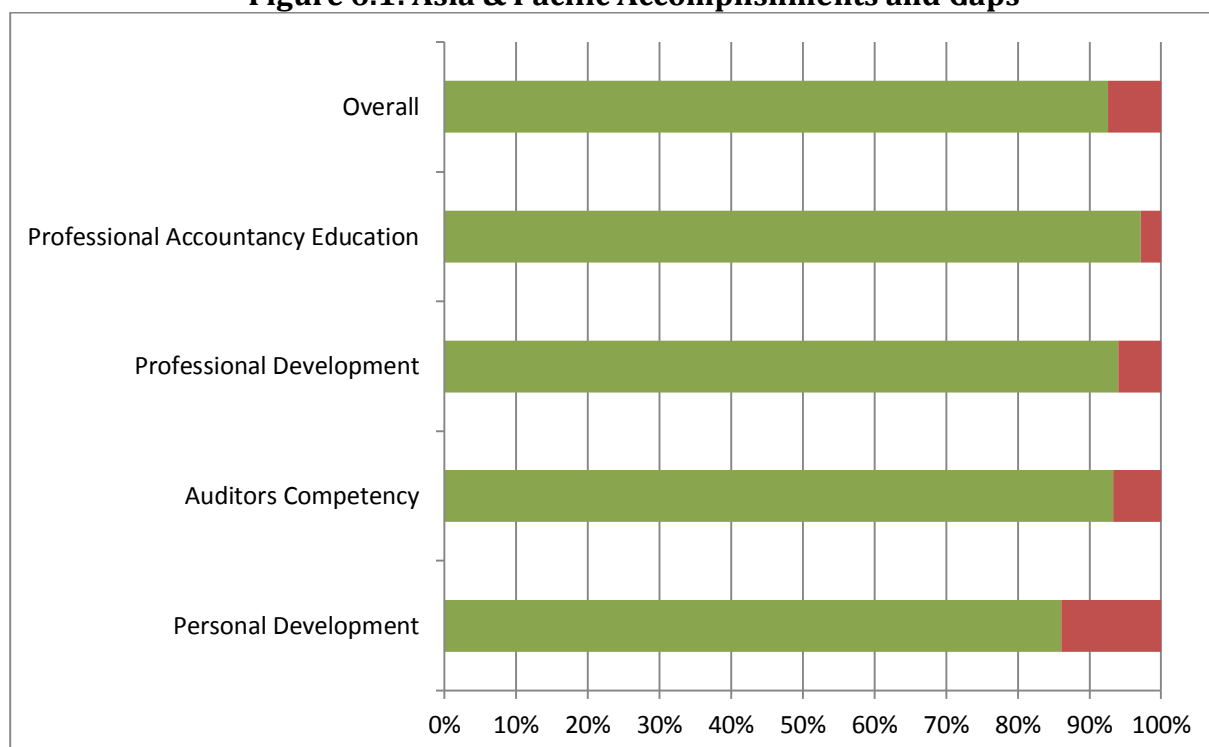
### *Regional Characteristics*

Based on the information that is available for each country attention is given to a comparison of the characteristics of accountancy education, to the status of adoption and implementation of International Education Standards, and if applicable to recognition of qualifications.

Characteristics of Accountancy Education in the Asia Pacific Region: According to the compliance information that is available on the IFAC website, characteristics of accountancy education are comparable for the countries in the APR that are included in the study. Certification requirements include a program of professional accountancy education, a practical experience requirement, a final assessment of professional competence (except for the MIA), and CPD. In general professional accountancy organizations provide professional accountancy education; exceptions are Hong Kong and Pakistan. In all countries universities provide accountancy education or accredited university programs are required for entrance into professional accountancy education. In Japan, Malaysia, New Zealand and Singapore the government and the profession share responsibility for qualifications; in Australia, Hong Kong, India, Pakistan and Sri Lanka the profession is responsible.

Compliance with IES in the APR: accomplishments and gaps are summarized in figure 6.1 based on the statistical analysis of GAE 2012 country data.

**Figure 6.1: Asia & Pacific Accomplishments and Gaps**



*Recognition of qualifications and practice rights*

The Asia & Pacific region has an extensive system for the recognition of qualifications and practice rights with internal connections inside the region and external connections outside the region. Australia (ICA Australia), Hong Kong (HKICPA) and New Zealand (NZICA) are connected with MRAs; they also have MRAs with chartered accountancy bodies in South Africa, the United Kingdom and Ireland, Canada and the USA. CPA Australia has MRAs with Hong Kong (HKICPA), India (ICAI), Malaysia (MIA) and Singapore (ICPAS). India (ICAI) has MRAs with Australia (CPA Australia, ICA Australia), Canada (Canadian Institute of Chartered Accountants, CICA), Ireland (CPA Ireland) and the United Kingdom (Institute of Chartered Accountants in England & Wales, ICAEW). Malaysia has MRAs with ACCA (MICPA) and with CPA Australia (MIA). Pakistan (ICAP) treats qualifications of chartered accountancy bodies from Australia (ICA Australia), Canada (CICA), Ireland (CA Ireland) and the United Kingdom (ICAEW and Institute of Chartered Accountants of Scotland, ICAS) as equal to the ICAP qualification. Singapore (ICPAS) has MRAs with ACCA and with CPA Australia; ICPAS also unilaterally recognizes qualifications from chartered bodies inside and outside the region. There is no international recognition of the Japanese CPA qualification. Sri Lanka (ICASL) has an exemption arrangement with CPA Australia. In view of the Association of South East Asian Nations (ASEAN) Economic Community which is set to begin in 2015, the AFA is considering how a common competency framework can ensure that all ASEAN accountants are trained and assessed at the same high level.

**6.6 Latin America**

*Regional Overview (Box 11)*

The regional overview that is presented in Box 11 gives a general introduction to the region. It summarizes characteristics that are important for the financial infrastructure in the region and as a consequence for the accountancy profession including the qualification of accountants and auditors. Box 11 also contains information about regional organizations that are active in LA.

## *Country Information*

In this paragraph an overview is presented of the countries from the region that are included in the study; and for each country the professional accountancy organizations that were considered, their affiliations and an indication of available material. For each country a separate summary of the characteristics of accountancy education is available that covers the subjects of Box 9, Country Characteristics.

- *Argentina*: Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCR): full member of IFAC, IFAC compliance information, affiliations Interamerican Accounting Association (IAA).
- *Brazil*: Conselho Federal de Contabilidade (CFC) and Instituto dos Auditores Independentes do Brasil (IBRACON). CFC: full member of IFAC, IFAC compliance information, ADI pilot. IBRACON: full member of IFAC, IFAC compliance information, ADI pilot, affiliations IAA.
- *Chile*: Colegio de Contadores de Chile (CCCH): full member of IFAC, IFAC compliance information, affiliations IAA.
- *Colombia*: Instituto Nacional de Contadores Públicos de Colombia (INCP): full member of IFAC, IFAC compliance information, affiliations IAA.
- *Cuba*: IFAC membership and previous studies not applicable, no affiliations.
- *El Salvador*: Instituto Salvadoreño de Contadores Públicos (ISCP): associate member of IFAC, no IFAC compliance information, ADI pilot, no affiliations.
- *Mexico*: Instituto Mexicano de Contadores Públicos, A.C. (IMCP): full member of IFAC, IFAC compliance information, GAE 2007 study, ADI pilot, affiliations IAA.
- *Peru*: Junta de Decanos de Colegios de Contadores Publicos del Peru (JDCCPP): IFAC membership suspended, IFAC compliance information, affiliations IAA.
- *Venezuela*: IFAC membership and previous studies not applicable; affiliations IAA.

Additional information about the accountancy profession and about professional accountancy qualifications is available in WB ROSC Accounting & Auditing Reports for Argentina, Brazil, Chile, Colombia, El Salvador, Mexico and Peru; and in the WB Report: Accounting for Growth in Latin America and the Caribbean (World Bank, 2009)

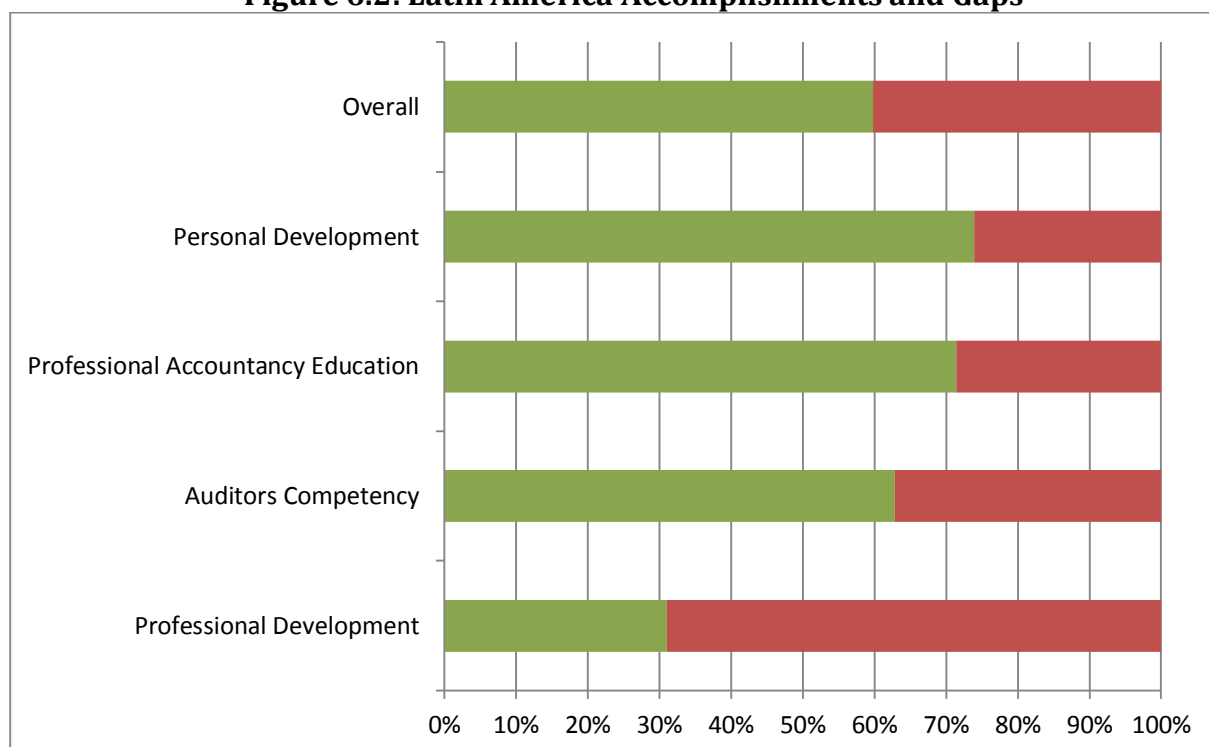
## *Regional Characteristics*

Based on the information that is available for each country attention is given to a comparison of the characteristics of accountancy education, to the status of adoption and implementation of IES, and if applicable to recognition of qualifications.

Characteristics of Accountancy Education in LA: According to the compliance information that is available on the IFAC website, characteristics of accountancy education are comparable for the countries in LA that are included in the study. In all countries certification requirements include a program of professional accountancy education. Practical experience, a final assessment of professional competence, and CPD are required in Brazil and Mexico. Professional accountancy education is provided by universities. In El Salvador accountancy education is also provided by the profession. With the exception of Peru the government is responsible for qualifications; in Peru the universities are responsible.

Compliance with IES in LA: accomplishments and gaps are summarized in figure 6.2 based on the statistical analysis of GAE 2012 country data.

**Figure 6.2: Latin America Accomplishments and Gaps**



#### *Recognition of qualifications and practice rights*

In general the countries in LA that are included in the GAE 2012 research study do not yet have arrangements with other countries for the recognition of qualifications and practice rights. The exception is Mexico in which country IMCP organizes a voluntary examination for candidates who want to qualify as Contador Publico Certificado (CPC). The examination of the Mexican licensee is recognised in MRAs with Canada and the USA.

## **6.7 Sub Saharan Africa**

### *Regional Overview (Box 12)*

The regional overview that is presented in Box 12 gives a general introduction to the region. It summarizes characteristics that are important for the financial infrastructure in the region and as a consequence for the accountancy profession including the qualification of accountants and auditors. Box 12 also contains information about regional organizations that are active in Sub Saharan Africa.

### *Country Information*

In this paragraph an overview is presented of the countries from the region that are included in the study; and for each country the professional accountancy organizations that were considered, their affiliations and an indication of available material. For each country a separate summary of the characteristics of accountancy education is available that covers the subjects of Box 9, Country Characteristics.

- *Cameroon:* Ordre National des Experts Comptables de Cameroon (ONECCA Cameroon): full member of IFAC, IFAC compliance information, affiliations Fédération Internationale des Experts-Comptables Francophones (FIDEF), ABWA and PAFA.
- *Ghana:* Institute of Chartered Accountants Ghana (ICAGH): full member of IFAC, IFAC compliance information, affiliations Association of Accountancy Bodies of West Africa (ABWA) and Pan African Federation of Accountants (PAFA).

- *Kenya*: Institute of Certified Public Accountants of Kenya (ICPAK): full member of IFAC, IFAC compliance information, GAE 2007 study, affiliations PAFA.
- *Lesotho*: Lesotho Institute of Accountants (LIA): full member of IFAC, IFAC compliance information, affiliations PAFA.
- *Senegal*: Ordre National des Experts Comptables et Comptables Agréés du Sénégal (ONECCA Senegal): associate member of IFAC, IFAC compliance information, affiliations FIDEF and PAFA.
- *South Africa*: South African Institute of Chartered Accountants (SAICA): full member of IFAC, IFAC compliance information, GAE 2007 study, ADI pilot, affiliations PAFA.
- *Tanzania*: National Board of Accountants and Auditors (NBAA): full member of IFAC, IFAC compliance information, affiliations PAFA.
- *Zimbabwe*: Institute of Chartered Accountants of Zimbabwe (ICAZ): full member of IFAC, IFAC compliance information, affiliations PAFA.

Additional information about the accountancy profession and about professional accountancy qualifications is available in WB ROSC Accounting & Auditing Reports for Ghana, Kenya, Senegal, South Africa, Tanzania and Zimbabwe.

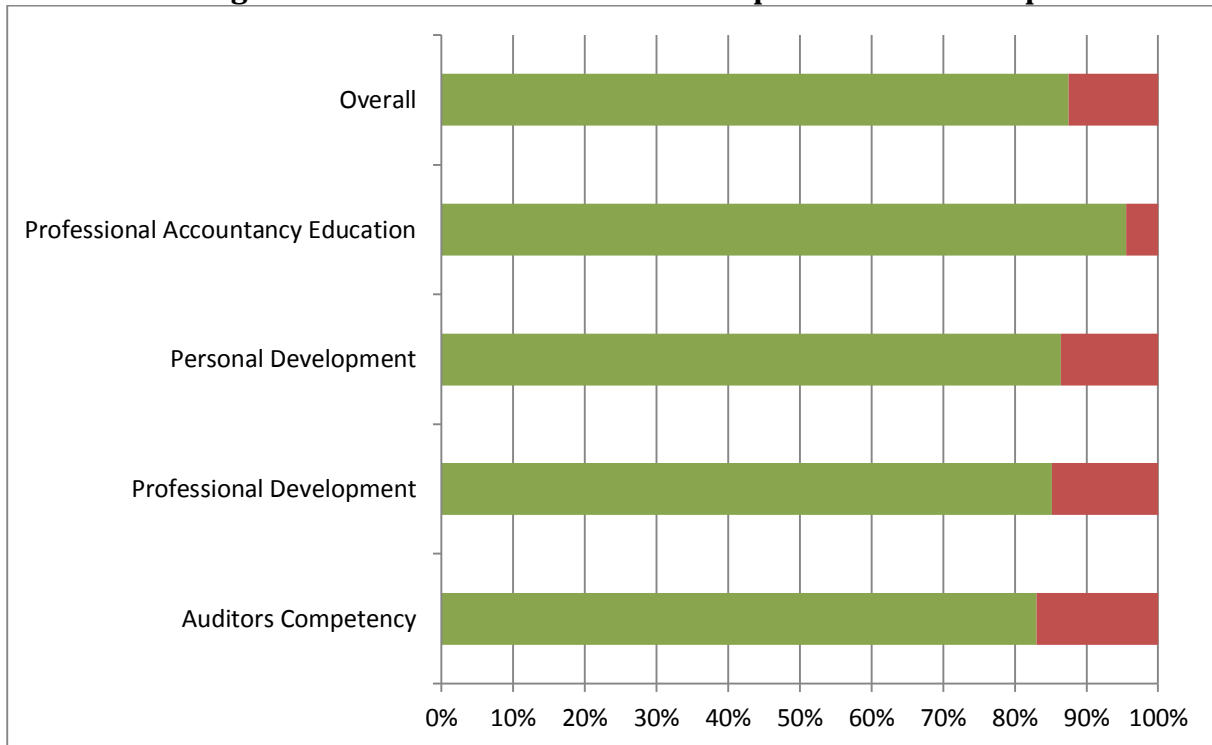
### *Regional Characteristics*

Based on the information that is available for each country attention is given to a comparison of the characteristics of accountancy education, to the status of adoption and implementation of International Education Standards, and if applicable to recognition of qualifications.

Characteristics of Accountancy Education in Sub Saharan Africa: According to the compliance information that is available on the IFAC website, characteristics of accountancy education are comparable for the countries in Sub Saharan Africa that are included in the study. Certification requirements include a program of professional accountancy education, a practical experience requirement, a final assessment of professional competence (except for Lesotho), and CPD. Most of the professional accountancy organizations provide professional accountancy education (Cameroon, Ghana, Kenya, Lesotho, and South Africa); for all countries universities provide accountancy education. In three countries (Kenya, Senegal, and South Africa) the government and the profession share responsibility for qualifications; in the other countries the profession is responsible.

Compliance with IES in Sub Saharan Africa: accomplishments and gaps are summarized in figure 6.3 based on the statistical analysis of GAE 2012 country data.

**Figure 6.3: Sub-Saharan Africa Accomplishments and Gaps**



*Recognition of qualifications and practice rights – Southern Africa*

SAICA has MRAs with chartered accountancy bodies in Australia, Canada, Hong Kong, Ireland, New Zealand, the United Kingdom and in Sub Saharan Africa with Zimbabwe. In general SAICA is working closely with the neighbouring countries in the southern Africa region, and a number of reciprocity arrangements have been put into place. Regional accreditation of education and training continues to play an important role in the economic development of the region and to uplift and ensure the implementation of international standards. Lesotho has a joint recognition scheme with ACCA.

*Recognition of qualifications and practice rights – Eastern Africa*

In 2011 the members of the East African Community Institutes of Accountants (EACIA), the body of professional accountancy Institutes in the East African Community Region comprising the professional accountancy bodies from Kenya, Rwanda, Uganda, Tanzania and Burundi, signed a MRA in Uganda. This represents a unique and positive step toward enhanced knowledge sharing and collaboration in the region, which has three IFAC members and one organization applying for associate status. To assist in regional integration, the MRA envisages stronger and well developed institutes like ICPAK lending a helping hand to relatively younger and less developed Institutes, a role that ICPAK is well positioned to effectively play. In 2011 ICPAK has also signed a Memorandum of Understanding (MOU) with the Institute of Chartered Accountants in England and Wales (ICAEW). This MOU allows partial recognition of each institute’s education and training and lays down the further steps to be taken to achieve full membership of each institution.

## *Recognition of qualifications and practice rights – Western Africa*

ABWA's official recognition by IFAC in 2003 as an IFAC's Regional Grouping, the creation of the African Chapter of International Federation of Women Accountants (IFWA), as well as ABWA's initiative leading to the formation of the Forum of Accountants-General and Auditors-General of West Africa in 2003, are amongst the Association's major accomplishments. ABWA is pursuing the development of a framework for harmonisation of professional and technical accounting education and practice.

### **6.8 Regional Organizations**

IFAC recognizes the importance of regional developments and, in its work to promote the development of the accountancy profession, cooperates with Recognized Regional Organizations and with Accountancy Groupings. According to the IFAC website "Recognized Regional Organizations (RO) are independent bodies which share IFAC's mission and values and which, in many cases, share IFAC's membership. ROs play a valuable role by supporting the development of the international accountancy profession, facilitating convergence to international standards, and providing leadership in addressing issues affecting the accountancy profession in their region and/or constituencies".

Recognized Regional Organizations are:

- Confederation of Asian and Pacific Accountants (CAPA).
- Federation of European Accountants (FEE).
- Interamerican Accounting Association (IAA).
- Pan African Federation of Accountants (PAFA), formerly Eastern Central and Southern African Federation of Accountants (ECSAFA).

IFAC wishes to have a limited number of regional organizations that represent the major geographic regions of the world. A policy statement sets out the criteria under which a regional organization may be recognized by IFAC and the specific obligations for that organization.

Six Accountancy Groupings are acknowledged by IFAC. These groupings support the objectives and pronouncements of IFAC and support the advancement of the accountancy profession within their constituencies. These are:

- Association of Accountancy Bodies of West Africa (ABWA).
- Eurasian Council of Certified Accountants and Auditors (ECCAA).
- Fédération des Experts-Comptables Méditerranéens (FECM).
- Fédération Internationale des Experts-Comptables Francophones (FIDEF).
- South Asian Federation of Accountants (SAFA).
- The Institute of Chartered Accountants of the Caribbean (ICAC).

A policy statement sets out the criteria for an accountancy grouping to be acknowledged by IFAC and the obligations for that organization.

As mentioned before details about regional organizations in the Asia Pacific Region, in Latin America and in Sub Saharan Africa are included in respectively Box 10, Box 11 and Box 12.

## 6.9 Regions and Global Trends

The GAE 2012 Questionnaire contains some observation questions about the consideration of IES as benchmarks for accountancy education, about substantial improvements that have been realized in accountancy education over the last three years and about substantial changes that are still necessary. In this paragraph the situation in the three regions is compared with the overall evaluation for the global sample of 43 countries that are included in the research study.

For consideration of the IES four answers were distinguished: no consideration (score 0), consideration every five years (score 1), every two years (score 2) or every year (score 3). The average score for the sample of 43 countries is 2,2 which indicates systematic consideration of IES in the great majority of countries. The APR is no exception to this observation. Only in Japan the IES are not regularly considered as benchmarks for accountancy education. In LA the IES are regularly considered as benchmarks for accountancy education in Brazil and Colombia; there is no consideration or only limited consideration in Argentina, Chili, Cuba, El Salvador, Mexico and Peru; data for Venezuela are not yet available. All English speaking countries in Sub Saharan Africa consider the IES as benchmarks at least every two years. The question is not applicable for Cameroon and Senegal as they do not have country specific accountancy education. However they cooperate with international organizations that do consider IES for program development.

In its approach to improvements that have been realized and changes that are still necessary the questionnaire makes a distinction in accounting and auditing education, accounting and auditing certification and accounting and auditing CPD. Possible opinions were: strongly disagree (score 0), disagree (score 1), agree (score 2) and strongly agree (score 3). The overall answers for both improvements and changes do not show marked differences for education, certification and CPD. There is however a considerable difference between the average score for realized improvements (2,1) and the average score for necessary change. The situation in the three regions considered in the study is in general not different from the overall evaluation. Most respondents agree or strongly agree that substantial improvements have been realized. Exceptions in the APR are Japan and Pakistan for certification; in LA Argentina for CPD, El Salvador for certification and CPD, data for Venezuela is not yet available; as already explained in Sub Saharan Africa the question is not applicable for Cameroon and Senegal. In South Africa major improvements have not been realized during the last three years, but as a note from the authors this should be placed in the context of previous developments. In this regard South Africa can be compared with countries in other regions that also have highly developed systems of accountancy education. Most respondents in the three regions agree or strongly agree that ongoing change is necessary. Exceptions are Hong Kong, New Zealand and Pakistan in the APR, and El Salvador in LA. Again this should be placed in the context of the relative state of development of accountancy education.



## Box 10: Characteristics Asia & Pacific

Occupying over 20 million square kilometres of land, the APR represents not just the largest of the continents but also the biggest in population size, comprising some 48 countries in Asia and Australasia (UNESCO, 2011). There are significant differences in legal frameworks, business practices and accounting educational standards given the huge diversity in cultural and economic developments in the region.

Asia alone contributed nearly 60 percent of global growth in 2011 and with similar forecast for 2012 (Siregar & Nellor, 2012). China and India, two massive emerging nations, have recorded phenomenal double-digit Gross Domestic Product growth in the last decade. China is now the world's second largest economy, after the USA, with Japan following in the third place. Unemployment rates in the Asia-Pacific economies are relatively low at 4-5 percent. With such robust growth in recent years, amidst the USA financial woes and Europe's sovereign debt crisis, APR has attracted tremendous interests. Even the President of the USA has taken an unprecedented interest in the region:

"In today's interconnected world, what happened in Japan or China or Indonesia also has a direct effect on the lives of the American people, that's why the Asia Pacific is where the United States engages in much of our trade and commerce" (Obama, 2011).

Japan, Australia and New Zealand represent the 'Advanced' APR nations (IMF, 2011), while Hong Kong SAR, Korea, Singapore and Taiwan, termed the 'Four Asian Dragons' or 'Four Asian Tigers', are economic success stories for maintaining consistent high growth rates and rapid industrialisation that propel them into advanced economies. Despite signs of moderating growth due to weaker external demands, the APR countries, including the ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam) and other developing Asian countries are projected to grow at 5-6 positive percent for 2013 (IMF, 2012a), achievable through strong domestic demands and infrastructural investments.

At the forefront of wealth creation, Hong Kong, Singapore, Taiwan, South Korea, Malaysia, Thailand, China, Indonesia, Philippines and India are growing at an astounding rate. The number of High Net Worth Individuals grow from 1.16 million to 2.82 million, owning assets that triple from United States Dollars (USD) 5.6 trillion to a forecast of USD 15 trillion from 2010 to 2015 (Julius Baer, 2011). Many of the Asian companies are family-owned.

However, despite the transformation of more APR countries into advanced economies in the International Monetary Fund (IMF) list (IMF, 2011), a large number of APR nations are still developing economies or better termed as emerging economies. Many regions in the APR face severe poverty, with deprivation of basic necessities, such as food, clean water and sanitation, health and medical care and access to education.

Although the APR emerging markets face many daunting challenges despite their rapid developments, the region offers opportunities for world economic development in terms of market, production and supply of goods and service, as well as of growing importance, capital, investment and resources.

There are a number of APR countries who have home grown accountancy bodies which are members of the IFAC<sup>41</sup> but more support will have to be given to countries that are not to help them develop the accountancy sector and accountancy education. Active regional accountancy bodies devoting efforts to these regions are:

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<sup>41</sup> IFAC, International Federation of Accounts, About IFAC, Membership & Compliance Program, Member Bodies, Regional Organizations, [www.ifac.org](http://www.ifac.org)

Asia Oceania Tax Consultants' Association (AOTCA)<sup>42</sup> was founded in 1992 by 10 tax professionals' bodies located in the Asian and Oceanic regions. Currently, the association had expanded to 20 member organisations from 16 countries and regions.

The ASEAN Federation of Accountants (AFA)<sup>43</sup> was created to serve as the umbrella organisation for the national associations of accounting professionals of the member countries of the ASEAN. One of the key aims of the Federation is to enhance the continuous development of the accounting profession in the region through the joint endeavours of accountants in the region. Presently, AFA membership comprises of all 10 ASEAN member countries.

CAPA<sup>44</sup> is the Regional Organisation representing national accountancy organisations in the Asia-Pacific region. Today, CAPA has a membership of 31 accountancy organisations in 23 jurisdictions.

SAFA<sup>45</sup> is a forum of professional accountancy bodies committed to position, maintain and develop the accountancy profession in (South Asia region Bangladesh, India, Nepal, Pakistan and Sri Lanka). The federation represents over 170,000 accountants from the national chartered accountancy and cost and management accountancy institutions in the South Asian countries.

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<sup>42</sup> AOTCA, Asia Oceania Tax Consultants' Association, [www.aotca.org](http://www.aotca.org)

<sup>43</sup> AFA, ASEAN Federation of Accountants, [www.aseanaccountants.org](http://www.aseanaccountants.org)

<sup>44</sup> CAPA, Confederation of Asian and Pacific Accountants, [www.capa.com.my](http://www.capa.com.my)

<sup>45</sup> SAFA, South Asian Federation of Accountants, [www.esafa.org](http://www.esafa.org)

## Box 11: Characteristics Latin America

As a large continent, LA represents about 28% of global landmass with 14% of global population. South America is smaller when compared to North America (in land and population). However, LA congregates part of North America (Mexico), Central America, The Caribbean and South America, coming all the way from Mexico down south, based on colonization characteristics, mainly from Spain and Portugal. In addition, it is noteworthy the growing presence of the Spanish-speaking population in the USA. LA has about 600 million people and Gross Domestic Product (GDP) close to 7 trillion USD based upon Purchasing Power Parity (PPP)<sup>46</sup>. LA has an intense history prior to European arrival (e.g., indigenous elites), what creates a unique culture in certain regions. With specific colonization process (somehow distinct between Spain and Portugal, to mention only these two, and the demarcation splitting South America in two parts) largely focusing on colonial and exploration approach. This colonization process led to massive Civil Law approach in LA (mostly with orientations from legal systems from Portugal or Spain). As civil law is primary based on legislation (rules, codes) and common law is based on court decisions (essence, jurisprudence), it seems to be of relative relevance in a globalized business environment. With globalization (of business) and harmonization of accounting, impacts of legal systems are clear on business elements spreading from contracting to commercial disputes and are key to comprehend the expanding LA business environment.

When considering international trade, LA has a long history as provider of key resources to the world. Internal affairs (mostly governmental, such as recent dictatorships) could be highlighted as critical for economic development in the region. Natural historical developments lead the countries to a state of affairs that most recently shows clear conditions for development at proper pace. Independence came only by the early XIX in the region and in some large countries democracy following dictatorship has only three decades. Current demographics and levels of natural resources aligned with greater stability and large internal market are all conditions that put the region on course to expected development. Two major economic organizations in LA are Mercado Común del Sur (MERCOSUR) in which Argentina, Brazil, Paraguay, Uruguay, Venezuela cooperate together with associated countries as Bolivia, Chile, Peru, Colombia, Ecuador and observing countries such as Mexico and New Zealand and the Comunidad Andina de Naciones (CAN) (originally with Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela). Countries that struggled in the past with internal challenges now take a step forward and move up to the global market on a large scale.

Of course, when comparing distinct economies and nations the asymmetry and differential potential for growth in specific industries is clear. The top five economies by 2050 (Goldman Sachs, 2009) will be China, USA, India, Brazil and Mexico. Thus, we see a clear development path for the region, with two large players. Part of the challenges faced by more developed economies (i.e., demographics, natural resources, health system, internal markets) must be analysed through different viewpoints when discussing emerging economies. Solutions that once were assumed to be a clear-pick now may be challenged by alternatives. The socioeconomic dynamics of the USA or Europe after the 2008 crisis is an example, full of new challenges faced by the entire population. Issues such as wealth distribution, universal health care, economic model, population wellness, epidemics, job structure and social contract, continue to claim for innovative solutions, based on what seems to be sure from the history records.

Beyond countries, organizations and the financial infrastructure have the opportunity to take a lead on this initiative, with a clear demand on professionals with competencies to improve business and trade. In this sense, accountants do have a natural job in doing so. It is a matter of making sure the accounting profession is designed in alignment with all these new elements as required by the new organizations and transactions. It is possible that, in many cases, regions and countries, players involved with developing new professionals and oversight organizations have to evolve to be at par

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<sup>46</sup> IMF, International Monetary Fund, World Economic Outlook Reports, <http://www.imf.org/external/ns/cs.aspx?id=29>

with what in future will be demanded for the profession. An additional challenge is, as in many other professions, the international harmonization of solutions in place to attest quality and competencies (e.g., license, credentials) granting professionals the privilege to act and perform. This is particularly true in business and accounting due to the global nature of businesses and operations.

With respect to regional accounting organizations, in LA it is relevant to stress the IAA, which is recognized as a regional organization by IFAC and links 20 countries in LA plus Canada. With representation from 12 LA countries, the region has established, in 2011, the Group of Latin American Standard Setters (GLASS), which is connected to IASB and represents a significant support for the global accounting harmonization process. These two regional organizations unveil the regional capacity of organization and potential for the profession (in collective terms).

Accounting is a critical profession for the global financial development, mainly if we take a region such as LA into this context. With a very large number of licensed accountants, accounting is very attractive for young students selecting their profession (i.e., when entering the postsecondary educational system). The region, in general, has decided for IFRS adoption and the profession is flourishing with the associated dynamics. Accounting education, training and development are all influenced by the new horizons. Organizations of all shapes and sizes, in all industries, call for attention when adjusting their own systems to benefit from a stronger accounting approach to business. It is clear that such a profession requires consideration of the organizations dealing with education, training and professional oversight, to mention only these three.

Professional license and the new international dynamics of the profession require attention, and that is also the case in LA. Requirements to become a licensed professional vary across LA countries (as in other regions), and could involve college education in accounting (i.e., typical four-year bachelor's degree), a professional exam (administered by respective professional bodies), professional experience, or continuing education, or a combination of these requirements (such similarities will be covered by this report). If we consider the number of micro and small sized companies in LA (according to the Latin American Association of Micro-, Small- and Medium-sized companies, ALAMPYME) and their relevance, it is clear the shape and presence (volume) of the profession in the LA region, along with the social relevance in helping this large portion of formal economy to become stronger while coping with challenges linked to logistics, tax, bureaucracy, funding options, on top of regular and typical business challenges. The accounting curriculum is naturally a subject of concern when observing educational strategies across the region, with instructional materials and teaching and learning approaches shaped by the aforementioned socioeconomic and cultural aspects (i.e., language, business practices, discretionary income, working students/evening classes). But the time is for changes as the region is set for growth, based on overall social, political and financial consolidation.

## Box 12: Characteristics Sub Saharan Africa

Sub-Saharan Africa is a very diverse region, whether measured by population, income levels, or composition of output (IMF, 2012b). Sub-Saharan Africa's population is approximately 902 million out of the total population for Africa of 1.072 billion (PRB, 2012). There are approximately 44 countries in sub-Saharan Africa which the IMF classifies into four sub-groupings: oil exporters where oil prices play a key role in driving economic developments; middle-income countries, defined according to the WB's classification of economies by per capita income level and institutional quality; fragile countries classified on the basis of a relatively low rating of institutional quality on the WB's IDA Resource Allocation Index; and non-fragile low-income countries, where economic developments can be explained by reference to more conventional economic factors (IMF, 2012b). These sub-groupings give some indication of the income diversity which exists in the region.

According to the IMF, economic activity in Sub-Saharan Africa expanded at a solid pace in 2011, with the region's output growing by 5 percent, exceeding that of the world economy. Across the region, there is a variation in performance with output in middle-income countries tracking more closely the global slowdown and with some sub-regions adversely affected by drought. A further debt crisis in Europe would affect countries depending on how strongly their individual economies are tied to Europe. Other risks in Sub-Saharan Africa are political instability in some countries, and for oil-rich countries, the risk of a global slowdown in the oil price. The IMF expects 2012 growth in the region to be similar to that of 2011 or slightly lower. HIV/AIDS is also rampant in the region. Sub-Saharan Africa remains the region most heavily affected by HIV. The Joint United Nations Programme on HIV/AIDS (UNAIDS) World AIDS Day Report (UNAIDS, 2011), shows that in 2010, about 68% of all people living with HIV resided in Sub-Saharan Africa, a region with only 12% of the global population. The HIV epidemic is most severe in southern Africa, with South Africa having more people living with HIV (an estimated 5.6 million) than any other country in the world.

Most Sub-Saharan countries follow a civil law system, based on the former colonial power's law system, and a number of countries follow a mixed Law system which consists of elements of civil, common, customary, and religious law. The mixed legal systems came about when colonial powers overlaid their own legal systems upon colonized regions but retained elements of the colonies' existing legal systems. Africa was colonized mainly by France and England, together with The Netherlands, Belgium, Germany and Portugal. Many African countries use either French or English as their official language.

A number of countries are members of IFAC and are also members of the various other regional associations which are present in Sub Saharan Africa. These are:

*Pan African Federation of Accountants (PAFA ) / Fédération Panafricaine des Experts-Comptables (PAFA)*<sup>47</sup>

PAFA was launched in 2011 to accelerate the development of the accountancy profession in Africa and strengthen the voice of the accountancy profession within Africa and worldwide. PAFA is composed of 37 professional accountancy organizations from 34 countries. PAFA was recognized by IFAC as a Recognized Regional Organization in 2012.

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<sup>47</sup> PAFA, Pan African Federation of Accountants, [www.pafa.org.za](http://www.pafa.org.za)

*Association of Accountancy Bodies in West Africa (ABWA)<sup>48</sup>*

ABWA was established in 1982 by accountancy bodies and professional accountants operating in the West Africa sub-region. It represents 10 institutes largely in West Africa, five of which are Anglophone and five of which are Francophone. Its objectives are to develop and enhance the accountancy profession in West Africa and thereby improve governance, eliminate waste and corruption, reduce poverty and enhance the standard of living of the peoples of the West African sub-region, provide for the development of professional ethics and standards in member bodies and to act as the centre for dissemination of information on accounting standards and development of accountancy thoughts and practices in West Africa.

*International Federation of Francophone Accountants /Federation Internationale des Experts-Comptables Francophone (FIDEF)<sup>49</sup>*

FIDEF was formed in 1981 to promote exchange and cooperation between accountants in the French-speaking community. As of 2011 the organization had 30 full members and 15 associate members in 34 countries. Sixteen of these members are in sub-Saharan Africa.

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<sup>48</sup> ABWA, Association of Accountancy Bodies in West Africa, <http://www.abwa-online.org>

<sup>49</sup> FIDEF, International Federation of Francophone Accountants, <http://www.fidef.org>

## **Chapter 7 International Cooperation**

### **Abstract**

*The main subjects for this chapter are international recognition of the qualifications of accountants and auditors, recognition of audit rights and international cooperation to promote capacity building and recognition. The GAE 2012 Competency Framework is used for an analysis of existing recognition agreements. Specific attention is given to the roles of governments, government agencies, regulators, professional accountancy organisations, and if applicable universities in the recognition of qualifications. A distinction is made in approaches to recognition: mutual recognition compared with international recognition and international presence, recognition of qualifications compared with practice rights for cross-border mobility. Increasingly audit quality is a major factor in cross border and international cooperation. The next subject is comparability of audit qualifications in view of the requirements of International Standards on Auditing (ISA) 600. Finally recent initiatives to promote capacity building for accountancy education are considered, in particular for professional accountants in business and specialization.*

### **7.1 Introduction to International Cooperation**

The main subjects for this chapter are recognition of professional accountancy qualifications, recognition of audit rights and international cooperation to promote capacity building as well as recognition.

Recognition between countries of qualifications of accountants and auditors is an important building block for international cooperation. For cooperation an understanding of competences of accountants and auditors and of responsibilities for their qualifications is necessary. In Chapter 4 a competency framework is described as summarised in Box 5. Competences are the cornerstones for recognition agreements between countries. In this chapter the GAE 2012 Competency Framework is used for an analysis of existing recognition agreements. Attention is also given to the position and influence of international qualifications and institutions that extend beyond the boundaries of the home country and to the facilities for foreign candidates.

For each country in the GAE 2012 study a summary of country characteristics is available. For comparison between countries reference is made to information about qualification requirements in Box 9. Specific attention is given to the roles of governments, government agencies, regulators, professional accountancy organisations, and if applicable universities in the recognition of qualifications. Consideration will also be given to approaches to regulation and recognition that are applicable to groups of countries, for example in regions. Finally attention is given to the important subject of audit quality and harmonization.

Any approach to international cooperation should not only be based on existing alliances, but should also consider capacity building to enhance and recognize the capabilities and competences that are needed in the future. In a global economy capacity building is not only necessary for developing countries, but it is as important for developed countries that need to regularly update their own capabilities and must build on partnerships with other countries based on compliance with international standards and codes.

## 7.2 Recognition of Qualifications

In this chapter an overview is presented of existing recognition agreements between countries that are considered in the GAE 2012 research study. The use of a competency framework can promote recognition of qualifications and contribute to international mobility of accountants and auditors. Suggestions are given for a more general approach to international recognition that goes beyond mutual recognition of professional qualifications. The identification of equivalences between qualification characteristics in different countries and regions can be used to further develop recognition and promote cooperation based on comparability and understanding.

Research questions to be addressed are:

- How can the use of a competency framework promote recognition of qualifications and contribute to international mobility of accountants and auditors?
- Is it possible to move from mutual recognition between countries to a more general approach of international recognition?

A recognition framework can be used for comparison between countries that already have, or want to establish Mutual Recognition Agreement (MRA). The main parameters in the recognition framework are:

- certification requirements (professional accountancy education, practical experience, final assessment of professional capabilities, and continuing professional development, CPD);
- providers of professional education (professional accountancy organisations, universities and/or education institutes, government bodies);
- responsibility for education requirements (government or government agencies, government with professional accountancy organisations, professional accountancy organisations, and/or universities); and,
- licensing requirements for auditors (academic study, practical experience, licensing examination, final qualifying examination).

For all countries in the GAE 2012 study a review of the adoption and implementation of IES is available, grouped in four pillars: personal development, professional accountancy education, professional development, and competence for audit professionals.

It is of interest to consider how some major players approach the recognition of qualifications and whether their conclusions are based on applicable international standards for professional qualifications of accountants and auditors. In the analysis three standard setters are considered and three professional conglomerates and one global organization. The standard setters are the International Federation of Accountants (IFAC), the International Accounting Education Standards Board (IAESB), the European Union (EU) and the International Auditing and Assurance Standards Board (IAASB).

- *IFAC and IAESB*: The IFAC Statements of Membership Obligations (SMOs) summarise the requirements for IFAC member bodies. SMO 2 requires compliance with IAESB International Education Standards (IES) but this is only mandatory if the IFAC member body is directly responsible. According to IFAC “globally accepted standards should minimize differences between countries and jurisdictions, thus reducing international differences in the requirements to qualify and work as a professional accountant”. IFAC does not address responsibility for qualifications and accepts differences between countries. The IES are promoted as benchmarks; recognition of qualifications between countries is not considered as a specific subject.



- *European Union*: Qualification requirements for auditors are included in the EU 8<sup>th</sup> Directive; EU Member States must include the requirements in national law. The requirements cover university entrance level, program subjects relevant for auditors, practical experience in an auditing environment, assessment at university final examination level, and CPD. The EU only regulates auditors in view of their public function; there is no regulation for accountants in the 8<sup>th</sup> Directive. Each Member State has to establish procedures for the approval of statutory auditors from other Member States. At present an aptitude test is required that is limited to national law and professional rules relevant for auditors. In future it may also be possible for candidates to choose an adaptation period.
- *IFAC and IAASB*: The IAASB is responsible for the ISA. According to ISA 600 a group engagement team has, among others, to obtain an understanding of the component auditor's professional competence. ISA 600 does not refer to applicable international standards on the qualification, education and training of local experts. It can be argued that this creates uncertainty for the selection of benchmarks that can ensure that ISA 600 requirements are met.

There are two major differences between IFAC and EU regulation. The IFAC IES cover competence requirements for accountants and auditors; although the IES are increasingly used as country benchmarks, they are only mandatory when a professional accountancy organization is responsible. The EU 8<sup>th</sup> Directive (EU, 1984) is mandatory for auditors, the position of accountants is not considered; the requirements are implemented in national law for each country in the EU. For consideration outside the EU it is necessary to consider that EU auditor qualifications are considered to be equivalent. The requirements of the 8<sup>th</sup> Directive are so general that actually major differences between EU countries still exist. This has to be taken into account when recognition of auditor qualifications between EU countries and countries outside the EU is considered. The review of the component auditor's competence required by ISA 600 is not based on consideration of any international standard.

The position of three professional conglomerates is considered, the National Association of State Boards of Accounting (NASBA), the Common Content Initiative (CCI), and the Global Accounting Alliance (GAA).

- *NASBA*<sup>50</sup>: NASBA works through the International Qualifications Appraisal Board (IQAB) to advise the independent State Boards of Accounting about the establishment of MRAs with other countries. Through an MRA qualified professional accountants from another country can practice in the US without having to completely re-credential; similar recognition is given to United States of America (USA) Certified Public Accountants (CPAs) who wish to practice in that same country. The IQAB comparison is based on substantial equivalence in the areas of education with a focus on degree requirements, examination and experience as stated in the Uniform Accountancy Act (UAA). Reference is not made to compliance with IES. The procedure considers competence of accountants; licensing requirements are not included.
- *CCI*<sup>51</sup>: Nine professional accountancy organizations from six EU countries<sup>52</sup> cooperate in the CCI for which a specific approach has been chosen. The participants have developed a largely common program that is aimed at five core areas in which entry level accountants work: Assurance & related Services, Performance Measurement & Reporting, Strategic Business Management, Financial Management, Taxation & Legal Services. Requirements include compliance with applicable international standards, university entrance and final qualification level, quality assurance, an integrated approach to learning and higher level skills. Due to differences between countries it has not yet been possible to achieve a general recognition of qualifications in the group.

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<sup>50</sup> NASBA, National Association of State Boards of Accounting, [www.nasba.org](http://www.nasba.org)

<sup>51</sup> CCI, Common Content Initiative, [www.commoncontent.com](http://www.commoncontent.com)

<sup>52</sup> France, Germany, Ireland, Italy, Netherlands, and United Kingdom

- *GAA*<sup>53</sup>: The GAA is an alliance of eleven professional bodies in significant capital markets<sup>54</sup>. Areas of endeavour include support for the GAA Passport Program, providing services to members working in GAA member body jurisdictions, and strengthening of the network of reciprocal membership and mutual recognition agreements. In doing so GAA promotes international portability and recognition of the respective national qualifications. The main components that are considered for the qualifying process are the characteristics of the professional body, the intake into the qualification, the learning process and the quality and consistency of the assessment system.

There are major differences in the approach to recognition by NASBA, the CCI and the GAA. NASBA/IQAB bases its recommendations about possible MRAs on comparison with the CPA qualification requirements in the USA. There is no direct reference to the IES; their influence is indirect as they have an influence on the CPA program requirements. The NASBA approach is normal procedure when authorities in a country want to establish MRAs. Major reasons for its relevance are the international scope and influence of the USA CPA qualification. CCI has chosen a different approach by developing its own core program for the qualification, education and training of accountants and auditors to which are added general requirements: compliance with international standards, university level and quality control. GAA in comparison with CCI is a global organization of professional bodies that, as does CCI, adhere to international standards. GAA has a broader objective than CCI. They have in common that portability of qualifications is an important objective.

Association of Chartered Certified Accountants (ACCA) states that it “works at a national, regional and global level to ensure that ACCA membership is formally recognised by all relevant stakeholders”. In its approach the ACCA qualification is positioned as a global standard recognised on a country level. ACCA makes a distinction between formal recognition (in legal form, in writing, in license) and informal recognition (often outside public practice). ACCA members can gain admission to membership of national bodies in more than 70 countries around the world either directly or by fast track arrangements. Only for a limited number of countries there are MRAs. Whereas other global and regional players, like NASBA on a global level and CGA Canada and CPA Australia on a regional level, promote recognition of their country qualification, ACCA works from a global perspective.

The results of the comparison are summarized in Box 13, Recognition Framework.

### **7.3 Recognition Agreements between Countries**

The Recognition Framework can be used for the comparison of recognition agreements between countries. On the highest level a distinction has to be made between recognition of qualifications and recognition of practice rights. The most well-known examples from the first group are MRAs in which a professional qualification from the home country is recognised as basis for acquisition of the professional qualification in the host country. The usual procedure in those cases is that entrance examinations are limited to subjects like law, tax and professional rules in the host country. If practice rights are not involved then Tax and Law may not be required. Normally the basis for MRAs is the establishment of substantial equivalence between qualification requirements in the two countries.

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<sup>53</sup> GAA, Global Accounting Alliance, [www.globalaccountingalliance.com](http://www.globalaccountingalliance.com)

<sup>54</sup> Australia, Canada, Germany, Hong Kong, Ireland, Japan, New Zealand, South Africa, United Kingdom, and USA

### Box 13: Recognition Framework

Country Data	Recognition Criteria
<b>General Characteristics</b>	<b>IFAC, EU, ISA 600; NASBA, CCI, GAA</b>
1.3 Country Background	Not considered by IFAC, in ISA 600, by CCI and GAA All EU member countries must implement EU Directives in national law NASBA cultural, business and economic environment
1.4 Accountancy Profession	IFAC member bodies must comply with SMO 2 EU countries must comply with the 8 <sup>th</sup> Directive NASBA structure and administration of the profession CCI and GAA good standing of the profession
<b>Accountancy Education</b>	
2.1 Certification Requirements: - program content; - practical experience; - assessment; - CPD	IFAC IES as requirements for accountants and auditors EU and ISA 600 no requirements for accountants EU Directive program content, practical experience, assessment and CPD for auditors; university entrance level; final examination at university exit level NASBA university degree and professional requirements CCI common program requirements, based on IES and EU GAA consideration of professional qualifications
2.2 Providers of Professional Education: - professional accountancy organizations; - universities and/or education institutes; - government bodies	Not considered by IFAC, by the EU, and in ISA 600 NASBA content and accreditation of university degree CCI quality control for all providers GAA quality control of professional bodies
2.3 Responsibility: - government or government agency; - government with the profession; - professional accountancy organisations; - universities	Not considered in ISA 600, by NASBA, CCI and GAA IFAC SMO 2 limited responsibility of member bodies EU examination of professional competence for auditors organised or recognized by the Member State
2.4 Licensing Requirements for Auditors: - academic study; - practical experience; - licensing or final qualifying examination; - on-going requirements (CPD, examination)	Not considered by NASBA and GAA IFAC IES 8 advanced requirements for auditors EU 8 <sup>th</sup> Directive stand-alone requirements for auditors ISA 600 check on professional competence of component auditor; no applicable standards CCI program complies with IES 8 and EU 8 <sup>th</sup> Directive
2.5 Mutual Recognition Agreements	Not considered by IFAC, in ISA 600 EU audit qualifications according to the Directive are considered equivalent; aptitude test for auditors from other EU countries NASBA based on substantial equivalence with UAA CCI based on compliance with common program GAA promotes MRAs between member bodies
<b>International Education Standards</b>	
3.1 Personal Development 3.2 Professional Accountancy Education 3.3 Professional Development 3.4 Competence Requirements for Auditors	IFAC IES 1 - 7 for accountants and IES 8 advanced requirements for auditors EU 8 <sup>th</sup> Directive program content, practical experience and assessment for auditors; no requirements for accountants

If, for example due to different stages of development, substantial equivalence does not (yet) exist, it is also possible that the qualification from a country is recognised in another country, but that this is not reciprocal.

The recognition of practice rights is based on the qualification from the home country. Examples are cross-border practice rights as a mobility provision that allows limited professional functions in other countries or jurisdictions. Another example is the recognition of audit rights inside the EU irrespective of the EU country where the qualification has been achieved. In paragraph 7.5 specific attention is given to audit quality and harmonization. This is followed in paragraph 7.6 by a discussion of auditing standards for transnational assignments.

#### **7.4 From Mutual to International Recognition**

Essentially almost all mutual recognition agreements between professional bodies are based on the comparison of two different qualifications in two countries. The parties in the MRAs are the institutions responsible for the allocation of the qualifications. The MRAs are based on comparison of qualification requirements. If substantial equivalence is established the usual situation is that the candidate has to pass an entrance examination in subjects like local law, tax and professional rules. If there is no MRA a candidate who wants to get a professional qualification in another country normally has to pass examinations that are equivalent to the entrance requirements in the country. Sometimes exemptions can be granted based on individual reviews.

Only in a limited number of situations a more general approach is used. In the USA, NASBA working through the IQAB is responsible for the establishment of MRAs. Still, the State Boards remain responsible for the allocation of practice rights. Another approach is to grant practice rights. This is done in the EU for auditors, and by countries that recognize outside qualifications. Sometimes this is done because there is not (yet) a local qualification, sometimes it is in addition to local qualifications. The most important difference with MRAs is that having practice rights does not automatically lead to the right to use the professional qualification of the host country (and vice versa). Quite often membership of the local body is required before practice rights are allowed. Practice rights often require tests in local law and tax if they are not already required for membership purposes.

There are obvious disadvantages to the present system that constitute barriers to international mobility. On the one hand, individual accountants and auditors have to be re-examined to get access to the profession in another country. In addition to that, the institutions responsible for the qualifications have to assess substantial equivalence again and again for each individual candidate. This is particularly time consuming as established recognition between A and B, and between A and C, cannot be used to establish recognition between B and C as the assessment criteria are not known.

Establishing an MRA is relatively simple if 'like' is compared with 'like' but it becomes increasingly difficult when countries are compared that have accountancy education systems with different characteristics. A more standardized approach to recognition could be beneficial. The final responsibility for qualifications remains with the institutions that have that role in a country according to law or regulation. Their role however will become much easier if comparable and reviewed information about accountancy education in countries to be compared becomes available. To make this effective acceptance of IES as benchmarks on a country level is necessary. This can be approached in two consecutive steps:

Step I: Standard description of country characteristics in four categories:

- certification requirements (program of professional accountancy education, practical experience requirement, final assessment of professional capabilities, CPD);
- providers of professional education (professional accountancy organizations, universities, private sector tutors, and/or government bodies);
- responsibility for education requirements (government or government agency, government with the accountancy profession, professional accountancy organizations, and/or universities); and,
- licensing requirements for auditors (academic study, practical experience, licensing examination, and/or final qualifying examination).

Step II: Review of the adoption and implementation of IES as is done in this study in four pillars:

- academic requirements;
- content of accountancy education;
- professional requirements; and,
- competence requirements for auditors.

Based on its own comparison with IES, the local institution that wants to consider establishment of an MRA, can then start with the comparison of its own system with the general characteristics of the potential partner country. In-depth analysis of key elements that are important to the home country will probably remain necessary. A further extension of a more general approach (NASBA, EU) can also be envisaged.

## **7.5 Audit Quality and Harmonization**

Regulation of the accountancy profession - including education and training - is a popular topic, worldwide, since the crises in the first decade of the 21<sup>st</sup> century. We see many initiatives in this field, international and national, on a political level, but also on an institutional level: IFAC, Public Company Accounting Oversight Board (PCAOB), European Commission (EC), GAA, CCI, Federation of European Accountants (FEE) and more. Because of globalisation we notice extra-territorial effects of these initiatives.

In the accountancy practise we see a tendency towards internationalisation and cross-border activities through mergers of international firms, thus meeting the challenges of globalisation, the changing public expectations and the needs of diverse stakeholders.

These developments make way for increased discussions in the field of cross-border mobility of professionals and mutual recognition of national qualifications. Attempts towards mutual recognition have proven to be difficult. Specific national regulatory barriers (like registration requirements and aptitude tests) are one of the reasons for lack of progress in this field, but more important is the lack of harmonisation of education and training in the international arena.

Addressing mutual recognition of qualifications and reciprocity agreements only - 'de jure mobility' - is not sufficient to improve mobility of accountancy professionals. We see that such mobility arrangements were hardly successful. For 'de facto mobility' it is necessary to ensure that education and training is harmonized on a high level, thus serving the confidence of both the authorities and the public. If the public does not have the confidence that the services are of an expected quality, such professionals will not be successful in pursuing their careers in the international arena.

Therefore more and more it is acknowledged that the most important factors in the quality of international accountancy services provided by professional accountants are the quality of professional accountants, which depends, in the first instance, to a significant extent upon the quality of their education and training and on the degree of harmonisation of their education and training with applicable international standards.

Since most enterprises and other institutions worldwide are subject to national law when operating within a particular country, it is the relevant national laws and standards that apply when providing accountancy services. Hence international standards for accountancy services cover accounting standards, auditing standards, quality control standards and ethical requirements, there is a public interest dimension to ensuring that professional accountants are competent in the applicable national law.

As such both similarities and differences are needed in the education and training of professional accountants. Therefore it is not appropriate to seek to unify educational and assessment structures and delivery systems, but to harmonise the educational content for those areas that are converged (International Financial Reporting Standards (IFRS), ISAs, International Standard on Quality Control (ISQC) 1, IFAC Code of Ethics, management accounting, strategy and business management, financial management), and to only provide a framework for those areas that are national in content (national accounting law and standards, national auditing and ethical requirements, business law, tax law, etc.). Such an approach would allow optimal harmonisation without losing the strengths of the national qualifications, which is entirely in line with the principal of subsidiarity in extra-territorial legislation.

## **7.6 Auditing Standards for Transnational Assignments**

The ISAs apply to group audits. ISA 600 deals with special considerations that apply to group audits, in particular those that involve component auditors. Following ISA 600 the group auditor needs to perform sufficient work to understand the level of quality of the component auditor, which includes knowledge, experience, ethics and independence, qualification, membership of the Professional Accountancy Organization (PAO), and evidently education. These considerations apply for both national and transnational assignments.

Following ISA 600 the group auditor needs to perform sufficient work to understand the regulatory environment of the component auditor, such as IFAC membership of the PAO, legal and institutional environment (national qualification), adoption and implementation of international standards, institutional capacity, national financial infrastructure and education. The objective of these requirements for group auditors is to determine whether it is possible to act as a group auditor and in those cases whether appropriate communication is possible for gaining sufficient audit evidence.

In the globalised environment it is evident that application of ISA 600 requirements becomes more and more common practise in audit services and that application is facilitated better through enhanced comparability of the different national accountancy qualifications based on harmonized content of education and training.

The specific requirements included in ISA 600<sup>55</sup> state that “if the group engagement plans to request a component auditor to perform work on the financial information of a component, the group engagement team shall obtain an understanding of the following:

- whether the component auditor understands and will comply with the ethical requirements that are relevant to the group audit and, in particular, is independent;
- the component auditor’s professional competence;

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<sup>55</sup> ISA 600, special considerations, audits of groups financial statements, paragraph 19

- whether the group engagement team will be able to be involved in the work of the component auditor to the extent necessary to obtain sufficient appropriate audit evidence;
- whether the component auditor operates in a regulatory environment that actively oversees auditors”.

ISA 600 does not refer to IES as a reference for the review by the group engagement team of the professional competence of the component auditor. GAE 2012 results are meant to provide objective information for comparability of qualifications.

## 7.7 IFAC Compliance

The IFAC PAO Member Body Compliance Program<sup>56</sup> was launched in 2004 to clearly demonstrate IFAC's commitment to strengthen the accountancy profession throughout the world and evaluate the quality of its members' and associates' endeavours to establish and strengthen the accountancy profession. The foundation of the Program and basis of evaluation are the seven SMOs, which serve as a foundation for establishing and developing the accountancy profession. All IFAC members are required to use their “best endeavours” to adopt and support implementation of international standards and best practices within their countries, recognizing that in many jurisdictions the authority to establish standards and practices does not exist within the member but in some other regulatory body.

IFAC strategy in accountancy development is the focus on implementation of international standards. The compliance program has established a huge gap between adoption of international standards and implementation of international standards, especially (but not solely) in developing nations and emerging economies. Adoption is the easy part; it is the people that are responsible for the proper application of these standards in day to day practise (implementation). It is therefore not sufficient to include international standards into national law. Real implementation requires professionals that are properly trained and educated. The need for high level education and training in this field is evident.

Specific challenges of globalisation are the diverse development speeds in large parts of the world; worldwide comparability of qualifications has not been achieved so far. In developing nations there is often a lack of awareness of the value of audit and accountancy services, as well as weak PAOs. For harmonisation of education and training a long term approach is necessary. In a longer perspective we see the need for capacity building.

The IFAC SMOs are addressed to professional accountancy organizations. The GAE 2012 study has drawn attention to the fact that the requirements of the IES have relevance for all institutional stakeholders in a country as the quality of accountants and auditors depends on the combined efforts of all providers of education and training, based on internationally compatible regulation.

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<sup>56</sup> IFAC, International Federation of Accountants, About IFAC, Membership & Compliance Program, [www.ifac.org](http://www.ifac.org)

## **7.8 International Development Challenges: Capacity Building**

Capacity building is concerned with developing and upgrading skills, competencies and performance. Capacity building may refer to the accountancy profession only (restricted interpretation) and to the total financial infrastructure (a more holistic approach). In the restricted approach the focus is on accountancy development, building sustainable capacity in the accountancy profession and in the more holistic approach the focus is on financial infrastructure development and there the accountancy profession takes a central hub-position.

In emerging economies, the formal accountancy profession, as represented by PAOs may be quite weak or even non-existent – so capacity-building is necessary to build and support these organisations. Usually capacity building takes considerable time and patience; development in developing nations is a long term effort. The lack of awareness of the value of audit and accountancy services in the country and the weak PAO's are reasons for inadequate capacity to provide vital professional activities for accountancy reform towards higher quality audits and accountancy services.

These challenges comprehensively address a long-term view towards technical assistance and expertise for sustainable development of the local accountancy profession through adoption and implementation of international standards on auditing, accounting, ethics, education, quality control and quality assurance, investigation and discipline. Usually the first need is assistance for proper education and training. This will contribute to creating awareness and further capacity building of the national PAO (human and financial resources) to become the national 'centre of excellence' of the accountancy profession. For achieving this ultimate goal three categories of assistance usually are required: managerial assistance, technical assistance and last but not least intellectual assistance. The latter is highly important for ethical issues, changing mind sets and attitudes towards public interest focusing, professional scepticism and judgment.

A number of (inter)national organizations are active in the field of capacity building: IFAC Professional Accountancy Organization Development Committee (PAODC), United Nations Conference on Trade and Development (UNCTAD), national governments, PAO's and educational institutes, private sector bodies and the donor community (World Bank (WB) and development banks). Support helps the development of the accountancy profession and it contributes to building the necessary financial infrastructure in the large perspective. Where the accountancy profession shows improvement there is a basis for development of the total financial infrastructure, as the level of accountability and transparency has increased. And there we find the basis of capacity building in a more holistic approach.



## 7.9 Accountancy Education Challenges

In the field work of accountancy development local challenges are faced in a large variety of ways. A distinction can be made between general characteristics of a country in the field of accountancy development, the position of the accountancy profession in a country, and specific considerations for education and training.

### *General Characteristics*

- local culture and ethics principles of accountancy professionals and local financial markets differ from the international benchmark focused on the 'public interest', which prevents convergence with international (education) practice as this may not (yet) be cost effective and profitable;
- language problems may cause time consuming translations of rapidly changing international standards for the audit practice and the necessary education materials; additionally there is a risk of misinterpretation in non-official translations;
- modernisation of regulation and education endanger positions of present influential representatives, where they are not encouraged to be cooperative;
- accounting and auditing law may not be suitable for the local circumstances: requirements for education, qualification, IFRS-application, audit requirement; sometimes there is no law at all;
- countries interpret compliance with international standards as adoption of those standards in national law (including education standards); however real implementation is different and requires enforcement mechanisms;
- real sustainable development needs continuous pro-activity and leadership; donor institutes like quick wins, which frequently leads to development projects with low sustainable results; therefore it is necessary to manage expectations continuously.

### *Accountancy Profession*

- the PAO may not have a legal foundation, which usually is the reason for undesired competitive initiatives when for example a PAO show enhancement of its financial position (CPD-activities), which is a waste of human resources and a risk for low quality CPD-activity;
- where the profession is small, the limited number of professionals prevents development of a sound education system and other necessary requirements like a system of quality control and investigation & discipline;
- country level development may go slowly (education included) as the PAO faces no authoritative power in important areas of development, creating the necessity of improving its reputation of being the centre of excellence (IAESB promulgates IESs through PAOs).

### *Accountancy Education and Training*

- local education systems and curricula as well as material and teacher quality prevent speedy improvement of professional quality;
- improvement of educational environment with the help of establishing international qualifications sometimes leads to brain drain circumstances as new recruits find better positions abroad;
- work experience training level in accounting and audit is based on local practice and will improve therefore slowly.

For long term sustainable development it is necessary to encourage change of attitude and mind-set of all stakeholders involved; intellectual assistance usually is necessary. This is a recommendation to start worldwide with accountancy education and training in a harmonized way, but fit for purpose and step by step. A local approach, based on local needs and cultural grounds is unavoidable.

## 7.10 Benefits of Capacity Building and Education

Global harmonisation of education on a high quality level is the prerequisite for high quality accountancy services, cross border mobility of accountancy professionals and enhanced facilitation of transnational audit assignments. Capacity building will take time. There are no quick solutions, and stakeholders have to work within the bounds of existing legal frameworks and the constraints of human resources. Change cannot be imposed – a ‘bottom-up’ process is needed.

De facto comparability of qualifications worldwide is a long term perspective, but it is the only perspective for the accountancy profession in the long run. This needs education and training of current and next generations with the focus on high quality and worldwide harmonisation. This chapter shows the increasing influence of international standards on the qualification, education and training of accountants and auditors. However much remains to be done as actual cooperation between countries still depends largely on local regulation and circumstances.

## Chapter 8 Development of Accountancy Education

### Abstract

*This Chapter summarizes the results of the GAE 2012 Global Accountancy Education research study. Existing partnerships for the global coordination of accountancy education are placed in the context of the global financial infrastructure. The question is raised whether all relevant stakeholders are adequately represented in the process. Closer to the core subject of accountancy education the actual adoption and implementation of the present set of the International Education Standards (IES) is considered as basis for future development. Consideration is given to results that have been realized in the recent past, and to perceived need for further change. An issue with increasing importance for the accountancy profession, and for individual accountants and auditors who work in an international environment, is comparability and recognition of qualifications. It is argued that new approaches beyond Mutual Recognition Agreements (MRA) are needed to support international cooperation. Finally attention is asked for the scope of the present IES. Do they actually cover all necessary elements in an increasingly global infrastructure with new and challenging approaches to networking, communication and the use of information technology? Some areas for future research are mentioned. Data collection for the present study took place in 2011 and 2012.*

### 8.1 Global Coordination of Accountancy Education

Consideration of global coordination of accountancy education leads to some interesting conclusions. On the positive side is that tremendous progress has been made over the last decade. This can be demonstrated from various perspectives. A first observation is that since roughly 2004 a set of IES has been developed that can be used for benchmarking accountancy education systems in countries with very different characteristics. The IES build on the International Federation of Accountants (IFAC) Education Guidelines that were available during the nineties of last century. In the IES the content of the guidelines was modernized and extended to new areas, but probably more important the accountancy profession accepted the IES as mandatory standard for IFAC member bodies. A second observation is that increasingly there is cooperation between stakeholders that are responsible for accountancy education both from the professional and the academic side. Participation of regulators is still limited although the recent United Nations Conference on Trade and Development (UNCTAD) capacity building initiative shows an increasing interest from governments in the development of accountancy education as a necessary component of the global financial infrastructure.

This in itself is part of a broader development. Ten years ago it was still possible to treat accountancy education as an isolated subject that was only important for students and providers, with some influence from the profession and hardly any from other stakeholders that are part of the global financial infrastructure. Moreover there was a tendency in accountancy education for the professionals not to listen to the academics and vice versa. The International Association for Accounting Education and Research (IAAER) was and is the only association with mixed professional and academic objectives. From the traditional academic associations the American Accounting Association (AAA) is probably the only one that already in the past had professional and academic cooperation high on its agenda; this was certainly not the case for the European Accounting Association (EAA) that professed an interest in truly academic matters. Nowadays the academic and professional contributions to accountancy education and training are increasingly treated as necessary and complementary.

The fact that much still has to be done is in itself not negative as this is normal in a rapidly developing global financial infrastructure that can only function when the necessary competences and capabilities of accountants, auditors and financial specialists are available. Considering the number of new specialists that are necessary in the near future, with the added need to address education needs of present professionals, this in itself is an enormous task. It is questionable whether the present global infrastructure for accountancy education is equipped for this task. One of the obstacles

is the scope of IES as standards for accountancy education, that are only applicable for the parts of accountancy education that are the direct responsibility of the accountancy profession. Over the last five years progress has been made with acceptance of IES as still informal benchmarks on a country basis. To strengthen this process standard setters and regulators need to be more involved. It is also necessary to reconsider the scope of the IES. At present the primary focus of the IES is on the professional side of accountancy education; little attention is given to the necessary academic component. In this sense the IES lag behind the situation in many countries in which the contribution of both general and specialized university education is seen as essential. Only through academic professional cooperation will it be possible to overcome the capacity constraints for the education and training of an adequate supply of competent accountants and auditors.

## **8.2 Perceived Influence of International Education Standards**

Over the last ten years the landscape for accountancy education with its elements of professional qualification, academic and professional education, and practical training, has changed dramatically. This can be demonstrated with the results of three major studies that considered developments in global accountancy education. The different approaches in the GAE 2002, GAE 2007 and GAE 2012 publications illustrate major developments that have taken place during the last decade.

The GAE 2002 research into the “Impact of Globalisation on Accountancy Education” (Karreman, 2002) resulted in the classification of accountancy education based on the analysis of professional qualification, education and training of 34 professional bodies in 25 countries. The development of a conceptual model for the classification of accountancy education systems in various parts of the world is a key element of the GAE research project. Classification was chosen as an efficient way of describing and comparing different systems for accountancy education. It was argued that major changes in legislation, regulation, world trade and in the accountancy profession during the last decade and results of globalisation to be expected in the next period made it essential to develop a flexible model with well-defined parameters, which in themselves are supposed to be constant in time, but allow systems of accountancy education to move from one state to another by changing the values of the parameters. The selection of parameters was among others based on the content of International Education Guidelines (IEG). At that time IES were not yet available. The GAE 2002 study was the first systemic effort to make systems of accountancy education comparable between countries. The hierarchical levels of the classification model are regulation, final examination, professional education in combination with practical experience, education background and life-long learning.

The GAE 2007 research into “Trends in Global Accounting Education” (Karreman, 2007) took place in 2006 with publication of the resulting study in 2007. The project resulted in an analysis of developments in accountancy education in the same group of 32 professional bodies in 25 countries that were selected for the GAE 2002 study. The GAE 2007 publication shows an overall acceleration of change in accounting education. Major areas of change include the move from education guidelines to education standards, the introduction of a compliance regime, the general acceptance of the new regulation and, perhaps the most important, professional academic partnerships that make the necessary change possible. The report at that time concluded that in general development of accountancy education is consistent with the requirements of the IES without following their more detailed prescriptions. Increasingly graduate entry for professional education is introduced, while at the same time relevant parts of university programmes are recognised. Case studies and workshops get a more prominent position in a number of programmes. Almost all professional bodies are engaged in developing their systems of practical experience. Content is redesigned to comply with competence requirements for accountants and/or auditors. Continuing Professional Development (CPD) is the one sector where a majority of professional bodies consider compliance with this IES as the most important driver of change. In the GAE 2007 publication the level of compliance with the IES is not yet considered.

The GAE 2012 research into “Dynamics of Global Accountancy Education” has as one of its core objectives an analysis of the actual adoption and implementation of IES in the countries that are included in the study. The study identifies relative strengths and weaknesses and considers areas for future development. The GAE 2012 methodology made use of the approach that was first developed for the Accountancy Development Index (ADI) 2011 (Phelps, 2011). It is important to note that the IES were used as benchmarks for accountancy education on a country level, although they are only mandatory for professional accountancy organizations that are member of IFAC. Moreover the IES as standards are only applicable for those areas for which the Professional Accountancy Organization (PAO) is responsible. The results of the study confirm that the application of IES on a country level is widely accepted. Out of a sample of 40 countries the IES were considered as benchmarks for accountancy education every year in 23 countries, every two years in 4 countries, and every five years in 6 countries. Only in five countries the IES are not regularly considered as benchmarks for accountancy education. For two small countries without their own qualification program consideration of the IES is not relevant as they depend on international qualifications.

In general countries in which the accountancy profession has a major influence on accountancy education use the IES more frequently as benchmarks. The influence of the IES outside the accountancy profession is also increasing. This can be illustrated with two examples. In Latin America (LA) leading universities are cooperating in upgrading their systems for accountancy education. It was agreed to use the IES as benchmarks for international comparability. This raises the question about the scope of the IES, are they aimed at the accountancy profession or at all stakeholders involved in or dependant on accountancy education? At the moment coordination between stakeholders is left to the PAO or PAOs in a country.

### **8.3 Priorities for Change of Accountancy Education**

The GAE 2012 study confirms on-going development in accountancy education during a period of three years before the review, combined with an on-going need for substantial change in the next three years. Country respondents were asked whether in their opinion over the last three years substantial improvements had been realised in three general areas:

- Accounting and Auditing Education
- Accounting and Auditing Certification
- Accounting and Auditing CPD

They were also asked whether to better serve the public interest substantial changes were still required for the same areas. Answers were given on a four point Likert scale, ranging from strongly disagree (0), disagree (1), agree (2) to strongly agree (3). It is of interest to compare the average answers for countries in the three regions that are discussed in chapter 6 and that have their own systems of accountancy education. The results are summarized below.

- Asia & Pacific: 9 countries, [2,2; 2; 2,2] and [2; 1,7; 2]
- Latin America: 8 countries, [2,7; 2,4; 2,2] and [2,4; 2,7; 2,4]
- Sub Saharan Africa: 7 countries, [2,3; 2,1; 2,1] and [2,1; 2,3; 2,4]

Average results of course have limited relevance as both achieved developments and necessary changes are country specific. However, the maybe surprising result of the review is that for almost all countries in the GAE 2012 study respondents reported according to their observations substantial improvements, irrespective of the level of accountancy education in the country that is already achieved. There is a difference in the perceived need for change. This in general is perceived to be higher for developing countries then for more developed countries.

Through the GAE 2012 study specific information becomes available for all countries that are included in the review. This starts with some general information about the legal and economic position of the country, followed by an overview of the characteristics of the system of accountancy

education, a graphical representation of the adoption and implementation of the IES, and finally a short description of accountancy education in the country. A competency model is used for the analysis of compliance with the IES that consists of four pillars with separate IES or parts of IES as milestones. In summary the competency model has the following content:

#### Pillar 1, Personal Development

- Milestone 1.1, University Entrance Level (IES 1) and Exit Level (IES 2)
- Milestone 1.2, Professional Skills and General Education (IES 3)
- Milestone 1.3, Professional Values, Ethics and Attitudes (IES 4)

#### Pillar 2, Professional Accountancy Education

- Milestone 2.1, Accounting, Finance and related Knowledge (IES 2)
- Milestone 2.2, Organizational and Business Knowledge (IES 2)
- Milestone 2.3, Information Technology (IES 2)

#### Pillar 3, Professional Development

- Milestone 3.1, Practical Experience Requirements (IES 5)
- Milestone 3.2, Assessment of Professional Capabilities and Competence (IES 6)
- Milestone 3.3, Continuing Professional Development (IES 7)

#### Pillar 4, Competence for Audit Professionals

- Milestone 4.1, Advanced Professional Knowledge (IES 8)
- Milestone 4.2, Advanced Professional Skills, Values, Ethics and Attitudes (IES 8)
- Milestone 4.3, Advanced Practical Experience, Assessment and CPD (IES 8)

The country overviews contain information that is intended to be useful for decisions about country action plans, and that can be helpful for understanding systems of accountancy education in other countries. In a global economy this is essential information for recognition of qualifications as discussed in the next paragraph, for standard setters and regulators that want to establish compliance with international standards, and for international auditors just to mention a few of the stakeholders. Finally the level of compliance with the separate IES is relevant information for the International Accounting Education Standards Board (IAESB) and IFAC in their decisions on future priorities. This is discussed in the last paragraph.

## **8.4 Comparability and Recognition of Qualifications**

Overall consideration of comparability and recognition of qualifications leads to some interesting conclusions that are relevant when future directions for recognition are considered. Maybe the most surprising observation is that the IES are not considered in the establishment of MRAs between countries. The normal procedure is that the relevant authorities negotiate the conditions for an MRA between two countries based on local regulation. In most cases substantial equivalence between the qualifications of the two countries is established followed by agreement on entry requirements to the country in which recognition is sought. Normally the level of compliance with IES is not considered. Indeed it would be very difficult to do this as information about compliance is not readily available. The IAESB is responsible for the content of the IES, but actual compliance with the IES is not considered by the IAESB. The subject of compliance is addressed by the IFAC Compliance Program; results are published on the IFAC website. However, use of this information for comparison of accountancy education between two countries is extremely difficult. The information is limited to the role of the profession and does not include the role of other stakeholders, descriptions and explanations if available are country specific without use of a standard format, and IFAC publishes a disclaimer that it is not responsible for the correctness of the information. Actual use and review of the data in the GAE 2012 study has identified numerous cases in which data were not up to date. Two relatively simple measures would help: (1) add a standard description of accountancy education in each country to the compliance information, and (2) publish when the information was last updated.

Information about recognition of qualifications between countries is given in chapter 7. In general there is a mix of three approaches: country specific recognition, cooperation between countries, and regional or global approaches. Almost all approaches are based on compliance with the requirements that exist in the host country. Qualifications of some professional accountancy organizations have a major regional influence. This is for example true for South African Institute of Chartered Accountants (SAICA) and Sub Saharan Africa, for Certified General Accountants (CGA) Canada and the Caribbean, and for CPA Australia for the Asia & Pacific Region. Other qualifications have a major global influence. The two most important examples are the CPA qualification from the United States of America (USA) and the Chartered Accountant (CA) qualification in particular for the Institute of Chartered Accountants in England and Wales (ICAEW).

It is important to highlight that all MRAs are still based on recognition of two specific qualifications in two countries. All agreements are bilateral and there is no triangulation. If for example there is an MRA between the USA and Canada, and another one between Canada and Australia, this would have no meaning for the establishment of an MRA between the USA and Australia if that did not yet exist. Notable examples of endeavors to create a broader approach are the Common Content Initiative (CCI) in the European Union (EU) and the Global Accounting Alliance (GAA). Limitations of the approach can be illustrated by an example from the CCI. Member bodies of the CCI have agreed on a common program that is monitored and reviewed. However at the moment there is no coordination between the members on the subject of establishment of MRAs with external bodies. On a global scale Association of Chartered Certified Accountants (ACCA) is the only professional accountancy organization that has specific programs in place that should ensure local relevance of the ACCA qualification. For auditors the EU is the only organization that has addressed recognition of audit rights; the regulation is limited to EU member countries and has direct relevance for candidate member countries. As a result of EU Directives audit rights are recognized, however there is no harmonization between programs.

The conclusion must be that the present system for the establishment of MRAs has serious limitations for future use. As demand for international mobility increases and more countries have high level qualifications it will be very difficult to establish and maintain a transparent system for the international recognition of qualifications that is based on achieved expertise. It is time for international organizations to recognize their responsibility not only for the setting of standards but also for the actual functioning of international mobility as part of the global financial infrastructure. Even IFAC as an organization that has addressed international cooperation from the start could do more as can be illustrated by an example from International Standards in Auditing (ISA) 600. As described in chapter 7 “a group engagement team has, among others, to obtain an understanding of the component auditor’s professional competence”. The International Auditing and Assurance Standard Board (IAASB) has not included in ISA 600 any reference to the IES that are established by the IAESB; both independent boards are established by IFAC and their requirements are incorporated in the IFAC Statements of Membership Obligations (SMOs). However the group auditor still has to use his or her own expertise without reference to applicable international standards. In an increasingly global economic environment this is a serious limitation for international cooperation.

At present MRAs address statutory recognition and recognition by professional bodies. In a broader discussion of recognition attention could also be given to educational recognition, for example as part of accreditation, and to informal market recognition outside the domain of public practice.

## 8.5 Relevance of International Education Standards

In our opinion a discussion of the future relevance of International Education Standards should start with the present situation. Since their inception in 2004 the present set of IES have gained in visibility and acceptance not only for professional accountancy organizations but also for other stakeholders that are involved as standard setters, regulators, providers and users of accountancy education. Recent examples of the relevance of IES for stakeholders outside the accountancy profession that are mentioned in the GAE 2012 study are the UNCTAD Capacity Building Initiative and the university driven accountancy education development project in LA. Almost all countries in the global GAE 2012 review consider the IES at least once in every five years irrespective of the organization that is responsible for accountancy education in the country. This also confirms a high level of acceptance. The IAESB promotes the use of IES as benchmarks for comparable development of accountancy education.

The actual use of IES as benchmarks is less easy than it seems. The main reason is that the present IES are descriptive and as such lack clear guidance of goals that should be considered. A second reason is that the IAESB stresses the fact that country compliance depends on local circumstances. While this is certainly true it does not mean that not more attention could, maybe should be given to examples of good practice. The structure of the IES does not make benchmarking easy. A lot of information is repeated in the separate IES which makes it less evident what the requirements are. In addition some of the benchmarks that are included can only be found in the grey lettering that explains the requirements that are included in the black lettering. Last but not least the present IES were written at a time when the distinction between adoption in laws and regulation and actual implementation in practice usually got little attention.

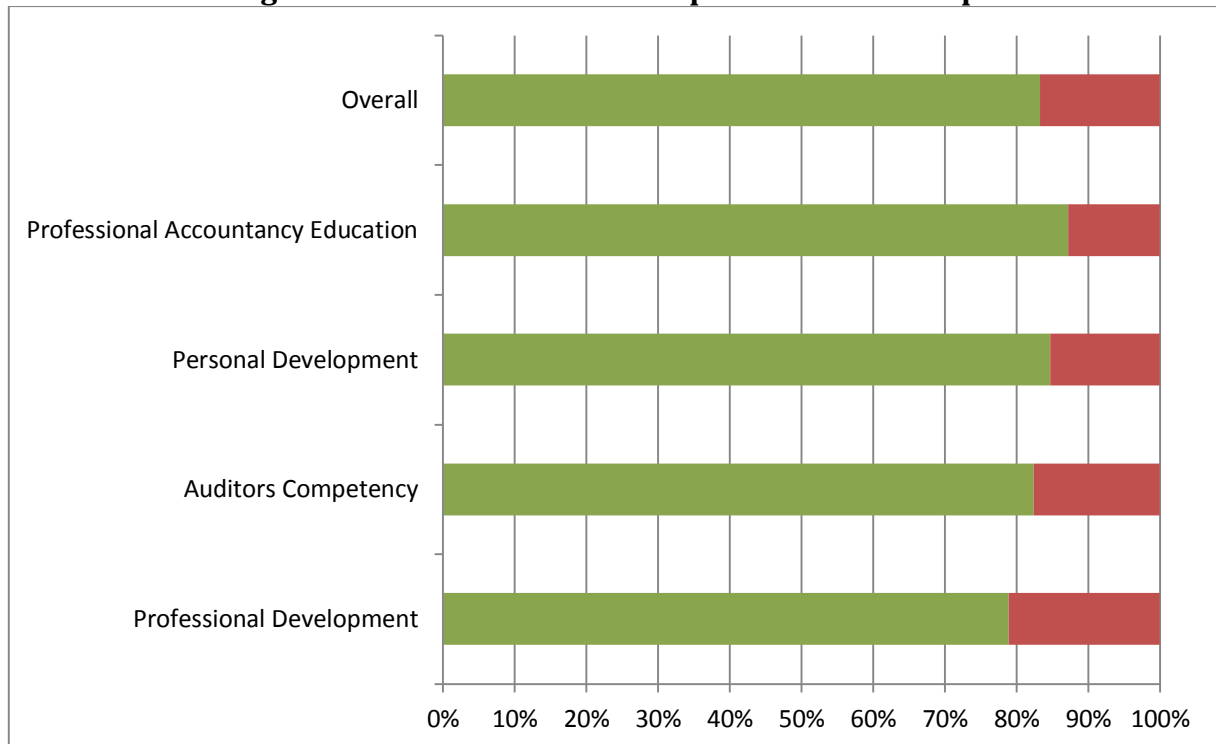
As explained in chapter 2 the IES were identified for review in the IAESB Strategic Plan (2010-2013) (IFAC, 2010b) as a direct consequence of the approval of the 2009 Framework. The existing IES were written prior to the IFAC reforms and did not have the public consultation and oversight of process that was subsequently implemented. The existing IES were written from a general framework and not from a more conceptually based framework. There was therefore the opportunity to redraft the IES into a consistent format which would in turn improve clarity. Clearer Standards will, according to the IAESB, be more easily implementable, and provide a more useful benchmark for international comparison and ultimately development projects. The recent history of accounting education has seen a steady move from an input based approach to one which concentrates more on outcomes and outputs. According to the IAESB the revision to the IES has sought to embrace a more output based approach. Much of the consultation and questions on exposure have been around the concept of setting learning outcomes, both in curriculum and in work experience. The effort to re-define the IES in an output based approach is extremely relevant in an era in which increasingly accountants and auditors have to demonstrate that they possess the required capabilities and competences. However, careful reading of the new draft IES gives the impression that their use as benchmarks for international comparability will be more difficult than it is for the present version. This subject merits careful attention in the near future.

Respondents and reviewers of the GAE 2012 study confirmed the relevance of IES as benchmarks for the adoption and implementation of IES in the countries that were considered in the research. The one area of general criticism that was identified is the limited attention that is given in the IES to the academic contribution to accountancy education. Possible gaps in compliance are identified in the country information that is part of the study. The results can be used for setting priorities in country action plans. In the competency framework that is introduced in chapter 4 a distinction is made between personal development (pillar 1), professional accountancy education (pillar 2), professional development (pillar 3), and competence for audit professionals (pillar 4).

Accomplishments and gaps in the adoption and implementation of IES are discussed in chapter 5. These are summarized for all countries in figure 8.1 based on the statistical analysis of GAE 2012 country data.



**Figure 8.1: 40 Countries Accomplishments and Gaps**



Separate IES or sections of an IES are included in the framework as milestones.

- Professional Accountancy Education: milestones program components from IES 2
- Personal Development: milestones IES 1, IES 3 and IES 4
- Auditors Competency: milestones program components from IES 8
- Professional Development: milestones IES 5, IES 6 and IES 7

This approach gives the opportunity to evaluate the status of adoption and implementation of separate IES. It is of course also possible to differentiate for economic development, region, and other criteria. The resulting analysis is considered relevant knowledge for decisions on future strategy to promote international comparability and development of systems of accountancy education around the world.

## 8.6 Opportunities for Future Research

At the end of this final chapter of the GAE 2012 publication attention is asked for a question that could have a major impact on the future relevance of IES: Do the IES cover all the elements that are necessary for the quickly developing global financial infrastructure?

It certainly seems relevant to address this question in future research. There is a number of topics that increasingly gets attention. Some examples from the UNCTAD Capacity Building Initiative are sustainability and green reporting; as well as integrated reporting. In general changes in Information and Communication Technology (ICT) including eXtensible Business Reporting Language (XBRL) and the use of cloud software have a direct impact on the work of accountants and auditors. There are also major changes in the relation between initial professional development (IPD) and CPD. Whereas in the past the main objective was to keep one's competences up to date, nowadays new competences and specializations have to be acquired during the professional career of accountants and auditors, whether they work in public practice, business or for government agencies.

All of this is outside the scope of the GAE 2012 study in which the present IES were used as benchmarks. For the future it certainly seems very relevant to again consider the scope of the IES, including the subjects that are included, the relation between IPD and CPD, and areas for specialization. The primary responsibility for this rests with IFAC and the IAESB working with all relevant stakeholders, including regulators and standard setters, the accountancy profession, providers of education and training, and not in the least representatives of the global financial infrastructure. Academic research can have an important contribution. Initiatives of the IAAER in cooperation with the IAESB have already shown how relevant this is.

Attention is asked for some specific topics that are considered to be important for future research to support international development of accountancy education and strengthening of the global financial infrastructure.

- Consider and evaluate the use of the new draft IES that are output and competence based for benchmarking purposes to further promote international comparability of accountancy education.
- Compare accountancy education in countries and regions with international requirements and best practices as a basis for country action plans to promote global portability of qualifications.
- Consider expertise and resources, both academic and professional, that are necessary for international compatible systems of accountancy education.

The present GAE 2012 study clearly shows that much has already been achieved but that important gaps still exist. In the recent past a lot of work was done on the establishment of international standards for accountancy education. Now seems to be the time to give priority to actual development to help countries meet those standards. Initiatives like the IFAC Compliance Program and the UNCTAD Capacity Building Initiative are an important stimulus. More can be done to enhance international comparability and to promote academic professional cooperation. Academic research can and should help to provide a solid theoretical basis. On a global scale this is already addressed by the IAAER.

## Appendix 1: Glossary

AAA	American Accounting Association
ABWA	Association of Accountancy Bodies of West Africa
ACCA	Association of Chartered Certified Accountants
ADI	Accountancy Development Index
AFA	ASEAN Federation of Accountants
AFC	French Accounting Association
AICPA	American Institute of Certified Public Accountants
ALAMPYME	Latin American Association of Micro-, Small- and Medium-sized companies
AOTCA	Asia Oceania Tax Consultants' Association
APEC	Asia-Pacific Economic Cooperation
APR	Asia Pacific Region
ASEAN	Association of South East Asian Nations
BAFA	British Accounting and Finance Association
CA	Chartered Accountant
CACR	Chamber of Auditors of the Czech Republic
CAG	Consultative Advisory Group
CA Ireland	Chartered Accountants Ireland
CAN	Comunidad Andina de Naciones
CAPA	Confederation of Asian and Pacific Accountants
CCCH	Colegio de Contadores de Chile
CCI	Common Content Initiative
CFC	Conselho Federal de Contabilidade
CFE	Certified Fraud Examiner
CGA Canada	Certified General Accountants of Canada
CIA	Central Intelligence Agency
CICA	Canadian Institute of Chartered Accountants
CMA	Certified Management Accountant
CPA	Certified Public Accountant
CPA Australia	Certified Public Accountants Australia
CPC	Contador Publico Certificado
CPD	Continuing Professional Development
CreCER	Contabilidad y Responsabilidad para el Crecimiento Económico Regional
EAA	European Accounting Association
EACIA	East African Community Institutes of Accountants
EC	European Commission
ECCAA	Eurasian Council of Certified Accountants and Auditors
ECSAFA	Eastern Central and Southern African Federation of Accountants
EU	European Union
FACPCR	Federación Argentina de Consejos Profesionales de Ciencias Económicas
FASB	Financial Accounting Standards Board
FEE	Federation of European Accountants
FECM	Fédération des Experts-Comptables Méditerranéens
FIDEF	Fédération Internationale des Experts-Comptables Francophones
FSA	Federation of Schools of Accountancy
GAA	Global Accounting Alliance
GADI	Global Accountability Development Initiative
GAE	Global Accountancy Education
GAEB	Global Accountancy Education Benchmarking
GATI	Global Accountability Transparency Index
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GLASS	Group of Latin American Standard Setters
HKICPA	Hong Kong Institute of Certified Public Accountants

IAAER	International Association for Accounting Education and Research
IAASB	International Auditing and Assurance Standard Board
IAESB	International Accounting Education Standards Board
IAA	Interamerican Accounting Association
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IBRACON	Instituto dos Auditores Independentes do Brasil
ICA Australia	Institute of Chartered Accountants in Australia
ICAC	Institute of Chartered Accountants of the Caribbean
ICAEW	Institute of Chartered Accountants in England and Wales
ICAGH	Institute of Chartered Accountants Ghana
ICAI	Institute of Chartered Accountants of India
ICAS	Institute of Chartered Accountants of Scotland
ICAP	Institute of Chartered Accountants of Pakistan
ICASL	Institute of Chartered Accountants of Sri Lanka
ICAZ	Institute of Chartered Accountants of Zimbabwe
ICPAK	Institute of Certified Public Accountants of Kenya
ICPAS	Institute of Certified Public Accountants of Singapore
ICT	Information and Communication Technology
ISA	International Standard on Auditing
IEG	International Education Guidelines
IESBA	International Ethics Standards Board for Accountants
IES	International Education Standards
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFSAM	International Federation of Scholarly Associations of Management
IFWA	International Federation of Women Accountants
IMCP	Instituto Mexicano de Contadores Públicos
IMF	International Monetary Fund
INCP	Instituto Nacional de Contadores Públicos de Colombia
IOSCO	International Organization of Securities Commissions
IPA	Instrument for Pre-accession Assistance
IPD	Initial Professional Development
IQAB	International Qualifications Appraisal Board
ISA	International Standards in Auditing
ISAR	Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting
ISCP	Instituto Salvadoreño de Contadores Públicos
ISQC	International Standard on Quality Control
JAA	Japanese Accounting Association
JDCCPP	Junta de Decanos de Colegios de Contadores Públicos del Peru
JICPA	Japanese Institute of Certified Public Accountants
JIFMA	Journal of International Financial Management and Accounting
LA	Latin America
LIA	Lesotho Institute of Accountants
MERCOSUR	Mercado Común del Sur
MICPA	Malaysian Institute of Certified Public Accountants
MIA	Malaysian Institute of Accountants
MOU	Memorandum of understanding
MRA	Mutual Recognition Agreement
NACIIL	Netherlands Association for Comparative and International Insolvency Law
NASBA	National Association of State Boards of Accounting
NBA	Dutch Professional Organization for Accountants, formerly Royal NIVRA

NBAA	National Board of Accountants and Auditors (Tanzania)
NGO	Non-Governmental Organization
NOREA	Dutch Institute of IT-Auditors
NOvAA	Dutch Association of Accountants
NZICA	New Zealand Institute of Chartered Accountants
OECD	Organisation for Economic Co-operation and Development
ONECCA Cameroon	Ordre National des Experts Comptables de Cameroon
ONECCA Senegal	Ordre National des Experts Comptables et Comptables Agréés du Sénégal
PAFA	Pan African Federation of Accountants
PAO	Professional Accountancy Organization
PAODC	Professional Accountancy Organization Development Committee
PCAOB	Public Company Accounting Oversight Board
PIOB	Public Interest Oversight Board
PPP	Purchasing Power Parity
PRB	Population Reference Bureau
QAA	Quality Assurance Agency
RE	Dutch IT-Auditor
RO	Recognized Regional Organization
ROSC	Reports on Observance of Standards and Codes
Royal NIVRA	Royal Dutch Institute of Chartered Accountants
RQ	Research Question
SAAA	Southern African Accounting Association
SAFA	South Asian Federation of Accountants
SAICA	South African Institute of Chartered Accountants
SEC	Securities and Exchange Commission
SME	Small and Medium-sized Enterprises
SMO	Statement of Membership Obligations
UAA	Uniform Accountancy Act
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
USP	University of Sao Paulo
WB	World Bank
WEF	World Economic Forum
WTO	World Trade Organisation
XBRL	eXtensible Business Reporting Language

## Appendix 2: References

### Websites

AAA, American Accounting Association, [www.aaahq.org](http://www.aaahq.org)  
ABWA, Association of Accountancy Bodies in West Africa, [www.abwa-online.org](http://www.abwa-online.org)  
AFA, ASEAN Federation of Accountants, [www.aseanaccountants.org](http://www.aseanaccountants.org)  
AOTCA, Asia Oceania Tax Consultants' Association, [www.aotca.org](http://www.aotca.org)  
APEC, Asia-Pacific Economic Cooperation, [www.apec.org](http://www.apec.org)  
ASEAN, Association of South East Asian Nations, <http://www.asean.org/>  
BAFA, British Accounting and Finance Association, [www.bafa.ac.uk](http://www.bafa.ac.uk)  
CAPA, Confederation of Asian and Pacific Accountants, [www.capa.com.my](http://www.capa.com.my)  
CIA, Central Intelligence Agency, [www.cia.gov](http://www.cia.gov)  
Common Content Initiative, [www.commoncontent.com](http://www.commoncontent.com)  
EAA, European Accounting Association, [www.eaa-online.org](http://www.eaa-online.org)  
EU, European Union, [europa.eu/index\\_en.htm](http://europa.eu/index_en.htm)  
FEE, Federation of European Accountants, [www.fee.be](http://www.fee.be)  
FIDEF, International Federation of Francophone Accountants, [www.fidef.org](http://www.fidef.org)  
GAA, Global Accounting Alliance, [www.globalaccountingalliance.com](http://www.globalaccountingalliance.com)  
GATS, General Agreement on Trade in Services, [www.wto.org](http://www.wto.org)  
IAA, Interamerican Accounting Association, [www.contadores-aic.org](http://www.contadores-aic.org)  
IAAER, International Association for Accounting Education and Research, [www.iaaer.org](http://www.iaaer.org)  
IAASB, International Auditing and Assurance Standards Board, [www.ifac.org/auditing-assurance](http://www.ifac.org/auditing-assurance)  
IASB, International Accounting Standards Board, [www.ifrs.org](http://www.ifrs.org)  
ICA Australia, Institute of Chartered Accountants of Australia, [www.charteredaccountants.com.au](http://www.charteredaccountants.com.au)  
ICPAK, Institute of Certified Public Accountants of Kenya, [www.icpak.com](http://www.icpak.com)  
IESBA, International Ethics Standards Board for Accountants, [www.ifac.org/ethics](http://www.ifac.org/ethics)  
IFAC, International Federation of Accountants, [www.ifac.org](http://www.ifac.org)  
IFAC, International Standard Setting Boards, Education, <http://www.ifac.org/education>  
IFAC, Membership & Compliance Program, <http://www.ifac.org/about-ifac/membership>  
IMF, International Monetary Fund, <http://www.imf.org/external/>  
IMF, International Monetary Fund, World Economic Outlook Reports, <http://www.imf.org/external/ns/cs.aspx?id=29>  
IOSCO, International Organization of Securities Commissions, [www.iosco.org](http://www.iosco.org)  
JAA, Japanese Accounting Association, <http://manage74.cc.sophia.ac.jp/~jaa/>  
NASBA, National Association of State Boards of Accounting, [www.nasba.org](http://www.nasba.org)  
PAFA, Pan African Federation of Accountants, [www.pafa.org.za](http://www.pafa.org.za)  
ROSC, Reports on the Observation of Standards and Codes, Accounting & Auditing, World Bank, [http://www.worldbank.org/ifa/rosc\\_aa.html](http://www.worldbank.org/ifa/rosc_aa.html)  
SAAA, Southern African Accounting Association, [www.saaa.co.zw](http://www.saaa.co.zw)  
SAFA, South Asian Federation of Accountants, [www.esafa.org](http://www.esafa.org)  
SEC, Securities and Exchange Commission, [www.sec.gov](http://www.sec.gov)  
UNCTAD, United Nations Conference on Trade and Development, [www.unctad.org](http://www.unctad.org)  
UNCTAD ISAR, United Nations Conference on Trade and Development Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, <http://unctad.org/en/Pages/DIAE/ISAR/ISAR-Corporate-Transparency-Accounting.aspx>  
WTO, World Trade Organization, [www.wto.org](http://www.wto.org)  
WB, World Bank, [www.worldbank.org](http://www.worldbank.org)

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### Appendix 3: Biographies

- ❖ Prof C. (Mark) Allison, Institute of Chartered Accountants of Scotland & Robert Gordon University, United Kingdom

Mark Allison is the Executive Director, Education for the Institute of Chartered Accountants of Scotland (ICAS). Mark has been the Education Director since 1995 and during that time has led the ICAS syllabus, work experience and competency developments, and chaired ICAS Examination Boards and Committees. Mark is a Visiting Professor at Robert Gordon University, Aberdeen, Scotland, and served for seven years as technical advisor to the International Federation of Accountants (IFAC) Education Committee. From 2009 - 2011 Mark was the chair of the International Accounting Education Standards Board (IAESB), leading the Board in its significant revision of the International Education Standards (IES). During his time at ICAS Mark carried out consultancy engagements in a number of countries; he is involved in the harmonisation projects in education through the European Common Content Initiative (CCI), the Global Accounting Alliance (GAA) group and is a public interest member on the Quality Assurance Agency (QAA) committee, overseeing UK universities quality. Mark is a Chartered Accountant (CA) and a graduate of the University of Edinburgh.

- ❖ L.L. (Linda) Biek, Hong Kong Institute of Certified Public Accountants, Hong Kong; formerly National Association of State Boards of Accounting, United States of America

With more than 20 years in the accountancy profession, Linda Biek, a US Certified Public Accountant, has experience in public accounting (KPMG), regulation and international relations. From 2010 – mid 2012 Linda Biek was Director, Governmental, International and Professional Relations of the National Association of State Boards of accounting (NASBA). Projects led by Ms. Biek include the development of the NASBA Enforcement Guide, NASBA Investigator Resource Program and the annual NASBA International Forum of Accounting Regulators. She is a US Certified Public Accountant (CPA) who serves her community on a number of boards and committees. Her accomplishments have been recognized by Tennessee Governor Don Sundquist and her university alma mater. She has represented various stakeholders at meetings and conferences, throughout the world, organized by IFAC, the European Commission (EC), United Nations Conference on Trade and Development (UNTAD), Contabilidad y Responsabilidad para el Crecimiento Económico Regional (CRECER), the Federation of European Accountants (FEE), and various others. At present Linda Biek is Director Compliance of the Hong Kong Institute of Certified Public Accountants.

- ❖ Prof Dr J.M. (Alain) Burlaud, Conservatoire National des Arts et Métiers, France

Alain J.M. Burlaud has all-university tenure (agrégation de sciences de gestion). He is Doctor Honoris Causa, Academia de Studii Economice din Bucuresti (Romania) (2007) and Doctor Honoris Causa, University Valahia din Targoviste (Romania) (2010). Since 1994 Alain is full professor at the Conservatoire National des Arts et Métiers. As of February, 2013 he has published 111 articles or papers and 11 books (author or co-author), some having been translated in Spanish, Italian, English, Polish, Romanian, German and Japanese. Alain is or was member of the editorial boards of several academic journals. Academic responsibilities of Alain Burlaud include the following: French representative on the IFAC Education Committee (1985 – 1997) and IAESB (2002 – 2007); President-elect (1993/94) of the International Federation of Scholarly Associations of Management (IFSAM), President (1995/96), and Past-president (1997/98); Vice-president of the International Association for Accounting Education and Research (IAAER) (1993 – 1997 and 2013); President of the French Accounting Association (AFC) (1997 – 1999); Chairman of the National University Council (Management sciences) (1999 – 2004); and Advisor of the Minister of National Education and Research in particular for higher education in economics and management sciences (2004 – 2012).

- ❖ G. (Georgina) Chan-Tan Soh Tin, Institute of Certified Public Accountants of Singapore, Singapore; formerly Hong Kong Institute of Certified Public Accountants, Hong Kong

Georgina Chan-Tan Soh Tin, CA (New Zealand), is also a Fellow CPA of the Hong Kong Institute of CPAs (HKICPA). Georgina possesses extensive experience in accounting education and professional training, having headed the Examinations & Qualification Division of the Institute of CPAs of Singapore (2.5 years) and helmed the Education & Qualification Division of HKICPA, where she worked for close to 17 years till April 2010. Apart from managing professional examinations and Continuing Professional Development (CPD), she was instrumental in the reviews and negotiation of numerous mutual recognition agreements which HKICPA successfully entered into with first tier accountancy bodies round the world. Georgina is currently on sabbatical.

❖ Prof Dr E.B. (Edgard) Cornachione, University of Sao Paulo, Brazil

Edgard Cornacchione is Full Professor at the College of Economics, Business and Accounting of the University of Sao Paulo (USP) (Brazil), where he serves as the Chairman of the Department of Accounting and Actuarial Sciences. Former director of graduate programs in Accounting at USP, he is a Brazilian CA. He holds BS, MS and PhD degrees in Accountancy from USP, and a PhD degree in Human Resource Education from the University of Illinois at Urbana-Champaign. He has published several studies and books and holds a successful record of relevant grants, including the one by FIPSE/CAPES (bi-lateral four-year exchange program between Brazil and United States of America, USA). His research interests target organizational development and human performance improvement by focusing on accounting education along with its evaluation, including effects of advanced technologies.

❖ P.F.M. (Paul) Hurks, Dutch Professional Organization for Accountants & Vrije Universiteit Amsterdam, Netherlands

Paul Hurks, CPA (The Netherlands), is International Accountancy Director at NBA Amsterdam (Dutch Professional Organization for Accountants), member of PAODC (Professional Accountancy Organizations Development Committee) of IFAC, member of the Steering Group of CCI and lecturer for postgraduate accountancy education at Vrije Universiteit Amsterdam. In his present capacity at NBA Paul is responsible for the NBA policy for international accountancy coordination, accountancy development work through mentoring activities, including accountancy education. Activities at Vrije Universiteit are lecturer/coach for oral and written exams financial auditing, master- and practice thesis in accountancy and development of international collaboration in accountancy education. Paul has been a practitioner for 25 years for audit clients at KPMG Netherlands and as a founding partner of Omnyacc Accountants. Paul served in international and national capacities as accountant, auditor, quality control reviewer (audit practice and accountancy education), lecturer and consultant in the field of financial auditing.

❖ Prof Dr G.H. (Gert) Karreman, DePaul University, United States of America & Leiden University, Netherlands

Gert Karreman was Director of Education, Royal NIVRA (1979 – 1998) and Program Director Royal NIVRA Nyenrode University (1993 – 1998). Since then Gert has worked on international research into the global development of accountancy education. Based on this research, he was awarded a doctorate at Leiden University (2002). He was principal investigator for four Global Accountancy Education research projects that were published in 2002, 2005, 2007 and 2013. He was also a member of the Accountancy Development Index research team. In September 2006 he was appointed visiting professor by DePaul University (Chicago, USA). Gert was until recently a member of the UNCTAD Consultative Group for Capacity Building and in the past working with ACCA was involved with the preparation of the UNCTAD Global Accounting Curriculum. Recently his main area of activity was acting as principal investigator for the recent GAE 2012 research study. Current research is aimed at the development of the accountancy profession in general and in particular at the international comparison of the education curriculum of accountants and auditors in light of applicable international regulation and guidelines in line with different characteristics of countries

due to regulation and development. Increasingly current research focuses on the development and applicability of methods for performance measurement. Capacity building in developing countries is a key area of interest and involvement.

❖ Prof Dr J.G. (Hans) Kuijl, Leiden University, The Netherlands

Hans Kuijl occupied the full time position of Professor of Business Economics, Faculty of Law, Leiden University till 2010. He was founder and director of the Center of Business Studies of Leiden University. Over the last 20 years he has been responsible for academic research, for example showing in the regular stream of PhD-studies in the fields of economics, accounting and auditing. In addition, as a professional accountant, he has worked with Royal NIVRA for the development of accountancy education and CPD. Over the last 10 years he has been increasingly involved with the global development of accountancy education. Hans Kuijl had final responsibility for the PhD-study on The Impact of Globalization of Accountancy Education by Gert Karreman.

❖ Prof I.F.Y. (Ian) Marrian, University of Edinburgh, formerly Institute of Chartered Accountants of Scotland, United Kingdom

Ian Marrian was trainee, qualified assistant, manager and partner with Deloitte Haskins & Sells in Edinburgh, Rome and London (1965 – 1984). From 1984 – 2004 Ian was Director of Education, Deputy Chief Executive and Chief Executive and Secretary of the ICAS. In addition Ian was from 1990 to 2011 Visiting Chair at the Management School and Economics Department of the University of Edinburgh. During his career Ian participated in international development and research projects in accountancy education. Ian acted as chair of the Steering Group for the GAE 2002 classification study and he was the first chair of the International Advisory Board for the Center for Global Accountancy Education, Benchmarking and Research at DePaul University, Chicago, USA.

❖ Prof Dr B.E. (Bel) Needles Jr., DePaul University, United States of America

Belverd E. Needles, Jr., is Ernst & Young Distinguished Professor of Accounting at DePaul University. He has published in leading journals and is the author or editor of more than 20 books and monographs. His Principles of Accounting text, now in 12th edition, was translated into Russian and is the leading textbook in Russia on Western accounting. Bel is past-president of the IAAER. He served as the elected USA representative to the European Accounting Association (EAA), chair of the International Accounting Section of the American Accounting Association (AAA), vice-president-education for the AAA, and president of the Federation of Schools of Accountancy (FSA). He served as chair of the Academic and Career Development Executive Committee and on the Information Technology Executive Committee of the American Institute of CPAs (AICPA). He served on the IFAC Education Committee and on the Consultative Group of the International Accounting Standards Committee (IASC). He currently serves on the consultative group on International Standards of Accounting and Reporting (ISAR) of UNCTAD.

❖ R. W (Bill) Phelps, CARANA Corporation, United States of America

Bill Phelps is a Certified Public Accountant (CPA) and Certified Fraud Examiner (CFE) whose career moved from Senior Audit Manager of a former Big 5 accounting and audit firm to international economic development with CARANA Corporation as Executive Vice President for Global Operations. Having lived and worked in Russia, Romania and Egypt and managed development projects in over 20 countries, he has witnessed the development of the global accountancy profession, measured compliance gaps, and worked to accelerate change in the accountancy profession in developing nations. Bill has participated in international projects whose focus was accelerating the global convergence of technical, ethical and education standards.

❖ Prof Dr L. (Lesley) Stainbank, University of KwaZulu-Natal, South Africa

Lesley Stainbank CA (South Africa) obtained her D. Com. from the University of South Africa. She is a Professor of Financial Accounting in the School of Accounting, Economics and Finance at the University of KwaZulu-Natal. She is a co-author of the text book *A Student's Guide to International Financial Reporting* 8<sup>th</sup> Edition which is prescribed by seven universities accredited by the South African Institute of Chartered Accountant (SAICA) in South Africa to offer the professional accountancy program. She served as President of the Southern African Accounting Association (SAAA) from 2002 – 2004. She serves on the editorial boards of the *SA Journal of Accounting Research*, *Meditari Accountancy Research* and the *African Journal of Accounting, Economic, Finance and Banking Research*. She is also an Editorial Adviser to *Accounting Education: An International Journal*, representing the International Association for Accounting Education and Research. Currently, she serves on the Consultative Group on International Financial Reporting Standards to the United Nations.

❖ Prof Dr J.P.J. (Hans) Verkruijsse, Tilburg University, Netherlands

Hans Verkruijsse is a professor at the Tilburg University chair in Accounting Information Systems earned his PhD at the University Maastricht; he holds qualifications as CPA (The Netherlands) and IT-Auditor (RE); he is research director of the Global Accountancy Development Institute (GADI); member of the international research project “the influence of XBRL on the financial statement audit” in cooperation with the University of Hawaii and the University of Arkansas sponsored by IFAC, ACCA and IAAER; member of the Supervisory Board of the Post Master education Compliance Management at the Technical University Delft; member of the Professional Scepticism committee of NBA; chair of the Ethical Committee of the Dutch Institute of IT-Auditors (NOREA); member of the advisory board to the government for implementing Standard Business Reporting; chair of the eXtensible Business Reporting Language (XBRL) Netherlands Jurisdiction; member of the International member Assembly of XBRL International; member of XBRL Europe; chair of the XBRL steering committee of Ernst & Young Netherlands chair of the supervisory board of the Foundations of reliable cash register systems and of reliable online systems. He was a former partner Ernst & Young (1989-2010); member of several assurance taskforces in relation to XBRL, like XBRL International, FEE and IFAC (2009-2012); (vice-)chair of the Auditing Practices and Standards Committee of the Royal NIVRA (2000-2009), Technical Advisor on the International Auditing and Assurance Standards Board (IAASB) of IFAC (2002-2008); member of the IAESB of IFAC (2000-2006); member of the European Contact Group (1996-2003); chair of the Application Committee of the NOREA (1992-2002); chair of the Accreditation Committee of the Education Institutes of IT-auditors (2004-2009).

❖ A.M. (Anthon) Verweij, Leiden University, Netherlands

Anthon Verweij (LL.M. Corporate Law) is a PhD-fellow at the Department of Business Studies at Leiden Law School of Leiden University and working on his PhD concerning Insolvency Investigations performed by Insolvency Office Holders. Anthon has participated in the Kosovo Insolvency Capacity Building Project which was funded by the European Commission and part of the Instrument for Pre-accession Assistance (IPA) program for Kosovo. In addition Anthon was involved with the establishment of the Netherlands Association for Comparative and International Insolvency Law (NACIIL) and currently acts as secretary/treasurer of this association. Furthermore Anthon teaches several insolvency related courses at Leiden Law School. Since 2007 Anthon has contributed as well to the accountancy development research projects GAE 2007, ADI and the GAE 2012 research study. In support of these research projects Anthon presently acts as International Secretary of the GADI.