IFAC Update: Adoption and Implementation of International Standards, focusing on the IESBA Code

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IFAC’s Role in the International Standards’ Adoption Ecosystem

- Governance and operations criteria
- International standards adoption and support

Membership Requirements
- Member surveys and Assessments
- Action plans and diagnostics

Monitoring and Reporting

Implementation Support
- Knowledge Gateway
- Guides and application tools

Capacity Building
- Donor engagement
- Country-specific projects

Advocacy
- Policy and thought leadership
- Outreach and engagement
- Input to standards

Intellectual property
- Protection and access policies
- Translations
A Timeline of IFAC'S Adoption & Implementation Focus
IFAC MEMBER COMPLIANCE PROGRAM

- Requirements are codified in the Statements of Membership Obligations (SMOs)
- A clear framework for strong, capable PAOs
With the IESBA staff, IFAC created a tutorial on how to navigate the Global Impact Map to find the information from the Member Compliance Program that meets users’ needs.
## Jurisdiction Adoption Status

<table>
<thead>
<tr>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adopted</strong></td>
<td>The <em>International Code of Ethics for Professional Accountants (the Code)</em> in its entirety <em>in effect</em> as of the time of the assessment has been adopted for all professional accountants.</td>
</tr>
<tr>
<td><strong>Partially Adopted</strong></td>
<td>An earlier (2009 or later) version of the Code has been adopted for all professional accountants. or The Code in its entirety in effect as of the time of the assessment has been adopted for a segment of the profession. or Not all the requirements of the currently effective Code have been adopted.</td>
</tr>
<tr>
<td><strong>Not Adopted</strong></td>
<td>A pre-2009 version of the Code has been adopted. or The Code has not been adopted.</td>
</tr>
</tbody>
</table>

*All 7 standards’ adoption methodologies are available online:*
[https://www.ifac.org/about-ifac/membership/members/methodology-assessing-adoption](https://www.ifac.org/about-ifac/membership/members/methodology-assessing-adoption)*
Adoption Snapshot: Global Data (12/31/2021)

<table>
<thead>
<tr>
<th></th>
<th>ISA</th>
<th>Quality Assurance</th>
<th>IFRS</th>
<th>Code of Ethics</th>
<th>Investigation &amp; Discipline</th>
<th>IES</th>
<th>IPSAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted</td>
<td>61%</td>
<td>56%</td>
<td>52%</td>
<td>46%</td>
<td>30%</td>
<td>21%</td>
<td>13%</td>
</tr>
<tr>
<td>Partially Adopted</td>
<td>37%</td>
<td>37%</td>
<td>43%</td>
<td>49%</td>
<td>67%</td>
<td>77%</td>
<td>47%</td>
</tr>
<tr>
<td>Not Adopted</td>
<td>2%</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
<td>39%</td>
</tr>
</tbody>
</table>
Reasons for partial adoption

• Several stakeholders, shared responsibility
  – Some can keep up-to-date with adoption, some cannot
  – Multiple PAOs – some that are not IFAC members - in one jurisdiction with unknown ethical requirements can result in partial adoption as well

• Limited resources and economies of scale in smaller jurisdictions
  – Translations

• Legislative process
  – New standards or revisions must be codified by law, leading to the maintained adoption of earlier versions of the Code
  – Need for comparisons against existing legislation and rules
Continued widespread usage of the IESBA Code

Positive given last 3 years with several significant revisions to the standards. When new standards or revisions are issued, oftentimes they must be reviewed and compared for applicability by local standard setters, translated, and/or passed into local law. This convergence process for adoption requires time and coordination and small changes in adoption reflect that process.

Small changes also a result of IFAC assessments being snapshots in time. For example, a jurisdiction might be considered “Partially Adopted” at the time of assessment because a new law adopting the newest version of the standards won’t be in place for several months.

Sustained global uptake likely face more challenges given the necessary resources to adopt and the stream of upcoming revisions and changes (e.g., NAS, fees, role & mindset, PIE)

Expect to see more jurisdictions fall into the “Partially Adopted” category, which as of January 2022 will include jurisdictions that have adopted the 2009 – 2018 versions of the Code.

IFAC member organizations continue to provide vital technical support to the local standard-setting process through outreach, advocacy and awareness-raising, translations, developing comparisons between the international standards and existing local regulations, and proposing amendments to regulators.
• Anecdotal overview of Code of Ethics adoption
• Based on data collected through the IFAC Member Compliance Program as of December 31, 2021
• Emphasis is on identifying the underlying reasons / root causes of partial adoption in each region and recommendations on how IFAC and IESBA can address the issues together
International Standards: 2022 Global Adoption Status Snapshot

INTERNATIONAL STANDARDS: 2022 GLOBAL ADOPTION STATUS SNAPSHOT

In the last two years the IFAC issued the International Standards: 2019 Global Status Report—we were extremely optimistic in the world position in 2020. The IFAC promotes a consistent set of international standards that are accepted and adapted around the world, including the International Standards for Financial Reporting, the International Standards for Assurance Engagement, the International Accounting Standards, and the International Standards on Auditing. These standards are developed by IFAC through a process of standard-setting that involves a broad range of stakeholders, including regulators, auditors, accountants, and other industry experts. The standards are designed to improve the quality and comparability of financial and accounting information, thereby enhancing the confidence of investors, creditors, and other users of financial information.

SUCCESS STORIES FROM OUR MEMBER ORGANIZATIONS

The Ministry of Finance of Bolivia (Ministerio de Hacienda y Desarrollo del Sector Público) and the College of Auditors in Indonesia (K最基本的国际标准是2022年全球采用情况

This year, the International Federation of Accountants (IFAC) issued the latest edition of the International Standards: 2022 Global Status Report. The report highlights the progress made in adopting and implementing international standards, particularly in the areas of auditing and assurance, financial reporting, and ethics. The report also provides insights into the challenges faced by member countries in adopting and implementing the standards.

The report notes that the adoption of international standards varies significantly across countries. Some countries have made significant progress in adopting the standards, while others face various challenges. The report highlights the importance of continuous engagement and support from IFAC and other stakeholders in promoting the adoption and implementation of international standards.

The report also features success stories from member organizations that have implemented the standards successfully. These stories demonstrate the benefits of adopting international standards, such as improved transparency and accountability, increased investor confidence, and enhanced comparability of financial information.

One such success story is the Ministry of Finance of Bolivia and the College of Auditors in Indonesia. The Ministry of Finance has approved the International Standards for Financial Reporting, which has led to a significant improvement in the quality and comparability of financial information in the country.

The College of Auditors in Indonesia has also made significant progress in adopting the standards. By adopting the standards, the College has improved the quality and reliability of its audit reports, which in turn has increased investor confidence in the financial information provided by Indonesian companies.

These success stories illustrate the benefits of adopting international standards, and they serve as a source of inspiration for other countries that are considering adopting the standards. IFAC continues to support member organizations in promoting the adoption and implementation of international standards to enhance the quality and comparability of financial information worldwide.
Implementation Support & Advocacy Initiatives

- Resources – Exploring the Code
- Thought Leadership & Gateway Articles
- Outreach, Engagement & Awareness Raising
- Roll-out Support
- Post Implementation Reviews
- Coordination on emerging issues - sustainability
Appendix: Statements of Membership Obligation (SMO) Fulfillment among IFAC Member Organizations
| (6) | Sustain | PAO maintains well-established ongoing processes to fulfill its relevant obligations. In fulfilling this SMO, PAO considers, plans, executes, reviews and improves as part of an ongoing commitment to continuous improvement. |
| (5) | Review & Improve | or |
| (4) | Execute | Given the nature of its mandate, membership composition, and the legal and regulatory environment, PAO is not involved in activities related to this area. |
| (3) | Plan | (5) PAO has recently fulfilled its relevant obligation and is reviewing the implemented plan to identify and apply improvements. |
| (2) | Consider | (4) PAO demonstrates it is executing the plan. |
| (1) | Not Active | (3) PAO has a defined plan to fulfill the requirements of this SMO. |
|     | PAO Continuous Quality Management Cycle | (2) PAO is considering how to fulfill the requirements of this SMO. |
|     |     | (1) PAO is not active in this SMO area & has authority / obligation to be. |
SMO Fulfillment Snapshot: Global Data (12/31/2021)

SMO 7 / IFRS
- Sustain: 63%
- Review & Improve: 26%
- Execute: 11%
- Plan: 0%

SMO 3 / ISA
- Sustain: 58%
- Review & Improve: 26%
- Execute: 13%
- Plan: 2%

SMO 1 / QA
- Sustain: 49%
- Review & Improve: 22%
- Execute: 18%
- Plan: 3%

SMO 5 / IPSAS
- Sustain: 49%
- Review & Improve: 31%
- Execute: 18%
- Plan: 1%

SMO 4 / IESBA
- Sustain: 37%
- Review & Improve: 25%
- Execute: 26%
- Plan: 6%
- Consider: 6%

SMO 6 / I&D
- Sustain: 30%
- Review & Improve: 23%
- Execute: 24%
- Plan: 13%
- Consider: 10%
- Not Active: 1%

SMO 2 / IES
- Sustain: 27%
- Review & Improve: 25%
- Execute: 32%
- Plan: 10%
- Consider: 6%