

**TO: IAESB CAG**  
**FROM: RUSSELL GUTHRIE**  
**EXECUTIVE DIRECTOR, QUALITY AND MEMBER RELATIONS**  
**DATE: FEBRUARY 3, 2010**  
**RE: UPDATE ON STATUS OF COMPLIANCE PROGRAM AND STAFF**  
**OBSERVATIONS ON IES AND RELATED MATTERS**

---

## **Section 1 Report Overview**

- 1.1 This report is intended to provide the IAESB with observations from the staff on the results of the Compliance Program with a specific focus on SMO 2.

## **Section 2 Program Status Update**

### **Action Plan Process**

- 2.1 In accordance with its Terms of Reference, the CAP objective is to oversee and advise the staff including the approval of Action Plans. During 2008 and 2009, the CAP reviewed over 70 draft and partial Action Plans, which is nearly half of total IFAC members and associates. In 2009, the CAP has also agreed on a process to monitor the progress of published Action Plans and reviewed 15 Progress Monitoring File Notes prepared by the staff. The reviews were performed to develop a consistent approach to the process of review and approval of final Action Plans, as well as a progress monitoring process.
- 2.2 Throughout the implementation of the Part 3, Action Plan phase, the CAP and the staff have periodically agreed on principles and the process for review, approval and monitoring of Action Plan progress, as well as relevant enforcement actions. To make these principles and process descriptions available in one consolidated document, the staff prepared a paper which includes:
- Action Plan Review and Finalization Process (as approved by the CAP in October 2008 with subsequent revisions agreed by the CAP)
  - Action Plan Progress Monitoring (as approved by the CAP in January 2009 with subsequent revisions agreed by the CAP)
  - Enforcement Actions (as agreed by the CAP in January 2008 with subsequent revisions agreed by the CAP).

2.3 At its January, 2010 meeting the CAP confirmed that the Action Plan process paper is complete at this time and will be subject to regular review. The paper is available upon request from the Compliance staff.

**Action Plan Status Update**

2.4 The Part 3, Action Plan phase of the Member Body Compliance Program continues to progress in a very positive manner. The 76 Action Plans published on the IFAC website now include a mix of plans submitted by both developing and developed bodies. In addition, 39 members and associates submitted their partial or complete drafts for review and staff works with them to finalize and publish the approved plans.

*Part 3, Action Plan Status as of January 26, 2010*

<u>Action Plans Status:</u>	#
a. Published Action Plans	76
b. Draft Action Plans or Partial Plans Received	39
c. Working on Action Plans (no drafts received)	40
<b><i>Total Action Plans Received and Work in Progress</i></b>	<b><i>155</i></b>
 <u>Other</u>	
a. Suspension due to failure to confirm Policy Recommendations (Guatemala, Honduras, Peru)	3
b. Excused (Iraq)	1
<b>Total Members and Associates</b>	<b>159</b>

2.5 The the Compliance staff continues to find that the vast majority of members and associates are keen on establishing good communications with their assigned staff and are very appreciative of the assistance provided to them.

2.6 In 2009, the Compliance staff focused on keeping the momentum in finalizing and publishing Action Plans as well as on establishing and implementing the Action Plan Progress Monitoring Process. For 2010 the staff will endeavor to work with members and associates to obtain and finalize the remaining Action Plans. As we know from experience with Part 1 and Part 2 of the program, and the CAP felt it important to note in October 2009 that the plans published to date were received from the generally more

responsive part of the IFAC membership and the staff challenge in 2010 will be to finalize quality action plans from some of the remaining member bodies.

### **Action Plan Monitoring Process**

- 2.7 As reported to the Board in 2009, the CAP and staff have adopted a requirement for annual updates of Action Plans with less formal staff monitoring of progress after six months (soft updates). Soft updates have now been completed on twenty bodies that were among the first to publish their Action Plans in 2008.
- 2.8 Overall, the twenty bodies are generally on track in executing their Action Plans, though some action steps have had to be delayed, due to changes in the regulatory environment or other factors that caused a change in priorities. At the same time, the CAP and the staff noted a number of very positive developments and would like to express its appreciation to the twenty bodies for the special effort made by them to meaningfully execute their Action Plans.
- 2.9 In 2010 the staff will continue to implement the monitoring process and submit file notes summarizing annual as well as soft updates for the CAP's review.

## **Section 3 Observations on IES**

### **Applicability - Updated**

- 3.1 The IESs are addressed to member bodies and professional accountants are defined as “a member of an IFAC member body.” Some members and associates have been confused as to the applicability of the IES to the range of their membership – particularly accounting technicians or other tiers of membership (e.g., associate members). See Sections 4 for further discussion of accounting technicians. The project to create a new definition of “professional accountant” could provide better understanding in this respect.
- 3.2 The CAP and the Compliance staff believe the IESs could be addressed to a wider group of stakeholders such as:
  - Universities, employers, and other stakeholders who play a part in the design, delivery, or assessment of education programs for accountants;
  - Regulators who are responsible for oversight of the work of the accountancy profession;
  - Government authorities with responsibility for legal and regulatory requirements related to accounting education;
- 3.3 A key consideration that should follow from addressing a wider group of stakeholders is that many members do not have a good understanding of how to influence country stakeholders with regard to reform of the education system and related issues. In other words, members need assistance in understanding what “best endeavors” means in terms of very practical steps they should take to establish and leverage relationships to achieve

**IES 1 - No change from June 2009**

- 3.4 The concept of entry requirements to a program of professional accountancy education and equivalency to a university degree seems to cause a fair amount of confusion to a number of members. This is undoubtedly because of the structure of their education systems particularly where the member body does not offer separate professional accountancy education programs.

**IES 2 - No change from June 2009**

- 3.5 IES 2 contains mandatory subject matters in terms of content of accountancy education programs. Most IFAC members have positively indicated that their programs address all these requirements. It is difficult for IFAC members to know to what extent the topics are actually covered and whether they reflect current practice. Consequently, most IFAC members may positively indicate they meet the content requirements, but there may be significant variation between member programs.
- 3.6 There have been some questions on how the requirement for at least two years of full time study (or equivalent part time) was determined.

**IES 3 and 4 – 3.9 added**

- 3.7 Member bodies are required to indicate which of the skills and competencies as outlined in the standards are included in their requirement to qualify as professional accountants. It is clearly a limitation of the self assessment process that the staff cannot determine the accuracy or the quality of content indicated by the member bodies. It appears that the larger issue is that many bodies do not have a good understanding of how to monitor and update the curriculum and assess its relevancy in a timely fashion. This point could also be made in relation to CPD programs.
- 3.8 With respect to professional skills, IFAC members indicate they are meeting this requirement. However, in developing countries where access to employment may be limited, the extent of professional skills gained may be limited or require a significantly longer period of time.
- 3.9 Our more recent experience has also revealed the many bodies have difficulty in understanding the difference between skill and competencies and similar terms and to the extent that these different terms should imply different understanding or context.

**IES 5 - Updated**

- 3.10 We believe consideration needs to be given to alternative means for attaining practical experience and perhaps expanded guidance. In many developing countries, there are not a sufficient number of credible practical experience sponsors to accommodate the growth of the profession. Additionally, the existing practical experience sponsors themselves may not have the skills and competencies to meaningfully transfer knowledge to candidates over three years or any other reasonable period of time. Finally, we have seen certain cases where this requirement is interpreted to mean 1 candidate per practical experience sponsor.

**IES 6 – No change from June 2009**

- 3.11 Some bodies have expressed some confusion about the concept of a “final” assessment, particularly where examinations are given at various stages of the education process. In what circumstances is it required or can it be justified not to have a “final assessment” in certain circumstances?

**IES 7 – 3.13 added**

- 3.12 CPD is required in approximately 85% countries represented in IFAC. As indicated above, monitoring of CPD requirement and updating the CPD content on a timely basis seems to be the biggest issue.
- 3.13 In addition to monitoring and updating, enforcement of the CPD requirements also appears to be a persistent issue for many member bodies.

**IES 8 - Updated**

- 3.14 IES 8 was not included in the scope of the Part 2 questionnaire due to the timing of the issuance of the standard. During the Part 3, Action Plan phase of the Program members and associates are being asked to include the necessary actions to adopt and implement the standard. No specific issues have been identified at this stage.