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**GUIDELINE FOR A GLOBAL ACCOUNTING CURRICULUM  
AND OTHER QUALIFICATION REQUIREMENTS**

Report by the UNCTAD secretariat

**Executive summary**

At its fifteenth session, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) decided to devote its sixteenth session to the development of a global accounting curriculum and other qualification requirements for professional accountants. While work was already well advanced on this topic, it considered that, given the progress at the World Trade Organization on accounting disciplines, it was necessary to produce a global curriculum to serve as a benchmark to cut the time and cost of negotiating mutual recognition agreements. It therefore requested UNCTAD to continue its work on the development of a global curriculum as well as on other requirements for professional accountants in cooperation with other relevant bodies such as the International Federation of Accountants, the Arab Society of Certified Accountants and the Association of Chartered Certified Accountants. It further requested that UNCTAD report back at its sixteenth session. This report is in response to that request, and describes the work undertaken and the elements of a guideline for the qualification of professional accountants. The purpose of the guideline is to establish a benchmark for national qualifications and to assist holders of those qualifications to function in a global economy. The guideline has been developed for the benefit of the international community as a whole in order to promote global harmonization of professional qualification requirements. While there are international standards for the provision of the service of accounting, there are no global standards for the service providers. It should be noted that the purpose of this exercise was not to establish a "global qualification", since qualifications are usually given at the national level.

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## I. Introduction

1. One objective of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) is to strengthen the accountancy profession worldwide in order to create a global profession capable of offering its services across borders. To attain this objective UNCTAD has undertaken an exercise to design a benchmark or guideline for the qualification of professional accountants which would establish a point of reference for national qualifications and assist holders of those qualifications to function in a global economy. This exercise was carried out in collaboration with an informal consultative group of experts from the Arab Society of Certified Accountants, the Association of Chartered Certified Accountants, the Certified General Accountants of Canada, the European Commission, The Fédération Internationale des Experts Comptables Francophones (FIDEF), the Institute of Chartered Accountants of Scotland, the Polish Accounting Standards Board, the International Federation of Accountants (IFAC), and representatives from academia and international accounting firms.

2. The components of this system include:

- (a) general knowledge and skills;
- (b) detailed curriculum for professional (technical) education;
- (c) professional examinations;
- (d) practical experience;
- (e) continuing professional education; and
- (f) a certification scheme.

3. The guideline was developed for the benefit of the international community as a whole in order to promote global harmonization of professional qualification requirements. Such harmonization would close the gaps in national education systems, cut the cost of mutual recognition agreements and thereby increase transborder trade in accountancy services. While there are international standards for the provision of the service of accounting, there are no global standards for the service providers. It should be noted that the purpose of the exercise was not to establish a "global qualification", since qualifications are usually given at the national level (although there are several exceptions), but to establish a benchmark.

4. The informal group has been meeting during the past four years following decisions taken at the twelfth, thirteenth and fifteenth sessions of ISAR. At its fifteenth session, ISAR decided that UNCTAD should continue its work on the development of a global curriculum in cooperation with relevant bodies, as well as on other requirements for the training of professional accountants, and should report back to ISAR at its sixteenth session. The Chairperson of the fifteenth session noted that the International Forum of Actuaries Associations had undertaken a similar exercise to produce minimum global guidelines for the education of actuaries in order to protect their professional titles and the public.

5. ISAR, in selecting a topic for the sixteenth session, considered that the work on the global curriculum was already well advanced, making it possible that a conclusion could be reached at its sixteenth session. Moreover, it was considered that producing a benchmark for professional qualifications had become a matter of some urgency, given the progress made in the area of accounting at the World Trade Organization (WTO).

6. The informal consultative group made its recommendations after having considered and discussed numerous background papers (listed in annex I). The group also drew considerably on the work of the IFAC's Education Committee, particularly its guidance relating to the qualification of professional accountants (also listed in annex I). Given the educational guidelines and materials of IFAC and the work of the experts, particularly on the detailed global curriculum, there now exists some specific guidance on the steps that need to be taken at the national level to ensure the proper formation of professional accountants. Recent events have re-enforced the need for such guidance. First, WTO has completed its work on the disciplines for the domestic regulation of licensing requirements and procedures, qualification requirements and procedures, and technical accounting and auditing standards. The WTO disciplines do not set out in any detail what licensing

requirements and qualification requirements should be; they only stipulate that the requirements should not constitute unnecessary barriers to trade. The disciplines, therefore, do not specify what is required to become a professional accountant. As it is not the task of WTO to develop qualification standards, the development by ISAR of a global qualification and an accreditation system would contribute to the work of WTO. For example, the has a dispute settlement procedure for cases which infringe on free trade agreements, and a global benchmark for qualifications would, at least in theory, be of some use in resolving disputes about the recognition of qualifications.

7. Second, in the wake of recent financial crises, various deficiencies in accounting disclosure and auditing have come to light, adding to the growing pressures to use international accounting standards. The need for better accounting disclosure has been emphasized by Arthur Levitt, Chairman of the United States Securities and Exchange Commission according to whom:

"The significance of transparent, timely and reliable financial statements and its importance to investor protection has never been more apparent. The current financial situations in Asia and Russia are stark examples of this new reality. These markets are learning a painful lesson taught many times before: investors panic as a result of unexpected or unquantifiable bad news."

8. The use of international accounting standards depends critically on the existence of qualified accountants and auditors, but there are many obstacles to teaching international accounting standards. The fact that accountants' understanding is often limited to their own national standards and standard-setting processes constitutes an important impediment to raising capital globally and to financial stability. Thus, globalization and the liberalization of capital markets have implications for accountants and auditors. They not only have to be equipped to operate in these markets, but they also have to ensure their efficient functioning. Globalization also requires that one or more accounting qualifications should be transportable over national frontiers. Accountants who have already qualified with a recognized professional body find it hard to understand why they should have to re-qualify with another body if they wish to move across national frontiers. Accountants from developing countries have additional difficulties in that their local qualifications are not recognized abroad, and transnational corporations and international agencies located in their countries depend on foreign accountants. A benchmark for qualifications would help developing countries to establish whether the qualifications of their nationals were of comparable standard to those elsewhere. If they could not meet the benchmark, then it would be clear where remedial action was needed. This paper is divided into three sections: a description of the components of a system for the qualification of professional accountants; a description of certification systems; and recommendations. The detailed global curriculum can be found in document TD/B/COM.2/ISAR/6.

## **II. Components of a system for the qualification of professional accountants**

### **A. General**

9. The components of a system for the qualification of professional accountants are:

- (a) General education and skills;
- (b) Professional education;
- (c) Assessment of professional competence;
- (d) Relevant experience;
- (e) Continuing professional education; and
- (f) Certification.

10. In a normal career path, people receive their general education prior to their professional education, although some subjects may be studied concurrently in many educational institutions. Candidates frequently obtain professional experience while they are receiving their formal education; otherwise, they obtain the relevant experience after they have completed their formal education. Professional

competence may be assessed following the completion of the periods of education and experience, but in many cases the examination is taken prior to completion of the entire period of relevant work experience.

*The goal of education and relevant experience in the qualification of professional accountants*

11. According to IFAC's International Educational Guideline (IEG) No.9, "The goal of education and experience must be to produce competent professional accountants who are capable of making a positive contribution over their lifetimes to the profession and to the society in which they work. The maintenance of professional competence in the face of the increasing changes they encounter makes it imperative that accountants develop and maintain an attitude of learning to learn. The education and experience of professional accountants must provide a foundation of knowledge, skills, and professional values that enables them to continue to learn and adapt to change throughout their professional lives."

12. Achieving this goal requires grounding in the skills, knowledge (both general and technical) and professional values essential to professional competence. The skills which professional accountants must attain through education and experience are discussed in section B below. The knowledge that individuals must acquire prior to qualification consist of general knowledge and professional knowledge. General knowledge is discussed in section C below. Professional knowledge, according to IFAC's guidance, may be grouped into three categories: organizational and business knowledge; information technology knowledge; and accounting and accounting-related knowledge. Professional knowledge is discussed in Section D and professional values in section E, below. Determining the level of attainment of aspiring professional accountants is the subject of section F. This assessment of professional competence is normally done through an examination scheme. Section G discusses the subject of relevant professional practice requirements, and section H describes the elements of a programme for the continuing education of professionals.

## **B. Skills**

13. It is not sufficient for aspiring professional accountants to possess only theoretical knowledge. Accountants must also have the ability to apply theoretical knowledge to practical, real-life situations, by obtaining, analysing, interpreting, synthesizing, evaluating and communicating information. Many believe that these skills are best acquired during a period of general education prior to professional education. However, it should also be recognized that some elements of knowledge and skills are often acquired concurrently during the period of general and professional education and while obtaining practical experience. Examples of such skills are interpersonal, communication and problem-solving skills.

### *Guidance from IFAC*

14. The skills that IFAC believes that professional accountants must obtain are intellectual skills, interpersonal skills, communication skills and information technology skills. These skills, as described in IEG No. 9, are as follows:

- (a) Intellectual skills:
  - the capacity for inquiry, research, abstract logical thinking, inductive and deductive reasoning, and critical analysis;
  - the ability to identify and solve unstructured problems in unfamiliar settings and to apply problem-solving skills;
  - the ability to select and assign priorities within restricted resources and to organize work to meet tight deadlines;
  - the ability to adapt to change.
  
- (b) Interpersonal skills:
  - the ability to work with others in a consultative process, particularly in groups, to organize and delegate tasks, to motivate and develop people, to withstand and resolve conflicts, and, at appropriate times, to lead others;

- the ability to interact with culturally and intellectually diverse people;
  - the ability to negotiate acceptable solutions and agreements in professional situations;
  - the ability to work effectively in a cross-cultural setting.
- (c) Communication skills:
- the ability to present, discuss and defend views effectively through formal and informal, written and spoken language;
  - the ability to listen and read effectively, including a sensitivity to cultural and language differences;
  - the ability to locate, obtain, organize, report and use information from human, printed and electronic sources.
- (d) Information technology skills:
- to operate at least two types of data processing systems; these would normally be a stand-alone micro computer system and a multi-user local network system;
  - to use electronic mail;
  - to access and retrieve information from an on-line database such as the worldwide web;
  - to use: a word processing programme; an accounting spreadsheet programme; a database package; and at least one accounting (book-keeping) programme (such as Peachtree Accounting).

#### *Guidance from other professional groups*

15. The Accounting Education Change Commission (AECC) in the United States was formed in 1989 by the American Accounting Association, the primary organization of accounting academics in that country, and was financially supported by the Sponsors' Education Task Force. The Task Force members represented the largest professional accounting firms in the United States. The objective of the AECC was to be a catalyst for improving the academic preparation of accountants so that entrants to the accounting profession would possess the skills, knowledge and attitudes required for success in accounting career paths. The guidance in the AECC's *Position Statement No. One*, "Objectives of education for accountants" (September 1990), is generally similar to the guidance from IFAC in IEG No.9.

16. UNCTAD also reviewed the "Syllabus for entry to the chartered accountancy profession" of the Provincial Institutes of Chartered Accountants in Canada and Bermuda's. The skills, in addition to knowledge, that the Institutes consider to be important for professional accountants, as listed in their 1997 syllabus, are also similar to those suggested by IFAC.

### **C. Education for general knowledge**

#### *Higher education requirement*

17. According to a survey by the WTO secretariat (see "Synthesis of the responses to the questionnaire on the accountancy sector", S/WPPS/W/11, dated 5 May 1997), "Most of the countries who have responded to the questionnaire require a higher (post-secondary) degree in order to qualify as an accountant. The length of the studies necessary to obtain the degree ranges from a minimum of three years to a maximum of five."

18. In some countries, students receive their general education from educational institutions separately and prior to entering a programme of professional studies. In other countries, the courses in general education subjects and the courses in professional subjects are taken during the same programme. The choice of a single programme or two separate programmes is one for each country to make, depending on government laws and regulations, educational conditions, professional standards and other considerations.

19. IFAC does not recommend any particular general knowledge syllabus. UNCTAD has also concluded that it is not practical to prescribe a specific curriculum for general knowledge since this is a function of many different cultural, sociological

and environmental factors, and should be decided at the national level. However, IFAC's guidance in IEG No.9 states that a broad-based education should provide accountants with:

- an understanding of the flow of ideas and events in history, the different cultures in today's world and an international perspective;
- basic knowledge of human behaviour;
- a sense of the breath of ideas, issues and contrasting economic, political and social forces in the world;
- experience in inquiry and evaluation of quantitative data;
- the ability to conduct inquiry, carry out abstract logical thinking and understand critical thinking;
- an appreciation of art, literature and science;
- an awareness of personal and social values and of the process of inquiry and judgement;
- experience in making value judgments.

20. The informal consultative group has concluded that candidates for a professional designation should have completed a course of appropriate studies from an accredited higher education institution prior to becoming certified.

#### **D. Education for professional knowledge**

*Guidance from IFAC*

##### *(I) Organizational and business knowledge*

21. According to IFAC's IEG No.9, the recommended organizational and business knowledge core subjects are:

- economics;
- quantitative methods and statistics for business;
- organizational behaviour;
- operations management;
- marketing;
- international business;

##### *(ii) Information technology knowledge*

22. IFAC has issued IEG No. 11, entitled "Information technology in the accounting curriculum", to supplement the guidance provided in IEG No.9. IEG No.11, revised in 1998, states that all professional accountants, irrespective of their primary working responsibilities, must have at least a general level of knowledge in each of the following areas:

- information technology (IT) concepts for business systems;
- internal control in computer-based business systems;
- development standards and practices for business systems;
- management of IT adoption, implementation and use;
- evaluation of computer-based business systems.

23. After the basic techniques of electronic data processing (how to use micro computers and basic software, such as an operating programme and word processing and spreadsheet programmes) have been mastered, the study of the above IT concepts should be integrated into the study of other professional subjects.

24. In 1998, IFAC supplemented IEG No.11 with the international technology guideline No.1 entitled "Managing security of information". Recognizing the critical importance of the effective management of information, information systems and communications to the success and survival of an enterprise, the guideline describes the principles of information security and approaches to the implementation of security techniques.

25. Of particular importance to all professional accountants, regardless of their specific domain of professional activity, is the issue of internal control. This should be given particular emphasis in any education or training programme.

(iii) *Accounting and accounting-related knowledge*

26. IFAC's recommended core subjects in accounting and accounting-related knowledge are:

- financial accounting and reporting;
- management accounting;
- taxation;
- business and commercial law;
- external and internal auditing;
- finance and financial management;
- professional ethics;

*Curriculum for professional knowledge*

27. IFAC's IEG No.9 does not include a specific educational curriculum for professional knowledge - the scope of the guideline is to provide a general framework for the subject matter of the education of aspiring professional accountants.

28. As stated in the introduction to this paper, ISAR has concluded that many developing countries and countries with economies in transition need more than a general guideline for designing or evaluating the accounting curricula of their educational institutions. The ISAR delegates consider that there is a need for a model curriculum to serve as a benchmark if such countries are ever going to be able to demonstrate that their educational programmes are comparable to the programmes in other countries. Many States Members of the United Nations cannot afford to have a mechanism such as a special education committee to link the needs of the global market with the education of accountants in their country. Nevertheless, developing countries face barriers if they do not comply with world standards. Accordingly, ISAR requested UNCTAD to develop such a model curriculum for consideration at the sixteenth session of ISAR.

29. The informal consultative group set up by UNCTAD has met five times during the last four years to formulate a model curriculum (as well as to make recommendations on other elements of the contents of a system for the qualification of professional accountants). During this time, UNCTAD studied the curricula published by professional organizations around the world, and found several curricula which meet the IFAC guidelines in IEG No.9 and which also contain sufficient detail to be useful for the development of a model curriculum.

30. The informal consultative group found that curricula historically have been prescriptive, that is, they specify the general and technical subject matters that professional accountants need to study to acquire the appropriate knowledge and skills. However, in some of the developed countries, another approach, called the "competency-based approach", is being followed. This approach takes outcomes ( that is, what is required of a person for that person to be considered a qualified professional accountant) as the starting point for course and syllabus development.

31. The global curriculum developed by the informal consultative group (contained in document TD/B/COM.2/ISAR/6) follows the first prescriptive approach, because the group felt that this would be more useful in most countries of the world. The model was developed after a thorough review of seven curricula known for their outstanding quality. A matrix was developed to compare their content with that suggested by IFAC educational guidelines. The model has been based primarily on the curricula of the Association of Chartered Certified Accountants and the Certified General Accountants of Canada, and IFAC's IEG No.11 "Information technology in the accounting curriculum" (revised 1998), and its international technology guideline No. 1, "Managing security of information". The subject matter in these curricula was supplemented with topics contained in the other curricula reviewed by UNCTAD and by subjects suggested by members of the informal consultative group. (The curricula reviewed by UNCTAD are listed in the Bibliography).

32. The informal consultative group has reviewed the model curriculum and recommends that it be included as part of ISAR's guideline for the qualification of professional accountants. While it is worth pointing out that some of the subjects



in the model curriculum, as well as the other guidance in this report, will become outdated and other subjects and information may need to be added, the information should not go out of date rapidly. ISAR will continue to study emerging issues as they arise, such as has been done recently for the topics of new financial instruments and environmental accounting, among others.

33. The informal consultative group considers that the detailed model curriculum or global curriculum should merely be a starting point for a country wishing to bring its system of qualification into line with global requirements. The relevant authorities in each country would be expected to develop a syllabus on the basis of the curriculum and indicate the time to be spent on each subject. A weighting system for the subjects would be impractical on a global basis.

#### **E. Professional values**

34. Concerning professional values, IFAC's guidance in IEG No.9 states that:

"[Professional accountants need to have] ... a framework of professional values for exercising good judgment and for acting in an ethical manner that is in the best interest of society and the profession ... The attributes which collectively comprise the values and attitudes of professional accountants are:

- a commitment to act with integrity and objectivity and to be independent under applicable professional standards
- a knowledge of the standards of professional ethics of the member body to which an individual aspires to join
- a concern for the public interest and sensitivity to social responsibilities
- a commitment to lifelong learning".

35. IFAC has also issued the *Code of Ethics for Professional Accountants* (revised 1998). According to the Code, "... the objectives of the accountancy profession are to work to the highest standards of professionalism, to attain the highest level of performance and generally to meet the public interest ... These objectives require four basic needs to be met: credibility; professionalism; quality of services; and confidence ... In order to achieve the objectives of the accountancy profession, professional accountants have to observe a number of ... fundamental principles. The fundamental principles are: integrity; objectivity; professional competence and due care; confidentiality; professional behaviour; and [the relevant] technical standards [for carrying out professional services]."

36. The informal consultative group believes that appropriate values are very important in defining an individual as a professional. The informal consultative group endorses the guidance of IFAC on professional values as contained in IEG No. 9 and its *Code of Ethics for Professional Accountants*.

#### **F. Assessment of professional competence**

##### *Guidance from IFAC*

37. The general recommendations by IFAC on this subject are contained in IEG No.9. Beginning in paragraph 44, the IEG states that:

"An appropriate process of assessment of professional competence must exist or be established. A required component of the assessment process for individuals seeking to become qualified is a final examination, administered by or with substantive input from, the professional body or regulatory authority. The examination must be comprehensive, require a significant portion of responses to be in writing, and be administered near the end of the educational and, where appropriate, experience requirement.

...

"The assessment process, which may take a variety of forms, should be appropriate to the knowledge, skills and professional values being evaluated.

This assessment process must include as a component an examination of professional competence, for several reasons. First, professional organizations, particularly those that are self-regulatory, have a responsibility to ensure that their members have the competence expected from them by society. Second, individuals who assume responsibility for certain aspects of the well being of others need to demonstrate their ability to discharge them in a competent manner. Third, the well being of society and the credibility of the profession are enhanced by ensuring that only those who meet the competency standards are able to hold themselves out as professionals.

"It is acknowledged that the nature of an examination of professional competence is the responsibility of the member bodies and that there is no single preferred method for testing professional competence ... The examination of professional competence should contain a significant weighting assigned to answers in writing to provide an independent basis for assessment of the individual's knowledge and skills. The examination may include elements of oral and group assessments. Appropriate assessment techniques are critical to the credibility of the final examination.

"Examinations of professional competence may consist of a series of components or parts over the individual's education and experience period. The timing of the final or ultimate component or part of the examination of professional competence should be at or near the end of the individual's education and experience programs. It should also be comprehensive enough to cover the entire body of knowledge necessary to become qualified.

"Assessments of professional competence should measure more than just theoretical knowledge. For example, candidates should be able to demonstrate that they:

- have a sound technical knowledge of the specific subjects of the curriculum;
- have an ability to apply technical knowledge in an analytical and practical manner;
- are able to extract from various subjects the knowledge required to solve multiple topic problems;
- can identify information relevant to a particular problem by distinguishing the relevant from the irrelevant in a given body of data;
- are able, in multi-problem situations, to identify the problems and rank them in the order in which they need to be addressed;
- appreciate that there can be alternative solutions and understand the role of judgment in dealing with these;
- have an ability to integrate diverse areas of knowledge and skills;
- can communicate effectively to the user by formulating realistic recommendations in a concise and logical fashion; and,
- have knowledge of the ethical requirements of the profession."

38. In March 1998, IFAC's Education Committee issued a document entitled "An advisory on examination administration" (Study 1). The stated purpose of the advisory is to "... indicate what issues need to be considered in the administration of examinations and what processes might be adopted to address the issue [of examining students to measure their professional competence]". The contents of the advisory can be summarized as follows:

- (a) Phases of the examination process;
- (b) Other policy issues, such as: the objectives of examinations; the scope of examinations; types of questions asked; the use of oral presentations as part of an examination; examination aids allowed by candidates; and the acceptance of "open book" examinations;
- (c) The importance of maintenance of confidentiality;
- (d) Examination procedures manuals;
- (e) The development of examinations;
- (f) Checking the identity of candidates;
- (g) Examination facilities and the conduct of the examination;

- (h) Grading the examination papers;
- (i) Approving the results of the candidates' performance, communicating the results and providing for appeals against the results awarded.

39. The informal consultative group believes that the guidance of IFAC in IEG No.9 and its document, "An advisory on examination administration" (Study 1), should be included in the ISAR guideline for a system for the qualification of professional accountants.

#### **G. Practical experience required for professional certification**

##### *Guidance from IFAC*

40. The experience requirements recommended by IFAC are also contained in IEG No.9. Beginning in paragraph 49, the IEG states that:

"An appropriate period of relevant experience in performing the work of professional accountants must be a component of a prequalification program. The period of experience may vary due to differences in the environment in which professional accountants offer their services. However this period should be long enough to permit prospective accountants to demonstrate that they have gained the knowledge, skills, and professional values sufficient for performing with professional competence and for continuing to grow throughout their careers. *This objective cannot normally be met in a period of less than three years.* [emphasis added].

...

"The term 'relevant experience', as used in this Guideline, refers to participation in work activities in an environment appropriate to the application of professional knowledge, skills, and values. Relevant experience provides a professional environment in which the accountant:

- enhances his or her understanding of the organization and functioning of business
- is able to relate accounting work to other business functions and activities
- becomes aware of the environment in which services will be provided
- develops the appropriate professional ethics and values in practical, real-life situations
- has an opportunity to work at progressive levels of responsibility
- obtains the specialized accountancy training needed to ensure professional competence

"Prospective professional accountants should gain their relevant experience in accounting positions deemed appropriate by the body to which they are applying.

"Experience leading to qualification should be conducted under the direction and supervision of experienced members of the profession as identified by the professional body or regulatory agency.

"Given the variety of circumstances that exist among accountancy bodies, the requirements for relevant experience may vary from one to another. However, the professional body or regulatory agency should ensure that the experience gained is acceptable. Among the steps it might take are the following:

- establish a system that provides for the monitoring and reporting of the experience actually obtained by the student
- provide detailed written guidance in the form of manuals for employers and students
- establish a mechanism for approving employers as suitable for providing the appropriate experience for the students; (this may be in the form of a committee that reviews the reputation and nature of practice of any applicant employer to ensure that the employment situation is satisfactory)

- assess and approve the work experience environment before the commencement of employment; (to this end, the nature and scope of relevant experience and the organizational structure of the employer should be considered to ensure that the student receives proper direction, supervision, counselling and evaluation)
- assess the experience gained on the basis of a written and/or oral submission made by the student, appropriately supported by employers, etc., at the point of application for membership
- review employers previously approved; the review may advise an employer on areas that need improvement or may recommend that approval be withdrawn if conditions have changed to the extent that relevant experience criteria are not being met
- establish a system of periodic reporting to cover changes, if any, in the nature, scope, and content of the practical experience provided to the prospective professional accountant in cases where it may be impractical to visit all approved employers

"For a programme of relevant experience to be effective, close collaboration is necessary between the professional body or regulatory authority, the prospective professional accountant and the employer providing the experience, whether it be in industry, commerce, government or public practice.

"The programme of relevant experience should be designed and implemented to be mutually beneficial to the prospective professional accountant and the employer. It should meet the relevant experience requirements set by the professional body and be cost-effective for the employer.

"A record of the actual experience provided for each prospective professional accountant should be maintained either by the employer or by the prospective accountant and reviewed by the professional body. The record should be compared regularly with the overall experience program established for the prospective professional accountant to ensure that the requirements established by the professional body or regulatory agency are being met, and that the prospective professional accountant is being adequately counselled when progress within the program does not match the anticipated development rate. It will also provide an opportunity for the prospective professional accountant to comment on the work experience and contribute to further development."

41. The informal consultative group also believes that ISAR should include in its guideline a recommendation that candidates for a professional qualification should have a minimum of three years of relevant experience, in accordance with the IFAC guidance cited above. The appropriate professional body or governmental agency in the country that regulates the accountancy profession should specify the type of experience.

#### **H. Continuing professional education**

42. One of the qualities sought from those hoping to enter the accounting profession (or any other profession) is a commitment to lifelong learning. Accountants are expected to keep up their knowledge of current affairs, including the local economy and the global economy, and, particularly, of developments in the fields of accounting and auditing. Financial and technological innovations are being introduced at an increasingly rapid rate and are major drivers of the globalization of the economy. Thus, the success in an examination that assesses the professional competence of candidates can only be considered an entrance requirement; to function in the global economy, the professional accountant must engage in continuing education.

#### *Guidance from IFAC*

43. IFAC has addressed the issue of continuing professional education (CPE) in IEG. No.2 (revised) ("Continuing professional education"). According to the guideline, the objectives of a programme for continuing professional education are as follows:

- "(a) To maintain and improve the technical knowledge and professional skills possessed by [professionals];
- (b) assist members of the profession to apply techniques, to understand economic developments and to evaluate their impact on their clients or employees and on their own work, and to meet changing responsibilities and expectations; and
- (c) provide reasonable assurance to society at large that members of the profession have the technical knowledge and professional skills required to perform the services they undertake to provide."

44. The guideline goes on to state that:

- "CPE should contribute to the professional ability of the individual [person] and, therefore, acceptable CPE courses or activities should be relevant to the work of the [person] concerned. It is not necessary for ... bodies to go beyond that general guideline by mandating specific topics for a program of CPE. It is reasonable to rely on [persons] to select subject areas from the body of knowledge for accountants that are appropriate for them.
- ... bodies should establish reasonable norms for the extent of CPE that [professionals] should obtain in the form of structured learning activities.
- ... bodies should require their [professionals] to comply with norms established for participation in structured learning activities.
- In developing their programs of CPE ... bodies should adopt systems that will enable them to monitor effectively the extent to which [professionals] are observing their guidelines on CPE.
- ... bodies should establish appropriate mechanisms to respond to instances of noncompliance with CPE requirements. Such mechanisms should focus on bringing a [professionals] into compliance, but should explicitly provide for disciplinary action when necessary."

45. The guideline defines structured learning activities as: "... measurable, verifiable activities that are designed to impart specific technical and general knowledge. Examples would include: courses presented by educational institutions, member bodies or employers; individual study programs (correspondence courses, audiotapes or videotape packages, computerized learning programs) that require some evidence of successful completion by the [person]; and participation as a speaker or attendee in conferences, briefing sessions or discussion groups." Structured learning activities also include writing technical materials such as books, magazine articles and training programmes.

46. IFAC's guidance goes on to recommend that professional accountants receive at least 30 hours each year of CPE as defined above. IFAC realizes that it may not be practical for every professional person to obtain this minimum amount of CPE training each and every year and therefore suggests an alternative minimum of an aggregate of 90 hours of structured learning activities over each three-year period. A professional accountant's programme of CPE should not normally be confined to only one or two of the activities described above.

47. In addition to participating in structured learning activities, professional accountants are expected to read accounting and auditing, general business and economic journals and newspapers, including technical materials posted on the Internet. They would also normally have technical discussions with persons in their organization and other professionals. These activities should be considered as being in addition to the structured learning experiences described above.

48. It may be difficult to enforce compliance with a nation's CPE requirement, since sanctions for non-compliance could significantly affect an individual's ability to earn a living. Obviously, the laws and environment in the country will affect how non-compliance can be dealt with. IFAC has presented compelling justification in its revised IEG No.2 for a programme of mandatory CPE for all professional accountants. The informal consultative group endorses the need for CPE and its objectives as expressed by IFAC, and suggests that ISAR's guidelines should include a mandatory CPE programme of at least 30 hours (or at least 90 hours over a three-year period) of structured learning activities. Professional associations

or regulatory authorities should monitor compliance and establish mechanisms to respond to non-compliance, including disciplinary action.

### III. Qualification standards, accreditation and certification

49. For the purpose of determining if a country has met international guidelines for the qualification of professional accountants, the country must be able to demonstrate that it has in place:

- (a) appropriate prequalification education;
- (b) an independent examination system;
- (c) a work experience requirement; and
- (d) a programme to maintain the professional competence of accountants.

50. Based upon its experience with WTO Working Party on Professional Services, UNCTAD and the informal consultative group have concluded that if countries meet the international guideline for a professional accounting qualification, mutual recognition and trade in professional accountancy services will be facilitated. Accountants worldwide must have the same basic knowledge and technical skills even though tax and other legal rules and regulations mean that the application of such knowledge and skills will differ from place to place. Therefore there is a need for an accreditation organization to attest that the country has in place a system for the qualification of professional accountants.

51. ISAR will need to consider how a global guideline can be effectively implemented. One way is for ISAR to request UNCTAD to publish and promulgate the guideline, including the model professional education curriculum, leaving it up to individual nations to demonstrate voluntarily that they are complying with the guideline. The next question would be how this compliance could be demonstrated. One method would be for the appropriate organization or body in a country to undertake a self-assessment of compliance with the international guideline and submit it to the United Nations, or to an organization authorized or designated by the United Nations to monitor compliance. If this method was chosen, it would be useful to review the structure and functions of other bodies which deal with monitoring and certification. For this purpose, the informal consultative group reviewed a report from UNCTAD on the membership, functions and certifying activities of the following six international organizations:

- (a) International Organization for Standardization (ISO);
- (b) International Laboratory Accreditation Cooperation (ILAC);
- (c) International Atomic Energy Agency (IAEA);
- (d) International Civil Aviation Organization (ICAO);
- (e) International Maritime Organization (IMO);
- (f) World Meteorological Organization (WMO).

52. The report described in detail the purpose, structure, functioning and funding of these organizations, which set technical standards which are either voluntary or mandatory. In most cases, national bodies conduct an inspection and issue a certificate attesting that the inspected entity is in compliance with the standards. These national certifying bodies are recognized internationally. In one case, (IAEA), the organization conducts its own inspections and decides on compliance. The cost of certification is usually borne by the entity requesting certification.

53. The informal consultative group also considered a proposal for a certifying body submitted by one of its members, the proposed International Qualification Organization for Professional Accountants (IQO). The objective of the proposed organization would be to act as an accreditation organization for comparing the benchmark qualification with any other national qualification. It would grant accreditation to national and regional professional accountancy examination bodies that met the standards it sets for education, examinations, qualifications and experience. Certificates issued by the accredited bodies would carry IQO certification as globally recognized public accountancy qualifications.

54. The proposal is for IQO to be a not-for-profit, non-governmental organization affiliated with the United Nations Economic and Social Council and UNCTAD. The IQO, which would have its headquarters in London, would consist of a general assembly

of the institutes and professional associations, and an advisory, or consultative group. The general assembly would elect a council which in turn would appoint an accreditation board and a technical standards board. The accreditation board would be the most important component since it would approve the accreditation teams' reports and issue certificates of conformity. The certification of professional accountants would remain a national responsibility, while, IQO would accredit the national certification bodies.

55. IQO could be financed from member subscriptions, sales of publications, fees for the accreditation of accounting certification bodies, voluntary contributions and funded projects.

56. It was suggested that, as a first step, all professional accounting organizations could be invited to send a representative to a founders' meeting. All members of IFAC, the International Accounting Standards Committee (IASC), various regional professional bodies, academic accounting associations, intergovernmental bodies (such as the European Union) and international organizations (such as the World Bank and WTO) could be invited. Those organizations signing the articles of association during the meeting would be considered to be the founders of IQO and would have permanent status. The recognition and credibility of IQO would depend on the quality of its work, as in the case of IFAC and IASC.

#### IV. Recommendations

57. ISAR should review each of the separate components of the guideline and should endorse or modify them. This would include a general endorsement by ISAR of the guidance of IFAC, including IEG No.2 (Continuing professional education), IEG No.9 (Prequalification education, assessment of professional competence and experience requirements of professional accountants), IEG No.11 (Information technology in the accounting curriculum), the *Code of Ethics for Professional Accountants*, international information technology guideline No.1 (Managing security of information), "Advisory on examinations administration" (Education Committee Study 1) and "Practical experience" (discussion paper). In particular, the informal consultative group believes that the skills listed in IEG No.9 are particularly important competencies for professional accountants. ISAR may therefore wish to recommend that references to these documents should be included as part of its guideline for the qualifications of professional accountants. ISAR may also wish to endorse the detailed global curriculum and recommend its use by national professional education bodies and examination authorities.

58. To promote trade in accountancy services, mutual recognition of professional qualifications and the closing of the education gap among countries, ISAR may wish to recommend that UNCTAD, together with international and national professional associations, should explore ways and means to create an international qualifications organization as the way forward to implementing a certification system.

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