Introduction

5.1 The purpose of this paper is to clarify the issues and terminology relating to the project on measurable implementation of the IESs and to agree an approach to complete the project.

For purposes of presentation the paper has been presented in two sections: 1) Issues and 2) Project Proposal

Section A: Issues

Background Information

5.2 At its February 2008 meeting in San Diego the IFAC International Accounting Education Standards Board (IAESB) requested that an Information paper on the measurable implementation of International Education Standards (IESs) be developed with the objective to assist member bodies and others to promote global convergence towards the IESs. The following identifies a possible approach to complete the project and key issues for consideration by the Board.

Strategic Considerations

5.3 Developing guidance for member bodies and others (e.g. the Compliance Advisory Panel) to help measure the implementation of IESs is a high priority project in the IAESB Strategic and Operational Plan, 2007 – 2009.

5.4 At its meeting in San Diego in February 2008 the IAESB was informed about the results of the USAID funded Global Accounting Education Benchmarking (GAEB, 2003 - 2005) and Benchmarking International Standards of Transparency and Accountability (BISTA, 2006 – 2009) studies. The objective of the discussion was to assist the Board in setting the specifications for a project to be commissioned by IFAC to develop an Information paper on Measurable Implementation of the IESs. The objective of the project is to assist member bodies and others to promote global convergence towards the IESs.
5.5 During the discussion in San Diego key issues were highlighted by members of the Board in relation to the application of a benchmarking methodology. A selection is included here:

- Any benchmark methodology needs to be aligned to specific objectives and in turn consider the overall objectives of the standards;
- It is essential to recognise that the audience of the IESs include not only member bodies but also the other stakeholders and participants in accountancy education on a country level;
- Any methodology must use a holistic approach and avoid a ‘tick box’ mentality;
- The methodology is complementary to but not duplicative of the compliance programme of IFAC; and
- External validation can be necessary to complement self assessment.

5.6 The IAESB has asked Dr. Gert H. Karreman to develop an Information paper with the support of Royal NIVRA. Gert Karreman has agreed to prepare an outline for an Issues paper that can be discussed at the IAESB meeting in Dublin in May 2008. The draft was prepared in close cooperation with Ronan O’Loughlin and Alison Wolf from the IAESB and was discussed in advance with David McPeak, the Technical Manager of the IAESB. This paper describes a possible approach to the measurable implementation of the IESs and identifies the key issues on which the IAESB is asked to provide guidance.

Project Outcomes

5.7 Promoting convergence to and implementation of IESs is one of the priorities for the IAESB. CAG members have highlighted the importance of establishing education benchmarks to promote the global convergence towards the accounting education standards. Based on the discussion at the IAESB February meeting some examples of the possible outcomes identified by completing a project on measurable implementation are:

- Identifying a set of general indicators that enable member bodies to measure implementation of all IESs.
- Identifying potential weaknesses or strengths of the IESs as a result of benchmarking;
- Defining criteria for determining whether an indicator/benchmark is suitable;
- Identifying appropriate monitoring mechanisms to ensure that measurable implementation has been achieved; and
- Providing examples of good practice which show how member bodies can meet or exceed the criteria of the indicators/benchmarks.

5.8 This paper identifies how the Information paper can be developed. The Information paper in its final form should assist member bodies in the application of the benchmarking methodology and should promote a better understanding of the convergence towards the IESs for each country that is considered.
Discussion

Benchmarking Principles

5.9 General principles of benchmarking have been considered in view of the selection of targets for the IAESB project on the Measurable Implementation of IESs. Benchmarking literature indicates that the following issues should be considered as part of the Information paper.

Incentives

5.10 Any benchmarking effort needs to consider the incentives for the various participants. For example, a member body might use the methodology as a basis for obtaining donor assistance or for highlighting the standard of its qualification. IFAC might use it for a better understanding of the global situation. Donor agencies might use it to judge the allocation of resources to projects. A methodology can support member bodies in any reciprocity arrangements typically amongst bodies at a similar level of development and support the bridging of gaps where they exist.

Limit the number of benchmarks

5.11 There is a risk in developing a large number of benchmarks. Too many measures will tend to encourage a ‘tick box’ mentality and result in a loss of perspective on the overall objective. The results of the GAEB project confirmed that higher level benchmarks can make an important contribution to the analysis of the implementation of standards and the development of appropriate action plans.

Allowance for change

5.12 Any methodology will have to evolve to reflect ongoing developments and changes. For the IAESB project the methodology is viewed as complementary to the education standards themselves and will be made available as additional guidance for the implementation of the standards.

Results or process benchmarks

5.13 The literature notes that the use of results benchmarks is limited. Even if quality can be measured a conclusion that gaps towards the standards exist does not automatically identify why the gap exists. Process benchmarking in addition to results benchmarking is often necessary to identify the causes of gaps.

Alternative roles of benchmarking

5.14 Benchmarking can be used in a variety of roles such as comparison with peers, with competitors and with generic quality standards. For the IAESB project we are assuming the latter as the IESs are available as global standards. It is relevant to note that a recent study, GAE 2007, Trends in Global Accounting Education, confirms that convergence towards the IESs is actually occurring.

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1 Benchmarking and Incentives in the NHS; Paul A. Grout, Andrew Jenkins and Carol Propper; Centre for Market and Public Organisation University of Bristol

2 The GAE 2007 study was published in December 2007 by Royal NIVRA in cooperation with the Institute of Chartered Accountants of Scotland and the Scottish Chartered Accountants’ Trust for Education.
Quality of data
5.15 The quality of the data is a critical variable in the use of benchmarking. Absolute measures do not exist in this area and each variable can be viewed as indicative only within the context of different systems. The IAESB recognises that there are differing educational models in existence globally. The effectiveness of these differing systems is impacted by broader developmental considerations.

Benchmarking and the Compliance Programme
5.16 The IFAC Statements of Membership Obligations (SMO 1 – 7) define the requirements for professional bodies of accountants and auditors that are (associate) member of IFAC. The SMOs are the basis for the IFAC Compliance program. Compliance information that has been made available by the professional bodies is published on the IFAC website.

5.17 The SMOs distinguish between subjects that are the direct responsibility of a professional body and those that are not. This has important consequences for the requirements on qualification, education and training that are addressed in SMO 2: International Education Standards for Professional Accountants and other IAESB Guidance.

5.18 SMO 2 applies whether the member bodies set such requirements, or whether the requirements are set by another body. Where government, regulators or other appointed authorities perform any of the functions covered by this SMO, member bodies should (a) use their best endeavours to encourage those responsible for those functions to follow SMO 2 in implementing them, and (b) assist them in that implementation where appropriate.

Statement of Principle 1:
5.19 Benchmarking measurable implementation of IES should consider the qualification, education and training of accountants and auditors, and their CPD on a country level in order to get a realistic evaluation of the expertise that is available for the accountancy profession and to identify the implementation gaps that may still exist.

5.20 For benchmarking on a country basis the contribution of other stakeholders to the implementation of the IESs should be evaluated. We consider it important for the Board to be informed about the actual situation in countries. For example in the Netherlands there is almost full compliance with the IESs but this only becomes visible if the contribution of government agencies and universities is included in the analysis.

5.21 Benchmarking on a country level is possible and relevant as is shown by the results of the GAEB project. This is broader and complementary to the IFAC compliance programme. It highlights the cooperative effort of all stakeholders to ensure the fit for purpose quality of the qualification, education and training of professional accountants and auditors.
**Benchmarking Methodology**

5.22 The general objective of the IAESB benchmarking project is to promote the measurable implementation of IESs. It should be noted that any assessment arising from the use of any ultimately developed methodology will be subjective. Literature confirms that an absolute methodology does not exist in the area of social sciences.

5.23 The view of the preparers of this paper is that the project has to be seen to be relevant on both country level and global level. The existing standards are directed to member bodies but to assess the level of accounting and auditing qualification one has to consider the broader country institutional development, the interaction of stakeholders as well as what is appropriate for a given level of development.

5.24 Results benchmarking for the IESs is achieved through IFAC’s compliance programme for professional bodies. The envisaged benchmark project can develop complementary process benchmarks that can be used to judge the quality of accounting and auditing qualifications in a country and as a result identify potential gaps and remedial action and thereby support a directional improvement towards greater compliance and monitor progress in this area. To support the achievement of greater compliance examples of good practice can be included on various levels from a range of member bodies.

5.25 The possible development of product/output benchmarks would, we believe, require detailed additional requirements to be added to the IESs and given the varying educational, legal and other approaches globally would result in an overly prescriptive system. This latter approach is, we believe, unworkable and hence we are adopting a process approach.

**Statement of Principle 2:**

5.26 Emphasis in the IAESB project will be on process benchmarking in which the education, training and qualification process will be considered for the key actors in a country (including governments, professional bodies and universities).

5.27 The envisaged project is seen as progressing in parallel with the other work of the IAESB including the framework project. Any resulting methodology reflects the state of evolution of the IESs at a particular point in time and must be able to cope with future changes. This is one of the major reasons why we propose to develop a set of general indicators and did not choose the option of incorporating additional indicators in the separate IESs.

**Statement of Principle 3:**

5.28 Develop a set of general indicators that can be used to measure the implementation of all IESs and that will identify implementation gaps as basis for country action plans. Add examples of good practice to facilitate convergence towards the IESs.
5.29 A practical reason to develop a set of general indicators is that the institutional capacity, resources and expertise necessary for a successful implementation of the IESs is comparable for most of the separate International Education Standards. The GAEB project has shown that it is very well possible to work with a general set of indicators. For GAEB this was development driven. For the IAESB project the objective to promote measurable implementation of the IESs will be the most important criterion for the selection of indicators.

Action requested:

Does the IAESB agree with the three Statements of Principle which support the project on Measurable Implementation of IESs? If not, what amendments would you suggest to the Statements of Principle?
Section B: Project Proposal

Summary

5.30 The paper has summarized possible project outcomes. It also identifies three general principles for the IAESB project: benchmarking on a country level (Statement 1); emphasis on process benchmarking (Statement 2); and development of general indicators (Statement 3).

5.31 Process benchmarking on a country level is in our opinion complementary to the IFAC Compliance program. It can inform the IAESB about convergence towards the IESs on a country level. As a tool for country development it will support the work of the IFAC Developing Nations Committee. We will be requesting input on the tool from the IFAC Compliance Program and the IFAC Developing Nations Committee.

5.32 The end product of the project is an Information paper that is meant to promote global convergence towards the IESs. The Information paper will identify indicators for all IESs that can be used to demonstrate measurable implementation of IESs. Examples of good practice can be collected on different levels of development that will illustrate how compliance with the IESs can be achieved. Use of the indicators over time in one country will identify progress. A more general system of monitoring depends on global fact finding, which is not considered in the Information paper.

Scope of the Project

5.33 The project is envisaged to involve the steps that are included in Table 1. Our proposal adopts a step by step approach in which separate IAESB decisions can be distinguished.

- May 2008, general project principles
- September 2008, indicators and Information paper lay-out
- December 2008, Information paper for approval

5.34 The end product of the IAESB project is being proposed to be an Information Paper on the Measurable Implementation of IESs that can assist IFAC member bodies and others to promote global convergence towards the IESs. The major features of the Information paper would include: a set of general indicators, testing of general indicators with selected member bodies, and examples of good practice from member bodies. In addition, a literature review on the types of indicators available and their use would be performed. The project has taken a development and implementation approach to benchmarking. Follow up activities by the IAESB and other stakeholders are not included in the description of the scope of the project at this time.

5.35 We assume that the IESs specify good practice for competence. We can envisage five levels of development of which the fourth below is considered to be equivalent to IES:

- Little or no implementation of IES
• Critical deficiencies despite some effort at implementation
• Adoption of standards without significant revision or amendment to institutional implementation
• Sustainable implementation of standards
• Implementation of standards in a way that would be considered to exceed the standards requirements

Table 1. **Project Timeline and Activities**

<table>
<thead>
<tr>
<th>Steps</th>
<th>Deliverables and timeline</th>
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<tbody>
<tr>
<td>Discuss the measurable implementation of IESs</td>
<td>IAESB February 2008 meeting</td>
</tr>
<tr>
<td>Prepare an issues paper on the measurable implementation of IESs</td>
<td>IAESB May 2008 meeting</td>
</tr>
<tr>
<td>Approve the general principles of the project and an approach to complete the project</td>
<td>IAESB May 2008 meeting</td>
</tr>
<tr>
<td>Undertake literature review (including experience drawn from the global accounting education, classification and benchmarking studies); develop a set of indicators that can be used to evaluate a country’s position; and prepare a draft lay-out of the Information Paper</td>
<td>Literature review, draft indicators and lay-out of the Information Paper to be available in September 2008. (Estimate 10 days)</td>
</tr>
<tr>
<td>Approval of the literature review, the set of indicators and the draft lay-out of the Information Paper</td>
<td>IAESB September 2008 meeting</td>
</tr>
<tr>
<td>Identify examples of good practice at different levels, test the set of indicators and modify the set of indicators as a result of the test (assume 10 countries are covered at different environments and development stages)</td>
<td>To be available by December 2008. (Estimate 10 days)</td>
</tr>
<tr>
<td>Produce a first draft of the Information Paper for consideration by IAESB</td>
<td>To be available by December 2008 (Estimate 10 days)</td>
</tr>
<tr>
<td>Present 1st Draft of the Information Paper</td>
<td>IAESB December 2008 meeting</td>
</tr>
<tr>
<td>Approve Final version of Information Paper</td>
<td>IAESB March 2009 meeting</td>
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5.36 IFAC will be seeking assistance from Royal NIVRA to commission work to develop an Information paper on the Measurable Implementation of the IESs. In the past Royal NIVRA has been a very important supporter of the GAEB project (GAE Report, 2007) which benchmarked accounting education programs of 32 professional bodies in 25 countries. The development of the proposed Information paper will benefit a variety of stakeholders who have an interest in the continuing development of accountancy education, training and qualification. In the early stages of this project Royal NIVRA has agreed to support the participation of Dr. Gert Karreman, Principal Investigator in the GAEB project, in
the development of this Issues paper. An IAESB workgroup comprising of Ronan O’Loughlin, Alison Wolf, and David McPeak has also worked with Dr. Karreman to develop this Issues paper. It is expected that the workgroup will be expanded to an IAESB taskforce that will assist in completing the work of this project. The project will also be supported by Leiden University in the Netherlands which has already agreed to make administrative and secretarial support available for the rest of the project free of charge. There will be a need to consult with staff of selected member bodies for testing of the general indicators and obtaining examples of good practice.

5.37 The proposed project to support the measurable implementation of IES is in our opinion an important strategic objective for the IAESB as a global accounting education standard setter. It can promote convergence to and implementation of IES and act as a catalyst for country development. It will also inform IFAC’s understanding of global developments in accountancy education and promote IFAC’s role in dialogue with the various stakeholders.

**Action requested:**

1) *What other issues should the task force address in developing the Information paper on Measurable Implementation of the IESs?*

2) *Does the IAESB agree with the general approach suggested in the project proposal to complete the project? If not, what amendments would you suggest be made to the project?*

**Next Steps**

5.38 Following the IAESB agreeing the approach of the project, the workgroup will prepare an Issues paper for the Septembers 2008 IAESB meeting to update Board members on the progress of the project and brief them on any related issues with respect to the project.