

## INTERNATIONAL COOPERATION FOR ACCOUNTANCY QUALIFICATIONS IN ALBANIA\*

Brisejda RAMAJ\*\*

Muhasebe Bilim  
Dünyası Dergisi  
Haziran 2018; 20(2); 439-449

### ABSTRACT

This paper addresses the complex global environment of accountancy education and focuses on the need for coordination, especially among accounting academics. It enumerates and discusses the forces for change in Accountancy Education in Developing Economies. Attention is paid to benchmarking accountancy education and to the factors underlying professional judgment and qualifications. Finally, in addressing the global infrastructure for accountancy education, attention is paid to the efforts of organizations, including the work of the International Association for Accounting Education and Research (IAAER) and the International Accounting Education Standards Board (IAESB).

**Keywords:** Accounting education, Accountancy qualifications.

**JEL Classification:** M40, M41, M48, I22, I23, I24, I25, A23

### ÖZ

## ARNAVUTLUK'TA MUHASEBECİLİK YETERLİLİKLERİNE İLİŞKİN ULUSLARARASI İŞBİRLİĞİ

Bu çalışmada küresel ortamda muhasebe eğitiminin karmaşıklığı ele alınmakta ve özellikle muhasebe akademisyenleri arasında koordinasyon ihtiyacına odaklanmaktadır. Gelişmekte Olan Ülkelerdeki Muhasebe Eğitiminde değişimi etkileyen etmenler sıralanmakta ve tartışılmaktadır. Kıyaslama yapılırken muhasebe eğitime ve mesleki yargının ve niteliklerin altında yatan faktörlere dikkat edilmesi gerekmektedir. Son olarak, muhasebe eğitimi için küresel altyapıya değinirken, Uluslararası Muhasebe Eğitim ve Araştırma Birliği (IAAER) ve Uluslararası Muhasebe Eğitim Standartları Kurulu (IAESB) da dahil olmak üzere kuruluşların çabalarına dikkat çekilmektedir.

**Anahtar Kelimeler:** Muhasebe Eğitimi, Muhasebeci Nitelikleri

**JEL Sınıflandırması:** M40, M41, M48, I22, I23, I24, I25, A2

\* This paper was presented at The 14<sup>th</sup> International Conference on Accounting- MODAVICA2017, October, 11-13 2017 in Tirana – ALBANIA. Date of submission: 23.12.2017; Date of acceptance: 18.05.2018

\*\* PhD Candidate at the Department of Accounting, Faculty of Economy, University of Tirana; orcid.org/0000-0002-83124222, [brisejda.zenuni@gmail.com](mailto:brisejda.zenuni@gmail.com)

## 1. INTRODUCTION

Recognition between countries of qualifications of accountants and auditors is an building block for international cooperation. For cooperation an understanding of of accountants and auditors and of responsibilities for their qualifications is necessary. Competences are the cornerstones for recognition agreements between countries. Attention is also given to the position and influence of international qualifications and institutions that extend beyond the boundaries of the home country and to the facilities for foreign candidates.

Professional judgment is fundamental to the application of international accounting and auditing standards. The factors affecting the judgment of professional accountants in the application of these standards are the *education, experience, and culture*. Education is obtained through the educational programs that the future professional accountants complete. Experience is gained through application of knowledge in a professional setting. One's cultural background derives mainly from one's native upbringing and professional influences.

Specific attention is given to the roles of governments, government agencies, regulators, professional accountancy organizations, and if applicable universities in the recognition of qualifications. Consideration will also be given to approaches to regulation and recognition that are applicable to groups of countries, for example in regions. Finally attention is given to the important subject of **audit quality** and **harmonization**.

## 2. GLOBAL ACCOUNTANCY EDUCATION

In a global economy capacity building is not only necessary for developing countries, but it is as important for developed countries that need to regularly update their own capabilities and must build on partnerships with other countries based on compliance with international standards and codes.

The elements of a global infrastructure as specified by the United States of America (USA) Securities and Exchange Commission (SEC) ([www.sec.gov](http://www.sec.gov)) are:

- effective, independent and high-quality accounting and auditing standard setters;
- high-quality auditing standards;

- audit firms with effective quality controls worldwide, profession-wide quality assurance;
- active regulatory oversight based on International Accounting Standards (IAS).

Competences and capabilities of accountants and auditors play a key role in the functioning of the international financial infrastructure. The IAESB (IAESB, International Accounting Education Standards Board, International Federation of Accountants, Education, [www.ifac.org](http://www.ifac.org)) which is the successor of the IFAC Education Committee also plays a significant role in the globalization of accounting education standards. The IAESB has set objectives of:

- establishing a series of internationally-relevant standards and other pronouncements reflecting good practice in the learning, development and assessment of professional accountants;
- developing education benchmarks for measuring the implementation of International Education Standards (IES);
- advancing international debate on emerging issues relating to the learning, development and assessment of professional accountants (IFAC, International Federation of Accountants, Education, Proposed IAESB 2010-2013 Strategy and Work Plan, [www.ifac.org](http://www.ifac.org).)

Specific attention is given to the roles of governments, government agencies, regulators, professional accountancy organizations, and if applicable universities in the recognition of qualifications. A distinction is made in approaches to recognition: mutual recognition compared with international recognition and international presence, recognition of qualifications compared with practice rights for cross-border mobility. Increasingly audit quality is a major factor in cross border and international cooperation. Finally recent initiatives to promote capacity building for accountancy education are considered, in particular for professional accountants in business and specialization. Attention is also given to the position and influence of international qualifications and institutions that extend beyond the boundaries of the home country and to the facilities for foreign candidates. A recognition framework can be used for comparison between countries that already have, or want to establish Mutual Recognition Agreement (MRA). An MRA is an international agreement by which two or more countries agree to recognize one another's professional qualifications. MRAs have become increasingly common since the formation of the World Trade Organization (WTO) ([www.wto.org](http://www.wto.org)) in 1995.

For recognition of professional qualifications between countries the principle of non-discrimination is particularly relevant. This is included in the requirements of the General Agreement on Trade in Services (GATS) (GATS, General Agreement on Trade in Services, [www.wto.org](http://www.wto.org)) which is the first and only set of multilateral rules governing international trade in services.

The main parameters in the recognition framework are (GAE 2012 Dynamics of Global Accountancy Education Prof Dr G.H. Karreman Prof Dr J.G. Kuijl, RA Prof I.F.Y. Marrian, MA, CA A.M. Verweij, LL.M. page 85):

- certification requirements (professional accountancy education, practical experience, final assessment of professional capabilities, and continuing professional development, CPD);
- providers of professional education (professional accountancy organizations, universities and/or education institutes, government bodies);
- responsibility for education requirements (government or government agencies, government with professional accountancy organizations, professional accountancy organizations, and/or universities); and,
- licensing requirements for auditors (academic study, practical experience, licensing examination, final qualifying examination).

It is of interest to consider how some major players approach the recognition of qualifications and whether their conclusions are based on applicable international standards for professional qualifications of accountants and auditors. In the analysis three standard setters are considered and three professional conglomerates and one global organization.

The standard setters are the International Federation of Accountants (IFAC), the International Accounting Education Standards Board (IAESB), the European Union (EU) and the International Auditing and Assurance Standards Board (IAASB). Regulation of the accountancy profession - including education and training - is a popular topic, worldwide, since the crises in the first decade of the 21<sup>st</sup> century. Many initiatives in this field, international and national, on a political level, but also on an institutional level: IFAC, Public Company Accounting Oversight Board (PCAOB), European Commission (EC), GAA, CCI, Federation of European Accountants (FEE) and more.

### 3. CURRENT ENVIRONMENT OF ACCOUNTANCY EDUCATION

Educational programs do not operate in a vacuum. In fact, accountancy education programs and educators operate in a very complex environment that is at once deeply rooted in local concerns and also affected by outside influences and international movements. Professional accountancy education programs are particularly sensitive to the educational requirements graduates of accounting programs must meet to become qualified accountants. The factors influencing these qualifications are regulation through the requirements for memberships set by law and/or by professional bodies, by the criteria set by academic organizations such as accreditation bodies to judge the quality of accounting programs, and by hiring standards set by professional alliances such as international accounting firms and associations of accounting firms.

In the environment of influences and requirements, the global coordination of accountancy education takes place at the national, regional, and international levels. **National** level means it is owned, controlled or financially supported by the state. **Regional** level means it is related to a large and particular geographic region or district. **International** level involves more nations and organizations of which are established by, controlling, or legislating for several nations which are beyond the regional level. Because of globalization is notice extra-territorial effects of these initiatives.

The accountancy profession is based on standards, rests on their adoption and successful implementation, and is governed by the overarching principle of serving the public interest. These are complex sets of variables made even more difficult with sovereign interests and multiple stakeholders playing out on a global stage. Nevertheless, the capital markets, in the aftermath of the 2008 financial crisis, are demanding a single set of high quality internationally accepted accountancy standards where transparency, comparability and reliability of financial information is paramount.

General country characteristics define the context in which accountancy education takes place. Attention is given to overall country characteristics (legal system, economic position, region), professional characteristics (professional regulation and recognition), and qualification characteristics (practice rights of accountants and auditors; international recognition of qualifications). Standards for accountancy education are formulated in the IES of the IAESB.

A distinction is made between pre-qualification requirements for accountants (IES 1–6) and post-qualification requirements for CPD (IES 7) and for auditors (IES 8). Additional standards for the qualification of auditors have been formulated by the EU (EU, 1984). The IES are published by the IAESB as standards for professional accountancy organizations that are members or associate members of International Federation of Accountants (IFAC). In the GAE 2012 global accountancy research study the IES are used as country benchmarks for adoption and implementation. This is widely accepted. A recent example is the United Nations Conference on Trade and Development UNCTAD-ISAR Accounting Development Tool (ADT) (UNCTAD, United Nations Conference on Trade and Development, ISAR, [www.unctad.org/isar](http://www.unctad.org/isar) ).

The framework of accounting education is divided in *General Characteristics, Accountancy Education and Competency Pillars*. Regional regulation and agreements are considered as part of General Characteristics. The content of Accountancy Education is based on the IES. For comparison between qualifications the last part of the framework is essential in which four Competency Pillars that are based on the IES are distinguished:

- Pillar 1, Personal Development: university entrance level and academic study; professional skills and general education; professional values, ethics and attitudes combines elements that in many countries are achieved through university education.
- Pillar 2, Professional Accountancy Education: accounting, finance and related knowledge; organizational and business knowledge; information technology emphasises competences in accounting, finance & related knowledge; in organizational & business knowledge; and in information technology. Normally courses are provided by universities and/or professional accountancy organizations.
- Pillar 3, Professional Development: combines practical experience, assessment of professional competence, and CPD. Normally the accountancy profession is leading in these areas. practical experience requirements; assessment of professional capabilities and competence; continuing professional development
- Pillar 4, Competence for Audit Professionals

Competency pillars for accountants and auditors can help in the analysis of their qualifications competency for audit professionals, includes higher level requirements for licensed accountants and auditors.

A distinction is made between personal development, professional accountancy education, professional development, and competency requirements for auditors.

Competency Sub-pillars	
<i>Personal Development</i>	University Entrance & Exit Level (IES 1 and IES 2) Professional Skills & General Education (IES 3) Professional Values, Ethics & Attitudes (IES 4)
<i>Professional Accountancy Education</i>	Accountancy, Finance & Related Knowledge (IES 2) Organizational & Business Knowledge (IES 2) Information Technology (IES 2)
<i>Professional Development</i>	Practical Experience Requirements (IES 5) Assessment of Professional Capabilities & Competence (IES 6) Continuing Professional Development (IES 7)
<i>Competence for Auditors Professionals</i>	Advanced Professional Knowledge (IES 8) Advanced Professional Skills, Values, Ethics & Attitudes (IES 8) Advanced Practical Experience, Assessment & CPD (IES 8)

**Figure 1: Competency Sub-Pillars of Accountancy Education**

**Source:** GAE 2012, Dynamics of Global Accountancy Education

The time table of IES, In 2009, the International Accounting Education Standards Board (IAESB) agreed that all eight standards should be revised with the aim of improving clarity, ensuring consistency with concepts of the Framework for International Education Standards for Professional Accountants (the Framework), clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the IES by IFAC member bodies. Like IFRS, the IAESB is adopting a principles-based approach to develop the IES using the educational concepts and principles of the Framework As of November 2012 the IAESB has approved the following IES: IES 1, Entry Requirements to Professional Accounting Education Programs (Revised) (IES 1 prescribes the principles to be used when setting and communicating educational requirements for entry to professional accounting education programs.) This IES is effective from 1 July 2014. IES 6, Initial Professional Development – Assessment of Professional Competence (Revised) (IES 6 prescribes the requirements for the assessment of professional competence of aspiring professional accountants that need to be achieved by the end of Initial Professional

Development.) This IES is effective from 1 July 2015. IES 7, Continuing Professional Development (Redrafted) (IES 7 prescribes the continuing professional development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the profession.) This IES is effective from 1 January 2014.

#### 4. ACCOUNTANCY EDUCATION AND QUALIFICATIONS IN ALBANIA

Since 1947, together with the establishing of the command economy and nationalizing the property rights on all kinds of property, the need to establish an accounting system, to reflect and report on relationships of the individual entities to the communist government, became evident. The first accounting system was copied by the former Soviet Union and then translated in accordance with the needs and mentality of Albanian accountants. There was also an influence from the Italian school, because most of the accountants and academics involved in accountancy field, especially during the first years of communist regime, were coming from that school. Based on the laid down objectives of the command economy, the primary goal of accounting was “to follow up step by step” the accomplishment of planned numbers. So, the basic task of accounting information was to produce periodically relevant actual data for each of the planned indices and serve for analyzing of the economic performance. Another task of accounting was to serve to the safeguarding and use of enterprises’ assets. The former accountancy system constituted by a simplified Chart of Accounts and the application of the rule of the Civil Code, The Chart of Accounts was used for the planning process and reconciling the National Public Accounts. The main aim of financial reporting was to present information on the financial position of the enterprises during financial periods for their limited range of users. Amongst the users of the financial statements were the Government agencies direct responsible for the respective industries, Bank of Albania, on which was laid the responsibility of the payments system and the settlement agency among different entities. User of the financial statements was also the National Planning Commission (a kind of Ministry of Planning Economy).

In Albania there was not any basis to design or to invent our own original system. The only way in our post-communist environment was the selection, adaptation and



implementation of a model that would be in line with EU Directives and EU practices. Taking into the consideration our country integration goals, and the former legal and professional traditions, any model selected has to be one that could be implemented easily in practice.

At that time, while working to install a new accountancy profession and new accounting standards, the experts involved, along side the model they chosen for implementation, also they have taken into account the international benchmarks reflected in the IASs and ISAs, so the new legislation included most of the principles and policies arising by these benchmarks. Requirements arising from other related laws and regulations, law “On commercial companies” provided to some extent for the selection of EU model of continental accounting system. Regulation for commercial companies requires the preparation and presentation of financial statements in a format and methodology that reflect the true and fair view of the financial position of the entities and their cash flows during the accounting period.

In Albania, Institute of Authorized Chartered Auditors Albania (IEKA) became a member of the International Federation of Accountants (IFAC) in May 2000. IEKA is also a member of the Federation Internationale des Experts-Comptables Francophone (FIDEF) and the South East European Partnership on Accountanc 2003. Review existing education programs for candidates and make necessary improvements in accordance with the requirements of the Audit Law, the regulations on professional training, IES 2, Content of Professional Accountancy Education Program and IES 4, Professional Values, Ethics and Attitudes (Completed, September 2010 further, update, ongoing). In cooperation with Albanian universities – IEKA Council will continue to make proposals for reviewing the accounting professional education curricula, especially the part of education that is provided by the Universities (June 2014 ongoingthis has to be harmonized with other changes). Establishing a system of recognition (accreditation) between IEKA and Universities. IESs requirements to be promoted to various Universities in the country. (Completion date January 2017). Update CPD programs of IEKA`s members in accordance with the Audit Law requirements, relevant regulations, as well as the requirements of IES 8, Competence Requirements for Audit Professionals.Action Plans are developed by IFAC members and associates to address policy matters identified through their responses to the IFAC. Compliance Self-Assessment Questionnaire. They form part of a continuous process within the IFAC Member Body Compliance Program to support the ongoing development and improvement of the accountancy profession around the world.

Albania like other southeastern European countries must increase both domestic and foreign investments in order to achieve the expected levels of economy growth. However, at present foreign and domestic investors often presume that the financial reporting provides limited information about the real financial conditions of the enterprise. This is especially true for small and medium sized enterprises that need to establish confidence of potential lenders and investors. Although, during the last decade has been made a considerable progress, major reform of accounting practice still need to take place, because while is not evidenced a sufficiently high level of commitment on the fundamental accounting principles applicable in a market economy, a significant priority were given to auditing, despite the fact that there was very little scope for a real auditing due to lack of proper accounts.

## 5. CONCLUSION

-It is of interest to consider how some major players approach the recognition of qualifications and whether their conclusions are based on applicable international standards for professional qualifications of accountants and auditors. In the analysis three standard setters are considered and three professional conglomerates and one global organization.

-Albania like other southeastern European countries must increase both domestic and foreign investments in order to achieve the expected levels of economy growth. However, at present foreign and domestic investors often presume that the financial reporting provides limited information about the real financial conditions of the enterprise.

-During the last decade has been made a considerable progress, major reform of accounting practice still need to take place, because while is not evidenced a sufficiently high level of commitment on the fundamental accounting principles applicable in a market economy, a significant priority were given to auditing, despite the fact that there was very little scope for a real auditing due to lack of proper accounts.

-There are two major differences between IFAC and EU regulation. The IFAC IES cover competence requirements for accountants and auditors; although the IES are increasingly used as country benchmarks, they are only mandatory when a professional accountancy organization is responsible. The EU 8th Directive (EU, 1984) is mandatory for auditors, the position of accountants is not considered; the requirements are implemented in national law

for each country in the EU. Albania needs more work with the implementation of International Education Standards.

-Our country, as many reforms undertaken by countries in transition, has started the reforms in accounting field in cooperation with the World Bank, which was first finalised with the creation of the full National Accounting Standards set, which was first implemented in Albania in 2008.

## REFERENCES

- SEC, Securities and Exchange Commission, [www.sec.gov](http://www.sec.gov)
- IAESB, International Accounting Education Standards Board, International Federation of Accountants, Education, [www.ifac.org](http://www.ifac.org) (Access Date: 20.04.2017)
- IFAC, International Federation of Accountants, Education, Proposed IAESB 2010-2013 Strategy and Work Plan, [www.ifac.org](http://www.ifac.org), (Access Date: 27.04.2017)
- WTO, World Trade Organization, [www.wto.org](http://www.wto.org), (Access Date: 30.04.2017)
- GATS, General Agreement on Trade in Services, [www.wto.org](http://www.wto.org), (Access Date: 30.04.2017)
- GAE 2012 Dynamics of Global Accountancy Education Prof Dr G.H. Karreman Prof Dr J.G. Kuijl, RA Prof I.F.Y. Marrian, MA, CA A.M. Verweij, LL.M.
- UNCTAD, United Nations Conference on Trade and Development, ISAR, [www.unctad.org/isarconcerned](http://www.unctad.org/isarconcerned).
- EU, European Union, [europa.eu/Information\\_en.htm](http://europa.eu/Information_en.htm) FEE,
- Federation of European Accountants, [www.fee.be](http://www.fee.be) FIDEF, (Access Date: 08.05.2017)
- International Federation of Francophone Accountants, [www.fidef.org](http://www.fidef.org), (Access Date: 08.05.2017)