Enhancing Quality: Global Adoption of International Accountancy Standards

IESBA Board
December 5, 2019
New York, USA

International Standards’ Adoption & Implementation

Help drive economic growth & financial market stability

Promotes transparency, accountability, and trust in financial information

Combat inconsistent and fragmented regulation of the financial sector
PAOs’ Role

**PAOs**
- Relevant
- Sustainable
- Credible

**Professional Accountants**
- Highly Trained
- Competent
- Ethical

**High Quality Information & Management**
- Transparency
- Accountability
- Trust

**Economic Development**
- Public and Private Sectors
- Foreign Direct Investment
- Effective Development Assistance and Aid

**Poverty Reduction & Shared Prosperity**

IFAC’s Role in the International Standards’ Adoption Ecosystem

**Membership Requirements**
- Governance and operations criteria
- International standards adoption and support

**Monitoring and Reporting**
- Member surveys and Assessments
- Action plans and diagnostics

**Implementation Guidance**
- Knowledge Gateway
- Guides and tools

**Capacity Building**
- Donor engagement
- Country-specific projects

**Advocacy**
- Policy and thought leadership
- Outreach and engagement

**Intellectual property**
- Protection and access policies
- Translations
IFAC and Our Membership

IFAC MEMBER COMPLIANCE PROGRAM provides a framework for strong, capable PAOs

- IFAC membership
- +
- international standards implementation
- =
- sustainable economic development

A Timeline of IFAC'S Adoption & Implementation Focus
IFAC Member Organizations Are Essential to Competent Usage of International Standards

**POSITIVE TREND IN STANDARD USAGE**
When IFAC members are involved in the standard-setting process, there is a positive trend in the international standards' and systems' usage.

**SHARED RESPONSIBILITY AND COLLABORATION**
Standard-setting includes multiple stakeholders that must work in sync to adopt and keep standards up-to-date.

**ADVOCATORS AND ADVISORS**
IFAC members are strong advocates for international standards' adoption and provide advice on relevant issues.

IFAC Member Organizations’ Role in Adoption

On average 76% of IFAC member organizations have some level of authority in the adoption of international standards and setting best practices.

This can be *direct* (legally able to adopt international standards for their members) or *shared* (working with other organizations and the government).
IFAC member organizations provide essential stakeholder support for the adoption of standards and accompanying systems. Accountants and their stakeholders then rely on the support IFAC member organizations provide to properly apply standards and improve professional competency.

Adoption & Implementation Support

- Anticipate local needs
- Regular self-assessments & benchmarking
- Participate in consultations
- Translations
- Training & CPD
- Helpdesks & access to experts
- Guides & resources
- Quality checks & enforcement

International Standards: 2019 Global Status Report
Methodology

Member submits SMO Action Plan

IFAC reviews Action Plan and conduct additional research

IFAC drafts assessment profile
Provide comments and ask clarifying questions in Action Plan

IFAC revises assessment based on updated information.
Submit to a second round of IFAC’s internal quality control review before publication on IFAC website

IFAC sends Action Plan and profile for member’s review and feedback
IFAC engages in email and telephone communications to receive accurate information and clarifications

Draft assessment profile goes through first round of IFAC’s internal quality control reviews

Global Adoption Status Snapshot

>90% of IFAC member jurisdictions use:
  • International Standards on Auditing
  • International Financial Reporting Standards
  • International Code of Ethics for Professional Accountants from the Ethics Board

>80% of IFAC member jurisdictions have monitoring/enforcement mechanisms for quality assurance and investigation and discipline.
Global Adoption Status Snapshot: Data

IFAC measures adoption rates in seven areas: five international standards and two best practices.

**GREENS = USAGE**

<table>
<thead>
<tr>
<th>Standard</th>
<th>Adopted</th>
<th>Partially Adopted</th>
<th>Not Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISA</td>
<td>40%</td>
<td>44%</td>
<td>5%</td>
</tr>
<tr>
<td>IFRS</td>
<td>36%</td>
<td>14%</td>
<td>50%</td>
</tr>
<tr>
<td>IESBA</td>
<td>77%</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td>QA</td>
<td>50%</td>
<td>50%</td>
<td>19%</td>
</tr>
<tr>
<td>I&amp;D</td>
<td>22%</td>
<td>77%</td>
<td>10%</td>
</tr>
<tr>
<td>IES</td>
<td>36%</td>
<td>80%</td>
<td>1%</td>
</tr>
<tr>
<td>IPSAS</td>
<td>67%</td>
<td>29%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Code of Ethics Adoption**

- **46%** IFAC member jurisdictions have adopted the Code.
- **49%** partially adopted.
- **5%** not adopted.

**Partial Adoption**

- 42% earlier version of the Code.
- 5% scope of applicability.
- 5% not entire Handbook adopted.

IFAC member jurisdiction details available on IFAC website.
Trust & Confidence in International Standards

How jurisdictions adopt standards demonstrates trust and confidence in the high-quality standards and process. Most adopt by directly referring to the standards or working to eliminate differences (convergence).

80% of IFAC member jurisdictions directly adopt International Standards on Auditing

79% of IFAC member jurisdictions directly adopt International Financial reporting standards

57% of IFAC member jurisdictions directly adopt the International Code of Ethics for Professional Accountants

42% of IFAC member jurisdictions directly adopt International Public Sector Accounting Standards

How the Code of Ethics is Adopted

• 57% jurisdictions directly refer to International Code of Ethics
  – 21% jurisdictions: standard setters adopt the Code as issued
  – 39%: standard setters adopt and republish a specific year/version of Code
  – 39%: standard setters converge the Code with national ethical requirements
• Most jurisdictions use the Code as a minimum benchmark
• TREND: Standard-setters are striving to adopt the latest version of the International Code
  – +30 have adopted 2018 Code
Authority to Adopt Ethical Requirements

- Authority for accountancy profession ethical requirements varies from jurisdiction to jurisdiction.
- It is often a shared responsibility amongst several entities.
- Strong Code-usage rates reflect how often IFAC member organizations have some level of involvement/authority
- IFAC member organizations advocate for adoption & contribute to progress through technical support

Adoption + Implementation = Success
Support from IFAC Member Organizations for Adoption & Implementation of the Code

• 86% of IFAC member organizations substantially carry out or have formed strong processes for ethics adoption and implementation support

• 14% of IFAC member organizations have plans to address & enhance

Championing Ethics

PAOs champion the International Code through:

- Education and training
- Resource centers
- Technical experts
- Confidential hotlines / sounding boards
- Practical case studies
- Research
- Awareness raising amongst regulators
Translational: Main Adoption Challenge

- Access to standards in local languages remains a main challenge
- Translation requires technical & financial resources – and stakeholders willing to invest in translation
- IFAC member organizations supporting translations that are timely, accurate, and complete.
  - Use their own technical expertise or support additional organization’s processes
  - 45% of member organizations are involved in translating the Code or have partnered with other organization to do.
- 92 (53%) member organizations would benefit from translations of the Code

Regional Outlook

<table>
<thead>
<tr>
<th>REGION</th>
<th>Total # IFAC Member Jurisdictions</th>
<th>Adopted</th>
<th>Partially Adopted</th>
<th>Not Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia - Pacific</td>
<td>23</td>
<td>35%</td>
<td>57%</td>
<td>8%</td>
</tr>
<tr>
<td>Africa</td>
<td>24</td>
<td>88%</td>
<td>12%</td>
<td>0%</td>
</tr>
<tr>
<td>Americas and Caribbean</td>
<td>25</td>
<td>28%</td>
<td>64%</td>
<td>8%</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>48</td>
<td>44%</td>
<td>52%</td>
<td>4%</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>10</td>
<td>30%</td>
<td>70%</td>
<td>0%</td>
</tr>
</tbody>
</table>
IFAC – IESBA Collaboration

• IFAC is in frequent contact with IFAC member organizations on regional and jurisdictional priorities
• Enables coordinated outreach and awareness raising
  – e.g., roundtable in Moscow, workshop at CReCER, webinar with ASEAN Federation of Accountants
• IFAC is supporting NOCLAR implementation review by leveraging compliance contacts & relationships

Key Takeaways

Increasing commitment to speaking a common language.

Adoption = sustained effort to review, revise, and promulgate, including translation.

Standards must be applied to be adopted.

Further implementation planning and support is needed.

Translations is one of the main challenges to successful adoption and implementation.

Multi-stakeholder effort required to extend the adoption success story.
What’s Next in Adoption Reporting?

Reports by specific standard

<table>
<thead>
<tr>
<th></th>
<th>Ethics and Investigation &amp; Discipline</th>
<th>ISA and Quality Assurance</th>
<th>IES</th>
<th>IPSAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2020</td>
<td>2021</td>
<td>2021</td>
<td>2022</td>
</tr>
</tbody>
</table>

Regional report on the Middle East & North Africa