



The South East Compact for Reform, Investment, Integrity and Growth Under the EU Stability Pact - Working Table II



2nd Working Group Meeting of the
THE SOUTH EASTERN EUROPEAN
PARTNERSHIP ON ACCOUNTANCY DEVELOPMENT

on

**“Professional Education, Training and Certification Programmes
for Accountants and Auditors in South Eastern Europe”**

- Draft -

*Development of Accountancy Education and Training
in South Eastern Europe*

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1. Introduction

The South Eastern European Partnership on Accountancy Development (SEEPAD) is dedicated to build strong and sustainable self-regulatory accounting and auditing bodies that are in a position to fulfil their responsibility towards the profession.

Training and certification is one of the areas chosen by SEEPAD in which gaps between the actual practice and international benchmarks will be compared and identified. The results will promote the development and harmonisation of professional qualifications, certification and/or licensing requirements and regulating the access to the profession, based on internationally recognised guidelines.

The Organisation for Economic Co-operation and Development (OECD; Paris) is preparing a transnational fact-finding project that has as its overall objective to analyse the present development of accountancy qualification, education and training in the SEEPAD countries with existing international guidelines and directives as benchmarks. The results of the project are meant to assist in the further development of strong accountancy professions in the SEEPAD countries with adequate systems of accountancy education

The European Institute for Advanced Studies in Management (EIASM; Brussels) will make supportive information and expertise available from the international research project on the Impact of Globalisation on Accountancy Education. EIASM (Gert Karreman as research project director) and OECD (Sebastian Molineus as SEEPAD project manager) will co-ordinate research activities in this area in view of synergy and mutual support.

In the EIASM contribution the following elements of accountancy education and training will be considered:

- (a) Professional qualification and licensing.
- (b) Professional education.
- (c) Practical training (work experience).
- (d) General education.

For each of the subject areas sample questions will be included in the EIASM paper that can help in identifying the gaps between actual practice and international benchmarks.

International benchmarks on accountancy education and training will include the relevant Directives of the European Union (EU), the Education Guidelines given by the International Federation of Accountants (IFAC) and the Guideline for a global accounting curriculum given by the United Nations Conference on Trade and Development (UNCTAD).

2. International Benchmarks

The general objective of the OECD project is to contribute to the further development of the accountancy and auditing profession in the countries concerned by making available an analysis of accountancy education and training in the SEEPAD countries with existing international guidelines and directives as benchmarks. To this end it is important to analyse the present situation in the fields described as a basis for recommendations by OECD on further actions concerning the system of education and training for accountants and auditors.

The following international directives and guidelines will be considered.

- (a) Legislation and compliance with EU-directives

Compliance with the relevant EU-directives is considered relevant, both in a formal and a practical way. The directives to be considered are the Eight Directive and the General Directive on mutual recognition, with emphasis on qualification requirements.

- (b) Development of the accountancy and auditing profession

The International Federation of Accountants has developed guidance on the recognition of professional accountancy qualifications. The IFAC statement of policy follows the requirements of the General Agreement on Trade in

Services (GATS). It can be used to ascertain stronger and weaker points in the position of professional bodies concerning qualification. The position of standard setting bodies in the respective countries should be considered as part of the project.

(c) Accountancy education as an instrument of professional development

General requirements for certification and education of auditors are defined in the Eighth Directive of the European Union. To consider programme content the analysis will also be based on the IFAC International Education Guideline #9 (IEG 9) on pre-qualification education, assessment of professional competence and experience requirements of professional accountants and on the UNCTAD Guideline for a global accounting curriculum and other qualification requirements.

Each of the following paragraphs starts with a consideration of international benchmarks followed by an overview of the main subjects that can be included in the gap analysis. Sample questions for a questionnaire are given in the appendix to the paper.

3. Professional Qualification and Licensing

The recognition of professional accountancy qualifications is addressed by IFAC in its Statement of Policy of Council (June 1995). This statement follows the requirements of the General Agreement on Trade in Services (GATS).

According to IFAC candidates for recognition of professional qualifications should demonstrate that they have passed an examination of professional competence. This examination must assess not only the necessary level of theoretical knowledge but also the ability to apply that knowledge competently in a practical situation. IEG 9 specifically requires that as a result of the educational programme and the professional experience candidates should acquire intellectual, interpersonal and communication skills. IEG 9 further states that a required component of the assessment process for individuals seeking to become qualified is a final examination administered by or with substantial input from the professional body or regulatory authority. The examination must be comprehensive, require a significant portion of responses to be in writing and be administered near the end of the educational and, where appropriate, experience requirement.

Member bodies of IFAC should not only satisfy themselves that the assessment(s) undergone by applicants indeed test the body of knowledge and the ability to apply it, but that the policies and procedures for its construction, security and marking are adequate to ensure the integrity of the assessment process. Agreement should also be reached on the need for a periodic review of the education and assessment process so as to ensure that conditions for recognition continue to apply.

It is crucial for any professional not only to have a sound theoretical knowledge but also to be able to apply that knowledge competently. IFAC suggests that, prior to recognition for the purposes of performing a reserved function, an individual should have completed a minimum of two years approved and properly supervised practical experience primarily in the function concerned and in a suitable professional environment.

The 8th European Union Directive of 10 April 1984 has laid down common standards for the education, training and qualification of statutory auditors. Basic provisions for education purposes are ruled by the articles 4 to 8.

Article 4 requires, for natural persons seeking approval to carry out statutory audits, the holding of a university entrance level qualification, completion of a course of theoretical instruction, a practical training phase and passing an examination of professional competence of university final examination level organised or recognised by the State.

Article 5 requires that the examination should guarantee acquisition of theoretical knowledge of subjects relevant to statutory auditing, ability to apply such knowledge in practice and that the examination should at least be partly written.

Article 6 refers to the theoretical subjects to be covered.

Article 7 grants eventual possibilities of exemptions from the test of theoretical knowledge and from the test of the ability to apply that knowledge in practice.

Article 8 requires three years' practical training in the auditing of annual accounts, consolidated accounts or similar financial statements prior to taking the final qualification examination and that member states shall ensure that all training is carried out under persons providing adequate guarantees regarding training.

Main subjects to be included in the gap analysis:

- Final Examination of Professional Competence.
- Admission Requirements on Education and Training.
- Institutional Responsibility and Expertise.
- Output of Qualified Accountants and Auditors.

4. Professional Education

The 8th Directive of the European Union has laid down common standards for the education, training and qualification of statutory auditors. This is reflected in the choice of theoretical subjects to be covered as defined in Article 6:

- Auditing, analysis and critical assessment of annual accounts, general accounting, consolidated accounts, cost and management accounting, internal audit, standards relating to the preparation of annual and consolidated accounts and to methods of valuing balance sheet items and of computing profits and losses, legal and professional standards relating to the statutory auditing of accounting documents and to those carrying out such audits.
- In so far as they are relevant to auditing: company law, the law of insolvency and similar procedures, tax law, civil and commercial law, social security law and law of employment, information and computer systems, business, general and financial economics, mathematics and statistics, basic principles of the financial management of undertakings.

In IEG 9 professional education is divided in organisational and business knowledge, information technology knowledge and accounting and accounting related knowledge.

According to IFAC accounting and accounting related knowledge should cover the following subjects:

- Financial accounting and reporting, management accounting, taxation, business and commercial law, auditing, finance and financial management, professional ethics.

For the requirements on information technology knowledge reference is made to the International Education Guideline #11 (IEG 11) Information Technology in the Accounting Curriculum.

Organisational and business knowledge covers the following subjects:

- Economics, quantitative methods and statistics for business, organisational behaviour, operations management, marketing, international business.

UNCTAD in general supports IFAC guidance on pre-qualification education, assessment of professional competence and experience requirements of professional accountants. Furthermore UNCTAD has made available a guideline for a global accounting curriculum in order to promote global harmonisation of professional qualification requirements. This detailed model curriculum can be used as a starting point by countries wishing to bring their system of qualification into line with global requirements.

Main subjects to be included in the gap analysis:

- Core Programme of Professional Education.
- Standard Setting, Examination and Assessment.
- Providers of Professional Education.
- Admission Requirements to Professional Education.
- Output of Qualified Candidates.

5. Practical Training

The 8th Directive of the European Union requires in Article 8 three years' practical training in the auditing of annual accounts, consolidated accounts or similar financial statements prior to taking the final qualification examination and that member states shall ensure that all training is carried out under persons providing adequate guarantees regarding training.

According to IFAC IEG 9 an appropriate period of relevant experience in performing the work of professional accountants must be a component of a pre-qualification programme. The period of experience should be long enough to permit prospective accountants to demonstrate they have gained the knowledge, skills and professional values sufficient for performing with professional competence. This objective cannot normally be met in a period of less than three years.

Main subjects to be included in the gap analysis:

- Core Programme of Practical Training.
- Standard Setting and Assessment.
- Providers of Practical Training.
- Admission Requirements to Practical Training.
- Output of Qualified Candidates.

6. General Education

Entry requirements are approached in a comparable way in the EU 8th Directive and in IEG 9.

The 8th directive of the European Union requires a university entrance level qualification.

In IEG 9 an education level equivalent to that for admission into a recognised university degree programme or its equivalent is set as the minimum standard.

The EU 8th Directive contains no requirements on general education. IEG 9 is more specific.

It states that, although general education requirements vary greatly from programme to programme and from country to country, a portion of the education must focus on the development of general knowledge, intellectual skills and communication skills through a broad range of subjects that provide students with a grounding in arts, sciences and humanities.

Main subjects to be included in the gap analysis:

- Degree Requirements.
- Programme Requirements.
- Output of Qualified Candidates.

Appendix

1. Professional Qualification and Licensing

Main subjects to be included in the gap analysis:

- Final Examination of Professional Competence.
- Admission Requirements on Education and Training.
- Institutional Responsibility and Expertise.
- Output of Qualified Accountants and Auditors.

Sample questions:

- What are the existing qualifications for accountants and auditors?
- What are the final examination requirements?
- What is the level of the final examination compared with international standards?
- Does the final examination test theoretical knowledge and the ability to apply that knowledge in practice?
- What are the admission requirements on professional and general education?
- What are the admission requirements on practical training?
- Which institutes are responsible for standard setting and examination; is the examination organised or recognised by the State?
- Is there a periodic review process of the final examination?
- What is the involvement of the professional bodies in the final examination?
- Are the necessary expertise and resources for the examination available?
- What is the output of qualified accountants and auditors?
- What is the employment sector of qualified accountants and auditors?
- Has national and/or international comparability been achieved?

2. Professional Education

Main subjects to be included in the gap analysis:

- Core Programme of Professional Education.
- Standard Setting, Examination and Assessment.
- Providers of Professional Education.
- Admission Requirements to Professional Education.
- Output of Qualified Candidates.

Sample questions:

- What are the professional education requirements?
- What are the rules on standard setting, examination and assessment of skills?
- What is the core programme of professional education?
- What is the level of professional education compared with international standards?
- What are the admission requirements for professional education?
- Which institutes provide professional education; how are they recognised; does the professional body provide professional education?
- What is the involvement of accountants and auditors in professional education?
- Is there a periodic review process of professional education?
- Are the necessary expertise and resources for professional education available?
- Are there exemptions based on general education?
- What is the educational concept (full time/part time, competencies, modular; --)?
- What is the duration of professional education in years?
- What is the cost (time, money) and accessibility of professional education?
- What is the output of qualified candidates?
- Has national and international comparability been achieved?

3. Practical Training

Main subjects to be included in the gap analysis:

- Core Programme of Practical Training.
- Standard Setting and Assessment.
- Providers of Practical Training.
- Admission Requirements to Practical Training.
- Output of Qualified Candidates.

Sample questions:

- What are the practical training requirements?
- What are the rules on standard setting and assessment of skills?
- What is the core programme of practical training?
- What is the level of practical training compared with international standards?
- What are the admission requirements for practical training?
- Which institutes provide practical training; how are they recognised?
- Is there a periodic review process of practical training?
- Are the necessary expertise and resources for practical training available?
- Are there exemptions based on previous experience?
- What is the training concept (supervision, contract, responsibility, ---)?
- What is the duration of practical training in years?
- What is the cost (time, money) and accessibility of practical training?
- What is the employment sector of candidates during practical training?
- What is the output of qualified candidates?
- Has national and international comparability been achieved?

4. General Education

Main subjects to be included in the gap analysis:

- Degree Requirements.
- Programme Requirements.
- Output of Qualified Candidates.

Sample questions:

- What are the degree requirements? (university or comparable)
- What are the programme requirements?
- Is there a sufficient output of qualified candidates?