

ESTABLISHING AND DEVELOPING A PROFESSIONAL ACCOUNTANCY BODY



International
Federation
of Accountants

The mission of the International Federation of Accountants (IFAC) is to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

Copies of this paper may be downloaded free-of-charge from the IFAC website at www.ifac.org.

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Overview

ABOUT THIS GUIDE

1. This guide to establishing and developing a professional accountancy body has been developed by IFAC's PAO Development Committee (formerly known as the Developing Nations Committee). The guide provides good practice guidance about the role of the accountancy profession and the role and responsibilities of professional accountancy bodies. It is designed to be a practical tool to help those involved in establishing a professional accountancy body, and to further develop existing professional accountancy bodies.
2. The guidance addresses a range of situations, including where the accountancy profession does not exist in a country, where the profession exists and there is a desire to establish a professional accountancy body, and where an existing professional body requires further development and enhancement. Some suggested areas for priority action are highlighted, including some short-, medium-, and longer-term goals and projects. It is, however, for each group and organization to determine their own priorities and actions, depending on their unique needs and circumstances.
3. The advice, guidance and other resources contained in this Guide and in the accompanying Tools and Resources document are intended to refer to professional accountancy bodies regardless of the economic sector they serve. In particular, the Guide assumes that a professional body will wish to serve the needs and interests of both the public and the private sectors. In general terms, these needs and interests have a great deal in common across the two sectors. However, where there are particular issues that arise in relation to the public sector, these needs and interests are identified and briefly described.
4. There is no one model which is appropriate for every professional accountancy organization or country, however, there are some consistent principles and roles of professional bodies. This guide discusses these principles and roles, and offers some guidance for issues that need to be considered. Guidance is presented in four key parts:

Part One: [Establishing a Professional Accountancy Body](#)

Part Two: [Roles and Responsibilities of a Professional Accountancy Body](#)

Part Three: [Education and Examinations](#)

Part Four: [Capacity Development](#)

When developing or improving programs or activities, it is important for a professional accountancy body to have a plan of action to achieve its objectives.

Guidance on the development of such action plans assists professional accountancy bodies in understanding how key tasks, responsibilities, resources and timeframes are to be established. Examples of action plans have been included in the Tools and Resources document to illustrate how these considerations may be documented.

In addition, the Guide and each part of the Tools and Resources document are supplemented by case studies, tools and examples which are intended to provide practical aids to help interpret the good practice guidance, and help with practical implementation issues.

5. The guidance is not intended to be prescriptive. Instead, it provides discussion and examples of good, and sometimes best, practices, for groups to consider and adapt for their own situations and circumstances. Similarly, the guidance is not intended to be a complete guide to meet all of IFAC's membership requirements. However, the guidance is linked to IFAC's membership criteria to assist bodies in understanding IFAC's perspective about the role of professional accountancy bodies.
6. The guidance has been developed from the expertise of those involved in activities relating to the development of the profession, including representatives from professional accountancy bodies in all parts of the world, regional accountancy organizations, standard setters, international organizations, development partners, and governments. The IFAC Website contains additional materials developed by IFAC Boards and Committees as well as links to resources provided by IFAC members. See the IFAC Website at www.ifac.org or contact the IFAC Communications teams to subscribe to newsletters and IFAC updates. IFAC staff contact information is available in the Contacts section of the Tools and Resources document.
7. The IFAC PAO Development Committee supports the development of the accountancy profession in all regions of the world by representing and addressing the interests of developing nations. The committee supports the development of the profession by:
 - Working with standard-setting boards and committees to ensure they are aware of, and give due consideration to, the issues relevant to the profession in developing nations
 - Monitoring the work of IFAC boards and committees and providing input and support where appropriate
 - Facilitating assistance to the developing profession, in partnership with IFAC member bodies, regional accountancy organizations and other relevant organizations

- Working with the IFAC Member Body Compliance Program to respond to the needs of developing nations, including accessing resources within the IFAC membership and donor agencies.

This guide is a first step to providing practical assistance to the developing profession to support current and prospective member bodies in their efforts to become fully effective accountancy organizations, contributing to economic growth and stability worldwide. Additional information about the PAO Development Committee and its work is available on the Committee's website: www.ifac.org/about-ifac/professional-accountancy-organization-development-committee or by contacting IFAC Staff (refer to the Contacts section of the Tools and Resources document).

8. This revised edition of the guide has been published in the English language, IFAC's official working language. 2007 edition of the guide has been translated into Arabic, French, Spanish and Russian. For these and possible future translations of the guide please refer to the IFAC PAO Development Committee website: www.ifac.org/about-ifac/professional-accountancy-organization-development-committee
9. The guide is published only in electronic format and on the IFAC website. The most current version of the guide is that which is published on the IFAC website.
10. The Committee plans to update the guide on a regular basis, adding case studies, examples, and further guidance to be of most benefit to constituents. IFAC members and other organizations are encouraged to provide tools, case studies and guidance materials to supplement the existing guidance. Suggestions and requests for additional guidance and tools are welcome from all stakeholders, and should be sent to MartaRussell@ifac.org.

OBJECTIVES OF THE ACCOUNTANCY PROFESSION

11. In all countries, regardless of the general level of development, many people are involved in the accountancy profession, e.g., clerks and bookkeepers, accounting technicians, and experts in information technology. They possess many different skills and function in many different capacities. They work in public practice, industry and commerce, education and government. All are important and each group has distinct capabilities and competencies. However, sustained development of the accountancy profession is best achieved by the creation of a professional accountancy body(ies) that will have as its key objectives to protect the public interest in all matters that pertain to the profession, establish professional standards, especially standards of professional conduct, and represent professional accountants and accounting staff.
12. The following are the broad objectives for the accountancy profession:

- To protect the public interest by ensuring that its members observe the highest standards of professional and ethical conduct
- To seek public recognition of a broad range of skilled services that professional accountants and accounting technicians can provide
- To ensure that students of the body acquire the knowledge, skills and values they need to become members of the profession, and that members maintain and develop that knowledge, skills and values throughout their professional careers
- To have good standing with students, members of the profession, regulators, governments, partner organizations, and the public at large
- To respond to the needs of its members
- To enhance its reputation
- To promote and protect the objectives and sustainability of the organization and the accountancy profession
- To maintain the legitimate rights of its members
- To ensure the professional independence of accountants in whatever capacities they may serve
- To advance the theory and practice of accountancy and related areas in all their aspects
- To determine the eligibility criteria for membership of the body
- To arrange for the assessment of candidates seeking membership where appropriate
- To develop and maintain effective working relationships with government and with other national, regional and international accountancy and related bodies
- To ensure that members obtain the necessary technical and ethical guidance that enables them to meet the needs of the community in areas in which they have special knowledge and expertise
- To carry out research and to publish that research
- To represent the public interest to legislators and regulators in relation to legislation, regulation, standards, codes and other matters for accountancy and other related areas

ABOUT THIS GUIDE

- To set or contribute to ethics, accounting and auditing standard-setting
 - To lead its own development, working with various national or international stakeholders and ensure that its members have a 'voice'
13. This guide provides assistance and suggestions about how these broad objectives can be achieved.

ABOUT IFAC MEMBERSHIP

14. As the worldwide organization representing the accountancy profession, IFAC recognizes the need for strong and well-resourced professional accountancy bodies. IFAC's membership is comprised of national professional accountancy bodies that collectively represent the different roles of accountants, auditors and related staff in government, business, the third sector, and in society more widely.
15. IFAC's membership requirements are set out in the IFAC By-laws. IFAC recognizes that the establishment of a well-resourced and sustainable professional accountancy body requires development and growth of the profession over a long term. Although not all the described activities need to be in place to satisfy the IFAC membership requirements, professional accountancy bodies should be financially and operationally viable, have an appropriate and effective governance structure, and have established sufficient capacity to undertake critical activities where it has legal responsibility for the activities or, where these are necessary, to ensure that a high quality accountancy profession is developed. For this reason, developing professional accountancy bodies are encouraged to first focus their limited resources on developing and implementing the structures and activities described in this document.
16. IFAC has one level of membership and admits professional accountancy bodies to initially join IFAC as associates. IFAC also recognizes as affiliates those organizations that do not meet the associate admission criteria but have as an objective the development of the accountancy profession (please refer to page 122 of the Guide Tools and Resources for more information about IFAC Members, Associates and Affiliates).

IFAC MEMBERSHIP REQUIREMENTS

17. As stated in the IFAC by-laws, IFAC membership is open to professional accountancy organizations that meet a set of criteria. The criteria are summarized as follows:
 - The organization is acknowledged, either by legal decree or by general consensus, as being a national professional organization in good standing in the jurisdiction. In the case of general consensus, evidence exists that it does have the support of the public and other key stakeholders.
 - The organization has met the obligations specified in the IFAC Statements of Membership Obligations (SMOs). In those cases where an organization has not yet met all the obligations in the SMOs, the organization has prepared a realistic and detailed action plan to meet such obligations.
 - The organization is committed to participate in IFAC and promote the importance of IFAC and the International Accounting Standards Board

(hereinafter referred to as the “IASB”) programs, activities and pronouncements.

- The organization is financially and operationally viable, and has an appropriate governance structure.
- The organization has an internal operating structure that provides for the support and regulation of its members.

IFAC STATEMENTS OF MEMBERSHIP OBLIGATIONS

18. IFAC recognizes seven critical areas where IFAC members, as professional accountancy bodies, have a role in meeting the needs of the accountancy profession and contributing to the establishment of an effective regulatory and standard-setting framework. These areas are described in the IFAC Statements of Membership Obligations (SMOs) and cover requirements relating to:

- [SMO 1, Quality Assurance \(SMO 1\)](#)
- [SMO 2, International Education Standards for Professional Accountants and Other Guidance \(SMO 2\)](#)
- [SMO 3, International Standards Related Practice Statements and Other Papers issued by the International Auditing and Assurance Standards Board \(IAASB\) \(SMO 3\)](#)
- [SMO 4, IFAC Code of Ethics for Professional Accountants \(SMO 4\)](#)
- [SMO 5, International Public Sector Accounting Standards and other IPSASB Guidance \(SMO 5\)](#)
- [SMO 6, Investigation and Discipline \(SMO 6\)](#)
- [SMO 7, International Financial Reporting Standards \(SMO 7\)](#)

19. The SMOs recognize that not all IFAC members will be provided with the same legal responsibilities with respect to education, certification, standard-setting and regulation of the profession. Professional accountancy bodies also operate in different sectors of the profession and some SMOs may not apply to them in their entirety. In all cases, IFAC members are required to use their best endeavours to promote and encourage convergence with International Standards where they are not the standard-setter or regulator and to assist in the implementation of International Standards. An IFAC member will have been considered to have used “best endeavours” if it could not reasonably do more than it has done and is doing to meet the particular membership obligation. IFAC members are also required to establish mechanisms to monitor their members’ compliance with rules and code of ethics.

The SMOs can be accessed at:

www.ifac.org/about-ifac/membership/compliance-program

The SMOs are also available in Arabic, French, Spanish and Russian through IFAC's website or by contacting IFAC Staff (see the Contacts section in the Tools and Resources document).

IFAC MEMBERSHIP APPLICATION PROCESS

20. The IFAC membership application process is an extensive process that requires an applicant to:
- Complete a series of forms including some that are only available electronically
 - Submit audited financial statements
 - Obtain the support of an existing IFAC member to nominate the applicant for membership
 - Advise the nominating member that it must prepare and submit a due diligence report
 - Submit an attestation of its commitment to the IFAC mission
 - Submit an application fee.

All the required forms and information must be submitted to IFAC staff by December 31 of any year for applications to be considered by the IFAC Council the following year.

Developing professional accountancy bodies are encouraged to contact IFAC staff even during the earlier stages of their development so that they have an understanding of the process, establish a relationship with IFAC staff who can assist in providing useful resources and tools, application materials as well as in identifying mentors and twinning partners. Please refer to page 120 of the Tools and Resources document for more information about the IFAC Membership Application Process and the staff contact details. The IFAC website provides the most current information on this topic.

GLOSSARY

Accountancy Grouping is an organization which represents professional accountancy bodies sharing specific commonalities (language, culture, proximity, etc.), undertakes more focus activities based on such commonalities, and serves the needs of its members.

Accounting Technician is a person who is engaged in technical accounting work in support roles across all areas of the accountancy profession including the public sector and internal audit. Accounting technicians are sometimes referred to as “technical accounting staff”.

Council is the main governing body of a professional accountancy body. It is responsible for leading the body to ensure its objectives are achieved and that it operates effectively and efficiently.

IASB is the International Accounting Standards Board. The IASB is an independent, privately-funded accounting standard-setter committed to developing, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements.

IFAC is the International Federation of Accountants. It is the worldwide organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. The organization sets international standards of ethics, auditing and assurance, education and public sector accounting and issues guidance to encourage high quality performance by professional accountants in business.

IFAC member is a professional accountancy body that has been admitted to membership of the International Federation of Accountants (IFAC) and has retained its membership in good standing.

President is the leader of the professional accountancy body, elected by the Council. He/she provides leadership to the purpose and overall strategy of the professional accountancy body.

Chief Executive Officer leads the organization’s achievement of its strategic objectives, and is responsible for the conduct of the day-to-day affairs of the body.

Professional accountancy body is a membership organization of individuals and / or firms who perform roles in the accounting and/or auditing fields, and which adheres to standards of practice. Membership of the body is granted after completing the requisite admission requirements.

Professional accountant is a person who is a member of an IFAC member body. They

include various types of professionals such as accounting technicians, accountants, internal and external auditors, budget staff and chief accountants.

Regional accountancy organization is an organization which represents the accountancy profession in the respective region. Its members include individual professional accountancy bodies which operate or have an interest in the region.

Statements of Membership Obligations (SMOs) are issued by the IFAC Board and establish requirements for members and associates to promote, incorporate, and assist in implementing international standards issued by IFAC and the International Accounting Standards Board. The SMOs also establish requirements for quality assurance and investigation and discipline activities.

PART ONE:
ESTABLISHING A
PROFESSIONAL
ACCOUNTANCY BODY

Part One: Establishing a Professional Accountancy Body

QUICK START GUIDE

INTRODUCTION

21. This Guide has been prepared by IFAC for the guidance of new and developing bodies. It has become however very detailed and it may be difficult for a brand new body or developing body to quickly assimilate the guidance it provides. In particular, meeting IFAC's Statements of Membership Obligations is a challenge for any new or recently formed professional body.
22. New bodies all suffer from a lack of resources: financial, human, educational and technical. As a starting point they usually have to rely on unpaid volunteers to found, organize and set the body in motion. Their priorities are not so much to meet IFAC's standards but to attract political backing, build up a membership base and establish a reliable income stream.

Below is a summarized framework designed to set these bodies off in the right direction to eventually apply for membership of IFAC at a later stage.

OBJECTIVES OF THE PROFESSIONAL BODY

23. A well organized and respected professional body is an essential part of a fully functioning accountancy profession. The main objectives of a professional accountancy body include:
 - Protecting the public interest by ensuring observance by its members of the highest standards of professional and ethical behavior
 - Determining the eligibility criteria for membership of the body
 - Regulating members in public practice
 - Promoting the interests of its members
 - Determining the entry requirements for students
 - Promoting the education, training and certification of accountants (including continuing professional development and practical experience)
 - Developing good relationships with government, other national professional accountancy bodies and regional groupings

GENERAL RESPONSIBILITIES OF THE AUTHORITIES AND PROFESSIONAL BODIES

24. Regarding the general responsibilities of the authorities and professional accountancy organizations, there has been a trend towards a structure whereby:
- A government department has overall responsibility for the profession and enacts the appropriate legislation
 - An Independent Public Oversight Board monitors the profession on a day to day basis, ensuring that the professional body meets its public interest responsibilities
 - Independent Boards set accounting and auditing standards, although the professional body may issue statements of recommended practice and codes of practice either generally or in relation to a particular sector or area, or may be the responsible body for accounting and auditing standard-setting
 - The professional body carries out duties set out in its constitution and by-laws
 - The professional body may also have local societies

REGULATORY STRUCTURES AND PROFESSIONAL STANDARDS

25. The professional body should have its own regulatory structure which fits into the national legal framework. The elements of a regulatory structure generally consist of:
- An Accountants Act which recognizes the professional body as the legal entity representing the profession. The Act may provide the body with powers to register and regulate its members, as well as specific responsibilities
 - A constitution and by-laws for the professional body
 - Admission requirements to the professional body and a register of members
 - Rules of professional conduct and ethics which go beyond the legal framework. These should be based on the Code of Ethics for Professional Accountants developed by the International Ethics Standards Board for Accountants (IESBA) of IFAC

Professional bodies with members drawn from the public sector should keep in mind that a further expectation of high standards of behavior is overlaid on those members, who are perceived as being in positions of public trust.

26. The professional body should also adopt specific standards for the conduct of its members' activities, if there is no other institution legally responsible for this activity. These standards include Accounting and Auditing Standards, which might be based on International Financial Reporting Standards (IFRS), or, in the public sector, International Public Sector Accounting Standards (IPSAS), and International Standards of Auditing (ISAs). In addition, small and medium-sized enterprises (SMEs) might follow the IFRS on SMEs and micro enterprises might follow UNCTAD's level 3 guidance on Accounting and Financial Reporting.
27. The Professional Body should also aim to develop:
 - Disciplinary systems for those members who do not observe the body's rules
 - Licensing systems for auditors
 - Monitoring systems for members in public practice

GOVERNANCE STRUCTURE

28. The main governing body of a professional organization is its Council. This consists of a small number of senior members, who should be qualified to international standards. Council members are normally elected by the membership at large. They are generally elected for a three year term which can be renewable one or more times.

The Council is usually led by a President who may have a Deputy President and a Vice President. They serve for fixed terms and are elected by their fellow Council members.

Council may appoint Committees and Task Forces to assist it in its activities. These Committees and Task Forces often include:

- Regulatory and Disciplinary Committees
- Functional Committees (e.g. Finance)
- Task Forces for ad hoc assignments

CRITICAL INSTITUTIONAL CAPABILITIES

29. A professional body requires key institutional capabilities to be able to meet its objectives and further develop. A new professional body will soon need a staff of, at a minimum, a Chief Executive and a Secretary, and have the capacity to:
- Manage office administration
 - Keep an accurate and up to date register of members and students by using Information Technology; identify those members who are qualified to carry out public audit and distinguish them from those who are not
 - Organize Council, Committee and Task Force meetings, which should use agendas and minutes
 - Organize members' services, communications, and national and international relations
 - Organize students, examinations and records of training
 - Organize Continuing Professional Development (CPD)
 - Organize technical services for members
 - Create a library
 - Handle legal and technical issues and projects
 - Handle public and press relations as well as promotion activities (e.g., seminars, conferences)
 - Establish and manage institutional relations with other professional bodies, government, development agencies and other stakeholders
 - Access translations of international accounting, auditing and ethics standards and guidance
 - Investigate and discipline the activities of its members

EXAMINATIONS AND PRACTICAL EXPERIENCE

30. As part of its admission requirements, a professional body needs entrance examinations and training requirements. These should follow the International Education Standards (IES) issued by the International Accounting Education Standards Board (IAESB) under the auspices of IFAC. The IES cover:

- Entry requirements to a program of professional accounting education
- Content of professional education programs
- Professional skills
- Professional values, ethics and attitudes
- Practical experience requirements
- Assessment of professional capabilities and competence
- Continuing professional development
- Competence requirements for audit professionals

SUPPORT OF MEMBERS

31. The professional body should aim to support its members by:

- Identifying and providing access to relevant professional support services, including insurance or IT support
- Supporting networks of active members, as a basis for sharing information, issues and ideas
- Providing technical guidance and advice
- Providing access to an up-to-date accounting information resource (e.g. professional library and associated databases)
- Providing access to relevant career planning and development resources

INTERNATIONAL RECOGNITION

32. In order to gain international recognition a professional body first needs recognition in its own country and then by other countries. A professional body will also want to be a member of IFAC and its Regional Organization (ROs) and Acknowledged Accountancy Groupings (AGs). In progressing towards international recognition, the professional body will have to develop its capacity, and meet international requirements such as the IFAC Statements of Membership Obligations (SMOs).

WORK PROGRAM AND PRIORITIES

33. Newly developed professional organizations will need to prioritize their projects to further progress and reinforce their programs and activities. Some of these priorities are set below.

SHORT TERM PRIORITIES

- Promote the adoption of an Accountants Act which recognizes a professional body for accountants in the country and sets out its powers and functions.
- Adopt international accounting and auditing standards.
- Adopt the IFAC Code of Ethics.
- Organize the training and tuition of candidates for membership and members.

MEDIUM TERM PRIORITIES

- Appoint a Chief Executive to run the professional body.
- Adopt the constitution and by-laws of the professional body.
- Form the Council of the professional body.
- Establish a register of members and students.
- Collect annual fees from members and students.

LONG TERM PRIORITIES

- Regulate and monitor members in public practice.
- Set up disciplinary system.
- Apply to IFAC Membership

CONSIDERATIONS IN ESTABLISHING A PROFESSIONAL ACCOUNTANCY BODY

34. The motive for establishing a professional accountancy body may be a governmental initiative to promote a national approach to regulation of the profession or it may be a group of committed professional accountants who wish

- to establish a focused identify for their activities. These activities may range from facilitating networking among peers, to providing information and education, to promulgating and enforcing professional technical and ethical standards or establishing a benchmark standard for accountants in the country.
35. The activities of a new professional accountancy body will depend on the resources available. However, the overriding objective of the organization should be consistent with one of the objectives of IFAC, i.e., the development and enhancement of an accountancy profession able to provide services of consistently high quality in the public interest. Communicating this crucial role of working for the public interest should make clear to potential members, the government, and the public at large the need for the support of the professional accountancy body, and result in obtaining their support.
 36. Organizations and their activities change over time. An accounting organization that was initially established to provide its members with an opportunity to network may well develop — indeed, should develop — into a professional accountancy body that has the objective of maintaining and improving the quality of professional services and, ultimately, serving the public interest. Those involved in the initial formation of an organization should seek assistance from countries with more developed professions which provide mentoring services, from the appropriate regional organization or group, and/or from IFAC. Please refer to page 96 of the Tools and Resources document for information about related mentoring activities and the *IFAC Mentoring Guidelines for Professional Accountancy Organizations*.
 37. IFAC encourages the development of organizations that represent professional accountants and the accountancy profession as a whole, regardless of the sector their members operate in – public practice (both accounting and auditing), industry and commerce, education, government or the third sector – and promotes the general extension of specific classes of accountants to other classes. However, IFAC recognizes that some organizations have been and will be formed to serve only members engaged in a specific sector or function. Indeed, in many countries, separate bodies exist for accountants and auditors. In that case, membership should be open to individuals who are qualified as professional auditors or accountants within that sector.
 38. IFAC has produced two papers designed to help summarize the reasons why public interest is served by the establishment of a strong professional accountancy body. One paper is designed to be a briefing document for Ministers of Finance and other government officials. It might also be used to brief other key country stakeholders such as regulators, oversight bodies, etc. and has been prepared to provide a clear and concise summary of the key points. Consideration should be given to tailoring the document to fit the particular circumstances in the country.
 39. The second paper is a more detailed briefing that can be used by the profession itself to understand the rationale behind the need for a strong professional body. It

may also be used to provide a more detailed explanation to key stakeholders who are directly involved with the development of the professional body.

Both of these papers are included in the Tools and Resources document (refer to page 7).

LEGISLATION

LEGAL AND ORGANIZATIONAL STRUCTURE

40. For an organization to thrive it must have a clear sense of direction and be sure of its objectives and how to achieve them. Before addressing the legal and organizational structure of a new professional accountancy body, it is important to agree in principle on the organization's key goals, objectives and activities and on a broad timetable for implementation. These decisions must take into account the profession's stage of development within the country and the financial and human resources that will be available to the organization. The organization's decision makers will also need to consider any differences in the technical needs of, and desired regulatory scheme for, individuals who are in public practice, as well as members operating in all roles, e.g., auditors, accountants in business, tax advisors, management consultants, academics, and government officials. Such differences are often reflected in the legal and organizational structure of professional accountancy bodies; they arise from the special public interest in the work of auditors and in the role of the accountant and auditor in government and from international and national accounting and auditing standards designed to maintain and improve the quality of financial reporting.
41. Some of the factors to be considered in determining the most appropriate legal and organizational structure for a new professional body are:
 - The purpose behind the establishment of the professional body
 - The existing legal framework, if any, for the regulation of the profession
 - The number of qualified accountants in the country and the general nature of their qualifications, including the type(s) of designation they typically possess
 - The legal protection, if any, for certain professional titles (e.g., statutory auditor, accountant, etc.)
 - The nature of the tasks, if any, which are reserved in statute or regulation for professional accountants
 - How the profession and the government are likely to interact, including the amount of government involvement in the day to day activities of the

professional body¹

- The accounting and auditing standards usually followed by professional accountants in preparing and auditing financial statements, set alongside the requirements of the international standard-setting bodies
 - The nature of the needs within the profession for continuing education programs
 - The estimated future demand for professional accountants in all sectors within the country
 - The extent and quality of the educational system for the development of professional accountants, including the nature and extent of potential education and training providers
 - The specific activities and programs that will be carried out by the professional accountancy body and those that will be undertaken by governmental bodies or other organizations
 - The resources that are likely to be available to fund the activities of the proposed professional accountancy body, including the funds which will be available for initial investment as well as those which will finance future operating costs
 - The proportion of accountants in the country who hold membership of a professional accountancy body outside that country
42. The next step is to secure a broad agreement on the legal and organizational structure that will best ensure that the organization's activities are carried out efficiently and effectively. It is important to recognize that many functions will need to be carried out voluntarily by members until resources allow the hiring of an adequate number of qualified staff. Initial decisions on structure will involve at least the following matters:
- Categories and requirements of membership (e.g., full, associate, student)
 - "Grandfathering" provisions for membership (i.e. provisions for the admission of the predecessors of those who qualify after the professional body has its own entry requirements)
 - Composition, authority and responsibility of the ultimate governing body (referred to in this paper as the "Council") and of any executive committee or group empowered to act for the Council

¹ Where the body seeks to attract members from the public sector as well as the private sector then this relationship will be different from the situation where members are to come from the private sector only.

- Authority and responsibility of the Chief Executive Officer
- Authority and responsibility of standing committees
- The membership designation(s)

CONSTITUTION AND BY-LAWS

43. After agreement has been reached on the activities of the proposed organization and on the basic structural matters identified above, work can begin on developing formal organizational documents such as a charter, articles of incorporation or constitution and by-laws.
44. The constitution for the professional accountancy body is the formal document setting out the name, the purpose and the requirements for governance of the organization. It also provides the requirements for membership, membership rights and powers, the disciplinary system and requirements regarding suspension, removal from and re-admission to membership.
45. Often, accountancy bodies choose to establish a set of by-laws that set out various high level policy requirements not necessarily covered in detail in the constitution. Depending on the governance structure of the body, by-laws can usually be amended and updated more easily and frequently than a Constitution.

The development of the charter or by-laws will involve a number of more detailed decisions on elements which would need to be included in the professional accountancy body's Charters and By-laws. These elements include, for example, the formation of the key governing body often referred to as the Council, the requirements for members to maintain their membership or the need for promoting the interests of the profession. These examples and others are described in Appendix 1, *Items to Consider for Introduction in Charters and/or By-laws*

APPENDIX 1:

ITEMS TO CONSIDER FOR INTRODUCTION IN CHARTERS AND/OR BY- LAWS

INTRODUCTION

The following sections identify items an organization needs to consider including either in its By-laws and/or in its formal document of formation, such as a Law, Charter, Articles of Association or Act of Incorporation. It is recommended that details and items of an operational nature are best recognized so that local legal and regulatory considerations may not only impact the selected items but may also require the inclusion of other items. If after a review of this check list a particular organization still needs assistance in developing its own Constitution and By-laws, such organization can contact IFAC for further assistance or ask to be put into contact with an organization in a country with a similar legal framework (please refer to page 136 of the Tools and Resources document to obtain IFAC Contact details).

Throughout the list the word “INSTITUTE” is used to refer to the name of the organization, but other common names are “Association”, “Federation” or “Society”. Further, it is recognized that the other names of the governing body, and its officials, may vary.

For example, the following combinations are possible:

NAME OF GOVERNING BODY	TOP NON-STAFF PERSON	TOP STAFF PERSON
Board of Governors	Chairman of the Board	President Executive
Council		Director

In this list the terms “Council,” “President,” and “Executive Director” are used.

This document will refer to the membership as “the member group.” In actual By-laws and other legal documents it will be necessary, and/or desirable, to refer to the designation used by the member groups. Examples of such designations are certified management accountants, chartered accountants, certified public accountants, statutory auditors, licensed accountants, etc.

Just as there are choices for titles, there are numerous possibilities for other items, and a new organization will need to select those options best suited to its environment. The examples provided are not meant to be all-inclusive. It is hoped, however, that they will assist an individual organization in deciding what needs to be included in its own documents.

Where a body is being formed to attract members from both the public and the private sectors then it should ensure that its aims, objectives, Charter and By-laws are drawn sufficiently widely to allow this to be the case. An existing body, seeking to extend membership rights to a new sector should ensure that its existing mandate allows this or, if it does not, to have it amended.

EXAMPLES OF ITEMS TO CONSIDER

1. NAME AND PURPOSE

ITEMS TO CONSIDER	EXAMPLES
Objectives	<ul style="list-style-type: none"> ▪ Unite the member group in the (country) to promote and maintain high professional standards of practices ▪ To maintain standards for entry to the profession ▪ To promote the interests of the member group ▪ To encourage cordial relations between the Institute and professional accountants in other countries ▪ To keep abreast of international developments affecting the accountancy profession ▪ To promote the highest standards of professional competence and practice in persons serving public service bodies in the discharge of such duties and operation of such functions ▪ To advance the science and practice of accountancy, audit and related subjects and to promote public education therein ▪ To promote, compile and publish research studies and statistics

2. MEMBERSHIP

ITEMS TO CONSIDER	EXAMPLES
Members Defined	<ul style="list-style-type: none"> ▪ Members of the INSTITUTE at the effective date of these By-laws, and <ul style="list-style-type: none"> – Persons admitted to membership in conformity with the By-laws – Firms admitted to membership in conformity with the By-laws
Classes of Membership	<p>Individuals: Full, Student, Honorary</p> <p>Fellow firms: Partnership, Corporations, Other</p>

REQUIREMENTS FOR ADMISSION TO MEMBERSHIP

Who/what determines admission ▪ All admissions, except for special ones requiring approval of the membership (e.g. mergers with other member bodies) shall be approved by the Council in accordance with the By-laws. The Council shall have absolute discretion subject to these By-laws and its decision shall be final

Normal conditions of admission for each class of membership ▪ Example, for full membership:

- The applicant has passed the prescribed examinations or meets the requirements of the Regulations concerning admission as prescribed from time to time by Council
- The applicant has completed the prescribed period of service in accounting as determined by the Council
- The applicant has been attested to be a person of reputable character
- The applicant upon admission, agrees to and is able to comply with the requirements of the Constitution, By-laws and the Regulations

▪ Example, for Honorary:

- Honorary members shall not receive a certificate of admission, they shall not use the designation of the INSTITUTE, and they may not hold themselves out as anything other than Honorary members of the INSTITUTE

Specifics of special admissions ▪ Example, for grandfathering:

- Council shall be empowered to admit the following persons to membership within a period of six months from the date of incorporation of the INSTITUTE:
- Persons engaged in public practice or as an employee in public practice in COUNTRY and who have:
 - (a) Been partners in public practice for a period of not less than # years, i.e. a firm employing no less than # employees at the time of the application to membership OR

- (b) Have been employees in public practice for a period of not less than # years in an office employing not less than # employees and such office is part of a firm employing not less than # employees at the time of the application for membership
-

REQUIREMENTS FOR RETENTION OF MEMBERSHIP

Statement of primary requirements

- Payment of dues
 - Conform with the By-laws and the Rules of the Code of Professional Conduct
 - Complete continuing professional education requirements established by Council
-

Conditions of reinstatement

- Council may reinstate such persons provided that all dues and other obligations owing to the INSTITUTE at the time membership was terminated shall have been paid, or that the person shall have satisfactorily demonstrated that the failure to comply with the CPE or practice-monitoring requirements has been rectified.
-

DISCIPLINARY SUSPENSION AND TERMINATION OF MEMBERSHIP

When misconduct will be deemed to have occurred

- Under such conditions as shall be prescribed in the Regulations approved by the Council.

This may be:

- Commission of any act which is not in accordance with the standards of professions conduct of the INSTITUTE
 - Conduct resulting in an adverse finding in relation to a member's professional or business conduct or competence by a regulator authority
 - Conviction of a crime punishable by imprisonment for more than one year
 - Willful failure to file any income tax returns which he, as an individual taxpayer is required by law to file
 - The willful aiding in the preparation and presentation of a false and fraudulent inconsistent
-

tax return.

MEMBERSHIP RIGHTS AND POWERS (FOR EACH CLASS)

Attendance at meetings	<ul style="list-style-type: none"> ▪ Attendance at meetings of the INSTITUTE (“annual meeting”) <p>Examples</p> <ul style="list-style-type: none"> – To vote in person, when in attendance, upon all questions brought before duly calling meetings of the INSTITUTE – To vote by mail ballot for the election members of the Council and on proposal amendments to By-laws
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Positions to be held only by (full) members	<ul style="list-style-type: none"> ▪ To serve as officers of the INSTITUTE ▪ To be members of the Council ▪ To serve on certain committees, e.g. Discipline
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Certificate of membership	
When issued	<ul style="list-style-type: none"> ▪ Upon administration
When to be returned	<ul style="list-style-type: none"> ▪ Upon the demand of the secretary of the INSTITUTE in the event of suspension or termination of membership

Certificates of public practice	
When issued	<ul style="list-style-type: none"> ▪ According to regulations specified by Council
When to be returned	<ul style="list-style-type: none"> ▪ According to regulations specified by Council

3. ORGANIZATION AND GOVERNING BODY

ITEMS TO CONSIDER	EXAMPLES
General	
The organization of the INSTITUTE shall include:	<ul style="list-style-type: none"> ▪ The members, the Council, officers, and committees
Governing Body	
Defined	<ul style="list-style-type: none"> ▪ The governing body of the INSTITUTE shall be the Council

Composition	<ul style="list-style-type: none"> ▪ The President, Vice President, and # Members of the INSTITUTE and the immediate past President, all of whom are (full) members of the INSTITUTE ▪ Provision for membership to be structured according to a specific approach (e.g., x from private sector and y from public sector to ensure the representative nature of the Council)
Powers	<ul style="list-style-type: none"> ▪ All powers requisite for the purposes of the INSTITUTE not inconsistent with the By-laws or with duly enacted resolutions of the authority to prescribe the policies and procedures of the INSTITUTE and to enact resolutions binding upon the officers, committees, and staff
Reports to membership	<ul style="list-style-type: none"> ▪ The actions of the Council shall be reported to the membership at least annually
EXECUTIVE COMMITTEE	
Purpose	<ul style="list-style-type: none"> ▪ To direct the activities of the organization between meetings of the Council
Composition	<ul style="list-style-type: none"> ▪ As prescribed by the Council <p>Example:</p> <ul style="list-style-type: none"> - The President and the Vice President of the Council; the Executive Director of the INSTITUTE; # members of the Council appointed by the Nominating Committee
Powers	<ul style="list-style-type: none"> ▪ To control and manage the property, business, and activities of the INSTITUTE consistent with the provisions of the By-laws, resolutions of the membership, or actions of the Council
Quorum	<ul style="list-style-type: none"> ▪ # persons present
Reporting to the Council	<ul style="list-style-type: none"> ▪ At least # times per year
OFFICERS	
Defined	<ul style="list-style-type: none"> ▪ President ▪ Vice President ▪ Executive Director

	<ul style="list-style-type: none">▪ Secretary/Treasurer
Election	<ul style="list-style-type: none">▪ Elected by a majority of Council from nominations made by the Executive Committee
<hr/> TERMS OF OFFICE <hr/>	
President and Vice President	<ul style="list-style-type: none">▪ Terms of office of the President and Vice President will commence after the termination of the Annual Meeting immediately following their election. Neither may succeed him/herself in the same office after serving a full term of # year.
Executive Director: Secretary/Treasurer	<ul style="list-style-type: none">▪ Term and commencement shall be determined by the Council
Vacancies	<ul style="list-style-type: none">▪ If the office of the President and Vice President become vacant then the Council shall fill the office by electing such person, using guidance provided by the Executive Committee. The person so elected will hold office for the remainder of the term of the officer replaced.
<hr/> DUTIES OF THE OFFICERS <hr/>	
Duties of the President	<ul style="list-style-type: none">▪ Preside at meetings of members of the INSTITUTE, the Council and the Executive Committee▪ Act as a spokesman for the INSTITUTE and appear on its behalf before other organizations
Duties of the Vice President	<ul style="list-style-type: none">▪ Preside in the absence of the President at meetings of the INSTITUTE, the Council and the Executive Committee▪ Perform such other related duties as may be assigned by the President
Duties of the Executive Director	<ul style="list-style-type: none">▪ Full responsibility for the execution of the policies and programs of the INSTITUTE▪ Act as a spokesman for the INSTITUTE▪ Perform such other services as may be assigned by the Council
Duties of the Secretary/Treasurer	<ul style="list-style-type: none">▪ The usual duties as a corporate secretary/treasurer▪ Other related duties as may be assigned by the

Executive Director

COMMITTEES

Formation

- As provided for specifically in the By-laws (usually called “permanent committees”, such as Ethics, Membership and Disciplinary Committees)
- As appointed by the Council, which may fix quorum and terms of reference including which Committees? Resolutions require ratification by the Council as prescribed in the By-laws

Duties, power and responsibilities

- The President and the Executive Director shall have the privilege of the floor at meetings of all committees
-

4. THE COUNCIL

ITEMS TO CONSIDER

EXAMPLES

Nominations

- Eligible candidates may be nominated in writing by # (full) members of the INSTITUTE at least # months prior to the annual meeting of the INSTITUTE

Election

- By the members: the secretary mails to the members at least # days prior to the annual meeting of the INSTITUTE, mail ballot containing the names and relevant background information of nominees. Each ballot shall contain an announcement that votes will be counted only if received by the secretary at least # days before the annual meeting of the INSTITUTE. Election shall be determined by majority of the votes received. Mail ballots shall be counted by the secretary who shall certify the results for publication to the membership.
- By vote of members present at the annual meeting

Term of office

- The term of office commences immediately subsequent to the Annual Meeting of the INSTITUTE and shall run until the announcement of the election of a new Council at the Annual Meeting # years after his election
-

(Note: during the start-up period it is desirable to assign terms of different duration – e.g. 1/3 of Councilors one year; 1/3 two year and 1/3 three year, so that thereafter only 1/3 of Councilors retire in any one year)

- No member having served for # consecutive full terms as a directly elected member of Council shall be eligible to serve another such term until at least # years after the completion of his #th consecutive full term.

Vacancies

- Casual vacancies may be filled by the vote of the remaining Councilors for the duration of the term remaining

Forfeiture of office

- Anyone absent without leave from Council from # consecutive meetings of the Council shall forfeit his seat

5. COMMITTEES

ITEMS TO CONSIDER

EXAMPLES

Specifics of important standing committees

- Ethics, membership, disciplinary, examination

EXAMPLE: DISCIPLINARY COMMITTEE

Power and composition

- As specified in resolutions adopted by Council

Procedures to deal with disciplinary matters

- As specified in resolutions adopted by Council covering, for example:
 - The conduct of investigations
 - The evidentiary standards
 - Types of sanctions (loss or suspension of membership/right to practice, censure, fines, corrective action)

Appeals procedures

Disclosure of disciplinary action

- Circumstances under which disclosure will be made

- Publication in a membership periodical of the INSTITUTE
- Maintenance of a record of such information and disclosure upon request

6. FINANCIAL MANAGEMENT AND CONTROLS

ITEMS TO CONSIDER	EXAMPLES
Define who has the authority	<ul style="list-style-type: none"> ▪ The Council shall have authority to prescribe such procedures as it deems appropriate to assure adequate budgetary and financial controls. Budgets shall be prepared and presented as the Council shall prescribe
Determination of the fiscal year	<ul style="list-style-type: none"> ▪ The fiscal year shall end on such date in the year as the Council may from time to time determine
Appointment of auditors and audit committee	<ul style="list-style-type: none"> ▪ To be voted on at each annual meeting
Publication/presentation of financial statements	<ul style="list-style-type: none"> ▪ To Council and to annual meeting
Execution of financial instruments	<ul style="list-style-type: none"> ▪ As per resolution of Council

DUES

Who determines and approves them	<ul style="list-style-type: none"> ▪ As determined by Council, for each class, as deemed appropriate ▪ First day of fiscal year ▪ By order of Council
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7. MEETINGS OF THE INSTITUTE AND THE COUNCIL

ITEMS TO CONSIDER	EXAMPLES
General	
The rules of parliamentary procedure that shall govern the meetings	Roberts Rules of Order

Meetings of the Institute

Regular Meetings, when held	<ul style="list-style-type: none"> ▪ Within # months after the close of the fiscal year, on a date to be fixed by the Council (usually called the “Annual Meeting”)
Size of quorum	<ul style="list-style-type: none"> ▪ # members present and entitled to vote
How and when notice of meetings will be made	<ul style="list-style-type: none"> ▪ By mail, # days prior to the date of the meeting ▪ By publication # of months prior to the date of the meeting in a (specified membership periodical) of the INSTITUTE
Voting	<ul style="list-style-type: none"> ▪ Initially by show of hands of those present. Two members present and entitled to vote may request that a poll be taken of those present ▪ Motions are carried by simple majority
Mail ballots	<ul style="list-style-type: none"> ▪ When allowed ▪ Procedures: <ul style="list-style-type: none"> – Appoint # scrutinizers – President may receive proxies – Dates of mailing and counting # days from meeting

SPECIAL MEETINGS OF THE INSTITUTE

When	<ul style="list-style-type: none"> ▪ As called by the Council ▪ Upon the written request of at least # percent of the membership of the INSTITUTE
How and when notice of meeting will be made	<ul style="list-style-type: none"> ▪ By mail, # days prior to the meeting

MEETING OF COUNCIL

When held	<ul style="list-style-type: none"> ▪ At least # times yearly and on such other dates as the Council may designate
Size of quorum	<ul style="list-style-type: none"> ▪ The number nearest to a specified fraction of the total members of Council
Voting	<ul style="list-style-type: none"> ▪ By show of hands; approval of motions are carried

by simple majority of these present.

- The Chairman of the meeting (normally the President or Vice President) shall vote only in order to break a tie

8. AMENDMENTS TO THE BY-LAWS

ITEMS TO CONSIDER

EXAMPLES

How Done

- By the Council
- By petition of # percent of the membership as of the end of the prior fiscal year

Approval

- By written vote of the membership by a show of hands at the annual meeting
-

REGULATION OF THE PROFESSION

REGULATORY STRUCTURE

46. The accountancy profession and the professional accountancy body should have their own regulatory structure that fits into the national legal framework. The regulatory structure should consist of:

An accountants act	or such other enabling legislation which recognizes the professional body as the legal entity that represents the profession and may give it powers to regulate its members
A constitution and by-laws	for the professional body
Admission requirements	and a register of members
Licensing requirements	for auditors and others
Rules of professional conduct and ethics	that go beyond the legal framework (e.g., rules on independence). These rules should be based on the IFAC Code of Ethics
Accounting and auditing standards	
Disciplinary systems	for members who do not observe the body's rules or code of conduct
Quality assurance review systems	to ensure members providing audit services for listed or public interest entities respect professional requirements

WORKING WITH GOVERNMENT TO PROTECT THE PUBLIC INTEREST

47. Supporting economic growth and protecting the public interest are objectives shared by governments and professional accountancy bodies. Where the professional body seeks to meet the needs of accountants, auditors, budget staff and others involved in public financial management in the public sector, as well as attract members from the private sector, then government will have an additional interest in the establishment and development of the body. Regardless of sector, government will also have an interest in ensuring that the profession is properly regulated, and that its structure and governance reflects the public interest. In working with the government, the group forming the professional body should therefore keep in mind this range of common interests. Additional considerations include the scope of the mandate the government has in forming the professional body, where government is being proactive in establishing the body, and from where that mandate comes. The group must also consider how to work with other key stakeholders such as representatives of the business and investment community, the third sector and, where development of the profession forms part of wider sector or institutional development programs, development partners. Working effectively with government and other stakeholders is more likely to lead to the development of a professional body that meets the needs of the government, the profession and the broader public interest.
48. Professional bodies also have a responsibility to maintain involvement in other areas affecting the profession, e.g., legislation, corporate governance and tax regulation. The professional body should therefore seek to contribute to other parties developing any standards and legislation that would have an impact on the profession. This could be achieved by participating in work groups, developing the standards or legislation, or providing comments on drafts.
49. For the profession to flourish and obtain public recognition there needs to be an appropriate legal and regulatory framework governing the profession. That framework must, of course, be consistent with basic governmental regulatory philosophies. At the same time, every effort should be made to avoid excessive regulatory burdens on accountants or unnecessary or inappropriate limitations on the authority of the professional accountancy body. The group forming a new professional accountancy body should begin at a very early date to work closely with government to develop an appropriate framework. To achieve success in that regard, it is important for members of the founding group to be the primary liaisons with government. It is also important for those members to have the assistance of a qualified, well-regarded lawyer in drafting or reviewing the required legislation. The law, once enacted, will need to be kept updated.
50. To achieve the varied objectives of the members of the profession, individually and as a group, the professional accountancy body must be able to act effectively as a respected spokesperson for the profession on accounting, taxation, public financial

management, auditing and other financial matters with government, the public, and other interested groups and individuals. This is especially important when major changes are under consideration. The body must therefore have the necessary technical expertise to pronounce on a broad range of subject matter, across the whole economy, and to speak with authority on relevant issues.

51. Although an appropriate legal framework is an important step in obtaining public recognition of the profession, a professional accountancy body must continuously earn that recognition. A professional accountancy body will be held in high public esteem when it demonstrates its commitment to maintaining and improving the quality of the services its members provide and when its public statements and positions are perceived as being in the public's interest. A professional accountancy body must not only do the right things; it should have a formal communications plan that:

- Makes public statements on matters of public policy that have accounting, auditing, or tax implications. This task will be more successful if the professional body elects, to office, individuals who have a high standing in the community; if it is prudent in selecting the issues on which it comments; and if it ensures that competent advice is available to its spokespersons.
- Promotes the knowledge, skill and proficiency of members (for example, by cultivating relationships with and providing assistance to opinion leaders in business, government and the media, and by addressing governmental, business and student audiences on matters related to the accountancy profession or involving or requiring the competence of professional accountants)
- Demonstrates transparent processes for membership, qualifications and regulation

GOVERNANCE

OVERVIEW

52. It is widely recognized that a strong and well governed professional accountancy body will produce and sustain a strong accountancy profession that is able to serve the public interest and contribute significantly to economic stability and growth. The successful professional accountancy body gains much of its strength from the sense of identity that members derive from membership and from the contribution that individual members and firms are prepared to make to the professional accountancy body in recognition of the public interest perspective of this organization, as well as the privileges conferred on them by membership. This sense of identity also encourages compliance with professional standards and the ethical and other requirements of membership.

Membership of a professional accountancy body constitutes a contract between the body, its members and its stakeholders, under which all concerned acquire reciprocal rights and duties. To sustain this contract, it is important that the professional body recognizes, in its governance structure, that it is accountable to the membership and to the public served by its membership. This dual accountability can lead to tension, particularly where there is conflict between the interests of members and the public interest.

53. In the early stages of establishing a new professional body, it will not always be possible to establish all of the expected structures for good governance. For example, a shortage of staff members might mean that some additional tasks need to be undertaken by Council members or other volunteers. However, it is important to adhere to the principles of good governance, most particularly to ensure that individuals are not acting with conflicts of interest, and that there is adequate separation between executive and oversight functions.
54. The main governing body of a professional accountancy body is its Council (In some countries this group is referred to as the “Board”). Council members are normally elected by the membership, usually for a specified term, which may be renewable one or more times. In determining the size and composition of the Council, consideration should be given to adequately representing the range of membership, while also creating a group that is small enough to work efficiently.

The Council is in first instance accountable to the membership (as the organization, as a whole, is accountable to the public and other external stakeholders). The members will be entitled to attend and vote at the Annual General Meeting and should also be empowered to call for a special general meeting, as necessary, should matters of concern arise. At the annual general meeting, the members will, amongst other things, receive and be invited to approve the annual report of activities and the audited financial statements of the accountancy body, appoint the auditor, approve subscription levels for the following year and elect the members of the Council.

The Council is normally led by a President, who is elected either directly by the members or by fellow Council members usually for a fixed term(s). Many bodies also have one or more Deputy President(s) or Vice President(s), who are also elected by the members or the Council.

55. For bodies with members in the public and the private sectors, the governance arrangements are likely to be more complex than would be the case where, for example, the vast majority of members worked in the private sector. This could arise due to a need to integrate the work of specialist, separate technical committees to present a common viewpoint on behalf of the body as a whole. It could also be because of the need to ensure appropriate representation of members from both sectors on the Council and other governing bodies. In developing countries, a particular issue is likely to be the different salary levels

available to members from the two sectors, and the impact that this has on member subscription rates.

Where the body is organizing itself to offer commentary on potentially sensitive areas such as draft legislation, from which its members in the private sector may benefit, it will be necessary to make arrangements to ensure that the advice given and the commentary made is provided with integrity and free from accusations of bias.

A professional body with members in both sectors ought to recognize that it will be exposed to a wider range of risks than would otherwise be the case. There is also a greater chance that materialization of any particular risk arising from exposure to one sector may compromise the body's reputation, status and standing more widely. In putting in place appropriate components of its governance structure, the professional body should ensure that it takes these considerations into full account.

A particular requirement of the body seeking to meet the needs of both the private and the public sectors, particularly in the early years of establishment and development, is to create and maintain the technical and research capacity to meet the needs of both sectors. This would include, for example, developing and maintaining expertise in both IFRS and IPSAS, as well as in auditing and education standards as applied to both sectors.

Bodies that seek to meet the needs of the public sector must also develop close working relationships with government in the country concerned. This ought to bring with it a concern to strike an appropriate balance between establishing these relationships and maintaining an appropriate degree of independence from government.

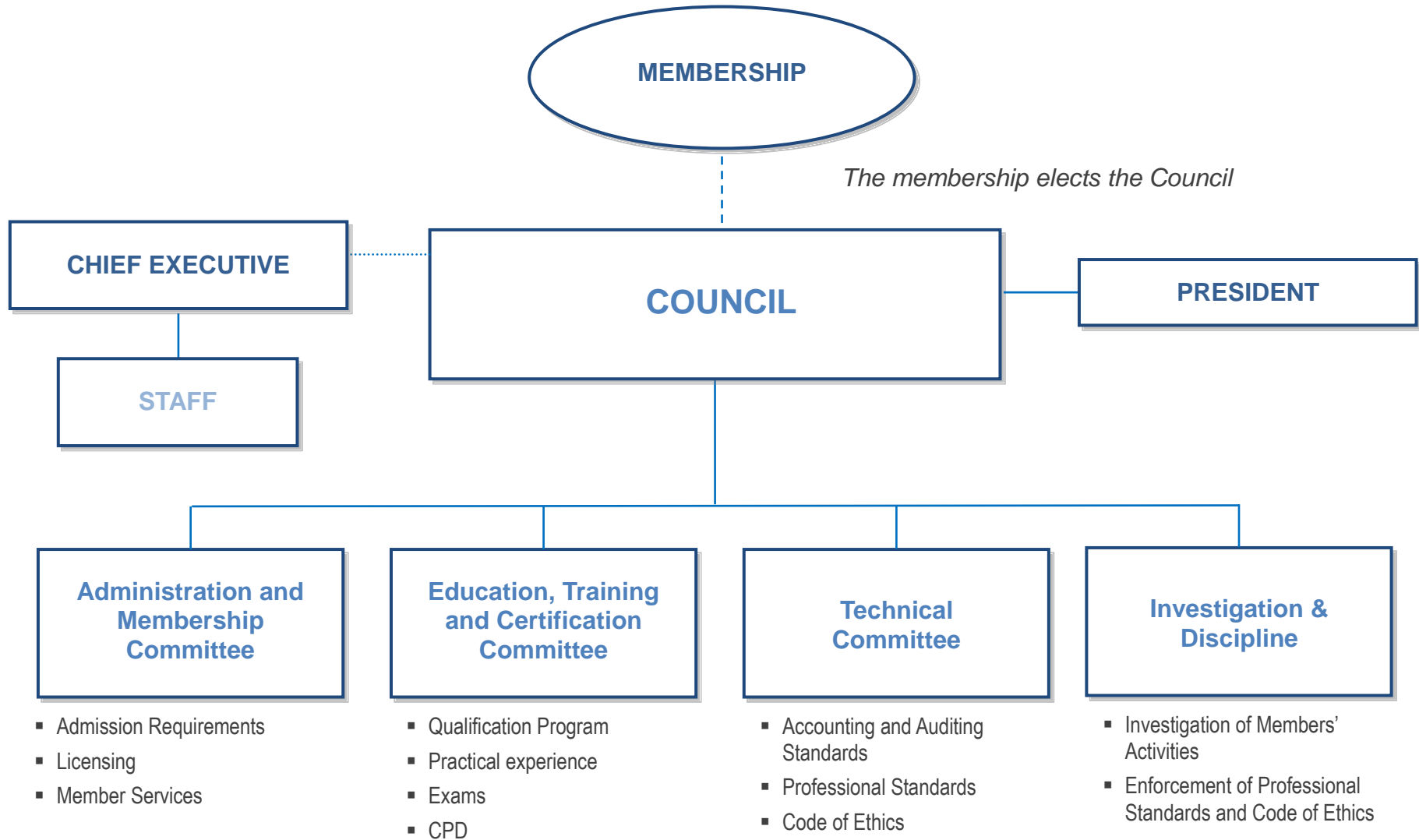
56. The mission of a professional accountancy body is carried out through the work of volunteer members and full time technical staff, which includes a regular liaison with and service to members of the body. Regardless of the size of the organization and the resources available to it, the efforts and contributions of volunteers are important. The organization learns about changes in the environment in which its members work and about their needs for support and services from the organization through regular contact with members and those who volunteer their time to develop the organization. It is through volunteers that the organization obtains much of the intellectual resources required to prepare standards, publications, and educational materials and maintain contacts within the government, business and other communities.

57. At the same time, the technical staff is also important. Technical staff can:

- (a) Leverage and maximize the contributions of volunteers

- (b) Help assure compliance with the directives of the governing body
- (c) Carry out important administrative, public relations and liaison functions
- (d) Provide desirable continuity and historical perspective
- (e) Undertake operational work to ensure that the goals set by the Council are achieved
- (f) Undertake an advisory role, including offering guidance to volunteers on constitutional issues
- (g) Act as a contact point for members

SAMPLE PROFESSIONAL ACCOUNTANCY BODY ORGANIZATIONAL STRUCTURE



THE COUNCIL

58. The Council (sometimes referred to as the Board) is responsible for leading the body to ensure its objectives are achieved and that the body operates effectively. The Council is responsible for the body's strategy and general policies and for monitoring the achievement of the strategy. In the early years, the Council will likely take a more direct role in dealing with operational and technical issues that, in a larger organization, would be delegated to a standing committee and staff.
59. The Councils of most accountancy bodies generally meet several times a year. In the initial stages of establishing a professional accountancy body, the Council would need to meet more frequently. The By-laws of accountancy bodies often provide for an executive group or committee – perhaps consisting of the President, Vice President, a few very senior members of the profession and the Chief Executive of the accountancy body – which meets more frequently and acts on behalf of the Council in between Council meetings.
60. Members of the Council are elected by, and accountable to, the membership and should adequately represent the range of sectors of the membership.

Council members should be members of the professional accountancy body. The exception to this is the appointment of a limited number of others, including “public members” and others who may be nominated to the Council by the government or regulatory body. Those members can provide transparency to the governance and operation of the professional accountancy body and ensure that the body continues to act in the public interest, as well as the interests of its membership. Some accountancy bodies may choose to appoint a student representative to serve on the Council to represent the interests of student members.

A term limit in the mandate of the Council members has also proven to be useful as it ensures that new ideas and perspectives are interjected in the Council. However, Councils should not be changed too frequently as it may not allow enough time for the professional accountancy body to develop and implement projects in the medium or long-term.

61. The duties and functions of a Council include:

- Electing the President, Deputy President and Officers
- Approving the professional accountancy body's strategic plan and key initiatives
- Approving policy in major areas
- Approving the body's budget and annual report

- Approving potential changes to the body's Constitution (prior to a vote by the membership)

THE PRESIDENT

62. The President (sometimes referred to as the Chairman) is the leader of the professional accountancy body, elected by the Council or the membership, usually for a defined term. Some accountancy bodies allow the President to have the opportunity for election for another term/s, however many restrict the role to one term. The President is usually a volunteer.
63. Being appointed by the Council, the President is accountable to the Council, to the committees of the Council, and to the membership of the professional accountancy body.
64. The role of President involves leadership, representation, communication, and promotion of the professional accountancy body. His or her role is to ensure that the body develops and maintains a strong progressive identity as a professional organization responsible to the public, its members and the communities it serves. He/she provides leadership and guidance to the purpose and overall strategy and policies of the professional accountancy body. However, where the President is appointed for a relatively short period of time (e.g. one year), his/her ability to provide this leadership is limited. As the leader of the professional accountancy body, he/she also chairs the Council meetings and the executive committee (if one is established), and ensures that the body acts in the public interest.
65. As the main representative of the body, the President undertakes liaison with all relevant stakeholders on a national, regional and international basis. This advocacy role may also be achieved in partnership with an appointed Chief Executive (CEO). The President will represent the body at all meetings of importance with:
 - The membership
 - Government
 - Regulators
 - The public
 - Other professions and professional groups
 - Accounting bodies internationally
 - Visiting dignitaries
 - Development partners

In representing the profession, the President should ensure that the independence of the Institute is preserved.

The role of President requires communication with students, potential members, and academia. The role also involves promotion of the body and in turn is the medium to bring back to the body the voices of those the President communicates with.

A key obligation of the President is awareness of current issues and developments affecting the accountancy profession on a national, regional, and international scale and to drive strategic guidance to address such issues.

66. The President works closely with the CEO of the professional accountancy body. The President leads the governance team whereas the Chief Executive Officer (CEO) leads the management team and implements the strategic projects defined by the President.
67. The President's role is a very demanding one, and likely to be time consuming. Whereas would normally be the case, the President is also in full time employment, he/she should give particular consideration to the extent to which he/she will be able to devote the necessary time to the role. The President should also ensure that he/she has the full support of his/her employer in accepting the appointment.
68. Where the body seeks to attract members from the public, private and third sectors a particular issue may be the identification of a President with the standing and authority to represent the body across all these sectors. It may also be necessary to ensure that the President is not too closely identified with the interests of any single grouping, sector or sub-sector.
69. A Deputy President and/or Vice President may also be elected by the Council to assist the President in his/her duties. He/she substitutes for the President in his/her absence. The Deputy/Vice President may or may not be the automatic successor when the term of the President ends.

STRATEGIC PLANNING

70. An important role for the Council is the development of a strategic plan. The strategic plan guides and drives the professional accountancy body's activities and priorities for a specified period. In other words, a strategic plan determines where the organization is going, how it will get there and how it will know if it gets there. The strategic plan also helps to clarify the organization's plans and ensure key leaders are all "on the same page"—and it serves as the guidepost for the whole organization, including Council, Committees and staff, whose activities and priorities should support the organization's overall strategic direction.

The strategic planning process starts with a focus on the organization's mission (and vision and/or values if considered desirable) – what does the organization stand for and what is its overall purpose? Next, goals to work towards achieving the mission are identified and strategies to achieve those goals are articulated together with a timeframe as to when those strategies and tasks will be completed. A list of key performance indicators, stating specific tasks to be completed by a specific timeframe as well as the staff responsible for the various related tasks, is often a valuable resource to keep all parties focused on key priorities.

For organizations new to the strategic planning process, it can be helpful to invite an expert facilitator to help develop the strategy. A planning group should be established to develop the strategic plan. Often this could involve all members of the Council, in other cases this might involve the CEO and the President and various other appointed individuals. It is important that the planning group is representative of the professional body's membership and interest groups.

The strategic plan should be regularly reviewed to ensure it remains appropriate, taking into account developments within the national and global environment in which the professional body operates. It is also important that regular reports are prepared comparing progress with the objectives and priorities set for both Council and the professional body's constituents.

Appendix 2, *Sample Strategic Plan Outline*, illustrates examples of matters to be considered as part of the strategic planning and development process and the way in which the strategic plan may be presented.

71. The Strategic Plan should be accompanied by a financial strategy and plan. This is a particularly important document for newly established and developing professional bodies, since it will help to reassure members and other key stakeholders of the financial viability of the body in both the short and the medium to longer terms. The financial strategy and plan should be designed to answer some key questions, including:
- What investment is required to establish the body, over what timescale, from which source(s) and at what cost?
 - What is the operating cost profile of the body over the next 3-5 years?
 - What revenue streams will be available to the body? How are these likely to change over time? Are these sufficient to finance the body's operating costs and provide for the investment needed if this has to be generated internally?
 - If the revenue streams are insufficient to meet the body's needs what other sources of revenue are available? Could a mentor suggest ways of closing the revenue gap?

- Is the financial strategy and plan capable of supporting the achievement of the body's overall strategy? If not, what needs to be modified?

APPENDIX 2: SAMPLE STRATEGIC PLAN OUTLINE

SAMPLE STRATEGIC PLAN OUTLINE

PROPOSED MISSION:	EXAMPLES:
What is the purpose of the professional accountancy body?	<ul style="list-style-type: none"> ▪ To promote high quality financial reporting and auditing in xxxxx (insert name of country), and develop and maintain the competence of professional accountants.
VALUES: (NOT ALWAYS NECESSARY)	EXAMPLES:
What are the values that are the guiding principles for the organization?	<ul style="list-style-type: none"> ▪ Integrity ▪ Expertise ▪ Transparency ▪ Accountability

STRATEGIC OBJECTIVES AND PRIORITIES

What are the strategic objectives and goals the organization has identified it wants to achieve in the specific period (anywhere between 2 and 10 years) towards carrying out its mission?

Strategic objectives should be supported by specific strategic priorities, actions and projects. Associated key performance indicators (KPIs) to measure achievement of these objectives and priorities can also be developed to report against the achievement of the strategic plan. KPIs help the organization to be accountable to its constituents and stakeholders.

Strategic Objective #1

- 1.1** Develop a high quality education program to develop the required knowledge, skills, and ethics required of members of the professional body.

Strategic Priorities to support strategic objective #1

- (a) Develop a framework(s) for an accounting curriculum

Actions and Projects to help deliver strategic priorities

- (a) Establish an Education Committee
- (b) Design an appropriate qualifications framework
- (c) Develop working relationships with local education and training providers
- (d) Review other accounting qualifications offered in the country or region and determine the extent to which these meet the needs of the qualification framework

Strategic Objective # 2

1.2 Promote participation in and represent the needs of the developing profession to international standard setting organizations.

Strategic priorities to support strategic objective #2

- (a) Monitor the IFAC committees and IASB work programs and seek to influence these standard setting groups to ensure that the needs of the membership are adequately addressed. Where available and appropriate, use existing regional groupings to facilitate this influencing process

Actions and Projects

- (a) Establish a small group of experts to influence IFAC committees and IASB work programs
- (b) Identify existing area or regional groupings
- (c) Work with IFAC committees and IASB to address the issue of applicability and practical challenges of implementation of IFAC and IASB standards in the country
- (d) Engage with government

Key Performance Indicators

Identify who has responsibility for working on specific actions and projects, and when those actions and projects will be completed.

IMPROVING GOVERNANCE STRUCTURES

72. Professional accountancy bodies could use various model codes, benchmarks and guidance documents to evaluate and further improve their governance structure, such as:
- IFAC's Model Guide for Professional Accountancy Bodies (Model Guide). IFAC has developed the Model Guide based on Good Governance a Code for the Voluntary and Community Sector (The Code). The Code was created by the Code Steering Group made up of Acevo, ICOSA, CTN, NCVO and supported by the Charity Commission for England and Wales. The purpose of the Model Guide is to assist professional accountancy organizations in setting principles of good governance for the establishment and functioning of their Council.
 - IFAC's International Good Practice Guidance on Evaluating and Improving Governance in Organizations (2009). This governance guidance includes a framework, a series of fundamental principles, supporting guidance, and references on how professional accountants in business and others can contribute to evaluating and improving governance in organizations. The guidance is designed to complement existing governance codes, such as the OECD Principles of Corporate Governance (2004) issued by the Organization for Economic Co-operation and Development (OECD), by encouraging organizations to achieve a balance between conformance with rules and regulations and driving organizational performance. It also focuses on how to create sustainable stakeholder value in the form of good products or services, economic profitability, job security, safety, or other social or economic responsibilities.
 - An assessment tool has also been developed to assist professional accountancy organizations in reviewing how they meet the principles and practices of the Model Guide and the International Good Practice Guidance on Evaluating and Improving Governance in Organizations. The part of the assessment tool focusing on the Model Guide is also based on the Good Governance a Code for the Voluntary and Community Sector (The Code), which was created by the Code Steering Group made up of Acevo, ICOSA, CTN, NCVO and supported by the Charity Commission for England and Wales, as mentioned above.
 - Evaluation against the Model Guide and IFAC's governance guidance will provide better insight in the professional accountancy body's governance system, processes of their Council, and the division of responsibilities between the Council, the Officers, the various Committees, and other organs of the professional accountancy body as a basis for further streamlining the accountancy body's governance framework. The outcomes

of the evaluation can also be used to prepare a governance handbook and Terms of Reference for the various organs of the professional accountancy body, as well as a governance statement in the body's annual report.

Please refer to page 4 of the Tools and Resources document to access the Model Guide, the International Good Practice Guidance on Evaluating and Improving Governance in Organizations, and the related assessment tool.

COMMITTEES

73. An effective committee structure generates sound group judgment, provides continuity of thinking, and helps bring together a cross section of member knowledge and experience. Committees enable members to have a direct involvement in the affairs of their professional accountancy body and serve as a training ground for future leaders of the profession.
74. Committees are especially important for the professional accountancy organization and may be formed to ensure that the views of appropriate member and often non-member constituencies are adequately considered. In a small organization, committees, supported by volunteers, may perform tasks which, in a larger organization, would be delegated to staff. A good committee structure also helps the organization stay attuned to the environment in which professional accountants operate.
75. The main disadvantages of committees are that they take more time and cost more than the work of one person on a given project. Meetings must be scheduled and held, travel may be required, materials need to be prepared both before and after meetings, and time must be taken to air views thoroughly and to build a consensus. These are the simple realities of committees operating within a professional accountancy body. However, those realities can become distinct negatives when committees are larger than they need to be or when they include members who are frequently absent, do not prepare for meetings, do not participate in discussions, nor generally adopt an uncompromising attitude in the consensus-building stage. The Chief Executive and the volunteer leaders must make it clear to potential committee members that committee service is a privilege, not a right, and that constructive and active participation is required, often between meetings as well as at meetings. This can be facilitated by introducing a code of conduct for the Council and committee members.
76. Standing committees are permanent committees of the Council, generally appointed by the Council and charged with formulating policy. In the early years of a professional accountancy body, these committees are often required to obtain Council's approval of the policies they support, until a sufficient widely held consensus on the direction of the organization has developed. Where standing committees have complete autonomy, it is usually prudent to inform the Council of major new developments. Eventually, a simple scheme of delegation can be developed which clearly distinguishes the Council's authority from the committees' authority.
77. It is likely that, at the beginning, a limited number of standing Committees addressing the following areas will be sufficient:
 - Administration and Membership – to establish the requirements to be admitted to and expelled from membership, and the services to be provided

to members. This committee would also manage membership dues and financial matters.

- Education, Training and Certification – to set the education and training standards for members, to develop an accreditation program, and to oversee the examination/assessment process where appropriate. Where the accountancy body educates, trains and examines its own students, a separate examination board or committee should be established
- Technical – to formulate policies regarding the development of technical, ethical and professional standards, including accounting standards and auditing standards. This committee(s) should adopt convergence with international accounting, auditing and ethics standards as an objective and work towards adoption and implementation of these standards.
- Investigation and Discipline – to investigate members’ activities and enforce compliance with the code of ethics, professional standards, laws regulations and other pronouncements of the body. In the interests of transparency and public confidence in the disciplinary process, a professional body that has these duties should consider appointing a lawyer and one or more public members to serve on its discipline committee.

78. For a body with members working in the public, private and third sectors the establishment of certain committees can present particular challenges. The Technical Committee, for example, will need to have expertise in a wide range of areas from across the economy. A single committee with this diversity of expertise might well be too large to function effectively. In addition, where the committee was considering matters specific to a particular sector or sub-sector and therefore of interest only to a sub-set of its members this might lead to alienation of the other members, who may feel that their time is being wasted and/or they have nothing to contribute to the discussion. One way of dealing with this is through the creation of sub-committees, to deal with the affairs of each sector or sub-sector. These are likely to act more in a coordinating and planning role than a technical one. Using sub-committees increases the number of committees in place and thus the cost of supporting and servicing them.

In any case, it will be necessary to define carefully the roles and responsibilities of the main committee personnel to ensure the committee success. Please refer to appendix 3 for more information about the roles and responsibilities of the Committee.

79. Volunteers’ technical knowledge and skills can also be utilized through the use of working groups or task forces. These groups should be task-oriented, not permanent; being formed by the standing committees to provide technical advice to these committees on specific matters, and the need for them should be regularly reviewed. These working groups might cover specialized areas and individual projects such as:

- New accounting standards or guidance
 - New auditing standards or practice statements
 - Financial management
 - Revisions to ethical requirements
 - Examinations (standards, assessment methodology and criteria)
 - Syllabus/Qualification development and review
80. There could also be working groups that contribute to the development of the organization. Examples of these are:
- Government relations
 - Member services
 - Continuing professional development
 - Marketing and communications
81. Committees constituted of volunteers can add value to professional accountancy bodies. Nevertheless, providing appropriate support to committees and working groups can consume a large amount of administrative resources. It is important to keep formalities to a minimum, limit the number of committees and working groups, and ensure that they are focused on actions and outputs that will achieve the organization's objectives.
82. As the organization develops and as these groups gain experience, it may be appropriate for some to take on permanent status. However, this should be done carefully, because having too many committees can spread resources too thinly and slow down the decision-making process. Over time, the Council may form other committees to carry out specific tasks, including:
- Audit Committee – assists to ensure the body maintains adequate accounting records and develop and maintains effective internal control systems
 - Nominations Committee – considers and recommends individuals to serve on the body's various Committees
 - Remuneration Committee – makes recommendations on the costs and remuneration for the body's executive staff
 - Quality Assurance Committee – oversees the quality assurance review

system established by the professional accountancy body

83. Although it may be difficult to achieve in an organization with a small membership, serving on more than one committee should be discouraged. This is because of the time that service on even one committee requires, and because involving as many members as possible builds loyalty to the organization. For the same reasons, it is important to adopt reasonable limits on the number of years a volunteer may serve on a committee.

PLANNING THE COMMITTEE'S WORK

84. A successful committee requires good management, which includes planning, organization, implementation and evaluation. The committee's objectives must be reconsidered and its programs and activities monitored regularly to ensure that the committee is meeting the needs of the organization's members. Included in this review should be an evaluation of the continued usefulness of a committee.
85. The objective of each committee should be described clearly so that it can be understood by all and, therefore, lessen the possibility of duplicating or overlapping responsibilities among committees. Once the objective is set, it should then be translated into a specific action plan for the year that should include a timetable for beginning and completing activities. The action plan may call for a variety of activities, including the development of professional standards, publication of books, articles and reports, and sponsorship of conferences and seminars. All existing programs should be evaluated at this time for the relevance to the objective and effectiveness of the activity. Programs that are unsuccessful should be either revised or eliminated.
86. Annually, the committee and staff should review the committee's objectives, secure necessary approval for any needed changes, and develop a plan for carrying out appropriate programs and activities for the next year.
87. After the committee has decided on the next year's programs and activities, the committee's size and structure (i.e., subcommittees, working groups or task forces) should be evaluated so that the activities can be performed effectively. Projects may require participation by the full committee, subcommittees, task forces, or individual committee members with appropriate staff support. For projects requiring the work of subgroups or individual volunteers, a special effort should be made to select individuals with a recognized capability and interest in the area. In some instances, this may mean recruiting people from outside the committee. Assignment of committee and staff responsibilities for each project should be communicated clearly.

REPORTING TO COUNCIL

88. All Committees should prepare formal reports on their activities to the Council regularly and to the membership once each year.

APPENDIX 3:
ROLES AND
RESPONSIBILITIES OF
COMMITTEE PERSONNEL

The key ingredients to the success of a committee are the roles and responsibilities assumed by the committee chair, committee members and the committee's staff, and the diligence with which they carry out their duties.

COMMITTEE TERMS OF REFERENCE

It is important to develop formal terms of reference for each permanent board or committee established by the professional accountancy body, to clearly identify the roles and responsibilities of each group and which group has authority to undertake certain tasks, and what tasks or decisions require approval by others.

Terms of reference should specify the purpose and objectives of the Committee, the Committee's responsibilities, the likely membership of the group, formal meeting procedures (including conduct of meetings, minutes, quorums, and frequency of meetings), reporting requirements, due process and any other matters.

Two example committee terms of references are included in this document. Please refer to Appendix 5 for an example of Education Committee Terms of Reference and Appendix 4 for an example of Ethics Committee Terms of Reference.

COMMITTEE CHAIRS

An effective committee needs a chair who is well organized and who will accept responsibility, foster creativity, and keep the group on the move. Much of the chair's task involves human relations and acting as a counselor as well as encouraging group dynamics at committee meetings, but there is also a certain amount of work that must be accomplished between meetings, with or without staff assistance. The smooth management and creative achievements of any committee often reflect the chair's ability and efforts.

The chair's responsibilities are in five general areas:

- (a) Planning – Consulting with staff and committee members, as needed, in planning an annual program of work for the committee
- (b) Conducting meetings – Stimulating group thinking, encouraging and channeling discussion, weighing the value of expressed ideas and suggestions, summarizing constructive suggestions, seeking out decisions, avoiding situations where one or two people dominate the discussion, and keeping the meeting on target and within reasonable time limits.
- (c) Maintaining records and information – Insuring that accurate minutes or highlights, as appropriate, of meetings are kept, necessary reports prepared, a record of committee work maintained, and keeping informed of the progress of committee assignments.

- (d) Getting action – recommending appropriate members for appointment to the committee and motivating them toward active and productive involvement in committee activities
- (e) Evaluating results – continually reviewing and evaluating the committee’s program, the progress being made on activities, and the contributions of individual members to the work of the committee.

Careful consideration should be given to a person’s leadership potential, background, ability, and accomplishments before he or she is made a committee’s chair. The following checklist will provide assistance in the selection:

1. The ability to communicate, which is perhaps the single most important characteristic (effective communication is a prime ingredient not only within the committee but also with individuals and groups outside the committee)
2. Knowledge of the committee’s subject area
3. A record of initiative and active participation within the committee, the organization, or other professional groups
4. Prestige and respect within the profession (the individual’s opinions must command the respect of other members and of those who will be guided by committee findings)
5. The availability of time and resources to carry out the responsibilities
6. The ability to create the right atmosphere for productive committee work
7. The ability to command attention and to inspire fellow professionals
8. A willingness to listen, to be open-minded, and to encourage free expression of ideas, opinions, and recommendations by committee members
9. The ability to lead without domination
10. An understanding of the relationships within the committee and the committee’s relationship with other committees
11. A clear understanding and recognition of the position and role of the staff and the need for a close working relationship
12. The ability to think and act in terms of the organization’s overall goals and objectives

Tips on being a successful Committee Chair

A good chair should be well prepared and organized. Here are some tips on being a successful committee chair:

PRIOR TO FIRST MEETING

Contact the committee's prior chair	Review the files transferred to you by the prior chair. Discuss objectives, activities, problems, and carryover projects.
Sketch out an itinerary	The itinerary should show where you want to go and how to get there. It should include a timetable, the structure of the committee, and a tentative schedule of committee meetings. Plan and announce meeting schedules at an early date and arrange for meetings that are purposeful and productive.
Establish an agenda	The purpose of an agenda is to save time and keep the meeting on course. Do not permit digression from the agenda without good reason. The agenda should include necessary action items and, if possible, how long the meeting will last.
Ensure meeting notices, response forms, and agendas are sent out on a timely basis	It is important that committee members are prepared for meetings. Distribute agendas with appropriate backup material in advance of a meeting to allow time for preparation and increase the productivity of the meeting. Request that participants contact you or committee staff if they are unable to attend.
Use telephone and video conferencing as appropriate	In planning meetings, consider utilizing conference calls in lieu of face-to-face meetings. This can be a cost-saving measure, which can eliminate unnecessary travel. When using conference calls, limit the agenda to a focused number of topics and ensure that all materials are received by the participants to allow adequate time for review and preparation.

MEETING WITH THE COMMITTEE

Follow the agenda	Always start the meeting on time and stay with a definite agenda. Participants expect to cover all items included in the agenda. State objective(s) for the meeting.
Allow for introductions	Help the individuals begin functioning as a group—self-introductions permit everyone to get acquainted. Give reason(s) for the attendance of first timers and guests. Brief the committee on previous activities and projects which still need to be completed.
Make sure minutes of the meeting are taken	The staff aide is responsible for taking meeting minutes or highlights, as appropriate. If the staff aide is not present, the chair should select someone else to take minutes or highlights, as appropriate. Minutes or highlights should reflect actions and motions taken with only pertinent background information included.
Encourage participation	Promote total involvement and solicit ideas from everyone. Encourage involvement and participation through a positive, upbeat, “can-do” attitude. If a member is reluctant to speak, ask for an opinion or give an assignment. Also, talk to the group—not individuals. Encourage everyone to voice constructive opinions and thank all for their contributions.
Maintain control	All viewpoints should be presented, but do not allow one individual to dominate. If individuals digress from the subject, restate the major points being considered and arrive at a consensus. Although disagreement can heighten interest, the chair must always be in control of the meeting.
Stay neutral	Do not argue with the individual who has the floor. If you have a comment, ask for the floor as a participant. You may ask questions if you disagree, but remember that as the presiding officer, you are to be neutral. Do not “opinionate” unless it is necessary.

MEETING WITH THE COMMITTEE

Reach conclusions	Try to establish a conclusion for each point on the agenda. Either bring the group to a consensus of opinion or else mark the item for further study.
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Delegate responsibility	Request that an individual committee member, subcommittee, or task force study difficult or complex matters and schedule a report back to the entire committee. Make sure the group knows what tasks need to be completed and what the timeframe is. Also, make sure you follow through to see that these responsibilities are met. Committee members will be discouraged if the chair attempts to do all the work.
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Agree on a timetable for action and reporting	This should be included in the meeting highlights.
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End the meeting on a positive note	Check to see if members feel that particular subjects have been properly covered. Stress the accomplishments made by the group during the meeting. Remind members of the date, time, and location of the next meeting.
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AFTER THE MEETING

Follow up	Coordinate with the committee staff to see that the meeting minutes or highlights, as appropriate, are sent to the committee members. Restate the goals and assignments. Ask for progress reports. Notify members and others of actions.
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Thank key participants	If members have done an outstanding job, why not tell them so with a simple letter. Members like to know they're appreciated. Also, they would be more apt to do a good job when they are asked to work on other projects.
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Always remember to “crank up the enthusiasm”	Keep in mind that what you are doing is important. Your committee has worthwhile objectives and your committee members will reflect your attitude and enthusiasm.
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COMMITTEE MEMBERS

The selection of individuals to serve as committee members will have a direct impact on the success of the committee. Care must therefore be taken in selecting committee members who are knowledgeable about the subject area and are willing to make the time available to carry out committee responsibilities. It is also important to consider the representative balance of the committee when recommending new members, including firm size, geography, and utilization of members from industry, education and government.

Although the duties of the individuals serving on committees may vary, there are certain basic responsibilities that should be assumed by every committee member. Tips on being a good committee member are presented at the end of this appendix.

Tips on Being a Successful Committee Member

Although the duties of the individuals serving on committees may vary, there are certain basic responsibilities that should be assumed by every committee member:

- Review the agenda and related background material prior to a meeting.
- Take an active part in all discussions
- Share information with the group from experience directly related to a subject or problem under discussion
- Understand and respect other ideas or conflicting viewpoints
- Address problems objectively and impersonally
- Stay on the subject under discussion
- Ask for clarification on any point or problem not fully understood
- Acknowledge all communications involving work on a committee project promptly
- Accept and follow through on assignments
- Get acquainted with the chair and other members
- Determine availability for the committee meetings and inform the staff as soon as possible
- Make sure your own organization or superiors are fully aware of commitments for meetings and assignments

STAFF

The staff should assist the committee at each meeting to the fullest extent possible by researching and providing background information, options and recommendations. This includes providing appropriate reference materials for each meeting; identifying the elements of a problem; listing the questions that need answering; participating in the discussion; alerting the committee when it is deviating from the policy of the organization or exceeding its authority; and accepting whatever final decision is reached unless the issue is so important that a higher authority should be consulted. The staff is responsible for preparing the agenda and drafting the minutes or highlights, as appropriate, of each meeting for review and approval by the committee chair. The staff is responsible for coordinating committee activities and sharing information with other committees and staff as appropriate. The staff may also be called on to help the committee identify goals, focus on major issues, create new programs, draft reports, and organize and implement the activities approved by the committee. Staff should also report on progress made towards achieving the Committee's goals.

The staff should play an active role and can encourage the committee toward a desired end, but he or she should not command. The staff should make clear what he or she believes to be the right solution, but contrary decisions should be accepted with good grace. Members should not object to a strong staff presence if the staff is competent and objective.

ORIENTATION OF NEW CHAIR AND COMMITTEE MEMBERS

Once a committee has been formed, succeeding chairs will usually be selected from among the active members of the committee and will have a good knowledge of current operations and committee projects. The process for selecting the Chair should be made clear. Nevertheless, the chair will be assuming new and different responsibilities, and will need to deal with at least some new members. Orientation of new committee chairs and members is an important responsibility. It may be carried out by the assigned staff, by the CEO, and/or by the predecessor and successor chairs, as applicable in the circumstances. The following points should be covered during the orientation:

- The committee's history and current work program, its goals and their relationship to the organization
- The boundaries of the committee activity and authority
- The role and responsibilities of the committee chair, members and staff
- Operating policies, such as those dealing with quorums, voting procedures, meeting locations, etc
- A current list of committee members and complete background material outlining current and previous committee activities (this would include copies of the minutes

of previous committee meetings)

- Staff and other assistance available
- Planned meeting dates

THE MANAGEMENT STRUCTURE

THE CHIEF EXECUTIVE OFFICER

89. The sustainability of any organization is significantly affected by the quality of the management of its operations. As soon as resources allow, the Council should appoint a full-time person to assume responsibility for the day-to-day management of the organization. The job title will vary among different professional bodies; this guide uses the term Chief Executive Officer (CEO).
90. The Chief Executive (CEO) fulfils a leadership role for the professional accountancy body, leading the organization's achievement of its strategic objectives, defined by the President and Council, and responsible for the conduct of the day-to-day affairs of the body.
91. The CEO is a strategic partner of the Council. The CEO should attend all Council meetings and report on the implementation of policy and strategic issues, operations and performance against strategic objectives, including financial performance against budget. The CEO works in close cooperation with the President in presenting to Council informed and sound recommendations for action.
92. Although the President is primarily responsible for representing the professional body and present its mission and role to the membership and the public, the CEO can support the President and represent him in this role, when needed.
93. The CEO is responsible for staff recruitment, performance management, and ultimately for ensuring the policies approved by Council and its committees are carried out effectively and efficiently. The CEO is the role model for staff in the professional body, as he/she occupies a pivotal position in the body and staff takes instructions from him/her. He/she articulates the professional body's vision to staff to imbue them with enthusiasm for what they do.
94. Selection of the correct individual is crucial to the success of the organization. The CEO will need to be:

An experienced senior manager

Able to think and plan strategically

Creative and energetic, with the drive to develop the organization

An excellent communicator

An understanding of financial issues

Socially skilled and able to establish and build key contacts in business, government, education charities and NGOs

95. The role of the CEO, in collaboration with the Council and other volunteers, is to:
- Formalize a detailed long-range strategy and work plan including specific target dates
 - Develop and direct the staff and engage with the committee structure to carry out activities
 - Provide advice and counsel to the President, Council members and other volunteers
 - Build and maintain effective relationships with government, the business and professional communities, educational institutions and donor/funding agencies
 - Ensure that licensing and disciplinary proceedings are pursued impartially and effectively according to statute or the professional body's rules
 - Ensure that the Council, members and other relevant persons are kept informed of international, regional and national developments affecting the accountancy profession, including the work of IFAC and the International Accounting Standards Committee Foundation (IASCF)
 - Manage the resources and staff of the organization in accordance with budgets and policies approved by Council
 - Report to the President and Council on progress towards the organization's goals
96. Managing a professional accountancy body requires a highly competent and committed CEO. Such persons are usually much in demand and a young organization may be unable to attract such a person because it cannot offer sufficient pay or status. If it is not possible to attract a sufficiently experienced local person, it may be possible to obtain the services of an experienced administrator from an existing member body for a period of time, either on a full- or part-time basis, to train the local staff.

STAFF SUPPORT

97. The CEO should appoint technical and support staff to various roles in the professional body, as funding is available. Job descriptions should be developed for each member of staff.
98. As a starting point, to enable the CEO to function efficiently, it is highly desirable to engage a person to provide administrative and secretarial support and to assist the CEO in training and supervising new staff as the organization matures. These are important responsibilities, and the person appointed will need to:
- Be flexible, adaptable, and able to work without direct supervision
 - Have good organizational and human relations skills
 - Set up office procedures and services using modern computing and communications equipment
 - Respond to a wide range of inquiries
 - Project a professional image to visitors and members

FINANCING THE BODY

FINANCING

99. The timely production and presentation to the Council of the annual and periodic management accounts is essential for good governance, as are the processes of developing a strategic plan, and drawing up long and short-term budgets and business plans. Members are entitled to be kept informed of these developments through the Annual Report and at the Annual General Meeting.
100. A small membership base will almost always severely restrict the resources available to a professional accountancy body. In such cases, serious consideration should be given to developing affiliations with others for the purpose of shared activities, such as continuing professional education, member services and examinations. These can also be sources of revenues. Other sources of revenue should also be explored. They might include:
- Government grants
 - Sponsorship of specific initiatives
 - Donations
 - Overseas aid agencies

- Charitable sources
 - Advertising space
 - Firms
101. Donor agencies such as the World Bank can provide funding for projects aimed at strengthening the institutional framework in a country including the professional body and regulatory agencies. When working with donors, there is sometimes a potential need for technical assistance which can be provided by more developed IFAC member bodies. See the Tools and Resources document page 97 and the IAESB paper *Assistance Projects in Accountancy Education and Development*, IFAC, 2000.
102. Although seed funding from outside sources may be required in the early years, eventually the organization must generate sufficient revenues to cover all its operating costs and allow for some investment in development. The members of a new accountancy organization should be committed to providing a certain level of financing at each stage of its development, so that at no stage is there undue dependence on outside financial support. An excessive reliance on outside support creates a dependency that may affect the nature and scope of the organization's activities and is not in the long-term interests of the members.
103. Funds from members and students will need to be raised in two ways: as dues, in payment for the rights and privileges pertaining to membership (e.g., membership dues and license fees), and as recompense for services received such as courses, examinations, registration, educational materials, professional development activities and participation in promotional events.
104. Professional accountancy bodies need to consider several factors in setting up annual membership dues including the number of members, the ability for the members to afford the dues, the level of national GDP as well as the proposed activities or member services that the organization intends to carry out during the year. Professional accountancy organizations will also need to carefully consider the different levels of membership and focus on the possible benefits for each category of membership to ensure that the organization has the best responses for each category. As professional accountancy bodies develop and gain prominence, they should review their membership due structures periodically to ensure the dues reflect the value being provided to its members.
105. Where the body draws its members from all sectors of the economy it may be necessary to consider a variable membership fee structure according to sector, reflecting the differences in general salary levels that will exist. Where such a variable membership rate structure is adopted, care should be taken to ensure that this does not lead to resentment from those members paying the higher rates or the creation (implicitly or explicitly) of a two tier membership structure.

106. As mentioned above, the professional accountancy organization can also obtain revenues in exchange for various services not covered by the annual membership dues. Examples of these services may include:
- Workshops and seminars, charging members some basic fee;
 - Paying e-learning continuing professional development courses provided through the Internet;
 - Delivering discounted member benefits especially negotiated for the members of the professional body (e.g., professional and fee protection services)
107. In addition, other means can be used by the professional accountancy organization to increase their revenues or facilitating the acquisition of goods, such as:
- Providing stands for companies which may want to demonstrate their products to members at the professional body's conferences in exchange of fees
 - Using rent to own as a way to acquire equipment, such as computers. This allows the professional body to obtain equipment without parting with a large sum of money upfront. Instead the professional body pays monthly installments and becomes owner of this equipment at the last payment. It should be noted, however, that rent to own often entails a long-term commitment

ACCOMMODATION AND EQUIPMENT

108. The organization will need to have its own independent premises. A balance should be sought between the organization's financial realities and its status as a recognized professional body. Location of premises and ease of access (e.g., nearness to public transportation) will be important. In selecting premises, professional bodies may need to consider whether it has the resources to rent or purchase premises of sufficient size to accommodate continuing professional development or other training courses. Where funds are not available in the earlier years to accommodate these activities, the professional body may form arrangements with training institutes or other professional organizations to rent or use their space.
109. Office premises and related maintenance could be a major call on resources. Care should be taken not to enter into long-term leases that may be expensive to terminate if the need for space grows. Small premises on short-term leasing agreements will provide more flexibility. Space rented from a friendly organization may provide services and infrastructure without the set-up costs. A few

organizations have been successful in joining with other groups to form a “professional building” where savings can accrue from sharing messengers, office cleaning services, and equipment.

110. Basic equipment – telephone, fax, computer and printer – is essential. When purchasing or leasing office equipment, the level of service offered by the supplier should be taken into consideration. The usual office furniture including desks, chairs and filing cabinets should be acquired if not provided as part of the leasing arrangement.

MARKETING AND PROMOTION OF THE PROFESSION

111. Effective marketing is essential for the long-term success of any organization. A professional body that carefully plans and coordinates its marketing activity stands a greater chance of achieving its strategic objectives.
112. The initial marketing focus for a new professional body should be on building awareness with key target audiences, attracting students and ensuring effective service delivery. The aim should be to build a critical mass. With higher growth, new priorities will be important, such as increasing partnerships and providing added-value services to members, including career support, training and development, and technical resources.

RESEARCH AND PLANNING

113. To implement an effective marketing strategy an organization must first understand the environment in which it operates. The three key components of the marketing environment are the macro environment, the micro environment and the internal environment.
 - Macro environment – social, legal, economic, political and technological factors
 - Micro environment – students and members, stakeholders (industry leaders, employers, regulatory bodies, education institutions), suppliers (tuition providers) and competitors (national and global)
 - Internal environment – finances, human resources and infrastructure
114. Research and analysis of each of these areas ensure that the organization: is aware of the external factors that could potentially impact on the organization; gains an understanding of potential customers, decision-makers and competitors; and has a good awareness of its own strengths and limitations. The findings of the research will enable the development of realistic and achievable marketing plans and allow the organization to make informed decisions on key marketing issues such as brand positioning, competitive advantage and developing a marketing

strategy.

BRAND IDENTITY

115. A brand is a powerful tool in communicating to students, members and the wider business community the organization's values and market position. The brand is the expression of the unique value that the body offers to its customers and stakeholders. A new professional accountancy body has the opportunity to establish its brand identity at the organization's inception. A consistent brand image helps create awareness of an organization and fuels perceptions of quality and professionalism. Brand components that can be easily implemented include:

- A name that conveys what the organization does and what it stands for
- Brand values that are consistent with the objectives of the organization
- A memorable logo that is used consistently in all communications
- A consistent design and style that is used in all correspondence, and literature and on the website
- The recruitment and training of people who fit with the organization's brand values

PROTECTING INTELLECTUAL PROPERTY

116. Intellectual property is a valuable asset for any organization and should be adequately protected. The organization's name, including its' acronym and any associated brand, such as the designation or qualification, e.g., "CA" or "CPA," is the most basic intellectual property asset and arguably the most important. The organization's reputation could be seriously damaged if another organization or individual was to use its name. Legal protection can be obtained by registering the organization's name as a trademark. Other areas of intellectual property that should be protected may include: product and service names; logos; qualifications; and domain names. It is recommended to seek advice from a specialist with expertise in the area of protecting intellectual property.

COMMUNICATIONS

117. Magazines and newsletters are an effective medium for communicating to members the latest news about the organization and current issues affecting the profession. These publications can also be used as tools to promote services and products, such as events and courses. The costs of the production and delivery can be reduced by issuing the communication in electronic format or by seeking advertising revenue.

118. The Internet is a key delivery mechanism for communicating information and encouraging interaction with customers and stakeholders. It is increasingly becoming the first point of call for those who are seeking further information about the qualifications and services offered by professional bodies.
119. The design of a website should give due consideration to both structure and content to ensure that relevant information can be easily sourced by all potential customers and stakeholders. In addition, it is important to take into consideration the organization's future strategy so that the website can accommodate the future needs of the organization and its customers. It is suggested that a basic website is constructed and launched to raise awareness of the organization. The website can then be developed further as resources allow. Additional issues that need to be addressed when initially developing a website include:
- Registering appropriate website domain names
 - Ensuring that the website design is consistent with the brand
 - Developing a website within the organization's technological limitations
120. Personalized one-to-one communications should be used when it is imperative that a particular message is conveyed to members.

PROMOTION

121. The promotion of a new professional body will cover various stages and inevitably require a combination of promotional techniques to ensure that messages are effectively communicated to the right people at the right time.
122. Initially, the organization should concentrate on creating awareness of its existence among industry leaders, regulators and government, as well as potential members. Key influencers should be consulted one-to-one at an early stage and invited to provide input or feedback on proposals. Gaining their support at the outset will not only provide the organization with access to a pool of experts but also aid future promotion to potential members and the public at large.
123. A planned and coordinated public relations (PR) campaign is vital in raising awareness of a new professional body. Links with leading national and business press and other media groups need to be established at an early stage. The public support of high-level influencers will be essential in generating wide PR coverage and help ensure that awareness and interest in the new body is created among potential members and other stakeholders. Through the PR campaign, it will also be important to build relationships with the economic, business community as well as accountancy deans, universities and related professionals. The professional body can leverage these relationships to further develop its membership, and therefore its own resources.

124. Promotion to potential members and students should be planned and coordinated to deliver both a successful initial recruitment exercise and sustained student and member growth. It is imperative to understand the needs and aspirations of potential members and to consistently incorporate these into campaign messages. It is also important to encourage partners and other stakeholders, particularly tuition providers and others involved in delivering qualifications, to be active in promotion. The professional accountancy body should recruit students in way that matches its capacity to deliver qualifications and services to them. Promotion should also be targeted to ensure the recruitment of appropriate students whose association with the professional accountancy body will enhance its reputation and status, and who are in a position to complete their qualification. If the students who are recruited are unable to complete the qualification, the reputation of the professional accountancy body could be undermined. It will also make it less likely that students will recommend the professional accountancy body to others; recommendation is a vital source of acquiring new students and building the organization's reputation.
125. The promotional techniques chosen to target potential students and members will depend on the market, audience, costs and resources. Events and exhibitions should be at the center of the program. Select advertising may be used in the marketing strategy, especially to develop awareness. However, this should be targeted so that it builds awareness with key target audiences, such as potential students and their career advisers and employers. An effective promotional campaign will incorporate a combination of the following activities:
- Exhibitions
 - Presentations
 - One-to-one meetings
 - Direct mail campaigns
 - Advertising
 - Building relationships with employers of potential members and students
126. Other stakeholders play a vital role in the decision-making process. For instance, since employers and education institutions frequently influence a student's choice of a professional body, the needs of these groups must also be addressed. In early stages, the focus of relationship building should be on growing capacity in the market for tuition and employment of professional accountants. Influencers can be utilized to encourage support from these stakeholder groups.

MEMBER SERVICES

127. Members expect efficient and economic service from their professional body. It is essential that a customer-focused culture is established and that the people within the organization have the expertise and resources to meet reasonable expectations. Members' services not covered by the annual membership fee may be charged at market rates. The introduction of initiatives such as service level targets, satisfaction surveys, complaint procedures and suggestion schemes can assist in managing customer expectations, communicating customer service goals to staff and facilitating a culture of high standards, innovation and improvement.
128. An important dimension of providing support and services to members working in the public sector is the influence that the professional body is able to bring to ensure that the qualifications and status of its members are fully reflected in the scheme of conditions of service in place in government. This is a difference from the situation in relation to members working in the private sector, where market conditions are likely to be the dominant factor in determining pay and grading.

A particular issue for a body whose members come from both the public and the private sectors may arise where particular members may be qualified to carry out public audit duties. In such circumstances there will be a need to identify those members whose training and qualification has equipped them to undertake public audit, and to distinguish those members from others, working in either sector, whose training and qualifications does not so equip them.

129. Where the body is newly established this may be a relatively simple matter of setting up appropriate registers, ensuring that these are made publicly available and, perhaps, running a news and promotional campaign to make stakeholders aware of the distinction between the two types of members. In more established bodies, however, there may be the issue of making this distinction without appearing to create a lower class of members who are not qualified to undertake public audit. This can be a particular issue for bodies who have traditionally admitted to membership only those involved in public audit and who then aspire to broaden the membership base to include individuals from the wider private sector and the public sector. Where that is the case, the body should take specific steps to ensure that it maintains equity of membership rights and duties.

THE REGISTER OF MEMBERS

130. In order to maintain and continue to build relationships with its members, professional accountancy bodies will need to build a database that serves as a register of members. This will assist the professional accountancy organization in providing its members with specific services, developing communications tools or building statistics about its constituents.

The database may also be necessary for keeping information about professional accountants allowed to practice and disclosing that information to the public.

The minimum information needed for building the database would include:

- Member name
 - Member number
 - Residential address
 - Business address
 - Preferred postal address
 - Email address
 - Employment category or sector
 - Qualifications
 - Date of birth
 - Date of admission to membership
 - Category of membership
 - Licensing information – number, date first issued
 - Attention needs to be paid to any local data/privacy protection legislation.
131. Similar information needs to be maintained for students and, if the organization is actively involved in offering courses or examinations, student registrations and other student records will be required.

PART TWO:
ROLES AND
RESPONSIBILITIES OF A
PROFESSIONAL
ACCOUNTANCY BODY

Part Two: Roles and Responsibilities of a Professional Accountancy Body

MEMBERSHIP REQUIREMENTS

132. During the start-up period and in the early years of the organization's life, the majority of the members will be individuals who have earned designations from foreign professional accountancy bodies or who have, through other means, developed the knowledge and expertise of professional accountants before the creation of a local professional body for them to join. Such individuals are usually permitted to join a new professional accountancy body during a specified, limited period of time under reasonable "grandfathering" provisions i.e. admission of the predecessors of those who qualify after the professional body has its own entry requirements. Grandfathering provisions should encourage as many qualified people as possible to join the organization, while minimizing the risk that unqualified people will be accepted into membership. Grandfathering provisions should be available only for a limited time and end by the time an accreditation program is developed and functioning.
133. As a starting point, the founding group should learn as much as possible about the requirements for foreign designations granted to individuals who are potential members. For each designation under review, information should be obtained on:

The minimum level of education required for the qualification, length of formal period of study, subjects studied, etc.

The examinations required, giving special consideration to the examinations of professional competence

The minimum amount and type of experience (including any required practical training) required prior to membership and licensing

The framework of professional technical and ethical standards of the professional body which granted the designation

134. Once this review has been completed, a decision can be reached as to which categories of membership, studentship, titles and designatory letters will be acceptable for full membership in the new organization. The following membership classifications are common to many professional accountancy bodies:

MEMBERSHIP CLASSIFICATION CATEGORY		
CATEGORY	TITLE	DESIGNATORY LETTERS
Member or Fellow	Certified Public Accountant	CPA
	Chartered Accountant	ACA/FCA
	Chartered Certified Accountant	ACCA/FCCA
	Expert-Comptable	
	Commissaire aux Comptes	
Associate or Affiliate		
Accounting Technician		
Student or Trainee		

135. Consideration should be given as to whether individuals who have reached a certain level in the accreditation process of a foreign country will be accepted for some form of membership other than full membership, such as student, technician or associate membership. After individuals with foreign designations who are already working in the country have been accepted for membership under the new organization's grandfathering provisions, there will still be an ongoing need for recognition of foreign designations. In that regard, the guidelines for mutual recognition agreements adopted by the World Trade Organization should be reviewed. Consideration should be given to the need for requirements such as a working knowledge of the local language, evidence of professional reputation, and demonstrated knowledge of national company and tax law. Recognition of adequate foreign qualifications could bring positive value to the professional accountancy education, such as reinforcing the basis of its membership or exchanging new ideas and best practices with foreign professional accountants set in the country.
136. It is also necessary to review the qualifications of individuals who do not currently have any designation, but who have the necessary educational background and experience to perform the work of a professional accountant or of accounting technicians. Admitting people who appear to be competent is the fair thing to do. It allows the organization to include in its membership more people with influence in industry and government, thus enhancing support for the organization. Further, where their education has been received at a local university, the organization may gather more information and contacts that will be useful in establishing its own

accreditation program. Here, however, it is particularly important that there be a strict limit on the period of time during which such individuals may be grandfathered into membership.

MEMBERSHIP RECRUITMENT

137. Once the qualifications for membership under grandfathering provisions have been identified, a concerted effort should be made to encourage people with these qualifications to apply for membership. Although membership recruitment is an important ongoing activity for any voluntary membership organization, the initial effort is crucial. A failure to attract sufficient potential membership will restrict the new body's ability to carry out its activities, will weaken governmental and public support for the organization, and is likely to dampen the enthusiasm of the founding group. Thus, the importance of this initial effort cannot be over-emphasized. The methods used will vary depending on many considerations, such as the number of potential members to be contacted, the people available to work on this effort, the distances and costs involved, etc. Personal contact is usually the most effective recruiting technique.
138. A general meeting for potential members may help. Such a meeting would provide an opportunity for prospective members to meet one another and the members of the founding group, and to learn about the objectives of the organization, its proposed activities and structure, and the costs and benefits of membership. Information obtained from attendees would also make follow-up contacts more effective. Every effort, including media announcements should be made to gain publicity for this meeting to generate a large and representative audience.
139. Leaders within the profession (e.g., the managing partner of a public accounting firm, the chief financial officer of a company, the head of a governmental or university department) may also be effective in membership recruitment. The support of only a modest number of such individuals may result in a large number of membership applications.

STUDENT MEMBERSHIP

140. A professional accountancy body needs to consider its interactions with students, because students are the members of the future.
141. Relations with students will be limited where all or most of the technical education is assumed by other organizations or institutions and will become more complex as the organization's direct involvement in either the education or evaluation of students increases. However, some involvement is always desirable in order to develop ties with future members. Thus, a professional accountancy body should work to enhance interactions between members and students. Some of the activities that might be encouraged are:

- Presentations to senior high school students to encourage their interest in the profession
- Participation in “career day” events
- Classroom lectures to accounting students on current issues or the application of technical standards in “real life” situations
- Offering part-time employment opportunities to students
- Building relationships with academics and tuition providers

PRACTICE CERTIFICATES

142. As is pointed out in paragraph 100.1 of the Code of Ethics for Professional Accountants issued by the IESBA under the auspices of IFAC, “A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.”
143. The exercise of this responsibility involves many activities. Of particular importance in relation to the public audit work of members of the body is ensuring that the performance of the opinion and certification function is restricted to those who are qualified to perform it. A professional accountancy body should seek to have this restriction written into law, preferably through granting to the organization itself the authority to determine the criteria of competence. If determining the criteria is the responsibility of the organization, this responsibility can be exercised through the issuance of practice certificates to qualified individuals. Generally, the practice certificates should have a limited life and be renewable according to rules established by the Council. Setting a limitation period for the practice certificate helps to ensure those qualified to perform restricted functions are still appropriately qualified. Given the rapid rate of change in technical standards, it is important that those permitted to perform restricted functions continue to be competent to do so. Conditions which might be imposed for renewal include evidence of a certain amount of continuing professional development (CPD) in the audit area, re-examination, professional indemnity insurance, and coverage in the event of illness, or other circumstances.
144. Practice certificates may also be desirable for those members offering services other than the attest function. Many professional accountancy bodies require members who offer any type of accountancy service directly to the public to hold a practice certificate. Obtaining a practice certificate may require additional practical experience or study in the area in which the individual intends to practice. To retain the practice certificate, members should be subject to reviews of their work through appropriate quality assurance programs.

ADOPTION AND IMPLEMENTATION

SETTING TECHNICAL STANDARDS

145. The adoption and implementation of international standards will be different for each country. Situations may vary from, for example, transition to international accounting and auditing standards from a country's own developed standards, to the adoption of international standards for a limited base of previously developed standards. In all situations, it is a significant project that requires careful planning and commitment and equal attention should be devoted to the sustainable adoption and implementation (training, awareness, and programs to check application).
146. The single most important but least tangible issue is to gain a solid commitment by all essential stakeholders, both to the process and the timeframe of adopting and implementing the international standards. Identifying key stakeholders is a major issue and likely to differ in each country. Stakeholders will include all accountancy bodies in the country, government, regulators, public oversight boards, secondary and tertiary educational institutions, capital market participants and regulators, and Boards of Directors.
147. Decisions regarding the authority to set standards, and the authority for adhering to the standards that are set, will require particular attention. Appropriate national and professional pride might result in a first reaction that a professional body should develop and enforce its own set of standards. However, the setting of standards is a difficult and complex task. Moreover, it is a lengthy and costly process since it will require the acceptance of these standards by the business community, government regulators and members of the local accountancy profession. In an increasingly globalised world, the consistency and compatibility of standards across jurisdictions is a particularly important issue.

SETTING STANDARDS

148. IFAC and IASCF have worked over the years to develop auditing and accounting standards that are suitable for general acceptance internationally. More recently INTOSAI has issued its International Standards of Supreme-Audit Institutions (ISSAI) Framework to guide the application of auditing standards in the public sector by Supreme Audit Institutions (SAIs)². In some countries the determination of national accounting and auditing standards is the responsibility of a specially constituted Standards Board. Where this is not the case, however, the professional

² See <http://www.issai.org/composite-347.htm>.

accountancy body should set up a committee to review these standards in the light of its members' knowledge of the economic, legal and professional environment. In setting up this committee the body should take into account the availability of regional support e.g. in the form of INTOSAI regional groupings. Where necessary, the professional accountancy body may issue supplemental guidance material to reflect local circumstances. Doing so will conserve scarce resources that can be better used for training and for monitoring and enforcing compliance with the standards and supplemental materials.

149. For national standard setters in the process of adopting IFAC's International Standards, reference should be made to the IFAC policy position document 'Modifications to International Standards of the International Auditing and Assurance Standards Board (IAASB) – A Guide for National Standard Setters that Adopt the IAASB's International Standards but Find It Necessary to Make Limited Modifications- July 2006'. This policy position document can be accessed at:

www.ifac.org/publications-resources/modifications-international-standards-international-auditing-and-assurance--4

This document sets out the IAASB policy on what modifications a national standard setter that adopts the International Standards promulgated by the IAASB as its national standards may make to the International Standards while still asserting that the resulting national standards conform to the International Standards. A national standard setter may refer to its national standards as conforming to ISAs only if the International Standards on Quality Control and all current ISAs have been included. Where the national standards setter has not included all current ISQCs and ISAs (for example, because of delays in issuing a new ISA for national use), the national standard setter has to appropriately qualify the reference to conformity with ISAs and clearly disclose which ISQCs and ISAs have and have not been included.

While this policy statement applies to standards promulgated by the IAASB, the principles set out in the policy statement (e.g. completeness, consistency in intention/meaning, limitation of additions and deletions, due process, and highlighting and explanation of modifications) may be helpful to a national standard setter in its consideration of adoption and modification of other International Standards as well.

In cases where the text of the English or translated standards will be incorporated into law or regulation, IFAC will ordinarily waive copyright.

150. It is advisable, if possible, to set up two separate working groups or task forces to review accounting and auditing standards. Consideration should also be given to how best to represent the needs of the public in this important work. Task forces or working groups should include practitioners from all sectors including both large and small firms; government and the third sector, and perhaps other sectors as

well, to help build support for the standards.

151. The review of international standards is a major task and may require several years to accomplish. Each group will need to review each standard, compare it to current practice, debate and resolve any differences, and decide transition issues, which are particularly important when current practices have a basis in law. Committee recommendations to adopt a particular international standard should be approved by the Council, preferably after a period of exposure. During the exposure period, the training arm of the professional body can commence the development of seminars and training programs to train local educators and practitioners in the use of the standard. Alternatively the body may commission suitable training from external training providers, where it has no internal training capacity of its own.
152. A number of countries have adopted international standards and more information on how to accomplish this in a particular situation can be obtained by contacting IFAC. The Tools and Resources Part of the Guide includes two case studies about the IFRS convergence process in Australia and Jamaica which will be of interest to professional accountancy bodies where they have responsibility for standard-setting. Where they do not, these case studies may be of interest to the national standard-setter.
153. In promulgating international pronouncements, including international Standards, IFAC's standards-setting boards, and INTOSAI in relation to its ISSAI Framework, follow rigorous due process and working procedures.

In general the meetings of the standard setting boards to discuss the development and to approve the issue of international pronouncements are open to the public. Matters of a more administrative nature or with privacy implications may be dealt with in closed sessions. Where practicable, these meetings are broadcasted over the Internet or recorded and archived on the IFAC and INTOSAI websites.

Meeting agenda papers, including issues papers and draft international pronouncements prepared for the standard setting boards' review and debate and minutes of the immediately preceding meeting, are published on the appropriate website prior to each meeting.

Draft pronouncements are developed based on research and consultation, which may include: conducting research; consulting with different stakeholders-practitioners, regulators, national standard setters and other interested parties; and reviewing professional pronouncements issued by IFAC member bodies and other parties.

PUBLIC EXPOSURE

154. Approved draft international pronouncements are exposed for public comment. Exposure drafts are placed on the IFAC, IASB and INTOSAI websites, where they can be accessed free of charge by the general public. Each exposure draft is accompanied by an explanatory memorandum that highlights the objective(s) of and the significant proposals contained in the draft international pronouncement, as well as the Public Interest Activity Committee's (PIAC) view on the main issues addressed in the development thereof. Notice of the issuance of exposure drafts is widely distributed to: regulatory bodies; organizations that have an interest in the pronouncements issued by the PIAC; member bodies of IFAC and INTOSAI; and the press.
155. Comments made by respondents to an exposure draft are a matter of public record and are posted on the appropriate website after the end of the exposure period.
156. To facilitate the deliberative process, the Project Task Force provides the standard setting boards as part of their public agenda papers with an analysis that summarizes the main issues raised by respondents, outlines the proposed disposition of the issues that have been raised and, where appropriate, explains the reason(s) why significant changes recommended by a respondent(s) are, or are not, to be accepted.

TRANSLATION OF INTERNATIONAL STANDARDS

157. International standards are published in the English language, and both IFAC and the IASB have policies to assist the translation of these standards into various national languages. For IASB's translation policy, please refer to the IASB website www.iasb.org.
158. One of IFAC's primary objectives is to develop high-quality standards and guidance that enable accountants worldwide to provide services of consistently high quality in the public interest. To achieve this objective, IFAC strives to make its publications widely available by enabling individuals to download them free of charge from its website for personal use, and by permitting interested parties to reproduce and translate them subject to entering into an agreement with IFAC as appropriate. To view IFAC's two Policy Statements to facilitate the reproduction and translation of its publications, as well as a Sample Permission Request and Translation Proposal document, please visit the IFAC's translations webpage at www.ifac.org/about-ifac/translations-permissions

159. Highlights of the elements of the Translation Proposal include:
1. Involvement of interested parties
 2. Development of a faithful translation
 3. Mutual agreement of a translation timetable and maintenance of that/such timetable
 4. Sufficient human and financial resources for translation and maintenance
 5. Explicit acceptance of copyright transfer of the translated standards to IFAC
 6. Involvement of, or consultation with, key stakeholders
 7. Explicit acceptance of responsibility for the quality and acceptability of the translated standards
 8. Compliance with the translation process as set out in the IFAC policy.
160. A faithful translation respects the intent, tone and the organization of the standards issued by IFAC and enables those, who wish to read them in the language of translation, to obtain the same understanding of the meaning as that of a similarly qualified native English speaker. Faithful translation also prioritizes the meaning of original text over modifications to address or suit local circumstances. Faithful translation does not imply word for word translation, but should result in text that is readable in the language of translation.
161. In order to become a translating body, an interested party shall submit a written permission request and translation proposal in English to permissions@ifac.org as described in the appendix of the 'IFAC Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants—December 2008', which can be accessed via the Tools and Resources document. A translating body is an IFAC member body, associate, regional accountancy organization, standard setter, regulator or any other party with which IFAC has an agreement to translate the standards.
162. Translation of international standards is a complex, time-consuming and often costly task. National standard setting bodies may not have the necessary financial resources but are often in the best position to lead the exercise. One way to secure appropriate funding may be to apply for a grant with one of the regional development banks or development agencies.
163. IFAC encourages its member bodies and interested parties to cooperate in working toward the goal of 'one quality translation per language'. IFAC also encourages a translating body to include in its review committee other

bodies/parties/jurisdictions that may benefit from using the standards in the language of translation.

164. There is now software available to assist translation exercises. It allows for checking for consistency of texts and use of key terms. Such an electronic tool makes the translation process easier and helps to assure a high quality translated text, and allows for future updates to be completed faster and in a more efficient way.
165. A translating body, which has obtained permission from IFAC to translate its pronouncements, is not required to use translation memory software to produce translations of the standards. However the use of translation memory software, compatible with that used by IFAC, is strongly encouraged in order to enhance consistent translation and maintenance of key terms. IFAC has procured Trados translation memory software.

CODE OF PROFESSIONAL CONDUCT AND ETHICS

ESTABLISHING A CODE OF ETHICS

166. The accountancy profession has worked to maintain its reputation for integrity, objectivity, and competence through its many years of service to clients, employers, and the public. Any professional accountant who fails (or is perceived as failing) to comply with professional standards and legal requirements makes it difficult for the profession to maintain its reputation. IFAC's role is to provide guidance, encourage progress, and promote convergence towards international standards.
167. The accounting profession has a responsibility to protect the collective well-being of the public and the institutions served by professional accountants. This requires the adoption and enforcement of a code of ethics even when the legislative body of the country has the responsibility for promulgating ethical requirements. To do so, most accountancy bodies establish an ethics committee that is responsible for promulgating the code and establishing a separate group to monitor adherence to the Code and taking disciplinary actions for breaches of the code. To assist professional accountancy bodies in carrying out their work for adopting the IFAC Code of Ethics and developing activities to implement the Code of Ethics, Appendix 4 contains an example of Terms of Reference for Ethics Committee.
168. The IFAC Code of Ethics for Professional Accountants was established to serve the needs of all professional accountants regardless of whether they are engaged in public practice, working in government or employed in other sectors of the economy, and focuses on the profession's responsibility to act in the public interest. It sets standards of conduct for professional accountants and states the fundamental principles they must observe to achieve common objectives. The

IFAC Code of Ethics has international acceptance and its general principles are suitable for adoption by all countries. All IFAC member bodies are required to converge the principles of the IFAC Code of Ethics with their national code.

169. The IFAC Code of Ethics is based on five fundamental principles: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior, and includes three Parts. Part A of the Code applies to all professional accountants; Part B applies only to those engaged in public practice; and Part C applies to professional accountants not employed in public practice and gives guidance on the fundamentals of ethical behavior.
170. Education is crucial to assist professional accountants in understanding and implementing the requirements of the IFAC Code of Ethics in their activities. IFAC has developed a toolkit to assist professional bodies and accounting education providers in developing high quality education training programs for professional accountants and accounting students. The Toolkit features a large range of case studies and other materials designed to support the implementation of International Education Standard 4, Professional Values, Ethics and Attitude. This toolkit is available at: www.ifac.org/publications-resources/handbook-international-education-pronouncements-2010-edition
171. Professional accountancy bodies can also develop other types of activities to assist professional accountants in understanding and correctly applying the standards. For example, the development of an ethics hotline may allow experts from the professional body to answer possible queries about ethics matters from their members, clarify ethics requirements, or provide specific interpretations of the standards, as needed.

APPENDIX 4:
TERMS OF REFERENCE—
ETHICS COMMITTEE

PURPOSE

The purpose of the Ethics Committee is to:

Develop and maintain a Code of Ethics that governs the professional conduct of the body's membership

Formulate policies regarding members' professional conduct and performance of professional work

Make recommendations to Council concerning the ethical rules and standards for members

Developing and issuing guidance relating to ethical and professional rules and standards

In addition, the Ethics Committee shall have the powers delegated to it by the Council, regulate its own affairs, and may delegate any of its role and powers.

RESPONSIBILITIES

The Ethics Committee has the following responsibilities:

- (a) Inform the wider body on issues within the accountancy profession of relevance to the body's professional conduct policies
- (b) Ensure that the body's ethical standards and guidance are in line with national and international standards and laws
- (c) Engage with appropriate government and regulatory agencies and other persons and entities with an interest in the body's ethical rules, professional standards, and related guidance

MEMBERSHIP

The Ethics Committee shall comprise up to xx members from all sectors of the profession. Persons who are not members of the body may be appointed as members of the Ethics Committee.

MEETING PROCEDURES

The Ethics Committee meets at least three times each year, and more often as necessary. The quorum for the meeting shall be two thirds of the total membership of

the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the responsibilities and powers vested in the Committee. The Committee secretary shall minute the proceedings and resolutions of all meetings of the Committee.

PRONOUNCEMENTS

The Ethics Committee is responsible for the development and approval of the body's Code of Ethics and professional standards and guidance. The Code of Ethics and professional standards requires approval by the Council. Guidance materials, however, may be developed and approved by the Ethics Committee, with no Council approval needed. All documents which impose binding obligations on members should be released as exposure drafts prior to final approval.

REPORTING REQUIREMENTS

The Committee Chair shall report formally to the Council at least once a year on the activities of the Ethics Committee.

ASSURING THE QUALITY OF PROFESSIONAL SERVICES

INTRODUCTION

172. Regulation of the accountancy profession is carried out in a number of different ways in different jurisdictions. Some jurisdictions have external regulatory mechanisms and some have internal quality assurance programs implemented by the profession with public oversight mechanisms. IFAC believes that member bodies need to demonstrate that there are adequate regulatory programs in place in all cases but also to provide reasonable assurance that professional accountants adhere to the highest standards. Where there are no external regulatory mechanisms, quality assurance can be conducted in a cost efficient and effective way by those dedicated individuals who comprise the profession. It is therefore in the public interest and the interest of the worldwide accountancy profession for member bodies to ensure they carry out this kind of regulatory effort where no external regulatory mechanism is in place.
173. Each country, professional accountancy organization or other legally responsible institution may define the exact scope of the activities covered by quality assurance programs. IFAC believes it is desirable for a wide range of professional services performed by professional accountants to be subject to quality assurance review programs that are commensurate with the nature of the services. Professional accountancy organizations are therefore encouraged to extend the scope of quality assurance review programs to cover as many professional services as possible, delivered by statutory auditors or others. The public interest, however, requires that certain types of engagements be subject to mandatory quality assurance reviews. The professional accountancy organization, or the organization legally responsible for quality assurance, should identify criteria or risk factors for selecting engagements that are subject to mandatory quality assurance review. Because the public places greater reliance to on audits of financial statements of listed entities, it is appropriate that mandatory quality assurance review programs apply at least to those engagements, although they can also apply to other types of professional services.
174. In the case of professional accountants in business³ and accounting technicians, the implementation of appropriate quality assurance policies and procedures is ordinarily a matter for the organization (the employer of the accountant). For that reason, this section does not deal with professional accountants in business or accounting technicians. However, professional standards, Code of Ethics, and

³ The *Code of Ethics for Professional Accountants* defines a professional accountant in business as a professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.

Investigation and Disciplinary mechanisms are, in any cases, directly and fully applicable to all categories of professional accountants including professional accountants in business and accounting technicians (see section on Investigation and Disciplinary processes below).

175. In the case of professional accountants in public practice, the implementation of appropriate quality control policies and procedures is the responsibility of each firm of practicing accountants. The task of encouraging and assisting firms of practicing accountants to maintain and improve the quality of professional services is a key responsibility of the professional accountancy bodies in each country. IFAC believes that the professional bodies should be responsible for taking appropriate steps to achieve that objective in the legal, social, business, and regulatory environment prevailing within their countries.

QUALITY CONTROL

176. Quality control is addressed at three levels: the engagement level, the firm level and the professional body level.
177. The IAASB establishes standards and provides guidance on quality control policies and procedures:
- (a) For specific types of engagements (for example the International Standard on Auditing 220, ISA 220, *Quality Control for an Audit of Financial Statements*), and
 - (b) For a firm's responsibilities with respect to its system of quality control for audits and reviews of historical financial information, and other assurance and related services engagements (International Standard on Quality Control 1, ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*)
178. SMO 1 establishes the obligations of IFAC member bodies that relate to quality assurance review programs for their members performing certain audit engagements of financial statements.

ESTABLISHING QUALITY CONTROL STANDARDS AND GUIDANCE

179. SMO 1 requires IFAC member bodies to establish and publish quality control standards and guidance requiring firms to implement a system of quality control in accordance with ISQC 1. Member bodies are encouraged to provide their practicing members and audit firms with written guidelines and training workshops to assist them in implementing appropriate systems. Many IFAC member bodies have already developed implementation guidance to assist their members in implementing ISQC 1 or the related national quality control standards. A list of

such guidance available from IFAC member bodies is included in the Tools and Resources document – refer to page 89.

ESTABLISHING A QUALITY ASSURANCE REVIEW PROGRAM

180. SMO 1 requires IFAC member bodies to ensure that a mandatory quality assurance review program is in place for its members performing audits of financial statements of listed entities (as a minimum).
181. SMO 1 recognizes that in certain jurisdictions, the quality assurance review of listed entities is performed by a body external to the profession. Often the scope of such a review is limited to audit engagements of listed entities. In this case, SMO 1 recommends that the professional organization consider whether the scope of the review should be extended to include audits of other entities, and to other assurance engagements not involving the audit of financial statements.
182. A professional body should consider the most appropriate infrastructure to perform quality assurance reviews for its members. One key consideration is the size of the organization. Smaller organizations may find it difficult to implement a peer review system due to the limited number of participants. On the other hand, the hiring of full time inspectors by the organization may not represent a cost efficient solution.

ESTABLISHING A REVIEW PROGRAM

183. Different approaches may be considered by the organization to establish a review program and they include:
 - Internal resources – using inspectors employed by the professional body
 - External resources
 - Contractors – using reviewers (individuals, firms, or mixed teams) contracted by the professional organization
 - Peer review system – individuals or firms to be reviewed who/that contract other individuals or firms to perform reviews
 - Outsourcing – professional body outsources reviews to a third party (e.g., another professional organization with the appropriate expertise)
 - Combination of the above – professional body may outsource the review of listed entities and adopt another external or internal approach for other engagements
 - Bilateral or regional approaches—one or more professional organizations

may wish to combine resources to carry out reviews

184. Irrespective of the approach used, the professional organization must implement safeguards to ensure the independence of reviewers. In all cases, reviewers should be independent of the individual or firm reviewed and the entities whose engagements are selected for review.

In addition to being independent, reviewers should be competent persons who have:

- Appropriate professional education
- Relevant professional experience
- Training in performing the reviews
- Knowledge of specialized industries
- Ability to apply professional judgment

Reviewers should also be required to undertake a program of continuing professional development on both monitoring techniques and on professional standards and on regulatory and legal updates in connection with auditing. In order to ensure that they achieve a consistent high standard of competency they will need to obtain enough experience in carrying out the work. Their work may also be subjected to review by someone who was not involved in the review of the firm, to ensure that the reports on the reviews issued are supported by the work carried out and documented.

185. The review program should generally be designed to enable the reviewer to obtain reasonable assurance on:

- The adequacy of the system of audit quality controls
- An audit firm's compliance with this system
- Adherence to ethical and professional standards and regulatory and legal requirements in the performance of audit work

186. Regarding adequacy, the review should consider whether the elements of the system of audit quality controls are firm-wide and not just engagement specific. There may, however, be a need for a firm to establish additional policies and procedures for audits of listed companies.

187. The monitoring procedures should be published and should include:

- Evaluation of technical skills, knowledge and experience of reviewers

- Evaluation of independence of reviewers
- Training of reviewers
- Assessing a firm's compliance with the international standards (ISQCs ISAs etc) issued by IAASB and with the IFRSs and IPSAS when applicable
- Documenting the review work
- Internal quality control review
- Reporting the conclusions
- Imposing corrective action
- Evaluation of corrective action
- Imposing sanctions after failure to take corrective action
- Maintaining confidentiality of the information on the audit firm and its clients

188. Appropriate documentation (programs and checklists) would also need to be designed to provide evidence supporting the review report, and to demonstrate that the review was carried out in accordance with published guidelines.

189. When reviewing engagement working papers, the reviewer should evaluate:

- The existence and effectiveness of the system of audit quality controls
- Compliance with professional standards and regulatory and legal requirements
- The sufficiency and appropriateness of the audit evidence recorded
- The appropriateness of the audit reports issued

190. A monitoring visit report should be issued to the firm and should include:

- The scope of the review
- Deficiencies found in compliance with ISA
- Recommendations for improvements – both firm wide and at engagement level
- A conclusion on whether the system of audit quality controls is in accordance with ISQC 1

- A conclusion on whether the firm complied with that system
191. Member firms should be given the opportunity to take appropriate corrective action to its system of quality controls. The firm should be required to provide a timely response on the report and this should be stipulated in the guidelines. The firm's response should contain planned actions and expected time of their completion.
192. The professional accountancy organization, through an appropriate committee (for example, a practice review or licensing committee) would also need to consider the conclusion of each review report. The composition and powers of this committee, and the procedures it should follow should be clearly set out in the member body's regulations. These regulations should follow the rules of natural justice and other applicable laws. The committee should comprise accountants and non accountants with at least one member being an auditor and one member, ideally, with legal qualifications. This committee should have powers to withdraw, suspend or impose conditions on an individual (license or registration) or a firm's right to undertake audit and assurance work.
193. Many IFAC member bodies perform or manage quality assurance reviews for firms and practitioners. As mentioned above, these bodies will have been required to develop policies, procedures and related guidance for the program and reviewers. A list of such material available from IFAC member bodies is included in the Tools and Resources document on page 90.

INVESTIGATION AND DISCIPLINARY PROCESS

DISCIPLINARY PROCEDURES

194. Once a code of ethics and other relevant professional requirements have been established, it is critical to ensure that members are aware of them and remain in compliance with them. In countries where licensing is a governmental function, governmental or regulatory bodies usually have the power to impose the most severe disciplinary actions. Even when that is the case, a professional accountancy body still needs to have an effective disciplinary process for investigating and disciplining its members (individual members, and if local laws permit, firm members) for breach of the rules, gross professional negligence and other relevant types of misconduct and, where appropriate, to assist governmental and regulatory bodies. Thus a professional accountancy body will need to consider how disciplinary investigations should be conducted, what due process should be followed, what disciplinary structure should be established, what standards of evidence and proof should be required, what sanctions might be recommended, and what appeals should be permitted. SMO 6 sets out an IFAC member body's obligations regarding investigation and discipline.
195. The core structure common to the disciplinary processes of many professional

accountancy bodies is:

- (a) A means for deciding, following appropriate policies and procedures, which complaints put to the professional body regarding the conduct of a member will be the subject of disciplinary investigation; for example, investigations might be commenced when an allegation, if true, would be prima facie evidence of a violation of the code or other misconduct or when the professional accountancy organization identifies misconduct in the course of its monitoring activities.
- (b) A disciplinary tribunal that investigates and adjudicates complaints
- (c) An appeals tribunal that hears appeals against disciplinary tribunal findings

196. The way the core structure of the disciplinary process is designed and how it operates will vary depending on many factors such as caseload, cost, the role of staff in administering and taking forward the disciplinary processes, the need for legal advisors, and the oversight exercised by governmental or regulatory bodies. For example, in some countries, government representatives supervise the disciplinary proceedings whereas in other cases they do not. In any case, a professional accountancy body should consider any perceived need or demand for greater openness and accountability in the operation of the disciplinary processes, as well as the need for transparent processes and the involvement of independent lay tribunal members. The rigor and involvement of a disciplinary tribunal will always benefit the professional accountancy body, the profession and the public interest.
197. In terms of organization, a suitably qualified senior member of staff of the member body should be given the responsibility of managing the investigation and disciplinary processes to ensure that these are consistent with the regulations, rules of natural justice and other applicable laws. The individual assigned should ensure the availability of appropriate expertise and adequate financial and other resources to enable timely investigative and disciplinary action.
198. Generally, all complaints should be considered for investigation. Information received from reliable sources that indicate the possibility of misconduct should also be considered for investigation. Initial investigation can be done by the staff of the member body (an "Investigating Officer") under the supervision of the senior member of staff referred to above, or by an investigation committee.
199. If the investigation process decides there is a case to answer, the matter should be referred to a disciplinary tribunal (committee) and charges should be laid before it. Where a matter, following investigation, is not referred for a disciplinary hearing, the complainant should have the right to an independent review of the complaint.

200. The Disciplinary Committee and Appeal Committee may each be appointed for a fixed term, or may each be appointed from members of a Panel. Each Committee should contain an appropriate mix of laypersons, lawyers and qualified accountants, ideally with qualified accountants not being in the majority. The professional accountancy body's By-laws should prohibit Council's involvement in the professional accountancy body's investigation and disciplinary processes, for example excluding any member of Council from serving on any of its disciplinary bodies, and authorizing only the Disciplinary and Appeal Committees to impose sanctions.
201. The disciplinary proceedings would also need to be held in a manner consistent with the legal requirements of the country. The regulations should provide for an appointment of a senior lawyer to act as an independent advisor to members of the disciplinary tribunal on evidential, procedural and other matters.
202. Misconduct includes any and all of the following:

Criminal activity

Acts or omissions likely to bring the accountancy profession into disrepute

Breaches of professional standards

Breaches of ethical requirements

Gross professional negligence

A number of less serious instances of professional negligence that, cumulatively, may indicate unfitness to practice diligently

Unsatisfactory work

203. In some cases, the disciplinary structure in charge may also be responsible to judge on the illegal exercise of the profession. This often involves delegation of responsibility from the government of other regulatory bodies and may be particularly useful in ensuring that only authorized professionals provide accounting and auditing services.

SANCTIONS

204. The range of penalties imposed, if local laws permit, include:

Reprimand

Loss or restriction of practice rights

Fine/payment of costs

Loss of professional title (designation)

Suspension for a period of time or permanent exclusion from membership

Other sanctions can include a warning, the refund of the fee charged to the client, additional education and the work to be completed by another member at the disciplined member's expense.

Sanctions are normally applied in proportion with the gravity of misconduct.

205. Such a regime protects clients and other stakeholders, demonstrating to the outside world that the profession is playing its part in maintaining and enhancing professional standards and, ultimately, removing from the profession those who do not deserve to belong to it.

RIGHT OF APPEAL

206. The rights of the defender should include a right of appeal within a fixed time limit. The constitution of an appeal tribunal should be similar to that of the disciplinary tribunal. The appeal tribunal should not include any member of the disciplinary tribunal that heard the case or any other individuals concerned with the case. Only the appeal tribunal should have powers to amend or review the decision of the disciplinary tribunal.

207. Where local laws or public interest consideration permit, any order made against the defendant by the disciplinary tribunal should be suspended pending the hearing of the appeal, unless necessary to protect the public interest

PUBLICITY

208. The regulations should provide for publicity to be given so that the public is informed. Decisions may have to be communicated to an appropriate regulatory or oversight body and the regulations should provide for this.

CONCLUSION

209. To maintain its credibility, a professional accountancy body must fully discharge the responsibility it assumes for the ethical and professional conduct of its members. Any structure and disciplinary processes the body adopts must be adequate to the task. It is better to make no promises than to make promises that cannot be met. A record of adjudications and penalties imposed should be kept by the professional accountancy body to ensure consistency in approach among cases. Professional accountancy bodies should also ensure they have access to legal advice to assist in maintaining a disciplinary process.

CONTINUING PROFESSIONAL DEVELOPMENT

210. A fundamental principle of the IESBA Code of Ethics for Professional Accountants states, "A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services." Continuing professional development (CPD) is the means by which professional accountants can meet their obligations of ongoing competence.

211. CPD is defined as learning activities for developing and maintaining the capabilities of professional accountants to perform competently within their professional environments.

212. The knowledge and skills required of all professional accountants expands and changes rapidly. Professional accountancy bodies are responsible for ensuring that their members continue to develop and maintain the competence demanded by their professional roles and by users of their services. Promoting CPD, and its importance, is a vital component of the activities that a professional accountancy body undertakes to maintain its credibility and that of its members. It is important that accountancy bodies demonstrate to their members the value of CPD and its benefits to individual members in terms of career development, employability and credibility. CPD on its own does not provide assurance that all members will provide high quality professional service all the time, but it is a key component to a professional accountancy body's quality assurance system which also includes

quality assurance reviews of members' work and investigation and disciplinary systems (refer to earlier sections).

213. International Education Standard for Professional Accountants 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence* sets the international benchmark for CPD for all professional accountants. The standard promotes CPD activities that are relevant to the work of the individual member, are able to be measured and are verifiable. Many accountancy bodies require members to undertake a certain number of hours of CPD each year, while others operate a competence-based approach to CPD. Whatever the approach chosen, the crucial initial step is for the professional accountancy body to promote the importance of CPD to all its members. An example action plan for establishing continuing professional development has been included in the Tools and Resources document (page 52) to illustrate how these considerations may be documented.
214. Access to CPD activities can be problematic in all countries, and the professional accountancy body should consider working with universities and colleges, private training providers, large firms, and other professional accountancy bodies in the country and the region to make available to members a wider range of CPD opportunities.
215. Professional accountancy bodies should also establish a process for determining whether its members are undertaking CPD. The initial emphasis should be on promoting and encouraging CPD, but monitoring is also important. Monitoring should not be overly resource intensive and may be best undertaken on a sampling basis. Monitoring is useful only if there are sanctions for instances of non-compliance that are disclosed by the monitoring process.

PART THREE:
EDUCATION AND
EXAMINATIONS

Part Three: Education and Examinations

OVERVIEW OF ACCOUNTING EDUCATION PROGRAMS

216. The pre-qualification accounting education process consists of six key elements:

1. Entry requirements
2. Professional skills
3. Professional knowledge
4. Professional values, ethics and attitudes
5. Practical experience
6. Assessment

217. The International Accounting Education Standards Board (IAESB) under the auspices of IFAC develops International Education Standards (IES) for Professional Accountants which prescribe the international benchmarks for accounting education. Accountancy organizations developing an education program are urged to give careful consideration to these standards. This guide addresses only items that might assist in the administration of the program.

218. It is very likely that existing institutes of higher learning, such as universities or colleges, deliver a student's academic education. A professional accountancy body, however, will need to decide if that education is adequate for entry into its membership. The organization will need to identify a desired body of knowledge and skills. To do so most efficiently, the organization should review the syllabi (defined as a summary outline of a course of studies) used by the foreign organizations that awarded the designations of the grandfathered members. The next step is to adapt the syllabus to the local environment while remaining consistent with the IES. A working group of academics and practitioners should be set up to perform this task. The practitioners should be chosen to represent the needs of the full range of sectors from which the body's members come.

In considering how best to produce a syllabus to act as a basis for examining prospective members of the body, consideration should be given to the extent to which it is possible to draw on other regional or global initiatives.

219. In formulating the required body of knowledge and skills, the professional body should give careful consideration to the need for an appropriate blend of classroom based education as well as workplace experience and training. Where the body draws its members from across the whole economy, both the nature of

the experience and training required and the opportunities and resources available in the workplace to provide it may be expected to vary. The experience and training part of the program will therefore require careful tailoring to meet the needs and available resources of students from all sectors.

Once the body of knowledge and skills has been identified, it should be disseminated to the institutions of higher learning and promoted to the institutions, students and other interested parties as the minimum coverage for recognition.

220. The organization will then need to evaluate and accredit the academic programs against the body of knowledge and any additional educational elements considered desirable. It may also choose to assess individual submissions where applicants have the necessary academic and practical experience earned for other organizations. The quality and coverage of programs can only be measured by the assessment of the syllabi and examination papers of the other organizations and this is a time-consuming and difficult task. A particular area of potential difficulty is likely to be coverage of public sector accounting, auditing and Public Financial Management (PFM) more generally. This is often missing from the syllabi of conventional academic programs in accounting and auditing. Where it is present it may be lacking scope or depth, and professional bodies may therefore have to consider how best to fill this gap in the curriculum for students entering from the public and third sectors.
221. Where the body covers the public and the private sector, particular care is required to ensure that the needs of both sectors in relation to education and training of students are met efficiently and effectively. The development of a single, integrated qualifications framework for both the public and the private sector is likely to be challenging for a new or developing professional body. At the same time, adapting an existing, essentially private sector framework to meet the needs of the public sector can introduce unwelcome complexity and result in a cumbersome qualifications framework that may not meet the needs of either sector properly. New and developing professional bodies may wish to consider the experience of countries in Africa where there are initiatives to develop a PFM Qualifications Framework for use in the region.
222. New and developing professional bodies in developing countries have a particular role in relation to supporting the development of public financial management in government. There are a number of ways in which this support may be provided; one central mechanism however is in developing a qualifications framework that is fit for purpose in terms of the specific needs of the public sector. Educating and training accountants, auditors, budget and other staff working in government so that they may become members of a professional accountancy body is a key task for government. Understandably, governments and other stakeholders who invest in training schemes of this kind will wish to ensure that they receive some return on their training investment. In particular, they will wish to be confident of retaining staff, once they are qualified, to continue to work in the public sector and

contribute to improving PFM. At the same time many prospective students from the government sector may have relatively low standards of prior academic attainment. The professional body in such an environment has a central role to play in designing and developing PFM qualifications frameworks that support the objective of achieving a return on the training investment without creating what might otherwise appear to be a lower class of membership by comparison with the private sector equivalents. The body must also achieve a balance between efficiency of qualifications framework development and maintenance and minimizing the portability of frameworks between sectors.

223. The environment in which accountants work is continually changing. Thus, the agreed-upon body of knowledge needs to be regularly reviewed to ensure that it remains current with the educational needs of accountants, whether in public practice, industry or government. It is also likely that, in developing and emerging economies, changes in the country's economic environment will require corresponding changes to the academic curriculum. One way of conducting such a review is to hold periodic focus groups to discuss the changing work environment of the members, supplemented by consideration of educational developments in other parts of the world.
224. It is quite likely that the organization, at least in the early years, will need to take an active role in the education and training process either by getting involved in education itself or through active interaction with the academic/teaching community. Most new accountancy bodies in developing and emerging economies will need to focus on ways to identify, attract and retain qualified instructors. This will not be an easy task. Generally, there is a need for professionally qualified people and the salaries and status attached to careers in education are often lower than those for other positions available to qualified people. As a result, those who teach frequently have limited practical experience and may lack sufficient academic training.
225. Several approaches may be used to overcome a shortage of qualified instructors, including:
- Participating in programs which “train the trainers”
 - Creating liaison programs between local educational institutions and established educational institutions in other countries. Depending on the need, various types of programs are possible. For example, one arrangement may consist of the use of academics from a foreign institution to lecture and, in addition, provide training to local instructors during their tenure in the developing country. In such a situation one may first need to teach the advanced topics and, in addition, address developing teaching skills. This takes time; also, because the body of knowledge to be covered is so vast, this type of program must be of sufficient length – at least one year to be effective.

- Offering programs which have been specifically designed by development agencies. Some successful examples include a consortium of accounting firms, universities and the professional accountancy body undertaking the training of instructors. These programs are generally of shorter duration and are available to many more people.
- Bringing in retired professionals and educators from developed countries to teach students and/or train local instructors.
- Asking local firms to supplement salaries of educators so that, from a financial point of view, the position becomes comparable to those available in non-academic positions, and thus increase the supply of qualified educators. This tactic may be less successful in relation to the public sector dimension of the curriculum and syllabi, however.
- Encouraging local accounting firms and governmental departments to offer their qualified professionals as trainers to local educational institutions.
- Offering distance learning programs, although these will still require some academic support, and, unless well designed may lead to unacceptably low pass rates.
- Providing learning materials acquired from other sources through various media including the Internet, video and CDs. Regardless of the source of these materials, it is important to ensure that the capability and capacity exist locally to keep these materials up to date.

226. Another problem is that there may not be enough openings within institutes of higher learning to absorb a sufficient number of qualified entrants. In addition, many may not live close enough to an urban center to access the education program unless special arrangements are made, such as bringing students to an urban center by providing scholarships or loans. Thus, the organization may need to consider ways to bring the education program to the students, for example, via distance learning programs administered by the member body or an educational institution, as mentioned above. This may include, in addition to structured self-study materials, bringing instructors to outlying centers.

RELEVANT, AFFORDABLE INSTRUCTION MANUALS

227. There is frequently a shortage of up-to-date instructional materials such as textbooks, current literature, and accounting and auditing pronouncements of international and major national standard-setting bodies. In addition, much of the materials is often imported and lack relevance to the particular system in use in the country. If this is the case, local accounting firms may be able to provide copies of their in-house manuals and procedures and their educational programs,

- for use in the private sector components of the education and training schemes.
228. The Internet may also provide a source of materials that can be downloaded and materials may be available from other accountancy bodies.
 229. Providing educational premises is generally not seen as a responsibility of the professional accountancy body, but rather of the country and its government. It may be necessary, however, to provide educational equipment such as computers, overhead projectors, copying machines, etc. Such equipment is often in scarce supply.
 230. The professional body should seek donations for this type of equipment from local business and industry. For example, corporations, banks and accounting firms periodically upgrade their computer equipment and may be persuaded to donate their used equipment. Acquiring these materials locally will eliminate shipping and customs problems. However, maintenance and the use of licensed software may require the active support of suppliers to make this feasible.
 231. A particular and significant issue in relation to the education and training of students from the public sector is the absence of suitable training, learning materials and other resources. Local education and training providers will probably be faced with the task of generating their own materials, much of which may have to be written from the beginning. Gaining access to expertise to do this can also be problematic, and the resource cost of creating and, critically, maintaining this material can be significant. The local professional body should explore how this shortage of key resources can be overcome, including helping to find investment from donors and other development partners to create an initial stock of resources for use by students and by tutors.
 232. The work to make any of the above happen will primarily need to be done jointly by the local academic institutions and the professional accountancy body. The major responsibility for developing the programs will fall on the education sector, although local accountancy training providers also have a role to play, while the professional accountancy body would ordinarily have the other major responsibility for seeking the support of government, accounting firms, businesses and outside funding agencies.

EDUCATION COMMITTEE AND STAFFING

233. The more involvement in education, the greater the need for resources, including committees and staff. The minimum requirement will be for an education liaison role to ensure that a dialogue is established between education providers and the professional accountancy body. This role could be fulfilled by volunteer members who are paid expenses until resources permit staff to be hired. The liaison role may involve advising program providers of the standards required by the professional body and accrediting relevant degree programs or agreeing on

subject exemptions.

234. There will be a minimum requirement for an Education and Training Committee reporting to Council. As the involvement increases, the efforts of this committee can be supplemented by working groups with responsibility for additional functions such as course accreditation. In framing the Education and Training Committees terms of reference and in deciding its composition, care should be taken to ensure that these fully reflect the needs of all economic sectors from which the body seeks to draw its members. Please refer to Appendix 5 to consult an example of Education Committee Terms of Reference.

APPENDIX 5:
EXAMPLE EDUCATION
COMMITTEE TERMS OF
REFERENCE

Terms of reference should specify the purpose and objectives of the Committee, the Committee's responsibilities, the likely membership of the group, formal meeting procedures (including conduct of meetings, minutes, quorums, and frequency of meetings), reporting requirements, due process and any other matters.

TERMS OF REFERENCE: EDUCATION COMMITTEE

PURPOSE

The purpose and role of the Education Committee is to:

Determine the pre-qualification and continuing professional development programs

Determine the syllabi which should be used in the education of candidates for membership

Determine the professional skills and knowledge which should be obtained by candidates through practical experience

Determine the structure of the final assessment as well as the detailed topics it should cover

Determine format and results of final examinations

The role of the Education Committee is to develop, implement and manage the policies and practical requirements of the body for education, admission, re-admission, and ongoing membership, including continuing professional development.

In addition, the Education Committee shall have the powers delegated to it by the Council.

The Education Committee shall regulate its own affairs and should avoid delegating any of its role and powers. It shall also undertake its activities in close collaboration with the membership committee, in charge of membership and admission requirements.

RESPONSIBILITIES

The Education Committee has the following responsibilities:

Inform the wider body on issues within the accountancy profession and the education environment of relevance to the body's membership policies

Contribute to the development of the body's strategy regarding education and membership, and develop and implement policies and processes to support the Institute's overall strategy

Ensure the body's education policies remain relevant and are in line with national and international standards

Ensure the body has appropriate quality assurance measures relating to the delivery of the education program

Contribute to the development and maintenance of positive relationships between the body and relevant stakeholders, including education and training providers, students, employers, government and other interested parties.

Recommend to the body's Council the list of candidates to be admitted into membership as a result of the examination process and in accordance with the admission requirements

MEMBERSHIP

The Education Committee shall comprise up to XX members from all sectors of the profession, as well as representatives from education and training providers.

Representatives from education and training providers may have to declare an interest in the determination process of the results of the examinations and absent themselves from that part of any meeting at which these results are determined.

MEETING PROCEDURES

The Education Committee meets at least three times each year, and more often as

necessary. The Committee should meet as soon as possible after each diet of examinations to determine the results of the examinations. The quorum for the meeting shall be two thirds of the total membership of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the responsibilities and powers vested in the Committee. The Committee secretary shall minute the proceedings and resolutions of all meetings of the Committee.

REPORTING REQUIREMENTS

The Committee Chair shall report formally to the Council at least once a year on the activities of the Education Committee. The Committee shall report its recommendations with respect to membership of students who have been successful in each diet of the examinations as soon as possible after each diet.

CONTENT OF EDUCATION PROGRAMS

235. International Education Standards (IES), issued by the IESBA under the auspices of IFAC, prescribe that, in addition to minimum requirements for entry into the educational program, students should be required to pass a professional examination and complete a period of practical experience before they are awarded a professional qualification. Care must be taken that the criteria, which are selected, ensure that as many qualified people as possible have reasonable access to the profession.
236. This is a difficult balancing task facing a new organization, and it is one that merits the attention of a working group comprised of experienced individuals from varying backgrounds. This can be a particular issue for bodies seeking to attract members from the public and third sectors, where prior academic attainment may be low as compared with the situation in the private sector. Here salary levels and other components of the remuneration package are likely to attract university graduates and other entrants with the most relevant and highest level qualifications. This leaves the public sector with the difficult task of staffing posts from a pool of prospective employees with lower academic attainment levels. The challenge for the professional body is to balance the need for minimum entry requirements with the reality of the situation in government in the country concerned.
237. The education program should develop professional, technical and managerial knowledge and skills. The body of knowledge will constantly change, and local conditions will also call for variations in the knowledge base required. However, it should include the following broad areas, interpreted as appropriate, according to the sector in which the students work:

Accounting, finance and related knowledge:

1. Financial accounting and reporting

2. Management accounting and control

3. Taxation

4. Business and commercial law

5. Audit and assurance

6. Finance and financial management

7. Professional values and ethics

Organizational and business knowledge:

1. Economics
 2. Business environment
 3. Corporate governance
 4. Business ethics
 5. Financial markets
 6. Quantitative methods
 7. Organizational behavior
 8. Management and strategic decision making
 9. Marketing
 10. International business and globalization
-

Information technology IT knowledge and competence

1. General knowledge of IT
 2. IT control knowledge
 3. IT control competences
 4. IT user competences
-

238. The education program should also develop a range of professional skills required of professional accountants, including:

- Intellectual skills
- Technical and functional skills
- Personal skills
- Interpersonal and communication skills
- Organizational and business management skills

239. Another critical aspect of the education program is the development of professional values, ethics and attitudes for the profession. The professional accountancy body is responsible for ensuring its members have an adequate

understanding of the principles of professional ethics that they are required to follow as professional accountants.

240. The education program should lead to a commitment to:

- The public interest and a sensitivity to social responsibilities
- Continual improvement and lifelong learning
- Reliability, responsibility, timeliness, courtesy and respect
- Laws and regulations

241. These values, ethics and attitudes can be developed in the workplace, in the classroom, and within the professional accountancy body's education programs. This is an emerging area and different approaches are adopted in different countries.

PRACTICAL EXPERIENCE

242. Pre-qualification programs for professional accountants include a requirement that candidates complete a minimum 3-year period of practical experience before admission to membership. It is important that candidates be able to apply theoretical, technical knowledge to solve practical problems. In addition, candidates must develop and demonstrate the professional values, ethics and attitudes expected. These generally are learned in a period of practical experience.

243. Students must find employment in a suitable environment, and under suitable guidance, which provides them with the challenges and opportunities to develop their professional skills. They should be allowed to obtain their training with any employer, provided the employment offers the opportunity to develop those skills and there is suitable supervision under the guidance of a mentor to ensure the skills are properly applied. This means that the quality of mentors providing such guidance also needs to be considered.

244. Students and employers should maintain records of their training and practical experience gained. This record should be reviewed regularly to ensure the requirements set by the professional accountancy body are being met. Professional accountancy bodies can help employers and students by providing detailed written guidance regarding the program of practical experience and their roles and responsibilities.

245. Professional accountancy bodies whose members are engaged in public practice may have a particular problem in ensuring that their students acquire the relevant experience since the country may have few accounting firms of sufficient size to

employ all qualified students through the entire training period. It may be possible, in such a country, that the organization can make special provisions to rotate students among employers to ensure that as many students as possible are exposed to all tasks, even though their full-time positions may not be in public practice.

To obtain complementary information about how to establish and implement practical experience, readers are encouraged to refer to the guidance of the IAESB, IEPS 3 - *Practical Experience Requirements—Initial Professional Development for Professional Accountants* available at:

www.ifac.org/publications-resources/handbook-international-education-pronouncements-2010-edition

EXAM ADMINISTRATION AND QUALITY ASSURANCE

ASSESSMENT OF PROFESSIONAL COMPETENCE

246. The IES require that an appropriate process of assessment of professional competence to exist or to be established. A required component of that process, for individuals seeking to become qualified, is a final examination administered by, or with substantive input from, the professional accountancy body or the regulatory authority. This recommendation recognizes that accountancy organizations, particularly those that are self-regulatory, have a responsibility to ensure that their members have the competence expected from them by society.
247. The setting and administration of a professional examination program is a costly and involved process. It requires the participation of a number of qualified individuals as examiners, reviewers and markers. In the very early years, a professional body may lack the resources to establish and administer its own examination process. Two alternatives to having a totally self-designed system would significantly reduce the costs.
248. One alternative is to seek affiliation with an existing professional accountancy body for the use of some of its examinations. The increasing internationalization of accounting, auditing and ethical standards makes it feasible to use the examinations of established organizations. These examinations may be supplemented by local papers where differences exist, such as for taxation or law. At the present time, several IFAC member bodies and associate members already assist accountancy bodies in different parts of the world in the preparation and marking of examination papers.
249. If examination papers are adapted from or provided by organizations external to a professional accountancy body, the nature of the arrangement and the degree of fit with the objectives of the body will require careful examination to ensure that the standards are those which agree with the objectives of the organization.

250. Another alternative is for the professional accountancy body to join forces with one or more other accountancy bodies in neighboring countries to jointly develop and administer common examinations. This option would significantly reduce costs for individual countries and it would also result in greater autonomy for a participating professional accountancy body. The local organization can provide more input in a joint development process than in one that involves the use of examinations tailored to the program of another organization.
251. Much of Part Three in this Guide is considered in the International Education Paper IEP 2, Towards Competent Professional Accountants. This paper defines “competence” as being able to perform a work role to a defined standard with reference to real working environments. A relevant link to IEP 2 is provided below.
- www.ifac.org/publications-resources/handbook-international-education-pronouncements-2010-edition

EDUCATION AND TWINNING ARRANGEMENTS

252. Developing countries usually face issues devising and delivering professional level accountancy qualifications. Lack of capacity and resources both financial and technical often make this difficult. There are several ways in which professional bodies in more developed countries can help. Some of the options are set out below.

ADOPTING EXISTING PROFESSIONAL LEVEL QUALIFICATIONS

253. The syllabi of professional level qualifications are often posted on the web sites of relevant professional bodies. Some of these syllabi are based on international standards of accounting and auditing as well as the IESBA Code of Ethics. The major parts of these syllabi can be used by professional bodies in developing countries as the basis for their own syllabi, especially if these countries have adopted the international standards of accounting and auditing and the IESBA Code of Ethics.
254. In some cases university syllabi may be adapted for use in developing countries. This is especially the case where the university syllabus forms the basis of the professional qualification in the developed country (e.g. the Netherlands where the materials are not made publicly available but parts of them can be used in twinning projects). University graduates may then be admitted to the local professional body or admitted after a further professional level test. However, national law and tax law are always country specific and more work needs to be done to adapt international syllabi to national requirements.
255. Another challenge is setting up and marking the examinations at a professional level. If the national body concerned does not have access to the expertise to devise the syllabus at the professional level then it is unlikely to have the expertise

to set up and mark the examinations at the professional level either.

256. Similar considerations apply to practical experience requirements. Practical experience requirements of several professional bodies are available on the internet. The issue here is to devise arrangements by which these requirements can be met and checking that the requirements have in fact been met both by trainees and their employers.
257. Such schemes may not involve formal agreements but there may be some copyright issues. For these reasons public examples may be hard to use.

COLLABORATION ON JOINT EXAMINATION SCHEMES

258. In order to address some of these problems formal collaborative examinations schemes have been agreed by bodies such as ACCA with several bodies in developing countries, for example in the Caribbean, Africa and the Mekong Delta. Under these arrangements, the more advanced professional body sets and marks the examinations worldwide. The syllabus is common to all joint scheme partners with the exception that the tax and law papers may be based on local requirements. It may also be possible to adapt the accounting and auditing papers as long as the standards adopted are close to the international standards.

Again similar arrangements can be made for the practical experience of professional bodies. Under joint schemes the training requirements can be common to both bodies.

Successful candidates can then become members of both bodies. This addresses the problem of lack of capacity and resources both financial and in terms of intellectual capital. It also allows the national body to build up a membership base at the professional level.

259. As national bodies grow in size and their local expertise develops over time, partly as a result of working with a more developed body, they can expect to develop their own professional level examinations and training systems.

Examples of joint examination schemes are provided in Appendix 6.

APPENDIX 6:

EXAMPLES OF JOINT EXAMINATION SCHEMES

JOINT EXAMINATION SCHEMES

ACCA works in partnership with national bodies through Joint Examination Schemes in a number of countries. There are currently 18 Joint Examination Schemes including two new relationships which began in 2009 and early 2010 with the Institute of Certified Public Accountants of Greece and the Federation of Accounting Professions in Thailand.

Accountancy students in Joint Examination Scheme markets register with both ACCA and their national body, and are thereby able to satisfy the exam criteria for membership of both bodies simultaneously. All Joint Examination Scheme partnerships cover the ACCA's global qualification and approximately half of them also cover the Certified Accounting Technician (CAT) qualification. ACCA's partnership with the Federation of Accounting Professions in Thailand covers the CAT qualification only.

Set out below are four short case studies. These have been selected to show a cross section of Joint Examination Scheme partnerships.

SIERRA LEONE

ACCA has a Joint Examination Scheme with the Institute of Chartered Accountants of Sierra Leone (ICASL). There are approximately 900 students studying under the joint examination scheme covering the professional level and 1,250 students studying at the technician level.

ICASL provides invaluable support for students in Sierra Leone and works closely with ACCA to ensure that students in the market receive the best possible education, service and support.

Sierra Leone's infrastructure is poor: approximately two-thirds of the working population are engaged in subsistence agriculture with limited disposable income. In order to stimulate the economy and place less reliance on professionals from neighbouring countries, the government is committed to training professionals.

JAMAICA

ACCA has a Joint Examination Scheme with the Institute of Chartered Accountants of Jamaica (ICAJ). This is one of five Joint Examination Schemes in the region: ACCA has also joint Examination Scheme partnerships which cover both the professional and technician level with The Institute of Chartered Accountants of Barbados, the Institute of Chartered Accountants of Belize, the Institute of Chartered Accountants of Guyana and the Institute of Chartered Accountants of Trinidad and Tobago.

ACCA and ICAJ have a close working relationship and together they successfully support 3,000 professional level students and 1,600 technician students. ICAJ provides on-the-ground support for students in Jamaica with additional support from ACCA as

required.

CAMBODIA

ACCA signed a Joint Examination Scheme Agreement with the Kampuchea Institute of Certified Public Accountants & Auditors (KICPAA) in 2004. The five-year agreement covered the technician and the professional qualification and was renewed in 2008 for a further five years. There are now approximately 1,000 professional level students and 370 technician students in the Joint Examination Scheme.

Cambodia's accountancy profession is in an early stage of development but is receiving strong support from donor institutions such as the World Bank and Asian Development Bank (ADB). Multinational employers also play a leading role by providing financial support for their staff to study under this program.

MALTA AND OTHERS

ACCA's Joint Examination Scheme with the Malta Institute of Accountants (MIA), covers the professional level and has just over 1,000 students.

ACCA works closely with MIA to provide support to students and has worked in partnership with the MIA to develop variant tax and law examination papers in Malta. Students are able to select the global or Maltese variant depending on their choice of career.

Other Joint Examination Schemes exist in Belize, Barbados, Botswana, Cambodia, Cyprus, Guyana, Greece, Jamaica, Lesotho, Malawi, Malta, Sierra Leone, Singapore, Swaziland, Thailand, Trinidad & Tobago, Vietnam and Zambia.

REGIONAL SCHEME IN THE FORMER SOVIET UNION COUNTRIES

The CIPA certification was established in 2001 with the formation of the International Council of Certified Accountants and Auditors (ICCAA) - a federation of regional professional accountancy associations whose working language is Russian and whose goal is to attain the highest possible level of professionalism in its membership. The 13 founding associations from Russia, Central Asia and Ukraine mutually agreed to adopt and recognize the CIPA education qualification requirements, examinations, and certification.

The goals of ICCAA are:

- To increase the status of the accounting and auditing profession
- To promote international standards and professional ethics developed by International Accounting Standards Committee Foundation and the independent standard-setting bodies under the auspices of IFAC

- To develop unified qualification requirements for the accountancy profession
- To have a unified system of testing and certification of accountants and auditors

CIPA training centres translate international textbooks and materials, and develop supplemental material with input from local professionals and trainers. The examination process is best characterized as independent, comprehensive, uniform throughout the former Soviet Union, and is professionally monitored and secure. CIPA requirements include CPD as a necessary part of the accountancy profession.

NIVRA AND SCAAK (SOCIETY OF ACCOUNTANTS AND AUDITORS OF KOSOVO)

Royal NIVRA has cooperated with SCAAK since April 2007 on the basis of a Mentoring Agreement. Twinning activities between NIVRA and SCAAK in relation to SMO 2 have included:

- Policy dialogues with State University representatives about a separate accounting & auditing faculty, and about the issue of State University professors working for private universities
- Review and comments on draft curricula (drawn from the University sector and ACCA)
- Organization of CPD on ethics
- Organization of CPD on Quality Control (QC) for firms and members (including use of the IFAC Quality Control Guide)
- Organization of CPD on ISA 220 and ISA 230 based on working papers and case study
- Organization of CPD on work experience (Practical Auditing Experience Training)
- Development of an upgraded IFAC Action Plan

TECHNICIAN LEVEL QUALIFICATIONS

260. The process of setting accountancy qualifications may start at the technician level. Professional accountancy bodies in developing countries may find the expertise to run technician level qualifications easier and quicker than that of the expertise required to run professional level qualifications. Once experience has been gained at the technician level it may be more feasible to move on to the professional level.
261. Partnership arrangements such as those described in Appendix 6 above for the technician level are running in countries such as Sierra Leone.

TEXTBOOKS AND STUDY MATERIALS

262. There is usually a shortage of textbooks and other study materials for professional level accountancy qualifications in developing countries. One solution to consider is to adopt a syllabus that closely mirrors that of a developed professional body. If the concerned professional body publishes textbooks and study materials, or has a publisher which does so, then it may be possible to adapt these materials for use locally with the agreement of that particular developed professional accountancy body.
263. Publishers who produce materials for developed professional bodies have adapted materials for local use in various other countries. This generally depends on using a very similar syllabus in order to keep adaptation costs down and an agreement that the local body will not sell the materials to third parties.

FOCUS ON BUILDING A MEMBERSHIP BASE

264. A number of professional bodies consider developing an education and training program priority when starting out. However, while there may be a strong desire to establish this type of program national bodies should consider whether this is absolutely necessary given its early stage of development.
265. With the growth of international standards, much of accountancy education is common across borders and it is now more possible to grow a strong and robust membership without establishing an entire education and training program from the beginning. For example, if there are existing accountancy programmes in the market from a number of developed or international bodies or universities then the national professional body could focus on providing:

A professional program or conversion program for accounting graduates⁴ from universities; or, more easily, a non-assessed or assessed conversion program for professional accountants from other professional bodies covering subject areas which are specific to that country (e.g. tax and law)

266. These programs could be developed by way of a partnership described in Appendix 6 above. It will also save limited resources, target areas of need elsewhere in the profession, and enable the national body to build its membership.

CONTINUING PROFESSIONAL DEVELOPMENT (CPD)

267. After qualification, CPD is also often a challenge in developing countries. The problem again is a lack of local expertise and flying in international experts is expensive. Some of these events, however, may be jointly branded with other international bodies which may also be able to source suitable experts.
268. Donor agencies may also help to fund CPD events especially on international accounting and auditing standards. For example, the World Bank has funded several such events in the Caribbean.
269. National bodies should also consider holding a small number of high profile brand-building CPD events and outsource other types of CPD to providers in the market place or on the internet.

REGIONAL COOPERATION

270. It may be helpful if professional bodies are engaged with their regional organisations in the event that a greater collaboration on education and training comes to fruition in a way which will be more cost-effective (e.g. in the Caribbean) especially in relation to CPD events.
271. Some regional groupings and developing nations draw on the curriculum benchmark of the Common Content Project for support, a joint project of nine premier accountancy bodies in Western Europe.

⁴ Reliance on a university education may in itself be problematic, particularly if the education system in a country is not robust. It also limits growth and entry into the profession at the very point in time when a body is trying to grow its membership. Many professional bodies have now also moved away from graduate-only entry. Graduate entry is not required by the European Union's Statutory Auditors Directive, nor by the IAESB. Nevertheless this may be a short-term option available in some jurisdictions.

PART FOUR:
CAPACITY
DEVELOPMENT

Part Four: Capacity Development

MENTORING AND WORKING WITH OTHER PROFESSIONAL BODIES AND REGIONAL ORGANIZATIONS

272. The task of establishing and developing a fully functioning professional accountancy body can be a daunting experience, especially if individuals are considering undertaking the task on their own. Working with and learning from others who have experienced this process can be a valuable experience, and many existing IFAC member bodies offer their expertise to assist other developing countries in this task. Their expertise and experience in running professional bodies, and working with governments, regulators and education providers can be a valuable resource.
273. Many organizations have been involved in “mentoring arrangements” which involve one professional body working with a developing body to adapt the structure, processes, and policies of the established professional body to the needs of the recipient.
274. Other successful mentoring or assistance programs have involved working through a regional group of accountancy bodies, using guidance they may have developed based on the experience of their own members. Individual consultants, many of whom have worked for professional bodies in the past, also offer their services to assist development efforts.
275. A key factor to consider when entering into a mentoring arrangement is to understand the background and experience of the professional body and to determine whether its goals and objectives align with those of the recipient organization. It is also worth considering partnering with different bodies for different aspects of the development process as some bodies may have more expertise in one area than others and/or more expertise and familiarity of the region in which the organization is located.
276. The following are a list of key projects where the assistance of established professional bodies can prove invaluable to an organization in the development phase:
- Advising governments on the establishment of the accountancy profession, development of regulatory models, education and qualification requirements, and licensing regimes
 - Designing professional body infrastructure
 - Charters and Rules governing the body
 - Governance structures

- Education and qualification programs (including examinations administration)
- Quality control and disciplinary processes
- Codes of Ethics
- Integration of existing body to a new body
- Joint examination schemes
- CPD policies and delivery
- Setting technical and professional standards

277. The assistance offered can come in a variety of different forms including teams of experts sent to work with the local members and those responsible for establishing the body. Assistance can also include training sessions for professional accountancy body staff, secondments to other professional accountancy bodies, and regional training seminars.

278. Once an accountancy organization has been established for some time, it may wish to review certain aspects and functions the organization itself performs. This is another area where the expertise of other well established accountancy bodies and experienced consultants can help/be beneficial. Examples of such other aid include reviews of:

- Structure and content of the education program
- Quality control processes such as reviews of firms, employers, etc.
- Disciplinary processes
- Professional body infrastructure
- Governance structures

IFAC has a database of member bodies which have been involved in these types of assistance programs and can assist to facilitate mentoring arrangements.

DEVELOPMENT AGENCIES

279. The costs and resources required to establish and develop a professional accountancy body can be significant, and in many developing and emerging economies the required funds may be difficult to locate within the body's own networks. A number of national and international organizations have been involved in making funds available for the development of the accountancy profession. The

type of funding arrangement and the parameters in which funds are loaned or granted varies.

280. Some organizations that have helped fund the development of the profession include:

- The World Bank
- International Monetary Fund
- European Commission
- United Nations Development Programme
- Regional Development Banks (African Development Bank, Asian Development Bank, Inter-American Development Bank, etc)
- Bilateral donors (e.g. the UK Department for International Development, United States Agency for International Development)
- Civil society organizations (e.g. larger charities managing funds on behalf of donor agencies)

281. There are generally three main types of funding assistance that the donor community may make available:

- Established Funds – funds established for specific purposes and for which applications can be made. Often funding bids can only be made at designated times
- Project monies – controlled by the donor agency, but the project is developed alongside government and civil society organizations in the country where the project is to be undertaken
- Government – donors give large sums of money to partner governments

282. The funding application process is complicated and varies between donors. Because each donor typically has its own application and screening processes, there is no standardized model to follow and there can be quite a long time between the time the funding application is made and the time the application may be approved as well as when the funds are dispersed. Any funding application needs to be supported by a very thorough and carefully articulated plan of action and timeframe that is realistic, achievable and has measurable outcomes and results. The application should follow the donor agencies' particular procedures and requirements.

283. Successful funding applications rely on aligning the objectives and proposed actions of the project, for which the funds will be used, with the objectives of the

donor. Multi-lateral donors are increasingly focusing on the following four key principles to support capacity development in the area of financial management:

- Support country leadership and ownership
- Fit specific country circumstances, rather than reflect standard or imported solutions
- Involve institutional, organizational and individual levels, including managerial and technical aspects, in creating program design and implementation
- Provide donor support in a coherent, coordinated and programmatic manner

284. Donor agencies are usually prepared to provide funds to nascent professional bodies through the governments of those bodies. Specifically, aid agency funding is typically used to strengthen national institutional frameworks through:

- Train the trainer programs, particularly in relation to international standards of accounting and auditing
- Designing and implementing regulatory institutions and quality control systems, particularly in the field of statutory audit
- Designing and implementing education and training systems which meet international norms for the qualification of professional and technical accountants
- Drafting statutory provisions for professional accountancy and regulatory bodies including their constitutions and by-laws
- Developing strategic and business plans for professional accountancy bodies
- Advising on the adoption and implementation of international accounting and auditing standards, as well as codes of ethics
- Developing learning materials for professional qualifications and continuing professional education

285. It would be advisable to research which donors are active in your country and region (e.g. which donors have a physical presence in your country or region), how they interact with governments, and which donors are interested in the type of infrastructure development that professional accountancy bodies can support. If possible, it is recommended to meet with donor representatives to make them aware of your needs and planned project. Donors may also be able to point out which other organizations the body might be able to work with.

One example of a source of funding assistance is the Institutional Development Fund, which is a specific World Bank grant instrument designed to finance quick, action-oriented, capacity-building activities that are closely linked to the World Bank's country assistance strategy. The maximum amount per grant from this fund is \$US500,000. Currently, many professional accountancy bodies in different parts of the world benefit from grants from this Fund. The grants are not repayable, on the basis they are used for the intended purpose. For further information about this Fund, visit the World Bank website www.worldbank.org/.

286. The IAESB paper published by IFAC in 2000 on Assistance Projects demonstrated that problems and solutions that are identified in one project are frequently replicated in other projects. The failure to consider these lessons would be economically inefficient so, at a minimum, consideration ought to be given to each of the following:

- Projects must be planned not only with a view to the short-term objects but also to the longer-term strategy of the host country or organization
- Funding and providing bodies must take full account of the cultural differences in language and business
- The role of the consultant may often be questioned so, on many occasions, local consultants or professionals may make a greater impact
- Be mindful that political considerations often lead to unrealistic timescales for outcomes of projects
- Projects and their outcomes should be seen to be owned by the receiving country or organization
- Allocation of resources should be made to ensure the sustainability of any project after the initial funding phase has been completed

The IAESB paper is available at:

www.ifac.org/publications-resources/assistance-projects-accountancy-education-and-development-accountancy-educati

PRIORITIES

287. Strong accounting and auditing professions play a very important part in the drive for economic stability and sound governance. Countries with strong accounting and auditing professions also have strong professional bodies to educate and to monitor and regulate their professional conduct. This helps to protect the public interest, to create a safe climate for inward and domestic investors, and to reduce poverty and other inequalities. On this basis, those interested in establishing new accountancy bodies should, without delay, seek meetings with government and

national regulators to convey this message and to garner their support in granting official status to the new body. This might take the form of an Accountant's Act or other formal legislation. If at all possible, the legislation should make membership of the new body a precondition to obtaining practicing rights. In the public sector, governments should be encouraged to identify posts that should only be reserved to holders of appropriate professional qualifications and to reflect on progression through the professional examination system in the pay and grading structure. This empowers the professional accountancy body in a way that is not open to bodies whose membership is optional rather than obligatory. If practicing rights are linked with a requirement for ongoing membership of the professional accountancy body, the body can then work alongside government and regulators to protect the public interest more effectively since it has jurisdiction over the entire profession rather than solely over those who choose to become members.

288. Establishing a professional accountancy body is a long-term process, and there are some aspects that are more critical than others. Although this Guide addresses the different aspects a fully functioning professional accountancy body should have, the development of the body can be separated into different stages, with priorities assigned to the more urgent aspects.

SHORT TERM PRIORITIES

1. Promote the adoption of an Accountants Act which recognizes a body for accountants and auditors and sets out the body's powers and functions. Ensure that the legislation meets the current and future needs of members and prospective members from both the public and private sectors.
2. Encourage the training and education of professional accountants (either by establishing your own education program or by adopting an internationally recognized program) and reflect the necessary balance between the particular needs of the public and private sectors and the efficiency of development and maintenance of the necessary qualification frameworks
3. Put in place a promotional and influential strategy for the new body
4. Prepare a financial plan which models the operation of the body in the most likely of scenarios and which contains some simple sensitivity analysis to help identify where key pressures points are likely to arise
5. Seek early advice on the convergence of national and international accounting standards, the adoption of International Standards on Auditing, and the IFAC Code of Ethics

MEDIUM TERM PRIORITIES

6. Adopt a constitution and by-laws of the professional accountancy body

7. Form the Council of the professional accountancy body
8. Appoint a Chief Executive to manage and run the professional accountancy body
9. Organize a register of members and students which recognizes various levels of membership e.g.:
 - Students
 - Graduates
 - Technicians
 - Associates
 - Fellows

The register also reflects the different roles and responsibilities of members in the public and the private sectors.

10. Collect annual fees from members and students
11. Establish a Committee structure
12. Update and modify the financial plan to reflect the lessons learned from the initial phase of development and the longer term strategic aspirations of the body

LONGER-TERM PRIORITIES

13. Regulate and monitor members in public practice
14. Organize CPD events and training opportunities for members and students
15. Set up disciplinary system
16. Develop and refine the business strategy and plan
17. Provide products and services to the market
18. Apply for membership with IFAC

