

ACCOUNTANCY DEVELOPMENT INDEX (ADI) Research Initiative

Measuring Country-Level
Accountancy Performance
and Progress Over Time

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MEASURE

Monitoring and Evaluating Accountancy Systems to Underpin Reform and Economic growth
International Conference



USAID
FROM THE AMERICAN PEOPLE

BISTA Project
Promoting Transparency
and Accountability



Quantitative Results

Leveraging Public Private Partnerships (PPP) with representatives from professional accountancy associations world-wide, the Accountancy Development Index (ADI) Research Initiative involved the participation of respondents from 32 countries around the world in the evaluation of their individual country level of accountancy enabling environment as well as in the provision of feedback and commentary on ADI Framework and Questionnaire structure and design. To ensure a fair and accurate representation of country conditions, completed ADI Questionnaires were then reviewed by third party reviewers familiar with the country condition for their appropriate portrayal of a country's accountancy environment.

The resulting reviewed data was then aggregated and a statistical overlay was applied to present the data gathered from the 32 country respondents in index form. Index design and statistical analysis were influenced by the OECD Handbook on Constructing Composite Indicators: Methodology and User Guide, World Economic Forum Global Competitiveness Report, NGO Sustainability Index, and other leading indices and resources.

As can be seen in the index to the right, ADI Index countries were then categorized according to their ADI Adoption and Implementation Scores into three groups and color coded accordingly:

High Adoption/High Implementation: Countries which displayed the characteristics of having High Adoption Scores and High ADI Implementation Scores.

Transition: Countries which displayed Moderate Level Adoption Scores and Moderate Level Implementation ADI Scores.

Low Adoption/Low Implementation: Countries which displayed Low Adoption and Low Implementation ADI Scores.

These countries and their ADI Implementation/ Adoption Scores have been mapped and presented graphically on the following page.

Accountancy Development Index			
Country	ADI Score	Adoption Score	Implementation Score
C1	96.4	89.9	94.8
C2	94.4	94.9	94.9
C3	93.4	96.8	91.1
C4	91.2	94.6	89.0
C5	88.9	96.8	83.7
C6	88.1	94.4	83.9
C7	88.1	90.4	86.5
C8	86.2	89.8	83.7
C9	84.2	90.9	79.7
C10	82.8	91.5	76.9
C11	81.0	90.3	74.8
C12	77.0	82.9	73.1
C13	68.9	71.9	66.8
C14	68.7	75.8	64.0
C15	64.2	66.7	62.5
C16	62.0	86.9	45.4
C17	60.9	71.0	54.2
C18	57.8	66.4	52.1
C19	57.7	79.8	42.9
C20	56.3	76.6	42.8
C21	55.3	71.2	44.6
C22	55.1	67.7	46.7
C23	54.9	75.1	41.5
C24	53.0	71.4	40.7
C25	49.4	65.1	38.9
C26	45.6	62.7	34.2
C27	45.5	58.4	36.9
C28	33.6	40.5	29.0
C29	27.6	33.6	23.6
C30	25.1	30.6	21.5
C31	18.2	24.2	14.2
C32	8.5	10.0	7.4
Mean Score	63.1	72.4	56.9

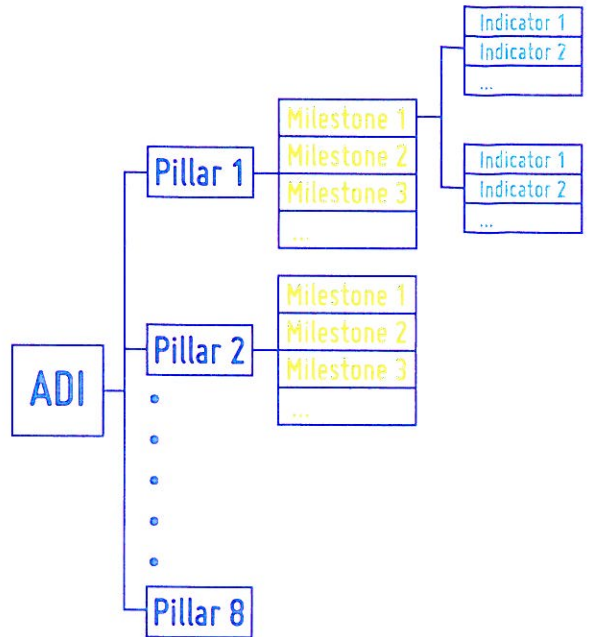
Sound Construction

To convert the ADI Framework into index form which could provide useful data, the ADI International Steering Council organized various milestones around the 8 pillars comprising the ADI. Mapped to these milestones are a number of indicators measuring not only the level of adoption, but also the level of implementation of various milestones – a key component for thoroughly understanding accountability development.

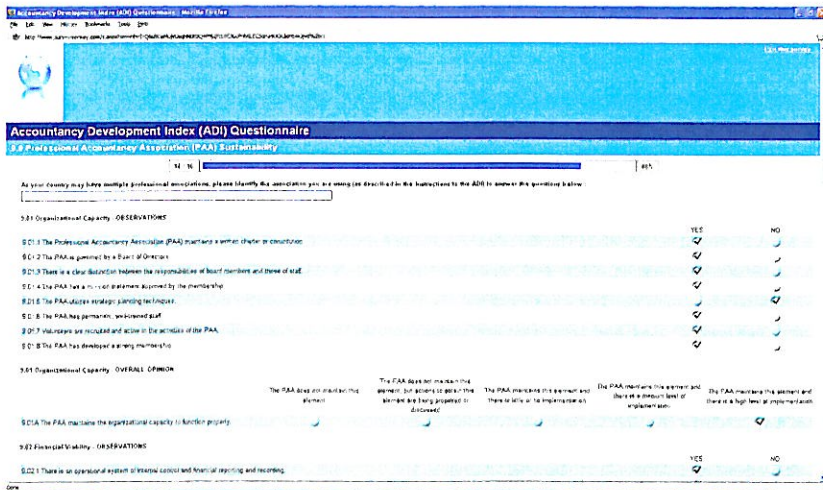
Countries throughout the world were then analyzed for inclusion in the ADI Research Initiative based on the three main characteristics listed below:

- Economic position (industrialized, in transition, emerging)
- Legal system (common law, civil law)
- Geographic location (EU, Central and Eastern Europe, North and Central America, South America, Central Asia, Middle East, and Far East)

The final selection of 32 countries for inclusion in the ADI reflected a mix of countries representative of the economic, legal system and geographic diversity found throughout the world.



ADI Indicators were then organized in questionnaire format resulting in the ADI Questionnaire displayed below.





Financial reporting is of great importance to investors and other financial market participants in their resource allocation decisions and to regulators and other users.

The confidence of all these users in the transparency and integrity of financial reporting is critically important to global financial stability and sound economic growth.

– Report of the Financial Crisis Advisory Group, July 28, 2009, p.1



“International standards will deliver tangible benefits in the international public interest only if they are properly adopted and implemented.”

– Fourth Public Report of the PIOB, p. 21

Why focus on 'Accountancy'?

Accountancy is one of the key elements in capital markets and overall economic growth of a country. As the ultimate goal of accountancy and its provision of financial information is to enhance the economic decision-making of users; it functions to

- Fairly and accurately illustrate the financial position and operations of an entity,
- Provide information useful in investment and credit decisions, in assessing cash flows, and in assessing an entity's resources,
- Enhance corporate governance,
- Facilitate the functioning of capital markets and trade, and
- Support anti-corruption efforts.

The Power of the ADI

The Accountancy Development Index (ADI) Research Initiative acknowledges the pivotal role accountancy plays in capital market and overall economic growth of a country and works to provide for the first time, a simple, comprehensive quantitative summary – as opposed to lengthy qualitative descriptions - about a country's accountancy environment and its adoption and implementation of accounting and auditing standards that will be available to donor agencies, regulators, professional associations, educators, and other capital market participants.

The ADI's easy-to-use form is envisioned to assist stakeholders as they strive toward furthering country financial sector growth by:

- Understanding a country's current performance and progress over time as it works to adopt AND implement financial sector international standards and best practices,
- Helping to identify strategic imperatives for technical assistance activities, and
- Aiding in the analysis of impact and outcomes of financial sector reform initiatives.

Concrete Benefits

ADI data and analyses may provide donor agencies, government officials, regulators, academics and professional accountancy associations a wide range of benefits and enhance the operations of a variety of different stakeholders. The various potential uses and benefits which the ADI brings are displayed below:

Stakeholder	Potential Benefits
Standards Setters	Understanding the status of adoption and implementation of international accountancy standards and best practices.
Professional Accounting Associations	Demonstrating progress in compliance with international accountancy standards. Identifying areas for further improvements.
Government Agencies	Identification of areas for reform - adoption and implementation gaps. Allocation of resources to areas needing greater assistance.
Regulators	Focus attention on adoption and implementation of international standards and issues relating to proper enforcement.
Donors	Understanding position and progress of a country's accountancy environment over a period of time. Understanding impact of various accounting interventions.
Educators	Understanding international standards for content of accounting education programs. Understanding areas for further human and institutional capacity building.
Investors	Understanding of the state of development of the accountancy enabling environment.

Solid Framework

Developed by USAID's Benchmarking International Standards of Transparency and Accountability (BISTA) project and designed with the assistance of the Center for Business Studies of Leiden University, Royal NIVRA and an International Steering Council comprised of scholars, practitioners and academics from around the world, the ADI assists in monitoring country progress as it relates to a country's accountancy enabling environment.

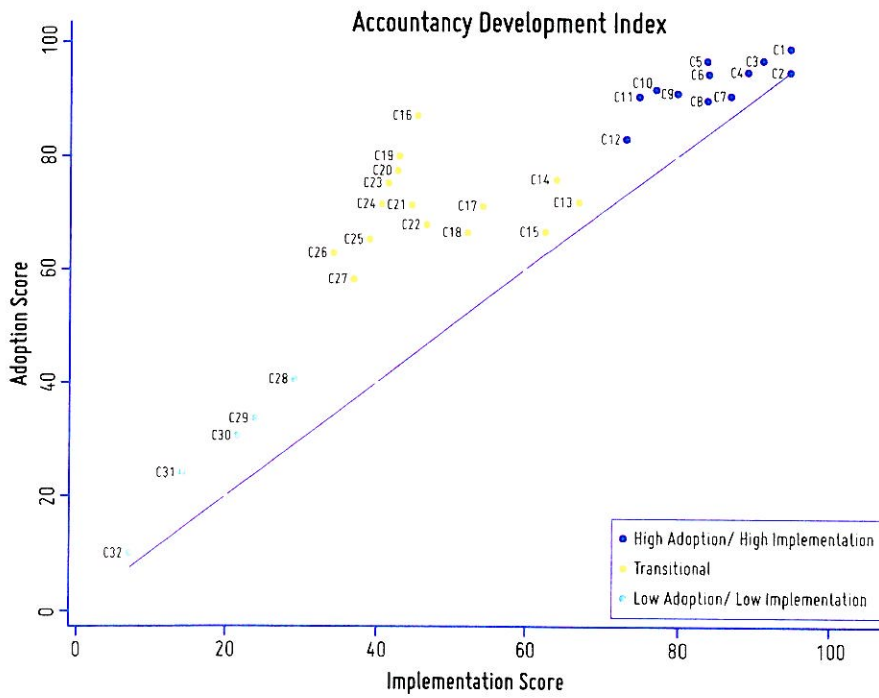
This first-ever quantitative index furthers transparency and accountability through its inclusion of 8 pillars drawn from internationally recognized standards and best practices such as:

- International Federation of Accountants (IFAC) Statements of Membership Obligations (SMOs)
- OECD Corporate Governance Principle 5 (Financial Disclosure)
- USAID NGO Sustainability Index
- World Bank Public Expenditure Financial Assessment (PEFA) Reports
- World Bank Accounting and Auditing Reports on the Observance of Standards and Codes (ROSC)

The breadth of the ADI includes such subject areas as accounting and auditing standards compliance, corporate governance, institutional sustainability, statutory framework, and ethics.

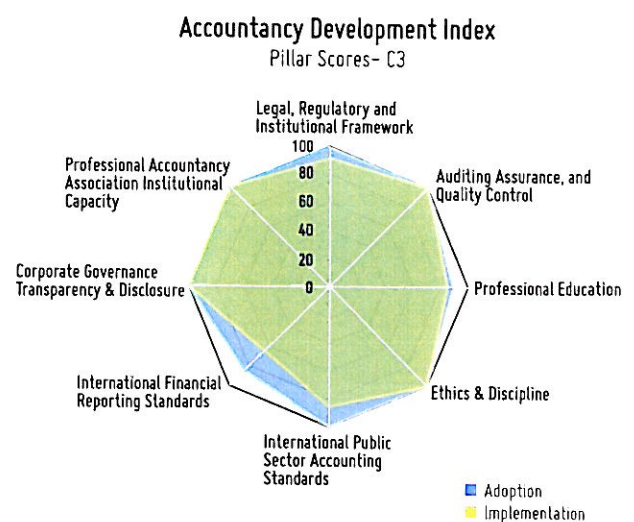
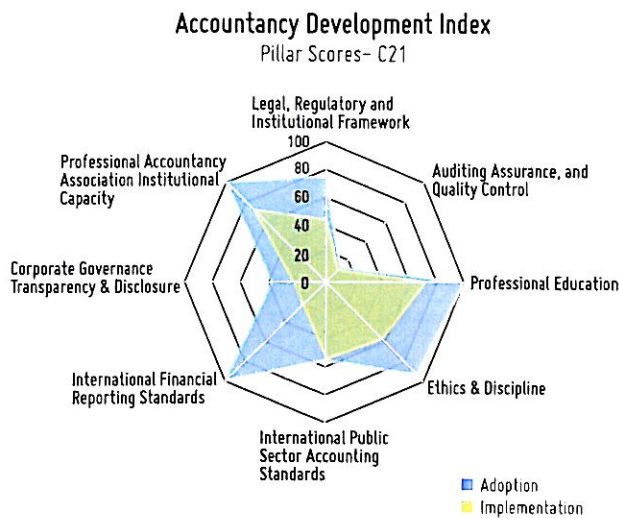
1.0 Legal, Regulatory and Institutional Framework		5.0 International Financial Reporting Standards	
The legal and regulatory and institutional framework as it relates to accountancy.	1.01 Accounting & Auditing Framework 1.02 Public Sector Framework 1.03 Public Oversight 1.04 Licensing Arrangements	Adoption & Implementation of IFRS	5.01 Private Sector Accounting Environment 5.02 IFRS Monitoring & Enforcement
2.0 Auditing, Assurance, and Quality Control		6.0 Ethics & Discipline	
International standards, procedures & best practices for the provision of high quality audit, assurance, review, related services and quality control.	2.01 International Standards on Audit (ISA) 2.02 International Standards on Assurance (ISAE) 2.03 International Standards on Review Engagement (ISRE) 2.04 International Standards on Related Services (ISRS) 2.05 International Standards on Quality Control (ISQC1) 2.06 Quality Control at the Firm Level 2.07 Quality Control at the Partner Level 2.08 System of Quality Assurance	Principles of professional ethics for accountancy professionals and processes for bringing to account professionals who fail to maintain high professional standards.	6.01 Creation of a Code of Ethics (COE) 6.02 The ethical environment 6.03 Investigation Process 6.04 Disciplinary Process 6.05 Appeals Process
3.0 Professional Education		7.0 Corporate Governance — Transparency & Disclosure	
Adoption & Implementation of International standards for accountancy education, practical experience, assessment and continuing professional education.	3.01 Entry Requirements 3.02 Program Content 3.03 Professional Skills 3.04 Values, Ethics, Attitudes 3.05 Assessment 3.06 Practical Experience 3.07 Continuing Professional Development	The framework of rules and practices by which firms ensure accountability, fairness, and transparency in its operations.	7.01 Material Disclosures 7.02 Annual Audit 7.03 Auditor Accountability 7.04 Information Dissemination 7.05 Provision of Information
4.0 International Public Sector Accounting Standards		8.0 Professional Accountancy Association Institutional Capacity	
Adoption and implementation of IPSAS	4.01 Public Sector Accounting Environment 4.02 Comprehensiveness & Transparency of PFM 4.03 External Audit of Government Annual Financial Statements 4.04 IPSAS Accounting Programs 4.05 IPSAS Monitoring & Enforcement	The efficiency and effectiveness of professional accounting / auditing association operations	8.01 Organizational Capacity 8.02 Financial Viability 8.03 Advocacy 8.04 Service Provision 8.05 Recognition 8.06 Public Image

Data Visualization



Graphical representations of ADI data can present dramatic, easy-to-use, country comparisons. As can be seen from the chart presented left, previously challenging subjects, such as understanding country adoption versus implementation of accountancy standards and best practices and how various countries compare in this area can be simplified and understood in a succinct manner through the use of ADI data.

ADI data allows the user to not only understand on a macro level, but to drill down to understand on a more micro level, individual country areas of strength as well as areas for improvement. As can be seen in the charts below, ADI data presents an immediate picture of the status of a country's accountancy environment and allows users to easily target specific interventions to strengthen desired areas.





Next Steps

The ADI Research Initiative is currently working to strengthen strategic alliances to enhance and expand ADI pilot project efforts so that country-level information regarding the adoption and implementation of international standards and best practices is updated periodically and publicly available to relevant stakeholders. It is the firm belief of the ADI Research Team that further efforts in this area will help to enhance country accountancy enabling environments and financial sector development in countries throughout the world.

The Accountancy Development Index Research Initiative would like to acknowledge and give special thanks to the following individuals and organizations

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