The global challenge for accounting education: accountability, governance and compliance

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What is the purpose of education?
Educational Theories

1. Information processing
The chunking of information in a rote like fashion (Miller, 1956).

2. Constructivism Theory
Knowledge is constructed by building on previous experiences (Piaget, 1954).

3. Experimental learning
We learn by doing, by observing, experimenting and reflecting (Kolb, 1984).

4. Situated learning
Knowledge is gained “on the job” within the cultural and social context (Lave, 1988).
The Education Life Cycle:

School → University → Professional Exams → Profession

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Different parts of different cycles should allow students to develop a body of knowledge and skills through these different theories of learning.
Accounting Education

IFAC’s IAESB has set out 8 International Education Standards (under revision).

**IES 1**
- Entry requirements to a program of professional accounting education.
- IPD – Initial Professional Development.

**IES 2**
- Content of professional accounting education programs.
- 23 modules including financial accounting and reporting, management accounting and control, corporate governance, audit and assurance, taxation, law and financial markets.

**IES 3**
- Professional skills.
- 5 modules on: intellectual skills; personal skills; interpersonal and communication skills; technical and financial skills; and organisational and business skills.
Accounting Education cont.

IES 4
- Professional values, ethics and attitudes.
- 16 modules covering ethics, public interest, accountability, whistle-blowing, and independence.

IES 5
- Practical experience requirements (see South America)

IES 6
- Assessment of professional capabilities and competence.

IES 7
- Continuing professional development: A program of lifelong learning and continuing development of professional competence.

IES 8
- Competence requirements for audit professionals.
Accounting Education cont.

An individual member of an IFAC professional body should have mastered all of the IES requirements.

These are the attributes professional accountants of the future need, and accounting education needs to ensure that all trainee accountants have acquired them.

We know the theories of education – so we should know how to teach.

We know the content of accounting education – but have those entering the profession learned all this?
Accounting Education cont.

Questions…
1. Who are the stakeholders in the accounting education process? To whom are they accountable? What accountability relationships exist?
2. What institutional features influence the governance structures of the accounting education process?
3. Is enforcement and compliance with standards only for legitimation purposes?
Stakeholders

IFAC
- Private organisation.
- Sets auditing standards, ethical standards, and educational standards.
- Its goal is to serve the public interest – is this a legitimation exercise?
- Gained its legitimacy from its audit role (IAASB).

IAESB
- To establish accounting education standards across the globe.
- Published IESs 1–8.
Stakeholders cont.

**Professional Bodies**
- Global Accounting Alliance
- ICAA (Australia)
- ICAEW (UK)
- ICAS (UK)
- AICPA (US)
- Australia – CPA, IPA
- UK – ACCA, CIMA
- Plus many more!

**Professional Firms**
- Big 4
- International firms (Grant Thornton)
- National
- Local
Stakeholders cont.

Governments/Regulators/standard setters
- IOSCO
- World Bank/IMF
- National Governments
- National regulators – TEQSA, HESC, HEFC
- International Accounting Standards Board (IASB)

Businesses/Financial Services/Investors
- IASB’s conceptual framework – decision usefulness.
- Accountants provide (as preparers) and use decision useful information (as competitors/investors/suppliers).

Individual Accountants
- Members of professional bodies
- Provide advice/prepare accounts.
- Serve the public interest.
Stakeholders cont.

Universities/TAFE/Private Providers
- Through accounting and finance programs, universities (etc.) are stakeholders in the accounting education process.
- Liaise with the professions and businesses.
- Seek accreditation for degree programs from professional bodies.

Lecturers
- Some have a professional background.
- Age profile is becoming an issue.
- PhD requirements in some countries (Australia).
Stakeholders cont.

Students/Trainee Accountants
- Putative accounts of the future should be competent to do their jobs and serve the public interest.
- How will these jobs change?
  - Provide advice; oral presentation and written reports
  - Make decisions
  - Prepare accounts
  - Analyse information
  - Work in teams
  - Interpersonal skills
- Do they have any accountability relationships?

Public/Society
- IFAC serves the public interest.
- Do all stakeholders serve the public interest?
Accountability

These diverse stakeholders do not necessarily engage with each other. There is not always a 2-way accountability relationship – accountor/accountee. Thus, stakeholders may not feel accountable to, or ask for, an account from other stakeholders.
Accountability Relationships in the accounting education process.

The Profession
- Professional Bodies
- IFAC

IAESB

Individual Accountants

Professional Firms (O)

Professional Firms (E)

Business Investors

Society

Trainee Accountants

Tertiary Education
- Lecturers
- Students

Universities/TAFE/Private Providers

Government/Regulators

Lecturers
What institutional features influence the governance of accounting education
Governance of accounting education

Social and Cultural Influences
- Big 4 firms powerful in the governance structure of IFAC and professional bodies.
- These are Anglo Saxon-based institutions with a focus on profit rather than stakeholders, ethics, the public interest or accountability. The profession is thus culturally Anglo Saxon.
- Government agencies may bring their own cultural aspects to counter this.
- Tertiary educations, as organisations, will have their own cultural norms developed over time.

Economic Influences
- The vested interests of big business to make profits adds to the Anglo Saxon focus of the profession.
- Big business may influence Government agencies in their own countries to adopt laissez faire policies and Anglo Saxon approaches.
- Governments in turn finance universities and offer incentives to meet their goals.
**Political Influences**

- The big 4 firms have power over the professional bodies, IFAC and many individual accountants across the globe.
- Government agencies are responsible for the tertiary accounting education sector and impose their priorities.
- The influence of governments and the influences on governments, will have a bearing on accounting education.
- In some countries (South America in particular) the only requirement for professional membership is a university degree.
- Indeed, in Brazil, the professional body was taken to court by the government when it wished to bring in professional examinations for admittance to membership.
- Power is vested in only a few stakeholders in the accounting education process.
Governance of accounting education contd.

Accounting Education

- Thus accounting education is in:
- the hands of a profession with Anglo Saxon influences and culture, and a focus on profit, rather than the public interest or society.
- the hands of governments with their own political motives.

Accounting education across the globe may be very diverse due to political influence of national governments across the globe or very similar due to an Anglo Saxon focus and IFAC/IAESB.

Our Study

- A six country study across all regions of the globe
- we found that there is a major focus on the technical knowledge of IES2, and far less on professional skills, values, attitudes and ethics.
- This may reflect the Anglo Saxon bias for profit and that IES2 is easier to teach and assess.
- We are educating our accountants of the future to maximise profits and learn creative accounting, and follow rules over principles, rather than inculcating critical thinking, making judgements and ethical attitudes to business.
Accounting education compliance

Is compliance and enforcement only for legitimation purposes? Compliance may be at the profession level or at the governmental/national level.

**Profession**

- All IFAC member bodies have to complete and submit their statement of membership obligations (SMOs).
- These SMOs require professional bodies to detail their accounting education programmes and how they meet the requirement of IES 1-8.
- Our study of 22 global professional bodies found that these SMOs are incomplete, and, importantly, IFAC does not monitor or enforce compliance with education standards.
- IFAC and the professional bodies have gained legitimacy through international auditing standards (ISAs) and they are using different legitimation strategies to engage with other stakeholders in the accounting education process and impart their Anglo Saxon culture across the globe.
Accounting education compliance cont.

**Government**
Each national government has its own compliance and enforcement programme.
- In Australia TEQSA will visit tertiary education providers and ensure compliance and enforcement with standards.

**AQF/TEQSA**
- Under TEQSA, all lecturers should be qualified to a level above that being taught. This is to teach a masters programme, a lecturer needs a PhD.
- Bringing in professionally qualified accountants will be an issue.
- Under the AQF, masters level courses should be masters level. To legitimate their activities most Australian universities will have to revamp massively their masters in professional accountancy programmes.
Good!

These currently demean our degrees and damage the reputation of the profession.
Accounting education compliance cont.

Accreditation

- In Australia, ICAA and CPA accredit degree programmes.
- In the UK, ICAEW, ICAS, CIMA and ACCA accredit degree programmes.
- What is the role of accreditation? Does this lead to a focus on technical knowledge (as per IES 2) rather than on developing critical thinking, making judgements, team working, presentation skills and other competencies?
- What is the purpose of accreditation – is this to legitimate the courses that we teach? Is this for professional bodies to legitimate themselves?
- Which legitimation strategies are being adopted by these stakeholders?
How does accounting education need to change?
Accounting Education Change

A lot!

IFAC/AESB
- IFAC needs to monitor its members and it needs to ensure compliance.
- The IAESB needs to develop IESs that embed key attributes rather than just technical knowledge to be accountable to all accounting education stakeholders and gain legitimacy.
- The IAESB needs to ensure that its standards meet the needs of diverse cultures and societies.
- The IAESB needs to ensure that teaching methods of IES1-8 cover all learning theories.
Accounting Education Change

Professional Bodies

- Need to comply with all IESs for legitimation
- Need to establish admittance rules that are rigorous and respected and hence legitimate the profession across the globe.
- Need to introduce training requirements that embed key attributes both on the job and in examinations that include large case studies requiring critical thinking and decision making based on experiential learning and situated learning.
- Need to be accountable to all accounting education stakeholders.
- Need to ensure that they embed their cultural heritage.
Accounting Education Change cont.

Professional Firms

- Need to ensure trainees cover a broad range of client engagements, including presentations to clients, discussing accounting solutions and providing professional advice and embed experiential and situated learning in training programmes based on principles not rules.
  - Smaller firms have a much larger challenges in this area.
- Need to ensure organisational cultures meet the cultural and social diversity needs of its employees
- Ensure that the tone at the top is ethical to legitimate their activities and be accountable to all stakeholders.
Governments/Regulators/standard setters
- Respect the profession and allow entrance examinations for the profession to be more accountable, reflect different cultural heritages, gain legitimation and be accountable to the public interest.
- Change the educational and professional experience requirements of those teaching professional programmes to embed learning theories.
  - Would you expect a hospital doctor to be trained by a PhD who has never worked as a hospital doctor?
Accounting Education Change cont.

Universities

- Ensure that degree programmes are rigorous where students have to master a wide range of skills as well as a broad range of technical knowledge and embed different learning theories throughout the accounting education programme.
- Scholarships, in conjunction with the profession, should be offered to qualified accountants to enable a career move into academia to gain legitimacy for tertiary education.
- Promotion routes should be established based on teaching and professional engagement to ensure they are accountable and reflect the diversity of stakeholders.
- KPIs and calculative measures should be changed from those based on SETs, CEQs, ERA scores, grants and PhD completions. Measures that are more discipline focussed should be used, for example, rewarding staff engaging with the professions and business and providing a challenging syllabus (which may get poor SET and CEQ scores!) to ensure the accountability of the tertiary sector to accounting education stakeholders.
Accounting Education Change cont.

Role of Big 4/Professional Bodies
- In UK, the Big 4 are tying up with particular universities and professional bodies such that they are determining the university curriculum. Lancaster University/Exeter University/E&Y/PWC/ICAEW and ICAS.
- Will this restrict the curriculum? Will the focus be narrow and on IES2? Will different learning theories be used?
- Will these future accountants understand principles and critical thinking? Will they be culturally diverse or Anglo Saxon focused robots?
- How accountable will the accountants of the future be to all accounting education stakeholders?
- How will this affect the legitimation of the profession and tertiary education?
Accounting Education Change cont.

Missing Tertiary Education
- In the UK, the Big 4 are recruiting bright pupils from school and training them without any university education to mould them in to the culture of the Big 4 firm. Will this produce robots in the future? Will the young kids have the maturity to stand up to domineering partners or clients?
- Will they be trained to question and think and have a broad range of knowledge and experience?
- Do doctors train without having to do a degree?
- This development debases our profession, jeopardises our legitimacy and reduces accountability and produces robots that do not reflect the cultural diversity of society.
Accounting Education Change cont.

Lecturers
- Different teaching methods from lectures and tutorials need to be used to teach non-technical skills, values and attitudes.
- Introduce role play for ethical dilemma or negotiating skills.
- Use case studies for enhancing an understanding of the broader business environment and decision making.
- Use computer packages to develop decision making skills and situated learning.
- Use Socratic dialogue to develop critical reasoning and broadening the knowledge base.
- Use experiential learning – learn by doing, not by listening.
Conclusion

There are many stakeholders in the accounting education process. Each has its own agenda and accountability relationships and each needs its own legitimacy in the education process.

The teaching methods and content of training programmes do not embed the necessary learning theories of a professional education programme.

The accounting profession is embedded in an Anglo Saxon institutional environment which may not be the best suited to the social and cultural context of all countries.

Hence governance, accountability and compliance of the accounting education process across the globe is weak.
Conclusion Cont.

The accounting education process needs to change.

The stakeholders in the process need to recognise their vested interests and collaborate more effectively. This will be easier if:
• They recognise their institutional biases;
• They do not seek out legitimation strategies to advance their vested interests and power; and
• They recognise their accountability to one another, and to society, and recognise that the public interest is paramount.
• Embed educational theories in learning and teaching programmes.

This will lead to accountants of the future being sceptical, able to challenge judgments, to think critically, to take a broad perspective and to accept principles rather than rules.
Conclusion Cont.

The focus on just technical accounting is dead and buried.

Welcome to the future!