

Professional Accountancy Organization Development Committee Perspectives Africa Region—May 2012

Background

At the May 2012 Professional Accountancy Organization (PAO) Development Committee meeting held in Tunis, Tunisia, discussions focused on the success factors, opportunities, and challenges relevant to the accountancy profession in Africa. Committee members, observers, and guests from national and regional stakeholders participated in discussion sessions on three focus areas.

1. Legislation to Support PAOs
2. PAO Institutional Governance and Capacity Building
3. Achieving Regional Cohesion

Key points made during the meeting have been summarized and refined into the following informal high-level guidance, which may be particularly informative and insightful to those individuals and organizations working to establish, strengthen, and/or further develop PAOs throughout Africa.

The below summary is organized according to the three discussion focus areas outlined above.

Summary of Key Points

1. Legislation to Support PAOs

The importance of effective institutional and legislative frameworks in both the initial establishment and the ongoing development of PAOs was acknowledged. Committee members discussed the importance of legislation that fosters the development of the profession, PAOs, and accountants in accordance with international standards and best practices. Participants also shared experiences and ideas on overcoming obstacles posed by the absence of an adequate legislative framework.

a. How have outdated or inadequate legislative frameworks affected efforts to establish PAOs?

Participants agreed that the absence of legislation can stunt the growth of the profession and impact the establishment, development, and capacity of PAOs. Discussion centered on the diversity of contexts that exist in Africa, with countries inheriting varied legal frameworks from their colonial pasts. The size of the country, the degree of involvement of the government, and the size of the accounting and auditing market were all seen to influence the development of accountancy and audit legislation.

b. How have PAO Development Committee members and observers dealt with such challenges in Africa or elsewhere?

Participants agreed that development of legislation supporting the accountancy profession is greatly influenced by the social and political context in the country. Early involvement of government representatives in work to develop the profession and PAOs was seen to have a positive impact and drive action. A number of PAO representatives confirmed that the presence of government decision makers on their board or council helped to improve the



credibility of the profession and promote timely development of an appropriate legal framework.

- c. [Drawing from your experience, what are some of the success factors in working toward, and achieving, legislative framework reform applicable to the African continent?](#)

The importance of finding and cultivating relationships with relevant government counterparts was noted. It was also considered important for PAOs to understand the agenda of government stakeholders. A number of key steps were identified for beginning the process of strengthening accountancy legislation.

- Focus on PAO stakeholders. Some PAOs have established strong government support by identifying and creating relationship with certain key individuals who are directly involved in activities relevant to the accountancy profession.
- Maintain awareness of and, where possible, involvement in all the areas that affect the profession, such as corporate governance, tax regulation, etc.
- Educate and prepare the PAO's members to engage in dialogue with members of parliament and government stakeholders on the importance and the benefit of a strong and efficient PAO.
- In certain cases, consider the creation of a committee in charge of the relationship with government stakeholders.
- Balance internal efforts with potential support from external stakeholders. Leverage positive relationships with international and regional organizations as well as those with other PAOs.

- d. [Reflecting on discussion, what resources, tools, or guidance may be available to assist PAOs and regional bodies in Africa as they work to modernize regulatory and/or legislative frameworks?](#)

In addition to IFAC tools, such as the Establishing and Developing a Professional Accountancy Body toolkit, it was agreed that dialogue between PAOs in similar environments can be invaluable, and that effective knowledge sharing in this area should be encouraged. Participants also agreed that when looking to provide guidance on this particular issue, the context (size of the economy, profession, responsibility split between government/regulators/PAO, etc.) must be taken into consideration. The support provided should be tailored to the need of the profession in the country and the capacity of the PAO.

2. [PAO Governance and Institutional Capacity Building](#)

Discussions focused on exploring the existing challenges that PAOs in Africa experience and the resources, at both the regional and national level, that might be available to increase their technical and financial capacity.



- a. What kind of capacity challenges have you seen for PAOs in the region? How have PAO Development Committee members and observers overcome similar challenges within their own countries, or in countries where they have provided technical assistance?

Sharing ideas on the range of challenges that PAOs may experience, participants distinguished between difficulties in technical and institutional capacity.

- i. Technical capacity

Without technical support and expertise, a profession does not have the capacity to properly implement adopted international standards. Inadequate training and materials directly affect the technical capacity of a PAO's membership and can result in a lack of trust in accountancy professionals. This problem may also limit the ability of a PAO to commit to projects and actions that attract funding.

- ii. Institutional capacity

Raising awareness of the importance of the accountancy profession was seen as essential in order to consolidate the position of a PAO in a country and increase the chances of gaining institutional capacity support. The engagement of relevant stakeholders, such as government, the central bank, auditors general, etc., in the activities of the PAO serve to increase its visibility and provide opportunities to convey the PAOs strategic priorities.

- b. What would you identify as some of the success factors in strengthening PAO infrastructure and capacity? What might be achieved at a regional level, taking into account the diverse nature of a continent such as Africa?

Two key areas of focus were identified.

- i. Development of a strategic vision for the organization to allow leadership to organize their priorities around those activities that constitute the core essence of the PAO's mission. It was agreed that a PAO should define its priorities according to its institutional, technical, and financial capacity, as well as the needs and the size of the market. A realistic strategic plan based around compliance with the Statements of Membership Obligations (SMOs) was considered integral to success and ongoing development in line with best practices.

- ii. Establishment of relationships at the regional level is also valuable. Regional bodies provide a forum for information sharing and potential cooperation among PAOs by facilitating communication between organizations at various stages of development. They can also act as a voice to engage national, regional, and international stakeholders around a common development agenda.

- c. Reflecting on discussion, what resources or approaches may be available to facilitate progress, either nationally or regionally?



In addition to IFAC tools, such as the Establishing and Developing a Professional Accountancy Body toolkit, it was agreed that dialogue between PAOs in similar environments can be invaluable, and that effective knowledge sharing in this area among PAOs should be encouraged. The importance of communicating strong messages on the capacity challenges faced by the profession and PAOs was stressed. Strategic planning, regional support, and laying strong foundations through solid accountancy education were all considered crucial.

3. Achieving Regional Cohesion: Enhancing Regional Cooperation

Representatives from the committee, PAOs, Recognized Regional Organization Pan African Federation of Accountants (PAFA) and Acknowledged Accountancy Groupings the Association of Accountancy Bodies of West Africa (ABWA) and Fédération Internationale des Experts-Comptables Francophones (FIDEF) exchanged ideas and traded perspectives on the development of the profession in the region.

a. What are the key challenges you see facing regional cohesion and cooperation in Africa?

Overall, participants noted that as a result of the continent's colonial history, Africa has inherited characteristics that make wider cohesion challenging.

- Language barriers—four main languages (Arabic, English, French, and Portuguese) are spoken across Africa and represent an obstacle to easy communication between various parts of the continent.
- Regulatory frameworks—national regulatory frameworks vary dramatically, even within sub-regions, due to legislative frameworks based on different legal traditions.
- Economic factors and the level of development of the profession— these differ significantly from country to country. The impact of a strong accountancy profession on the economy is rarely recognized equally by all national stakeholders; in more established economies the need for a strong accountancy profession tends to be better understood.

b. What lessons learned in other regions might be relevant to regional bodies in Africa as they support PAO development and growth throughout the continent?

Participants shared ideas on the challenges faced by a regional body grouping together countries that do not necessarily share any legislative or cultural commonalities. In Africa, PAFA holds the responsibility to act as the voice of the profession at the continental level, working with ABWA and FIDEF, and promote international best practices and the role of the profession in regional economic development. A strong regional body can facilitate a range of activities at the regional level, providing economies of scale. It can also assist in the creation of synergies and partnerships between PAOs in different sub-regions. The example provided was that of the efforts of the Eastern Central and Southern African Federation of Accountants (ECSAFA), which undertook work in areas such as education and quality assurance and contributed to the acceleration of PAO development in its member countries.



- c. What would you identify as some of the success factors in building regional identity? Which elements of best practice in PAO development might be furthered using a regional approach?

Participants agreed that the success of the regional organization is tied to the development of a strategic plan articulating the vision of the regional organization, and its intention to encourage and assist its member PAOs to progress and develop. It was agreed that the regional organization should carry the voice of the profession to country stakeholders, such as government, regulators, and standard setters, communicating the importance of developing legislative frameworks that enable the adoption of international standards and the application of best practices in accountancy and audit.

A further key role of the regional organization should be to foster and encourage communication and collaboration among its members. Numerous positive examples were provided, such as the collaboration between the PAOs in East Africa that has allowed the relatively young PAO in Rwanda to progress significantly and submit a successful associate application to IFAC. The countries have also signed a mutual recognition agreement to allow their professional accountant certifications to be recognized in any country in the East African community. Similar successful cooperation is taking place in the Association of Southeast Asian Nations (ASEAN) region countries.

There are several examples of regional collaboration focused specifically on SMO areas that have contributed to the development of the profession, such as ECSAFA's quality assurance review system and ABWA's accounting technician certification.