MEETING FUTURE EXPECTATIONS OF PROFESSIONAL ACCOUNTING EDUCATION: A CONSULTATION ON THE INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD'S (IAESB) FUTURE STRATEGY AND PRIORITIES

1. This Consultation Paper sets out for public input the vision of the IAESB for the next five years and the strategic priorities it believes need to be addressed in serving the public interest through high quality accounting education standards.

2. Comments are invited from all stakeholders interested in or affected by the quality and relevance of accounting education, as safeguarded through international standards. Feedback from International Federation of Accountants (IFAC) Member Bodies in all jurisdictions, as well as stakeholders in the public policy, regulatory, professional accounting firms, professional accountants in business, government or academia, employers of professional accountants and other relevant communities, are particularly encouraged.

3. The feedback received will inform IAESB’s finalization of its Strategy for the period 2017 to 2021; and its detailed work program and organizational approach. The IAESB envisions reviewing its Strategy after three years and adjusting its work program as appropriate.

IAESB’s Standard Setting Context

4. The IAESB is an independent standard-setting body that serves the public interest by strengthening the worldwide accountancy profession through the development and enhancement of accounting education. Through its activities, the IAESB enhances education by developing and implementing International Education Standards (IESs), which increases the competence of the global accountancy profession – contributing to strengthened public trust.

5. The IAESB does this by developing, maintaining and promulgating IESs. These standards strive to (i) ensure that professional accounting education is of consistent high quality, (ii) lead to enhancing the competence and judgment of professional accountants, and (iii) assist in developing human capacity through qualification, certification, or licensing of competent professional accountants to fulfil the accounting and assurance requirements of both the private and government sectors.

6. The IAESB has recently revised most of the IESs to incorporate a learning outcomes approach to Initial Professional Development, whilst recognizing the diversity of practice across IFAC Member Bodies and in different jurisdictions. The revised IESs will all have come into effect by July 2016. Accordingly, the IAESB is currently focusing its efforts on assisting the global adoption and implementation of the IESs through the development of implementation support material and other guidance that support a proper understanding of the standards and their implications.

7. The IAESB intends now to address any issues or gaps in the accounting education standards. These may exist as a result of changes in the environment or trends in accounting education. As organizations continually scan for emerging environmental changes and trends, so must the
professional accounting profession. As these trends are identified and then socialized into the business and public spheres, so accounting education must adapt to respond to their implications and maintain its relevance.

8. The IAESB recognizes that time is needed to allow IFAC member bodies to implement the revised IESs before undertaking a post-implementation review to assess whether the aims of the revised IESs standards are being achieved. The IAESB is therefore setting its future strategy and priorities within a five-year horizon. Broadly, this will allow for exploration of standard setting on priority issues throughout an appropriate period. It will also, in effect, mean a moratorium on new or substantively revised standards 2019.

9. Nonetheless, there are important emerging trends and existing issues - many of which are complex and difficult on a global stage - for which time now is needed for information gathering, study, and the consideration of new standards as appropriate.

**Broad Trends in Accounting Education, and Implications for the Accounting Profession**

10. Professional accountants operate in a continually changing environment. It follows that the initial and continuing professional development needs of professional accountants must reflect this. Examples of significant trends include the following:

- Increasing numbers of accounting specialisms
- Increasing emphasis by audit regulators on the need for auditors and audit firms to improve the quality of their work
- Developing recognition of the importance of systemic risk in the accounting and auditing environment
- Developments in integrated reporting
- Growing importance of the developing IT environment, including data analytics, and associated professional competences
- Adoption of Public Sector Accounting Standards
- Professional accountancy education capacity building initiatives in the developing world
- Developments in professional education methodology such as the recognition of prior learning and the integration of learning into the workplace
- Growing recognition of distinct learning needs of professional accountants at all levels, from accounting technicians to Chief Financial Officers
- The growing requirement for many professional accountants to work in multiple jurisdictions

11. These trends have two main implications: first, in terms of the scope and content of the current education standards, which are largely focused on Initial Professional Development; second, in
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terms of the changing nature of education, and hence of benchmarks and good practice to be followed in acquiring, developing, delivering and assessing education outcomes.

12. The extant IESs 1-6 cover entry requirements, content of professional accounting education programs, professional skills, professional values, ethics and attitudes, practical experience and assessment of professional competence. IES 7 sets out the requirements to be met under Continuing Professional Development, during a professional accountant’s career; and IES 8 sets out the specific continuing professional development requirements for the Audit Engagement Partner. The revised IESs largely prescribe a learning outcomes approach.

13. Moreover, with the exception of IES7 and IES8, the extant IESs focus on Initial Professional Development (IPD). The emerging trends referenced above suggest that a stronger focus on Continuing Professional Development (CPD) is required to reflect the professional impact of those developments.

14. Second, developments in education provision (including e-learning and assessment, massive online open courses and the recognition of prior learning) require a structured approach for ensuring that learning outcomes may be met regardless of the teaching and learning methodology applied.

IAESB’s Vision for the Next Five Years, and Strategic Priorities

15. The IAESB’s vision is to increase public confidence in the accounting profession by setting and maintaining principles-based standards that codify good practice in accounting education. This is a dynamic process that will respond to evolving needs and changing circumstances.

16. Its strategic priorities are to serve the public interest by:

- Promulgating a series of high-quality standards and other publications reflecting good practice in the education and development of professional accountants;
- Promoting the adoption and implementation of the IESs;
- Developing benchmarks for supporting and measuring the implementation of the IESs;
- Periodically reviewing the need for further revisions to any of the IESs or for developing additional standards; and
- Advancing international debate on emerging issues relating to the education, development, and assessment of professional accountants.

Question 1
Do you agree that these priorities are the right focus for the IAESB? Which objectives do you believe should be the primary focus for the IAESB strategy and work plan for 2017-2021?
IAESB’s proposed priority issues

17. The IAESB is contemplating how best to respond to the changing accounting education environment and the need to protect the public interest, by considering the development of new standards and the revision of existing ones. These will be prioritized in line with the results of stakeholder consultation and available resources.

18. The IAESB proposes to address these developments under a number of thematic headings (continuing professional development, IT competence, specialization, professional skepticism and competency based education).

Continuing Professional Development

19. The IAESB has recognized that the redrafted IES7 does not align well with the output and outcomes approach of the other revised standards. Additionally, the use of CPD compliance as a mechanism for periodic recertification by a number of PAOs leads to Board to recommend that IES7 undergo a full revision process.

Question 2
Do you agree with the need to revise IES7 to ensure consistency and relevance to the profession?

IT Competence

20. As accounting practices have developed, the impact of IT requires a higher standard of competence among professional accountants. Additionally, the growing impact of data analytics and IT generated financial reports mean that professional accountants are increasingly required to validate and interpret such data, rather than just produce it. This issue impacts on IPD content, post qualification specialization and guidance. The IAESB proposes to update existing standards to reflect this and to develop practical guidance for all professional accountants.

Question 3
Do you agree with ‘IT Competence’ as a priority area for development? If so, is the proposed approach adequate and appropriate?

Specialization

21. Initial research has identified areas of professional specialization for potential development, which could take the form of additional CPD Standards that build on essential competence areas with related learning outcomes (similar to IES8 for the audit specialism). Any such new standards...
would also be supported by implementation guidance and thought leadership publications developed in partnership with leaders in the relevant field:

**Question 4**

Do you agree with ‘Specialization’ as a priority area for further consideration? What specializations would you propose for consideration? Which do you think should take priority?

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**Professional Skepticism and Professional Judgement**

22. Audit regulators have determined that lack of appropriate professional skepticism and professional judgement are the root causes behind many of the deficiencies they have identified. More broadly, the IAESB consider that this competence is growing in importance for all professional accountants. Therefore, the IAESB is evaluating what actions, if any, it should take to help demonstrate professional skepticism and professional judgement.

23. IESs 2, 3, 4 and 8 provide guidance on the expected outcomes that assist professional accountants and engagement partners to demonstrate effective “professional skepticism” and “professional judgment.” Given their significance in accounting and auditing, these areas will continue to require further development. Relevant accounting literature, research studies, and findings from regulators’ reports on audit deficiencies provide input and supporting data. Potential actions include challenging existing references to these skills in the IESs or expanding references to these topics in existing or new standards.

24. Though most prominently dealt with in the ISAs, professional skepticism is also addressed in the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the IESs (as noted). Because of this, a joint Working Group has been formed with representatives from these three independent standard-setting boards (SSBs) to start the exploratory work and make recommendations to each Board whether there is standard-setting or related work that can be undertaken. The IAESB will continue to be guided in its approach to professional skepticism by the work of this joint Working Group as well as the feedback on this consultation.

**Question 5**

[Commented [ST7]: Make clear that professional skepticism and judgement is not just for auditors but a necessary mind set for all professional accountants.]

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[1][1] The IESBA Code explicitly mentions the term professional skepticism in a number of places including in the definition of “independence” – both independence of mind, and independence in appearance. There is also a perceived connection between professional skepticism and the fundamental principle of objectivity and integrity, though there is not an explicit reference.

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What actions, if any, should the Board take to improve the professional competence of professional accountants related to the appropriate exercise of professional skepticism and professional judgement?

Competency Based Education

25. Professional accountancy education more broadly is moving towards competency based models of various types. A competency based approach is closely aligned with the learning outcomes focus of the revised IESs. The IAESB proposes producing practical guidance for educators and other stakeholders on the adoption of competency based professional development; and on the inclusion of a range of pathways to professional qualification (including apprenticeships, experiential routes, the recognition of prior learning and the modular, credit-based structures that enable its implementation). In addition, guidance is needed for the assessment of learning outcomes achieved through practical experience. For example, greater clarity is required in how to assess reflective activities as identified in IES4. The IAESB also plans to develop a thought leadership piece on the importance of the accountancy educator and its centrality to these developments.

Question 6
Do you support the need for the production of guidance for stakeholders on the introduction and implementation of competency based professional education?

Adoption and Implementation Support

26. The existing IAESB work program is principally focused on implementation support material. This will continue to completion as planned while the new program is agreed and put in place. The IAESB will continue to consider the case for additional implementation support material for the revised IESs. The IAESB will consider carefully whether it should develop any such additional implementation material itself, or look to others who may be better placed to do this.

Commented [ST8]: Regarding the ‘importance of the educator’ piece (not present here) state that this will be a thought leadership piece.