

PAO GLOBAL DEVELOPMENT REPORT



**MOSAIC: THE MEMORANDUM OF
UNDERSTANDING TO STRENGTHEN
ACCOUNTANCY AND IMPROVE
COLLABORATION**

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When professional
accountancy
organizations function
properly, they hold
the power to support
the production of
high-quality financial
information, contributing
to public and private
sector development,
economic growth, and
the aid effectiveness
agenda.

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EXECUTIVE SUMMARY

In recognition of the important role that professional accountancy organizations (PAOs) can play in furthering the principles of aid effectiveness embodied in the Paris Declaration, Accra Agenda for Action, and the Busan Partnership for Effective Development Cooperation, the International Federation of Accountants (IFAC) and twelve donor organizations signed the *Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration* (MOSAIC).¹

MOSAIC's objective is to increase the capacity of PAOs in partner countries to improve the quality of public and private sector accountancy and financial management with a view toward enhancing the effectiveness and efficiency of donor assistance, enhancing economic growth, and reducing poverty. When PAOs maintain appropriate capacity, they are able to:

- Operate in the public interest;
- Develop capable and competent accountancy professionals;
- Promote strong professional and ethical standards;
- Enhance the quality of financial reporting and auditing

¹ MOSAIC signatories: African Development Bank (AfDB); Asian Development Bank (ADB); Australian Agency for International Development (AusAID); Finland; the Global Alliance for Vaccines and Immunisation (GAVI); the Global Fund to Fight AIDS, Tuberculosis, and Malaria; Inter-American Development Bank (IDB); the Swedish International Development Cooperation Agency (SIDA); UK Department for International Development (DFID); the United States Agency for International Development (USAID); New Zealand; and the World Bank.



through education and training, quality review, investigation, and discipline of professionals; and

- Act as a resource to government, regulators, and other stakeholders on accountancy related issues.

Enhancing the capacity of PAOs to undertake these functions strengthens national institutions and underpins donor community efforts to shift resources away from maintaining costly parallel systems and toward the true objectives of assistance—improving the health, education, and livelihoods of people in emerging and developing partner countries. Additionally, focusing efforts on strengthening PAOs supports the production of high-quality financial reporting, auditing, and financial management, which in turn:

- Attracts foreign direct investment (FDI);
- Promotes growth and development of the small- and medium-sized entity sector;
- Increases transparency and accountability in the use of public funds;
- Improves the design and delivery of vital public services; and
- Enhances the effectiveness and efficiency of official development assistance (ODA).

Although PAOs around the world hold the potential to significantly contribute to national economic and social development, many struggle to fulfill their functions and fall short of realizing their full potential. IFAC, the donor community, and PAO efforts have advanced PAO capacity building; however, much more remains to be done. By signing MOSAIC, IFAC and the donor community seek to enhance support for PAO capacity-building efforts. Through this *PAO Global Development Report (GDR)*, MOSAIC has taken the first step in understanding the state of development of PAOs around the world, and the challenges and success factors surrounding their development.

The Ten Key Areas of Focus for MOSAIC PAO Development Activities

This GDR, commissioned by the donor community, has culminated in ten key findings, which provide direction for MOSAIC in developing and strengthening PAOs. These findings act as a compass,+++ revealing where the priority focus should be for MOSAIC activities.

1. Undertake PAO Development Comprehensively

Due to the strong connections between PAOs and other components of national financial infrastructure, efforts to improve and strengthen PAOs must be undertaken comprehensively, in a manner that takes into consideration the many moving pieces that influence the core functions of a PAO. Technical assistance must be oriented to support development within the greater national contexts of sound financial sector legislation, professional accountancy capacity building, and regulation of the financial sector.

2. Strengthen Legal and Regulatory Foundations

Additional support is needed for developing accounting and auditing legislation that embodies international standards and establishes clear institutional arrangements for regulation and enforcement of such standards. Such legislation provides clear mandates for PAOs and recognizes the unique position these organizations hold within the financial infrastructure of a country.

3. Monitor and Provide Support to Fragile States

Additional support is needed to monitor the development of the profession in fragile and early emerging economies. This includes maintaining dialogue and relationships with local leaders of the profession and providing development assistance that can be absorbed and managed by recipients, which will enhance the likelihood of success and focus donor resources.

4. Support Internal Strengthening of PAOs

Currently, many PAOs lack a coherent operating model that directs the organizational, financial, technical, and overall development of their organization, defines key activities, and provides indicators to facilitate measurement of progress. Additional support for PAOs in developing a sound system

Professional accountancy organizations (PAOs) are membership bodies comprised of individual accountancy professionals who perform a variety of roles in the accountancy field and adhere to high-quality standards of practice.

of governance, appropriately structuring operations, and utilizing strategic planning techniques will aid in positioning PAOs to take a greater role in furthering financial sector and economic growth.

5. Develop PAO Education and Certification Capacity

At the moment, many national PAOs lack systems of certification that include appropriate entry criteria, professional accountancy education, assessment, practical experience, and continuing professional development (CPD) requirements in line with International Education Standards (IESs). Although many PAOs have made significant gains in this area, additional assistance is needed to target weaknesses, build human capacity in the area of accountancy, and provide higher-quality financial information to both government and business.

6. Broaden PAO Membership Bases

A broad-based profession that offers different education requirements, assessment, and practical experience suited for different areas of emphasis within the profession, provides personnel who are “fit for purpose” with the opportunity to enhance the profession. A broad-based profession also offers opportunities to build the membership base of PAOs, which allows for self-sustaining operations. Although there has been movement in some regions toward developing PAOs with broad membership (e.g., auditor, management accountant, and accounting technician), additional awareness building and reinforcement is needed to support these PAOs, either at the national or regional level, in designing and delivering such offerings.

7. Further Implementation of International Standards

Although many countries and PAOs have adopted international accountancy standards (e.g., International Standards of Auditing, International Financial Reporting Standards, International Public Sector Accounting Standards, and the *Code of Ethics for Professional Accountants*), the adoption of older versions of the standards, inappropriate modification of standards by many national governments, and serious deficiencies in the application of standards by practitioners reduces their international comparability, consistency, and cross-border understanding. Development

assistance supporting the creation of formal systems to undertake the process of translating and incorporating updates to international standards on a timely basis is needed. Additionally, support directed toward the design, development, and operation of PAO systems of certification, quality assurance, oversight, and investigation and discipline will further the implementation of international standards and enhance realization of their benefits.

8. Support PAO Orientation to the Public Sector

Although some PAOs maintain a strong public sector membership and undertake services and activities to support public sector accountancy and financial management, many PAOs struggle to identify how they can support the public sector. Development assistance focused on developing guidance and support to PAOs in orienting themselves toward the public sector may be effective in enhancing the capacity and involvement of PAOs in this area.

9. Strengthen Regional Organizations and the Services They Provide

Regional accountancy organizations can have a strong impact on the development of national-level PAOs. By combining knowledge, expertise, and ability at the regional level, they offer opportunities for mutual support and assistance to national-level efforts in PAO development. Although these organizations have had strong impact on regional PAO development, the demand for their support greatly outweighs their current capacity. Development assistance that supports strengthening regional accountancy organizations and their initiatives can have a significant impact on improving the capacity of national-level PAOs.

10. Facilitate PAO Mentoring Relationships

In recent years, the donor community and PAOs have recognized the value of mentoring between PAOs as an efficient and effective method of sharing knowledge and transferring sustainable expertise from one organization to another. Development assistance efforts focused on facilitating PAO mentoring relationships offer an opportunity to build PAO capacity and establish a lasting, supportive relationship between PAOs that will continue to strengthen and enhance PAO operations.

AFRICA REGION

Understanding The Regional Context

With a population of approximately one billion¹ and a Gross Domestic Product (GDP) of more than US \$1 trillion,² the African continent holds a commanding presence in global markets. African countries have been growing at a relatively fast rate since the beginning of the new millennium, which in turn has led to improvements in areas such as trade, mobilization of government revenue, infrastructure development, and the provision of social services. From 2001 to 2008, Africa was among the fastest growing regions in the world economy

with growth widespread across countries.³ To ensure continued expansion and economic gains, a sound financial infrastructure, complete with high-functioning professional accountancy organizations (PAOs) is necessary to provide a solid foundation for the production of high-quality financial information and continued growth.

Currently, the African region⁴ includes many entities that can be considered PAOs—national-level membership bodies comprised of individual professional accountants, auditors, and/or accounting

³ UNCTAD Economic Development in Africa Report 2012 (http://unctad.org/en/PublicationsLibrary/aldcafrica2012_embargo_en.pdf)

⁴ For the purposes of this report, the Africa region consists of African Development Bank Regional Member countries, a listing of which is available online (www.afdb.org/en/about-us/members).

¹ UN Population Fund

² World Bank (<http://data.worldbank.org/region/SSA>)



technicians who perform a variety of roles in the field of public and private sector accountancy and adhere to high-quality standards of practice. Of these organizations, 25 PAOs in 24 countries are recognized as IFAC members or associates.

Although only approximately half of all countries in the Africa region hold associate or member status with IFAC, many more are currently striving to achieve recognition by working with IFAC and IFAC Recognized Regional Organizations (ROs)⁵ and Acknowledged Accountancy Groupings (AAGs)⁶ to follow the path set by the IFAC Statements of Membership Obligations (SMOs) to strengthen their operations.

In addition to national-level PAOs, there are also three regional accountancy organizations with status in IFAC that support development of the profession in Africa.

- **Pan African Federation of Accountants**

The Pan African Federation of Accountants (PAFA),⁷ the newest African regional accountancy organization, was established in May 2011 and has 39 member PAOs in 34 countries.⁸ The establishment of PAFA emerged from the positive synergies developed among the Eastern, Central, and Southern African countries through their creation of the Eastern, Central, and Southern African Federation of Accountants (ECSAFA). In 2011, ECSAFA, which was an IFAC RO, was dissolved and membership allegiances were oriented toward the newly created PAFA.

PAFA's vision is to be recognized as an influential voice of the accountancy profession from Africa. PAFA believes that good governance, accountability, good financial management, and transparency are principal pillars in the acceleration of economic growth and the reduction of poverty. Functional PAOs working

closely with their governments can contribute greatly to these pillars.

To this end, PAFA is working on:

- Strengthening existing PAOs in Africa;
- Establishing PAOs in countries where none exist;
- Bringing into PAFA all PAOs in Africa;
- Adopting, implementing, and enforcing international standards in Africa;
- Harmonizing accountancy education and training in Africa to facilitate cross-border skills transfer; and
- Strengthening the PAFA secretariat to enable effective support of its mandate.

PAFA is working to facilitate strong interactions between PAOs and their governments in each country and places an emphasis on government agencies responsible for economic and financial management, accountability and transparency, governance, and the fight against corruption. PAFA is presently applying for IFAC RO status.

- **Association of Accounting Bodies in West Africa**

The Association of Accounting Bodies in West Africa (ABWA) is the regional organization for the accountancy profession in West Africa.⁹ Its vision is to be the foremost regional accountancy body and provide leadership in the development, enhancement, and strengthening of the accountancy profession in West Africa, thereby enabling the profession to provide services of consistently high quality in the public interest and contribute to the development and sustainable growth of the economies of the sub-region.

ABWA's mission extends to strengthening the accountancy profession among member countries, enhancing technical competence and ethical standards of members for effective service delivery by adopting global best practices in the public

⁵ Recognized Regional Organizations (ROs) are independent bodies that share the IFAC mission and values and that, in many cases, have the same membership as IFAC in those regions. ROs play a valuable role by supporting the development of the international accountancy profession, facilitating convergence to international standards, and providing leadership in addressing issues affecting the accountancy profession in their region and/or constituencies. The policy statement setting out the criteria for ROs by IFAC and the consequential obligations for that organization, as well as a listing of ROs, is available on the IFAC website (www.ifac.org/about-ifac/membership/member/regional-organizations).

⁶ Six Accountancy Groupings are acknowledged by IFAC. These groupings support the objectives and pronouncements of IFAC and the advancement of the accountancy profession within their constituencies. The policy statement setting out the criteria for an accountancy grouping to be acknowledged by IFAC and the consequential obligations for that organization, as well as a listing of organizations, is available on the IFAC website (www.ifac.org/about-ifac/membership/member/groupings).

⁷ More information is available on the PAFA website (www.pafa.org.za).

⁸ Twenty-three of the 39 PAFA members also maintain either associate or member status within IFAC.

⁹ More information is available on the ABWA website (www.abwa-online.org).

interest, and contributing to sustainable economic development of member countries. Additionally, ABWA seeks to partner with other stakeholders in promoting, fostering, and sustaining economic development on the African continent. ABWA maintains recognition as an IFAC AG and has 15 member PAOs.¹⁰

- **Fédération Internationale des Experts-Comptables Francophones**

The Fédération Internationale des Experts-Comptables Francophones (FIDEF) is an international professional accountancy organization uniting francophone PAOs in 34 countries across four continents with strong membership among francophone African PAOs.¹¹ FIDEF maintains recognition in IFAC as an AG.

FIDEF structures its activities and cooperation in support of the francophone accountancy community and bases its work around:

- Furthering the recognition and authority of the francophone accounting profession;
- Promoting professional accountancy standard setting among francophone countries;
- Translating auditing and accounting standards as well as all text and useful features;
- Ensuring that francophone accounting and auditing professionals maintain a standardized level of technical competence that is both recognized internationally and aligned with local economic needs;
- Contributing to the debate on international harmonization in the field of auditing and accounting; and
- Representing the francophone accountancy profession before international institutions.

Additionally, a number of North African countries (e.g., Egypt, Tunisia, and Morocco) maintain membership in the Federation of Mediterranean Accountants (FCM), which represents the accountancy profession in the Mediterranean area and maintains AG status with IFAC.¹²

Finally, several North African countries (e.g., Tunisia and Sudan) maintain membership in the Arab Federation of Accountants and Auditors (AFAA), which represents the profession among Arab states in the Gulf, Middle-East, and North Africa and is working to gain AG status within IFAC.

Viewing Africa Region PAO Development

Using the agreed upon [essential elements](#) as a reference point, a high-level view of the status of PAO development throughout the Africa region can be established. To present the picture of regional PAO development, a desk-study review¹³ was conducted utilizing: a) IFAC Member Body Compliance Program assessments of regulatory and standard-setting framework, Statements of Membership Obligations (SMO) self-assessment questionnaires and SMO Action Plans; b) World Bank Accounting and Auditing Reports on the Observance of Standards and Codes (ROSCs); and c) PAO websites.¹⁴

LEGAL AND REGULATORY FOUNDATION—THE PAO ENABLING ENVIRONMENT

At the regional level, the emergence and strengthening of economic and monetary unions has had a marked impact on the development of accountancy enabling legislation. Currently, economic and monetary unions (e.g., West African Economic and Monetary Union, L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires/Organization for the Harmonization of Business Law in Africa, East African Community) and their emphasis on harmonization and consistency across borders has influenced many PAOs in their adoption and implementation of international standards and best practices and strengthening and harmonization of legislation to support such efforts.

¹² FCM is explained in greater detail as part of the Europe and Central Asia region component of this report.

¹³ Desk study review included information for PAOs in the following countries: Bénin, Botswana, Cameroon, Cote D'Ivoire, the Democratic Republic of Congo, Egypt, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mauritius, Morocco, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, the United Republic of Tanzania, Tunisia, Zambia, and Zimbabwe.

¹⁴ Additionally, a very limited number of personal interviews were conducted where additional clarification was needed.

¹⁰ Eight of the 15 ABWA members also maintain either associate or member status with IFAC.

¹¹ More information is available on the FIDEF website (www.fidef.org)

At the regional level, the emergence and strengthening of economic and monetary unions has had a marked impact on the development of accountancy-enabling legislation.

At the national level, the lack of a legal and regulatory framework that supports accountancy is a significant challenge to PAO development (especially in fragile states), although many countries maintain strong accountancy-enabling legislation. Accountancy frameworks that define the practice of accountancy; identify the roles and responsibilities of standard setters, regulators, and PAOs; and outline the appropriate professional standards lay the foundation for formalization of the profession and the development of PAOs. In countries where these elements of accountancy remain ambiguous (e.g., the Democratic Republic of Congo), PAOs can still develop. However, their ability to operate in the economy and provide key functions, such as quality assurance, certification, and investigation and discipline, is greatly challenged. Donor assistance efforts focused on strengthening the legal and regulatory framework of these countries may be crucial to supporting the development of PAOs.

PAO ORGANIZATIONAL CAPACITY

Across the region, PAO capacity is generally low; however, there are some PAOs (e.g., Nigeria and South Africa) that maintain strong staffing, professional management, adequate committee structure, and sufficient funding to facilitate core functions and membership services. Africa region PAOs tend to maintain strong volunteerism and leverage this to meet their objectives.

To supplement their efforts, several African PAOs are actively engaged with the donor community and receive valuable support and assistance. Several PAOs (e.g., Liberia, Rwanda, and Lesotho) are currently partnered with the donor community to strengthen internal systems and support development of their organization in line with international standards and best practices. Support from the donor community has greatly aided in raising awareness of the importance of a strong accountancy profession and the role PAOs play in the economy as a resource for national accountancy development; however, the need for support in this area continues.

PROFESSIONAL EDUCATION, ASSESSMENT, PRACTICAL EXPERIENCE, AND CONTINUING PROFESSIONAL DEVELOPMENT

PAOs in the Africa region typically require a university degree or completion of the PAO's accountancy education program as a first step in attaining membership. In addition, most PAOs require passage of an examination as well as three years of practical

experience prior to being certified as a professional accountant. Requirements for practical experience and continuing professional development (CPD) vary more widely.

At this point, few Africa region PAOs maintain formal systems for monitoring the achievement of practical experience and CPD. One important trend at the regional level regarding professional certification is the development of a broader profession with different education requirements, assessment, and practical experience suited for different areas of focus within the broader accountancy profession (e.g., accounting technician, management accountant, and auditor). Several PAOs have, either independently or through regional organizations, incorporated technician-level certification and membership into their organization to further develop and address the needs of the broader profession. Among African PAOs, there has been recognition of the need for this certification and membership within their organizations and the development of programs and membership opportunities to address this need.

In 2003, ECSAFA conducted a survey of accounting-technician qualifications in the ECSAFA region. In view of the diversity disclosed by the research, ECSAFA agreed to work toward the harmonization of technician qualifications in the region. In May 2005, the ECSAFA Council approved occupational standards for accounting technicians as the basis for harmonization following an extensive consultation process. These standards were used as a basis for the development of the joint qualification offered by the South African Institute of Chartered Accountants and the Association of Accounting Technicians South Africa.

In addition to ECSAFA's efforts, the development and operation of regional accounting technician arrangements can be seen through ABWA's Accounting Technicians Scheme West Africa (ATSWA). The objective of ATSWA is to pursue regional cooperation, integration, and strengthen and consolidate accounting standards and practices. The goal of the ATSWA is to benefit regional economies through increased productivity of a well-trained and disciplined work force. Efforts to address the need for accounting technician certification have also occurred on an individual-country level. PAOs in Lesotho, Rwanda, and Uganda have recognized the need for such certification and have instituted programs to suit the needs of their economies.

Many PAOs appeared to struggle with the task of updating accountancy education, examination, and CPD materials to reflect additions and modifications to international standards. In recognition of these challenges to CPD, several PAOs have indicated the intention to reflect on CPD systems and undertake activities to bring their systems into greater alignment with the requirements of the International Education Standards (IESs), issued by the International Accounting Education Standards Board (IAESB), in the future.

SUPPORT FOR ADOPTION AND IMPLEMENTATION OF CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

The International Ethics Standards Board for Accountants (IESBA) *Code of Ethics for Professional Accountants* (the Code) has been primarily adopted and implemented by PAOs in the Africa region. As is the case with the adoption of all international standards, this may be due in part to the responsibility most PAOs have for setting ethical standards for the profession. However, there are significant differences among PAOs regarding which version of the Code was adopted.

Delays in adoption of recent versions of the Code appear to be more prominent among francophone and lusophone African countries. This may be due in part to the challenge of attaining timely translation of additions and updates to the Code. Most countries noted implementation of the Code as well as the existence of procedures for investigating and disciplining ethics violations.

Although adoption and implementation of the Code has been undertaken in some form by most PAOs, donor support of development and delivery of ethics training, particularly training that focuses on the practical application of the Code, would be beneficial. Additionally, efforts to strengthen investigation and discipline systems and provide guidance for breaches of professional ethics could be especially helpful as Africa region PAOs work to address ethical violations.

SUPPORT FOR ADOPTION AND IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Many Africa region countries have adopted International Financial Reporting Standards (IFRS) or are in the process of transitioning

to the standards.¹⁵ In some instances, the country may not have officially adopted IFRSs but the PAO recommends their usage and/or is educating and training professionals to use these standards ahead of any formal legislative decision. Although adoption is relatively prevalent, there is still a large gap between adoption and actual implementation of IFRSs in some countries.

Among PAOs in member-nations of the L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires (Organization for the Harmonization of Business Law in Africa, or OHADA), convergence with Le Système Comptable Ouest-Africain (West African Accounting System, or SYSCOA) was noted in desk-study materials as an objective for corporate financial reporting. Several West African PAOs (e.g., Senegal), have established efforts to advocate for either the implementation of IFRSs or SYSCOA accounting standards, which incorporate IFRS.

As with the *Code of Ethics for Professional Accountants*, there is significant diversity regarding which version of IFRSs have been adopted throughout the region. The World Bank projects to review SYSCOA and support adoption at the OHADA level for IFRS for Public Interest Entities (PIEs), as well as the OHADA Accounting System for Small and Medium Enterprises, may present models for supporting adoption and implementation of international standards.

SUPPORT FOR ADOPTION AND IMPLEMENTATION OF INTERNATIONAL STANDARDS ON AUDITING

The International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB), have been predominantly adopted throughout the Africa region, although there are instances where ISAs have been modified and adopted in some form as national standards (e.g., Nigeria). The high degree of adoption of ISAs may be due in part to the responsibility that many African PAOs have in setting audit standards.

Despite the general acceptance of ISAs, there is significant diversity regarding which version of ISAs has been adopted and the mechanisms in place to ensure that updates to ISAs are incorporated into audit practice. Among francophone and lusophone African countries, attaining translations of standards is a challenge to the timely adoption of additions and updates to these standards.

¹⁵ IFRSs are established by the International Accounting Standards Board (www.ifrs.org).

Despite the general acceptance of ISAs, there is significant diversity regarding which version of ISAs has been adopted and the mechanisms in place to ensure that updates to ISAs are incorporated into audit practice.

Although desk-study materials noted that most PAOs have incorporated ISAs in education, training, assessment, and CPD materials, the lack of well-developed systems of quality assurance calls into question the application of these standards in practice. Additionally, the low levels of technical capacity within PAOs also renders their ability to provide adequate technical training, guidance, and support to professionals as they apply international standards in practice questionable.

SYSTEM OF INVESTIGATION AND DISCIPLINE

Most PAOs maintain some form of investigation and discipline (I&D) of members in cases of violation of professional and/or ethical standards. Although these systems exist, the level and degree to which they are designed and operate in line with international best practice is questionable. Many I&D systems lack separate panels for investigating and disciplining members and many PAOs are in the process of reviewing their systems of I&D for compliance with IFAC SMOs.

Additionally, these I&D mechanisms can be questioned due to the low number of cases examined through PAO I&D systems. Additional technical support and assistance to PAOs to strengthen systems of I&D and ensure proper organization could be very useful to advance high-quality financial reporting. To further develop and enhance systems of I&D, development efforts to a) ensure appropriate education in the function of I&D systems; b) raise awareness among PAO leadership and members regarding the importance and role of I&D in the proper functioning of the profession; and c) provide support and guidance to fledging systems, especially in the area of breaches of professional ethics, could be very useful.

QUALITY ASSURANCE

Due in part to the diversity in development of PAOs throughout the Africa region, there is great polarization related to the development of systems of quality assurance (QA). The continent maintains a considerable number of PAOs that have extensively developed and implemented QA systems (e.g., Nigeria, Botswana, Kenya, Ghana, Namibia) and an equally sizable number of PAOs that have not implemented any QA system (e.g., Madagascar, Morocco, Senegal).

As QA is a high-level function requiring significant resources and expertise, these systems are more commonly found among more-

established PAOs that maintain strong membership and have adequate resources, both human and financial, to design and operate a QA system.

New entrants to the development and operation of systems of quality assurance tend to utilize mentoring or twinning arrangements to gain knowledge, experience, and capacity in developing and operating QA systems. These arrangements tend to be structured to commence with the external provision of QA services combined with an emphasis on building the QA capacity of local staff over time with a gradual hand-over of responsibility. Although several PAOs presently lack a system of QA, their IFAC Compliance Program SMO Action Plans tend to acknowledge this weakness and include actions to address and strengthen this area.

Given the resource-intensive nature of quality assurance, attention could be placed on developing QA at the regional level to serve the national-level PAOs in that region. Operating such a scheme offers opportunities to pool resources, expertise, and ability and provide for greater independence in undertaking QA reviews. The regional QA system developed by the PAO members of the ECSAFA is a useful example of how to structure a regional program in this manner.

SUPPORT FOR ADOPTION AND IMPLEMENTATION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Very few governments in the region have adopted International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board (IPSASB). The power to approve or set public sector accountancy standards generally rests with the government, with a few notable exceptions, as seen in Uganda and Zambia.

Although most governments have not yet adopted and implemented IPSAS, many have indicated the desire or plan to adopt IPSAS in the coming years. Therefore, several PAOs have undertaken active engagement and support for public sector accountancy development efforts. In Kenya, for example, the Institute of Certified Public Accountants of Kenya actively collaborates with the government in support of IPSAS adoption through membership on the governmental Treasury Committee. In Botswana, the Public Sector Committee was established to drive public sector financial reporting and financial management reforms in the country. The Committee plans to work in conjunction with the Botswana Institute of Chartered Accountants to develop a

public sector examination linked to the professional accountancy qualification.

PAOs should be encouraged to continue outreach efforts and maintain ongoing collaboration with the government to achieve IPSAS implementation. The openness and ongoing orientation of African PAOs to support public sector accountancy and financial management efforts within their country positions them as an attractive partner in strengthening these areas.

SUPPORT TO PUBLIC FINANCIAL MANAGEMENT

A substantial number of African PAOs are orienting their activities toward the public sector and are engaging in efforts to support public financial management (PFM). Several African PAOs have positioned themselves to serve public sector members and engage and support development of public sector accountancy and financial management, perhaps due in part to the size and economic impact of the government sector. PAOs in Botswana, Lesotho, Tanzania, and Zambia readily provide training and education related to public sector accountancy issues, support efforts to encourage professionalization of public sector accountancy employees, and act as a resource to government in enhancing public sector accountancy.

Additional technical and financial assistance could be very useful in bolstering the efforts of those PAOs actively supporting public financial management education, training, and development. For PAOs not yet actively supporting PFM, development support, especially in education and training, could build PAO knowledge, understanding, and future efforts in this area.

LOOKING AHEAD: PRIORITY AREAS FOR PAO DEVELOPMENT IN THE AFRICA REGION

On a continent exhibiting strong growth and momentum, it is not surprising that African PAOs are making a strong contribution to this progress through their efforts to strengthen the accounting and auditing profession and improve the quality of financial information. Although there have been significant gains, much remains to be done to strengthen the profession and enhance the

transparency, reliability, and comparability of financial reporting and management.

Key challenges for PAOs in the Africa region remain and engagement in these areas from the donor community through MOSAIC would help strengthen the capacity of PAOs and their ability to contribute to financial sector development, economic growth, and poverty reduction.

- **Efforts to develop the accountancy profession among fragile states should take their lead from local champions.**

At times, the lack of formal PAOs in Africa is linked to the nature of ongoing conflict (e.g., the Democratic Republic of Congo); recent emergence from conflict and consequential efforts to rebuild and re-establish the profession (e.g., Libya); and/or ongoing social or economic challenges facing the country (e.g., South Sudan). Successful post-conflict PAO development (e.g., Liberia, Rwanda, and Sierra Leone) may be attributed in part to the strong leadership demonstrated by partner-country stakeholders in directing, guiding, and strengthening these organizations, as well as the timing and availability of donor support to enhance local-led efforts.

Additional support for monitoring development of the profession in fragile and early-emerging economies, maintaining dialogue and relationships with local leaders of the profession, and providing donor assistance to PAO-development movements may enhance the likelihood of successful PAO development in these countries.

- **Regional accountancy organizations such as PAFA, ABWA, and FIDEF play a strong role in the development of the profession at both the regional and national level.**

The capacity of the profession in Africa has been greatly enhanced by PAFA's decision in May 2012 to adopt international standards, ABWA's development of its Accounting Technician Scheme, which has produced more than 4,000 graduates, and FIDEF's support for the translation of standards and guidance materials into French. Although these organizations have made significant achievements, the need for their support greatly outweighs their current capacity.

A substantial number of African PAOs are orienting their activities toward the public sector and are engaging in efforts to support public financial management.

Development assistance supporting the strengthening of regional accountancy organizations and their initiatives could have a significant impact on improving the capacity of African PAOs. Additional assistance could focus on aiding regional organizations in the development of PAOs in African countries where there are none; providing technical support for the development of accountancy education tools; providing technical assistance facilitating development of practical tools and technical guidance, especially for the implementation of ISAs, International Standards for Quality Control, and IFRSs; and assisting in the establishment of effective relationships with government and external stakeholders.

- ***Cooperation among sub-regional peer PAOs (South-South learning) has accelerated the development and strengthening of African PAOs.***

Knowledge sharing and learning between sub-regional peer PAOs has allowed them to accelerate development (e.g., Institute of Certified Public Accountants of Kenya cooperation and knowledge sharing with the Institute of Certified Public Accountants of Rwanda) and has created sub-regional interrelationships, which have further strengthened the overall level of PAO development among the sub-region. For example, the combined sub-regional efforts to develop PAOs in the East African Community (EAC) have resulted in these PAOs emerging as leaders of the profession and led to the creation of Mutual Recognition Agreements (MRAs) between EAC national PAOs. Additional support for regional and sub-regional peer PAO relationships may further overall development of the profession across the continent.

- ***An increasing number of African countries are in the process of establishing and developing independent audit regulators.***

The development of independent audit regulators (IARs) is still nascent in most African countries. However, in more developed African economies, where the profession is more established, there have been notable efforts to develop and strengthen IARs. Countries such as Mauritius and Botswana have established and are further strengthening their audit regulators, which operate independently to oversee the quality of services provided by the audit profession and undertake some aspects of investigation and discipline of professionals. Additional donor efforts to

support government and the profession in development of these systems may greatly advance the overall quality and resulting value of financial information—thus underpinning economic growth.

- ***PAOs throughout the Africa region are actively supporting PFM activities.***

Several African PAOs have oriented themselves to serve public sector members and engage and support development of public sector accountancy and financial management, perhaps due in part to the size and economic impact of the government sector. Additional support for strengthening ongoing-PAO programs and facilitating further engagement of PAOs in this area may strengthen partner-country PFM and advance the objectives of aid effectiveness and efficiency.

- ***Although most Africa region countries have adopted international standards, including IFRSs, ISAs, and the Code of Ethics for Professional Accountants, additional support is needed to further the implementation of these standards.***

Many PAOs are presently working to strengthen their CPD systems and enhance the robustness of CPD offerings. Additional support to this area, especially related to training and CPD courses on international standards, may further implementation. Additionally, support in the development of practical guidance on the use of international standards in practice could provide enhanced understanding to practitioners.

- ***Adoption and implementation of international standards have been delayed to some degree due to translation barriers.***

PAOs are working together through regional organizations, such as FIDEF, or with same language national-level PAOs to coordinate and pool efforts in the translation of standards in order to address translation barriers. For example, support for translation could be provided by a Brazilian PAO to lusophone Africa countries, such as Angola and Mozambique. Additional efforts may be needed to support PAOs tasked with translation responsibilities, especially where peer-country coordination efforts could enhance the timeliness and quality of resulting translations.

A CLOSER LOOK AT PAO DEVELOPMENT: THE INSTITUT DES REVISEURS COMPTABLES

With a population of more than 60 million inhabitants, the Democratic Republic of Congo (DR Congo) has enjoyed sustained economic growth since 2002. After a long period of poor governance and civil war that plunged the country into a serious economic crisis, the DR Congo established new political institutions in 2002 and began a period of economic reform.

The oldest and most representative PAO is the Institut des Réviseurs Comptables (IRC), which was created in 1992 by members of the Conseil Permanent de la Comptabilité au Congo (Permanent Council on Accounting of the Congo, or CPCC) who were trained in Belgium for three years as part of a cooperation arrangement with the Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises (IRE Belgium). Today, IRC exists as the professional association for accountancy in DR Congo and maintains membership in PAFA and FIDEF, through which it works to engage in enhancing the profession internationally.

LEGAL AND REGULATORY FOUNDATION—THE PAO ENABLING ENVIRONMENT

The IRC is a nonprofit association with independent legal status established by Ministerial Order No. 073/CAB/MIN/J&GS/2002 of April 13, 2002. Additionally, in 2006, the IRC obtained protection for the title of “réviseur comptable” (auditor) by Certificate No. 665/2006 of the Ministry of Industry. Though the IRC is not officially recognized by the government as a PAO, the organization and its membership have received some recognition through granting certain restricted practicing rights (e.g., members of IRC are permitted by the Ministry of Justice to undertake audits of banking sector entities).

Although the legal and regulatory framework governing accounting in the DR Congo has changed very little over the past three decades, the DR Congo’s 2009 decision to join as a signatory to OHADA and further develop its business and financial environment in line with regional best practices presents great opportunity for change.

Accordingly, on September 10, 2012, the eight Uniform Acts comprising OHADA became effective within DR Congo. With the

focus of these Uniform Acts on elements such as harmonization of company accounting systems, the DR Congo’s decision to sign OHADA provided an impetus for the development of a PAO.

Presently, the country and its stakeholders have not yet begun development of legislation, institutions, or processes that would formally recognize and enable a PAO. Therefore, additional assistance to DR Congo, its government, and the IRC may be useful in establishing and recognizing the accountancy profession and moving to embody the requirements of OHADA.

PAO ORGANIZATIONAL CAPACITY

To organize its structure and operations, IRC maintains articles of association, bylaws, ethical requirements, internal rules, and a code of conduct. Its organization is comprised of 40 members with auditors making up the majority. In addition to auditors, the IRC has accountant, tax reviewer and preparers, and student members. The organization maintains a General Assembly, Council, president, vice president, treasurer, and different committees (e.g., Internship and Research Committees). The General Secretary leads the strategic direction of the organization and the day to day operations. Additionally, IRC maintains a small staff of 3-4, including an accountant and secretarial staff. The IRC has a headquarter office and maintains a small library of resources for its members.

PROFESSIONAL EDUCATION, ASSESSMENT, PRACTICAL EXPERIENCE, AND CONTINUING PROFESSIONAL DEVELOPMENT

The IRC and the government of DR Congo have maintained a cooperative relationship with IRE Belgium since 1983 to further the development of the Congolese audit profession. Candidates achieve certification, and membership in IRC, by attaining a university degree and three years of practical experience through the IRC’s formal internship program. Additionally, many candidates travel to Belgium to attain training and sit for the required certification examinations. Due in large part to the cooperative relationship between IRE Belgium and IRC, IRE Belgium undertakes a substantial portion of the training and certification of professionals. To ensure lifelong education and attainment of knowledge and skills in line with latest emerging issues in the profession, IRC provides seminars three times per year on various topics relevant to the accountancy profession. In addition, representatives of IRE Belgium travel to DR Congo

annually and work with IRC to organize trainings and provide CPD education.

SUPPORT FOR ADOPTION AND IMPLEMENTATION OF CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

The IRC maintains a Code of Conduct, which was initially adopted in 1992. In recognition of the need to update and enhance ethical requirements, in September 2012, the IRC adopted the French translation of the 2009 *Code of Ethics for Professional Accountants*. In light of these recent changes to ethical requirements, additional support and assistance for awareness building and the development and provision of ethical training and education programs may greatly facilitate the implementation of these standards.

SUPPORT TO ADOPTION AND IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

In accordance with the West African Economic and Monetary Union (WAEMU) Regulation number 04/96/CM/UEMOA, the OHADA Uniform Act Organizing and Harmonizing Company Accounting Systems of February 22, 2000, and the OHADA Uniform Act Relating to Commercial Companies and Economic Interest Groups of April 17, 1997, entities in WAEMU or OHADA are now preparing their financial statements in accordance with the OHADA standards.

In DR Congo, SYSCO-OHADA will come into force in September 2012; however as the enforcement date is close to most companies' year end, these standards will most likely be applied by companies beginning in January 1, 2013. It is important to note that the accounting standards laid out in the Congolese General Chart of Accounts (Plan Comptable Général Congolais, or PCGC) were developed in 1976 and have not been amended over the years to align with changes at the international level.

Therefore, adoption and implementation of the Uniform Acts presents a significant change in financial reporting requirements and necessitates intensive education and training activities in order to appropriately prepare the business community and profession for SYSCO-OHADA adoption and implementation. Additional support and assistance for development and provision of SYSCO-OHADA training and education programs and technical support to members of the profession actively involved in transitioning companies to these standards may greatly facilitate the implementation of SYSCO-OHADA.

SUPPORT FOR ADOPTION AND IMPLEMENTATION OF INTERNATIONAL STANDARDS ON AUDITING

The auditing standards applicable in the DR Congo are not defined in a law or regulation. Although not embodied in law, recently the IRC has taken the progressive step of declaring ISAs to be used by its membership in undertaking statutory audits. In spite of this step, without legislative support to this declaration, the IRC holds little to no ability to compel adherence.

The IRC works very closely and collaborates with neighbors in the region to gain knowledge and prepare its professionals for the application of ISAs. Although not legally mandated, in previous years, the IRC has conducted training on ISAs, including a 40-hour training seminar on international accounting and auditing standards as part of the capacity-building project financed by the World Bank. Additional support to DR Congo and the IRC in strengthening the legal and regulatory framework to define auditing standards and increasing IRC capacity to provide education and training on ISAs may greatly enhance the quality of audit services.

SYSTEM OF INVESTIGATION AND DISCIPLINE

The IRC maintains a Disciplinary Committee that can discipline auditors and deliver sanctions, including warning, suspension, and expulsion from membership. The system is designed to allow the committee to act on referrals, complaints from an interested party, or written orders from the Attorney General. The committee decides cases by a majority of votes after hearing a response from the concerned party. Discipline by the IRC is exercised first by the Board of the IRC. In case of appeal of decisions by the Board, the Disciplinary Committee may be convened for a second time and can be expanded to include a judge and lawyer from the Court of Appeal to make a final decision. The system's design requires decisions of the Disciplinary Committee be forwarded to the president of the IRC for execution. Although a system of investigation and discipline does exist, its operations are limited by its lack of legal recognition as an organization and its inability to effectively enforce sanctions.

QUALITY ASSURANCE

The activities of audit firms and statutory auditors in the DR Congo are not subject to any controls by the IRC or by any other authority. This means that professionals who do not respect the applicable rules and standards are unlikely to be sanctioned.

The IRC works very closely and collaborates with neighbors in the region to gain knowledge and prepare its professionals for the application of ISAs.

Efforts to develop a system for quality assurance for IRC have been attempted; however, due to lack of legal recognition as a PAO and enforcement powers, efforts were unsuccessful.

SUPPORT TO ADOPTION AND IMPLEMENTATION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTANCY STANDARDS

DR Congo does not require the use of IPSAS and the IRC does not maintain responsibility for adoption of IPSAS in the country. However, members of the IRC have begun initial discussions with appropriate government representatives to raise awareness of IPSAS, their benefits, and the importance of adoption.

SUPPORT TO PUBLIC FINANCIAL MANAGEMENT

Although IRC does not have a formal relationship with the government, it does have organizational members who are members of the national standard setter and/or have supported the efforts of public sector entities in strengthening accountancy.

The IRC recognizes the extremity of DR Congo's lack of accountancy professionals to meet the needs of the country's public and private sectors (for a country of 60 million inhabitants, the IRC has only 40 professional members). Therefore, one of IRC's main areas of interest is to expand its membership to include a broad base of professionals, including those in the public sector. Additionally, IRC would like to establish a certification directed toward accounting technicians in recognition of the importance of the role of these professionals in the economy. Development of such a program may offer opportunities for engaging and incorporating a membership more inclusive of public sector professionals.

For more information on MOSAIC, please visit www.ifac.org/MOSAIC or email MOSAIC@ifac.org.

