

What does it take to establish a national professional accountancy organization (PAO)? How about one that is relevant, sustainable, and ready to adopt and implement international standards and best practices? Is there a set formula for success?

IFAC has identified the nine components that cover the full spectrum of a PAO's responsibilities and, when properly addressed, contribute to making it an effective PAO that serves both the public and private sectors. The nine components are interdependent but fall into three categories—the building blocks of PAO capacity building.

- Sustainability: appropriate legal foundation(s), governance structure, and operational capacity
- Standards and enforcement: facilitating the adoption and implementation of standards for accountancy education, ethics, financial reporting, audit, and public sector accounting based on international benchmarks and monitoring compliance
- Relevance: connectivity between a PAO and its membership and key stakeholders, and society in general, to understand and respond to their needs across the private and public sectors

During the PAO Development Committee meeting in Cape Town, South Africa in October 2016, committee members, many of whom have worked for or closely with PAOs and accountancy regulators at both national and regional levels, explored what it might take to build a PAO's capacity within three different fictional country contexts. Discussions focused on overcoming barriers, seizing opportunities, and identifying and engaging with key stakeholders to achieve set objectives.

The stories told provide thought-provoking insight into approaching the accountancy profession and PAO development journey.

Establishing Relevance

Scenario: A “fragile state” country recently began to rebuild after a protracted civil war. While there is an abundance of natural resources, the economy is slow growing, with low-skilled workers, weak educational systems, and inadequate infrastructure. International donors are interested in supporting development and are cautiously optimistic. Where does accountancy profession development fit into the country's priorities and where could it begin?



Perspectives: There is a clear role for the profession in contributing to a skilled labor force through an effective education system and ongoing monitoring and support to finance personnel in both the private (supporting businesses, attracting investment) and the public (promoting

accountability and transparency in the use of public funds) sectors. Properly educated and trained accountants and auditors are essential to donors achieving their fiduciary responsibilities. The development of a national system of accountancy education and recognition of qualified professional accountants may help maintain donor interest and optimism. A strong, consistent, and persistent advocacy effort is, therefore, essential. Clear communication and engagement with stakeholders, such as the government, businesses, citizens, and students, is a priority to secure buy-in of these groups.



Establishing the relevance of the profession in this context is a long-term undertaking given the unknowns that exist in a fragile operating environment. If the country has champions within civil society who are committed to establishing a national accountancy profession and have a strong, articulated vision, these individuals must be realistic about expectations and future achievements, recognizing that the process will take several years and will require significant support and

engagement of a large array of stakeholders, both in and outside of the country. [IFAC's Finding Your Voice: PAOs, Advocacy, and Public Policy](#) guidance may be a helpful starting point.

Stakeholders include, but are not limited to: government, citizens, employers, educators, donors, any regional organizations, and IFAC.

Due to the fragile nature of the government, there is a higher risk of political dependency, debt, and corruption, as well as likely limited control over the educational system and, therefore, the future of a professional accountancy qualification. However, with the support and commitment of strong champions on the ground, targeted support of donors, assistance from the regional accountancy organization and/or a well-established PAO, and IFAC's advocacy for the profession, progress can begin to take shape.



Creating Sustainability



Scenario: A newly-established PAO has been granted legal recognition within the jurisdiction and has a clear constitution and bylaws giving it responsibility to educate and monitor accountancy professionals and implement and enforce international standards. Expectations are high and there is some pressure on the PAO to move forward on all aspects of its remit as soon as possible. How does the PAO make steady, visible progress while ensuring its long-term sustainability?

Perspectives: Inevitably, there will be a range of individuals eager to begin operations quickly and expect fast results. However, moving at a slower pace and taking the time to form a clear strategic plan that prioritizes what is feasible and realistic and acknowledges resource opportunities and constraints (both human and financial) is the best way to foster *sustainable* growth.

Such a plan also assists in communicating both the PAO's value and its needs to stakeholders, such as government. Effective leadership is paramount. A strong, empowered chief executive (or equivalent) and a governance structure that separates the board's strategic leadership role and the executive function's operational leadership role maximizes effectiveness and efficiency. Focusing on creating a strong brand identity for the PAO is crucial at this time. It will help to attract the right staff and raise the PAO's profile among future employers as well as the next generation of professionals—students.



In many cases, a large portion of a PAO's revenue in its early days comes from qualifying individuals and membership dues. Therefore, another key and early action for PAO leadership is to work closely with educational institutions, such as universities, to create pathways and effectively market the profession to young professionals.

Ensuring Quality

Scenario: A well-developed country has a fairly strong economy due to tourism but rather low levels of foreign direct investment. An established PAO runs a national professional qualification, whose members have appropriate educational and continuing professional development levels, and international standards of accounting, auditing, and ethics have been adopted and are being implemented in the jurisdiction. The PAO operates under a self-regulation model and is, therefore, also responsible for carrying out quality assurance reviews and leading investigation and discipline proceedings for its members. However, it has yet to establish such procedures. The Ministry of Finance is conscious that financial reporting quality is key to improving the investment climate and there is pressure on the PAO to implement monitoring and enforcement systems as a matter of priority.



Perspectives: The value to be gained from learning from another PAO's experience, especially in this area, is well recognized. Identifying partnership opportunities through participation in IFAC or regional organization-run workshops to learn from others, as opposed to duplicating and re-creating procedures, brings positive results. A formal "twinning"-style partnership with another PAO that enables transfer of practical knowledge directly to the developing PAO's staff can



position them to sustain activities in the future.

PAOs may find IFAC's [Counting on Each Other: Establishing & Maintaining Effective PAO Partnerships](#) useful when initiating a twinning arrangement.

Establishing monitoring and enforcement mechanisms is only the first step in the journey of standards' enforcement and compliance. To effectively implement a system and achieve a visible increase in service quality within a self-regulation framework, the PAO must secure stakeholder buy-in. This includes members, audit firms, and the government. In the case of quality assurance, enforcing standards can be a politically sensitive matter. The PAO needs to understand how to tactfully navigate potential resistance from audit firms, for example, by introducing a voluntary system to start and recognizing firms that participate.

In some cases of self-regulation, a PAO might need to propose legislative amendments to ensure that it is legally empowered to implement a quality assurance review system in line with IFAC's [Statement of Membership Obligation 1](#). Without government support and buy-in, there is a risk that this regulatory function could prove ineffective or be assigned to a less-qualified entity.

Additionally, the PAO needs to consider if it will address issues of non-compliance and deficiencies in a developmental or punitive manner, and develop a set of sanctions appropriate to circumstances. PAOs can form connections with peers to learn from one another and strengthen these types of investigation and discipline procedures to safeguard the profession.



Finally, implementation of a quality assurance system is not a "one-and-done" initiative but rather an iterative process. The PAO must continuously review and update its system to ensure it is working effectively and remains aligned with international standards and best practices in order to make the most of their contribution to a country's economic development and growth.