International Education Standards – Establishing the Proficiency of Accounting Professionals

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Presentation

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✓ International Education Standards – IFAC’s Idea and Mission
✓ Institutional framework of Polish Accounting Education System
✓ International Education Standards in Practice – Some Observations from Poland
✓ Developments in Polish Accounting Education System – Obstructions and Challenges
Main Message

Inspired by Ian Richie

✓ High quality professional skills and technical competencies in accounting should be developed by both Initial Professional Development (IPD) and Continuing Professional Development (CPD), assisted by IFAC’s International Education Standards (IEDs).

✓ IPD and CPD should not concentrate on pure accounting issues and problems, but mainly on multidimensional economic reality, which is a central point of accountancy.
Key Elements of Accounting Professionals

Questions to be addressed:

✓ Who do you think an/the accountant is?
✓ What do you expect on professional ground from accountant(s)?
✓ What elements shape the accounting profession(s)?
✓ Does anybody in accounting profession should be prescribe in the same way?
✓ Should or can we standarise the entire accounting profession by one pattern or standard?
Main Definitions and Terms

✓ **Capabilities** – The professional knowledge; professional skills; and professional values, ethics, and attitudes required to demonstrate competence.

*Attributes held by individuals that enable them to perform their roles*

✓ **Competence** – Ability to perform a work role to a defined standard with reference to working environments.

*Competence refers to the actual demonstration of performance*

✓ **Qualification** – Qualification as a professional accountant means, at a given point in time, an individual is considered to have met, and continues to meet, the requirements for recognition as an professional accountant.

*Qualification implies that the individual has been assessed as competent*

See: IAESB Glossary of Terms
Key Elements of Accounting Profession

Professional Accountant

- Competent
- Capable
- Qualified
Main Definitions and Terms

- **Professional knowledge** – Those topics that make up the subject of accountancy as well as other business disciplines that, together, constitute the essential body of knowledge for professional accountants.

- **Professional skills** – The various types of abilities required to apply professional knowledge, and professional values, ethics, and attitudes appropriately and effectively in a professional context.

- **Practical experience** – Workplace activities that are relevant to developing competence.

See: IAESB Glossary of Terms
Key Elements of Accounting Profession

- Professional Accountant
  - Knowlegable
  - Skilled
    - Ethical
  - Experienced
## Key Elements of Accounting Profession

### Learning Continuum for Professional Accountant Career

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<td>CPD is aimed at the development and maintenance of professional competence by professional knowledge, professional skills and professional values, ethics and attitudes</td>
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**IPD includes the ability to integrate:** professional knowledge, professional skills and professional values, ethics and attitudes

**CPD is aimed at the development and maintenance of professional competence by professional knowledge, professional skills and professional values, ethics and attitudes**

### Learning and Development

*Ongoing process of acquiring, maintaining, and renewing competence at an appropriate level*
Key Elements of Accounting Professionals

Who do you think an/the accountant is?

- IESs do not in *explicite form* define an/the accountant, even accounting profession.
- International Federation of Accountants’ (IFAC) definition of professional accountant: *an individual who is a member of an IFAC member body*
Key Elements of Accounting Professionals

Who do you think an/the accountant is?

✓ International Federation of Accountants’ (IFAC) definition of professional accountant: *an individual who is a member of an IFAC member body*

✓ Members of IFAC member bodies work in *every sector of the economy* and in many different areas of *accountancy*, including:
  - *auditing,*
  - *financial accounting,*
  - *management accounting, and*
  - *tax accounting.*

✓ *Audit professional* - A professional accountant who has responsibility, or has been delegated responsibility, for significant judgment in an audit of historical financial information.

See: *Framework for International Education Standards for Professional Accountants*, IAESB, IFAC
Key Elements of Accounting Professionals

Who do you think an/the accountant is?

Open Project on IAESB Agenda (since 2010). Issues that this project are to be address:

✓ Include members of organizations other than IFAC member bodies and individuals who meet jurisdictional qualification requirements and are subject to oversight.

✓ Facilitate the identification of the primary users of professional standards set by the independent standard-setting boards supported by IFAC (e.g., auditors, professional accountants in business), regardless of whether they belong to an IFAC member body.

✓ Provide some guidance at the national or jurisdictional level by enabling a clearer understanding of the potential users of international standards.

✓ Provide and understanding of the breadth of competence and functions that can be demonstrated by professional accountants.

✓ Develop a brief, easy-to-understand definition that provides the general public with a broad understanding of the field of accountancy.

✓ Clarify that other terms may be used within jurisdictions to refer to those meeting the definition of professional accountant, and such terms may be based on local law or regulation.

More on: http://www.ifac.org/education/projects/revised-definition-professional-accountant
Key Elements of Accounting Professionals

Who do you think an/the accountant is?

By defining the accounting it is possible to define the accountant.

**Accounting** – process of identification, measurement and communication of information on financial position and financial performance, and operating activities of reporting entity, which aims to assess or support decision making on resources allocation and its effective usage. 

Based on American Accounting Association, 1965

**Accountant** – person engaged in accounting.

**Professional accountant** – person professionally engaged in accounting.
Key Elements of Accounting Professions

Who do you think an/the accountant is?

- **Managerial accounting** (Controlling) and Managerial Accountants seem to be outside strict regulations and probably should be excluded from general pronouncements for accounting profession and IPD and CPD, tailored mainly by IFAC’s IESs for financial accountants.

- **Different posts in accounting profession** requires different paths of IPD and CPD. IESs do not address this issue explicitly.
International Education Standards System

- **Framework** for International Education Standards for Professional Accountants
- International Education Standards, **IESs 1 – 8**
- International Education Practice Statements, **IEPS 1 – 3**

- System under reconstruction. All of existed, revised IEDs comes into force in 2014 or 2015.

International Education Standards (IEDs)

- **IES 1** – Entry Requirements to Professional Accounting Education Programs
- **IES 2** – Initial Professional Development – Technical Competence
- **IES 3** – Initial Professional Development – Professional Skills
- **IES 4** – Initial Professional Development – Professional Values, Ethics, Attitudes
- **IES 5** – Initial Professional Development – Practical Experience
- **IES 6** – Initial Professional Development – Assessment of Professional Competence
- **IES 7** – Continuing Professional Development
- **IES 8** – Competence Requirements for Audit Professionals to be superseded by
  - **IES 8** – Professional Competence for Engagement Partners Responsible for Audits of Financial Statements
International Education Practice Statements (IEPSs)

- **IEPS 1** – Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes
- **IEPS 2** – Information Technology for Professional Accountants
- **IEPS 3** – Practical Experience Requirements – Initial Professional Development for Professional Accountants
International Education Standards (IESs)

IES 1 – *Entry Requirements to Professional Accounting Education Programs*

- **IES 1** prescribes the principles to be used when setting and communicating educational requirements for entry to professional accounting education programs.
- **IES 1** is addressed to IFAC member bodies. They have responsibility for setting and communicating entry requirements for professional accounting education programs.
- **IES 1** sets the objective of an IFAC member body: to establish fair and proportionate educational entry requirements to professional accounting education programs that protect the public interest through the setting and maintenance of high-quality standards.
- **IES 1** states, that requirements should give a reasonable chance of successfully completing the PAEP.
- **IES 1** recognizes, that entry requirements may vary by jurisdiction and that completion of a full, professional qualification is just one of a range of exit points from a professional accounting education programs.
International Education Standards (IESs)

IES 2 – Initial Professional Development – Technical Competence

- **IES 2** prescribes the learning outcomes for technical competence that aspiring professional accountants are required to demonstrate by the end of IPD.
- **IES 2** is addressed to IFAC member bodies. They have responsibility for ensuring that IPD meets the requirements of IES 2, including revision, update and assessment activities to measure the achievement of the technical competence.

- **Learning outcomes** are defined for:
  - Financial accounting and reporting
  - Management accounting
  - Finance and financial management
  - Taxation
  - Audit and Assurance
  - Governance, risk, management and internal control
  - Business laws and regulations
  - Information technology
  - Business and organizational environment
  - Economics
  - Business strategy and management
International Education Standards (IESs)

IES 3 – *Initial Professional Development – Professional Skills*

- **IES 3** prescribes the learning outcomes for professional skills that aspiring professional accountants are required to demonstrate by the end of IPD.
- **IES 3** is addressed to IFAC member bodies. They have responsibility for ensuring that IPD meets the requirements of IES 3, including revision, update and assessment activities to measure the achievement of the professional skills.
- **Learning outcomes** are defined for (competence areas):
  - Intellectual skills
  - Personal skills
  - Interpersonal and communication skills
  - Organizational skills
International Education Standards (IESs)

IES 4 – *Initial Professional Development – Professional Values, Ethics, Attitudes*

- **IES 4** prescribes the learning outcomes for professional values, ethics, and attitudes that aspiring professional accountants are required to demonstrate by the end of IPD.
- **IES 4** is addressed to IFAC member bodies. They have responsibility for ensuring that IPD meets the requirements of IES 4, including revision, update and assessment activities to measure the achievement of the professional values, ethics, and attitudes.

- **Learning outcomes** are defined for (competence areas):
  - Professional skepticism and professional judgment
  - Ethical principles
  - Commitment to the public interest
International Education Standards (IESs)

IES 5 – Initial Professional Development – Practical Experience

IES 5 prescribes the practical experience required of aspiring professional accountants by the end of IPD

IES 5 is addressed to IFAC member bodies. They have responsibility for ensuring that IPD meets the requirements of IES 5.

IFAC member bodies should require sufficient practical experience of professional accountant candidates, conforming his/her:

- technical competence
- professional skills, and
- professional values, ethics, and attitudes

IFAC member bodies should establish their preferred approach to measure practical experience, based on: output or input, or output-input-based approaches

IFAC member bodies should require establishment of supervision, recording, monitoring, review and assessment system for practical experience
IES 6 – IPDevelopment – Assessment of Professional Competence

- **IES 6** prescribes the requirements for the assessment of professional competence of aspiring professional accountants to be achieved by the end of IPD.
- **IES 6** is addressed to IFAC member bodies. They have responsibility for assessing the achievement of the appropriate level of professional competence.
- IFAC member bodies responsibilities for:
  - establishing Formal Assessment of Professional Competence
  - designing Assessment Activity for professional accounting education programs, fulfilling principles of high level of:
    - reliability,
    - validity,
    - equity,
    - transparency, and
    - sufficiency.
International Education Standards (IESs)

IES 7 – Continuing Professional Development

✓ IES 7 prescribes the continuing professional development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the profession.

✓ IES 7 is addressed to IFAC member bodies. They have responsibility for the CPD of professional accountants as set out in IES 7, including promotion of CPD, access to CPD, monitoring and enforcement.

✓ CPD, in addition to education, practical experience and training, also includes learning and development activities like:

✓ coaching and mentoring,

✓ networking,

✓ observation, feedback, and reflection, and

✓ self-directed and unstructured gaining of knowledge.
International Education Standards (IESs)

IES 8 – *Competence Requirements for Audit Professionals*

- IES 8 prescribes the minimum competence requirements for professional auditors.
- IES 8 also prescribes the minimum of professional knowledge, professional skills, and professional values, ethics and attitudes audit professionals require (not covered by this presentation).
- IES 8 is addressed to IFAC member bodies. They have responsibility for imposing exact and specific requirements for professional auditors, including CDP.

- Competence required for audit professionals includes **knowledge** in:
  - audit of historical financial information (advanced level):
    - best practices in audits, ISAs and IAPSs, any other applicable regulations,
  - financial accounting and reporting (advanced level):
    - FA and FR processes and practices, IFRSs and other applicable regulations,
  - information technology:
    - IT systems for FA and FR, frameworks for evaluating controls and assessing risks in accounting and reporting systems.
IESs and EU Requirements

EU Directive 2006/43/EC on statutory audits sets its own requirements for carrying out the statutory audit of FS, including:

- educational qualifications,
- examination of professional competence, including test of theoretical knowledge,
- practical training,
- continuing education.

There are rather no potential areas of conflicts between IEDs, especially IED 8 and EU Directive requirements (e.g.: academic education level requirement can be overide by qualification through long-term practical experience – art. 11 of EU Directive)
Building accounting profession on IESs

- Deregulation in Europe touches accounting profession too.
- In many cases professional standards and determination of self-regulation for profession will build better vision of profession, than any regulatory efforts.
- Accounting profession in Europe, esp. in Emerging Markets, requires self-development.
- There are many cases, where well-developed good practice can serve as a guide for building the new pattern for profession development.
Building accounting profession on IESs

- Poland’s started to build new thinking of accounting profession since the beginning of XXI Century.

- **Institute of Professional Certification for Accountants** has been established as part of the Accountants Association in Poland – professional organization for accountants (including auditors). Other professional organization: National Chamber of Statutory Auditors gathers professional auditors only. Both organizations are IFAC Member bodies.

- Institute of Professional Certification for Accountants in cooperation with The Commission for Ethics and Professionalism in the Accounting Profession promulgated **Code of Professional Ethics in Accounting** (2007), based on IFAC’s **Code of Ethics for Professional Accountants**.

- Code pronoucements are supplemented by the **Bank of Ethical Dilemmas**, developed since 2008.
Building accounting profession on IESs

✓ **Institute of Professional Certification for Accountants** elaborated the IPD and CPD systems for professional accountants, introducing four-level proficiency in accounting (financial):
  - 1 level – Accountant
  - 2 level – Accountant specialist
  - 3 level – Chief accountant
  - 4 level – Certified accountant

✓ Higher level – wider competences required (from Basis of Accounting (1st level) to IFRSs and Consolidated financial Statements and other Advances in Accounting (4th level)).


✓ Certification of Managerial Accountants is in progress. Engagement of IPCA is rather soften and down-initiatives of ACCA or CIMA are more visible.
IESs

Q&A

Thank you for your attention and welcome
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