



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

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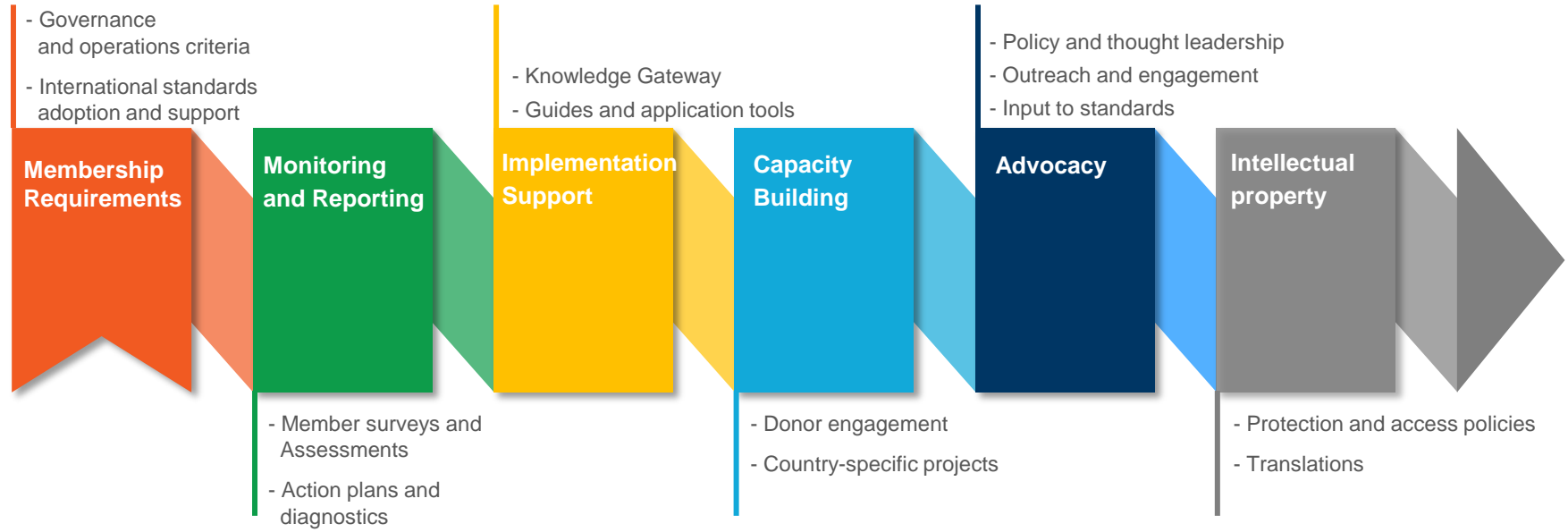
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March 14, 2021

IFAC's Role in the International Standards' Adoption Ecosystem



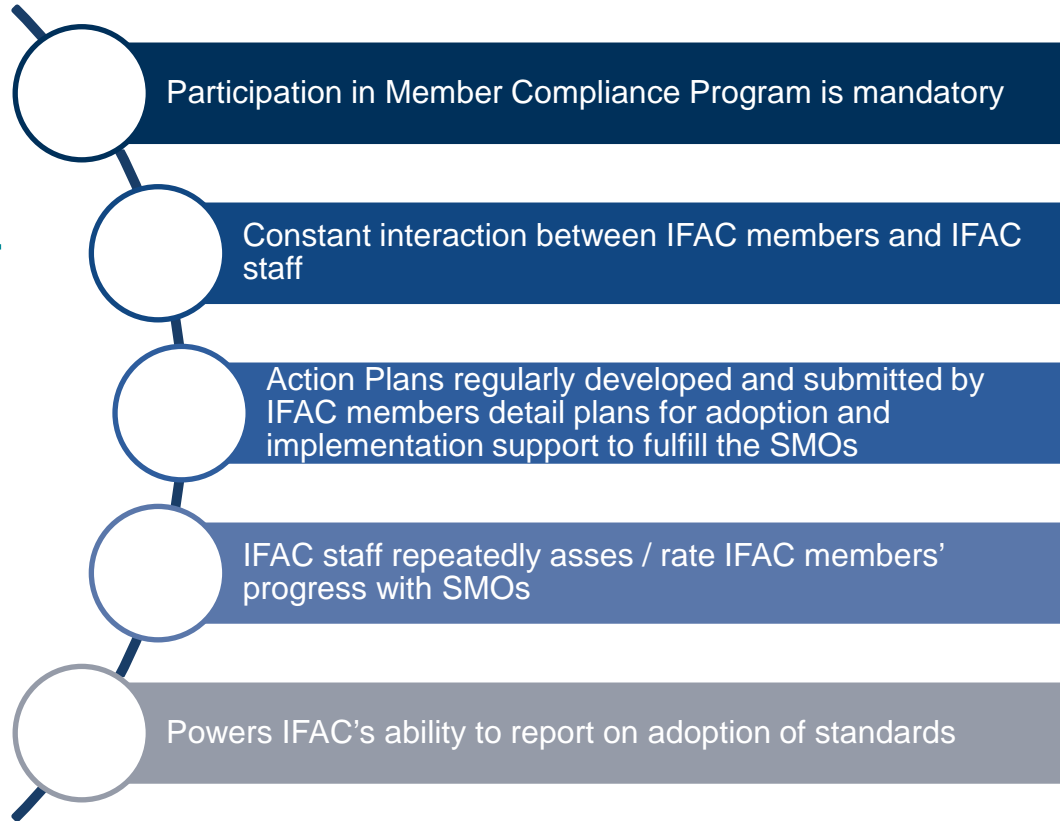


A Timeline of IFAC'S Adoption & Implementation Focus



IFAC MEMBER COMPLIANCE PROGRAM

- Requirements are codified in the Statements of Membership Obligations (SMOs)
- A clear framework for strong, capable PAOs






IFAC's Commitment to Transparency: Global Impact Map



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.

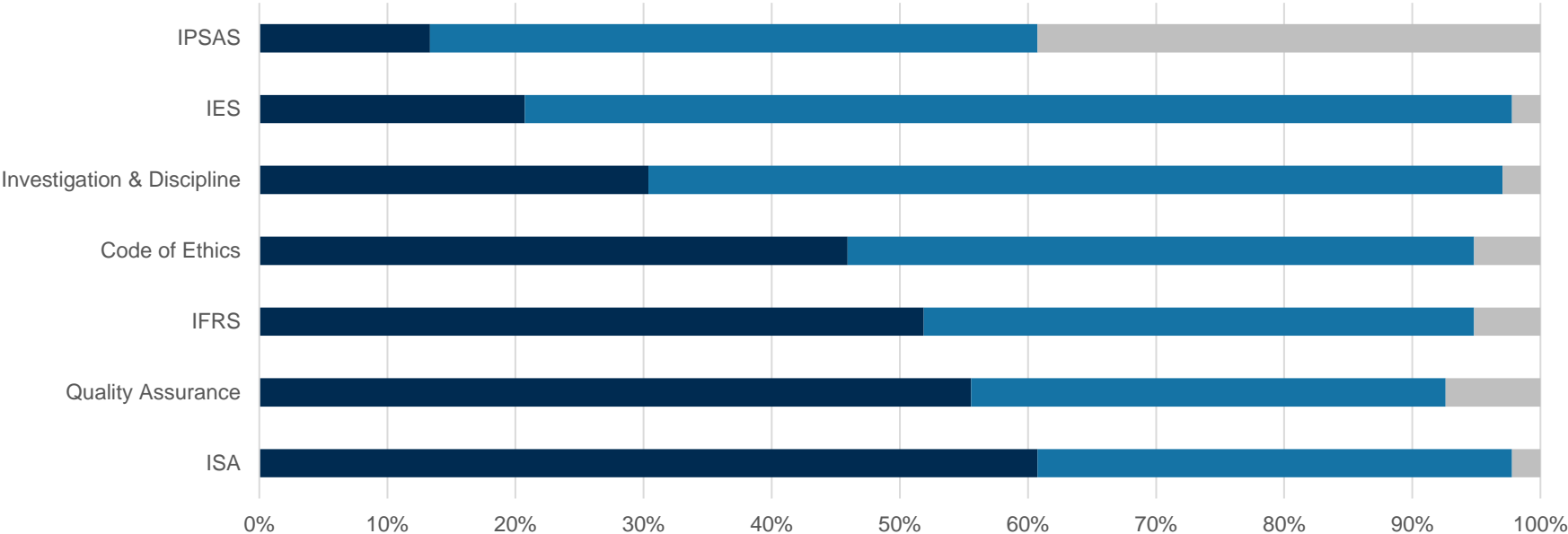
Jurisdiction Adoption Status



 Adopted	<p>The <i>International Code of Ethics for Professional Accountants (the Code)</i> in its entirety in effect as of the time of the assessment has been adopted for all professional accountants.</p>
 Partially Adopted	<p>An earlier (2009 or later) version of the Code has been adopted for all professional accountants.</p> <p style="text-align: center;"><i>or</i></p> <p>The Code in its entirety in effect as of the time of the assessment has been adopted for a segment of the profession.</p> <p style="text-align: center;"><i>or</i></p> <p>Not all the requirements of the currently effective Code have been adopted.</p>
 Not Adopted	<p>A pre-2009 version of the Code has been adopted.</p> <p style="text-align: center;"><i>or</i></p> <p>The Code has not been adopted.</p>

All 7 standards' adoption methodologies are available online:
<https://www.ifac.org/about-ifac/membership/members/methodology-assessing-adoption>

Adoption Snapshot: Global Data (12/31/2021)



	ISA	Quality Assurance	IFRS	Code of Ethics	Investigation & Discipline	IES	IPSAS
■ Adopted	61%	56%	52%	46%	30%	21%	13%
■ Partially Adopted	37%	37%	43%	49%	67%	77%	47%
■ Not Adopted	2%	7%	5%	5%	3%	2%	39%



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

Trends and Challenges in Continued Global Uptake



Adopted (% change from 2019)	Adopted (# jurisdiction change from 2019)	Partially Adopted (% change from 2019)	Partially Adopted (# change from 2019)	Not Adopted (% change from 2019)	Not Adopted (# change from 2019)
-1.6%	63 to 62	+8.2%	61 to 66	+16.7%	6 to 7

- 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 two years since IFAC issued the *International Standards: 2019 Global Status Report*—years that were exceptionally difficult as the world pivoted to the COVID pandemic—IFAC member organizations progressed the adoption of international standards, which ultimately supports greater economic growth and financial market stability. The 2021 dataset in its entirety tells a positive story.¹

As of 12/31/2021	Adopted (% change from 2019)	Adopted (# jurisdictions change from 2019)	Partially Adopted (% change from 2019)	Partially Adopted (# jurisdictions change from 2019)	Not Adopted (% change from 2019)	Not Adopted (# jurisdictions change from 2019)
Quality Assurance	+15.4%	65 to 75	+2.0%	49 to 50	-37.5%	16 to 10
International Education Standards	+7.7%	26 to 28	+2.0%	102 to 104	+50.0%	2 to 3
Audit Standards	-8.9%	90 to 82	+31.6%	38 to 50	+50.0%	2 to 3
Code of Ethics	-1.6%	63 to 62	+8.2%	61 to 66	+16.7%	6 to 7
Public Sector Standards	+28.6%	14 to 18	-4.5%	67 to 64	+8.2%	49 to 53
Investigation & Discipline	+41.4%	29 to 41	-9.1%	99 to 90	+100.0%	2 to 4
IFRS	-14.6%	82 to 70	+56.8%	37 to 58	-36.4%	11 to 7

¹IFAC welcomed seven new members in the two jurisdictions between 2019 and 2021; these new members and jurisdictions are included in the 2021 dataset. Therefore, the datasets are not comparing the exact same set of jurisdictions. Further, given the increase in total jurisdictions under review, in some instances percentages and adoption numbers change at different rates. IFAC considers a jurisdiction to fully "adopt" when the jurisdiction has adopted for application the latest version of a standard setting body's entire handbook in effect as of the time of the assessment. It is not possible for IFAC to methodology for assessing adoption on the IFAC website. ²Final changes to adoption rules which a national adoption process, which either requires a convergence process or an official legal change that takes place after the effective date for new or revised standards. Small changes are also made as a result of assessments being completed in time. For example, a jurisdiction might be considered "Partially Adopted" at the time of assessment because a new law adopting the revised version of the standards would be in place for several months.



There remains widespread usage of the International Standards on Auditing (issued by the International Auditing and Assurance Standards Board) and the International Code of Ethics (issued by the International Ethics Standards Board for Accountants).²

International Public Sector Accounting Standards adoption, which has historically had lower levels of full adoption (along with the International Education Standards and investigation and discipline systems) has increased since the 2019 Status Report. This was primarily driven by progress in the adoption among Latin American countries (Ecuador into a new IFAC member organization as of 2020, Guatemala, and Uruguay). Consistent access to Spanish translations of the IPSAS has enabled these countries to adopt the application of IPSAS directly into law.

Relatively steady adoption rates are even more impressive given the last three years have seen several significant revisions to the standards. From the new auditor's report to the revised and restructured International Code of Ethics to revised education standards addressing information and communications technologies and further emphasis on professional skepticism and behavior. When new standards or revisions are issued, sometimes 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.

IFAC member organizations continue to provide vital technical support to the local standard-setting process through outreach, advocacy and assessment rating. Simulations, developing consultants between the international standards and existing local regulations, and proposing amendments to regulators.



Code of Ethics success story



SUCCESS STORIES FROM OUR MEMBER ORGANIZATIONS



The Ministry of Finance of Bolivia delegated accounting and auditing standard-setting responsibility to IFAC's member in Bolivia, the Colegio de Auditores o Contadores Públicos de Bolivia (CAUB), with final authority and approval remaining with the Ministry of Finance. While international accounting and auditing standards were adopted in 2008, changes to the standards since then were not adopted. This did not deter the Colegio, which knew that keeping pace with global standards is essential for businesses and economic growth. Therefore, it continued to adopt ISA and IFRS as changes and new standards were issued even though these were legally only viewed as guidelines. Finally in 2021, the Ministry of Finance approved the international standards, as issued locally by the Colegio, aligning Bolivia with international best practices. Although it took more than 13 years of steadfast advocacy, education, and outreach with multiple stakeholder groups, the Colegio has established Bolivia as a success story and example in persistence for other jurisdictions.

Read more about this Indonesian adoption story on the IFAC website.



Three years ago, the three PAOs in Indonesia—the Institute of Indonesia Chartered Accountants, the Indonesian Institute of Certified Public Accountants, and the Indonesian Institute of Management Accountants—joined forces to establish a single adoption process for the International Code of Ethics for Professional Accountants. Key in their journey to a unified Code of Ethics was strong connections and working relationships, including cooperation between leadership and staff, and collectively working with the Ministry of Finance's Pusat Pembinaan Profesi Keuangan (Finance Profession Supervisory Center). In 2021, the PAOs began to update the Code adopted in Indonesia to align with the IESBAs latest revisions on the role and mindset expected of professional accountants, issued in October 2020 and effective December 2021. These revisions on role and mindset are especially important in times of rapid economic, societal, and technological changes.



The East African Community Monetary Union member states are required to adopt accrual-basis IPSAS for central and local government, regulatory bodies, and non-trading state-owned entities. In Rwanda, Uganda, and Tanzania, where national legislation empowers the national PAOs with the authority to adopt and approve public sector accounting standards, the governments have fully implemented or are transitioning toward accrual IPSAS. The PAOs are actively supporting the implementation of public financial management (PFM) roadmaps and providing training to build professional competency among professional accountants and finance personnel working in the public sector.

Read more about the role of the accountancy profession driving PFM reform in Rwanda on the IFAC website.

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





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***Appendix:* Statements of Membership Obligation (SMO) Fulfillment among IFAC Member Organizations**



SMO Fulfilment Status



(6) 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.

or

Given the nature of its mandate, membership composition, and the legal and regulatory environment, PAO is not involved in activities related to this area.

(5) PAO has recently fulfilled its relevant obligation and is reviewing the implemented plan to identify and apply improvements.

(4) PAO demonstrates it is executing the plan.

(3) PAO has a defined plan to fulfill the requirements of this SMO.

(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)

