REVISION OF INTERNATIONAL EDUCATION STANDARDS 1-8 – PROJECT PROPOSAL

I. SUBJECT

1. A revision of the eight International Education Standards (IESs).

II. BACKGROUND AND RELEVANT DEVELOPMENTS

A. Background

2. IESs 1-6 were issued in October 2003 while IESs 7 and 8 were issued in 2004 and 2006, respectively. None of these Standards have been subject to revision or significant redrafting since their inception.

B. Relevant Developments

i) IAESB Drafting Conventions

3. The IAESB has agreed a new structure to improve clarity of its standards, which will improve their readability and provide an appropriate level of explanation to ensure that interested stakeholders understand and apply the standards properly. The new structure includes 4 major sections: Introduction, Objectives, Requirements, and Explanatory Material. These sections place greater emphasis on the obligations and requirements on an IFAC member body in the learning and development of a professional accountant. In addition, the IAESB has also made amendments to the language of its Standards to improve the understanding of the requirements that IFAC member bodies undertake when implementing the Standards.

ii) New Framework for International Education Standards

4. The IAESB has recently revised its Framework document which sets out the underlying concepts and principles for the IESs. One of the primary objectives of the revised Framework document has been to reach out to include the various roles of professional accountants. The Framework identifies general education, professional accounting education, practical experience and assessment as components of the learning and development of a professional accountant. Learning and development occurs throughout an individual’s career and ensures the development and maintenance of competence required for performing the various roles of professional accountants. As a result the Standards will need to be revised to ensure consistency with the principles and concepts introduced in the new Framework document.
iii) IFAC Experience
5. Since 2003, the IAESB has benefited from the experience obtained by IFAC members bodies and other interested stakeholders in implementing the Standards. The IAESB is aware, however, that considerable variation exists in the interpretation of the Standards and in the mechanisms and local compliance models that have been developed to meet the requirements of the Standards. The IAESB has received requests for clarification from interested stakeholders in accounting education.

III. PROJECT OBJECTIVES AND HOW IT SERVES THE PUBLIC INTEREST

A. Project Objectives
6. The IAESB agreed that all eight Standards should be revised with the aim of:
   • improving clarity;
   • ensuring consistency with concepts of the revised Framework document; and
   • clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the Standards by IFAC member bodies.

B. How the Project Objectives Serve the Public Interest
7. The revision of the IESs will aim to clarify each Standard to improve readability and ensure consistent application by reducing ambiguity about the requirements imposed on an IFAC member body. The revised Standards on International Professional Development (IPD) and Continuing Professional Development (CPD) establish the level of competence of a professional accountant which is the foundation upon which the public trust is sought.

8. The revision of the IESs will help promote consistency in practice and share good practices in the learning and development of a professional accountant. Consultation of IFAC member bodies, interested stakeholders of accounting education, and the public will enhance the quality of each Standard by ensuring an awareness of the issues and obtaining valuable feedback. In addition the analysis of key impacts on stakeholders will inform the IAESB in its deliberation of the implications of changing or adding new requirements. The revised Standards will draw attention to the important obligations of IFAC member bodies related to high-quality development and implementation of accounting education programs for professional accountants.

IV. OUTLINE OF THE PROJECT
A. Project Scope
9. The scope of this project is to revise the IESs for IFAC member bodies and interested stakeholders in accounting education by:
   i) Applying the new structure and language requirements of the IAESB drafting
conventions to each Standard; and

ii) Updating relevant material of the existing IESs to ensure consistency with concepts and principles of the revised Framework document; and

iii) Rewriting relevant material of the existing IESs to address issues of interpretation and clarification which have been identified by stakeholders as a result of the implementation of the Standards.

10. The IAESB will consider the possibility of consolidating some of the IESs subject to the findings from public consultation. The revision project does not envision developing new IESs and will identify areas for further adoption and implementation guidance projects.

B. Key Issues that Will Be Addressed

11. Each IES will be revised to improve clarity of the Standard by applying the new structure and language of the IAESB drafting conventions and ensuring consistency with concepts of the new Framework document. Glossary definitions will be reviewed to ensure that they are consistent with other IAESB publications and, to the extent possible, consistent with those used by other IFAC Standard-setting Boards and Committees. In addition the IESs will be reviewed to ensure that they are more principles-based while ensuring that requirements are internationally relevant and enable measurable implementation.

12. The following identifies the key issues which will be considered when revising each of the standards, subject to any issues identified through consultation with the IAESB’s Consultative Advisory Group (CAG) and public consultation:

13. **IES 1 – Entry Requirements To A Programme Of Professional Accounting Education**
   (i) Review and clarify the entry requirements to a professional accounting qualification
   (ii) Revise the entry requirements to ensure that they are inclusive of the various roles and expected outcomes of a professional accountant;
   (iii) Consider the revision of the Standard to take account allowing access to the profession at various levels without putting in place unnecessary barriers
   (iv) Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

14. **IES 2 – Content Of Professional Accounting Education Programs**
   (i) Review the Standard to ensure that it reflects a competence-based approach to the education and development of a professional accountant
   (ii) Clarify areas of the Standard which focus only on a knowledge-based approach to learning by ensuring that outcomes can be demonstrated and measured
   (iii) Revise the requirements of the Standard to ensure that the mix of input or output measures continue to be relevant and appropriate
Revise the level and depth of knowledge required to ensure relevance and completeness while aiming to identify core competence of a professional accountant (future proofing e.g. sustainability)

Clarify the requirements for core competence given the various roles of the accounting profession

Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

15. **IES 3 – Professional Skills And General Education**
   
   (i) Determine whether the content requirements of, and approach to, general education should continue to exist in IES 3 or whether it is still appropriate for specification within any IES
   
   (ii) Clarify the level of core competence required of a professional accountant (to include various roles and future proofing) to ensure consistency within the Standard
   
   (iii) Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

16. **IES 4 – Professional Values, Ethics And Attitudes**
   
   (i) Consider clarifying the Standard’s requirements to ensure that accounting education programs continue to meet the core competence required for the various roles of a professional accountant
   
   (ii) Revise the Standard to ensure consistency with the terminology and concepts set out in the revised IFAC Code of Ethics.

17. **IES 5 – Practical Experience Requirements**
   
   (i) Revise the requirements of the Standard to ensure that all measures continue to be relevant and appropriate to a competence-based approach to the learning and development of a professional accountant
   
   (ii) Consider elaborating on various components of practical experience such as participation, observation, simulation
   
   (iii) Clarify the Standard’s scope to address both development and assessment of competence by practical experience
   
   (iv) Clarify the Standard’s requirements on practical experience to ensure that they continue to meet the core competences required for the various roles of a professional accountant
   
   (v) Clarify the Standard to eliminate repetition and duplication by transferring content to the existing Practice Statement (IEPS 3) to ensure that the Standard is easily understood by its target audience
   
   (vi) Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

18. **IES 6 - Assessment of Professional Capabilities and Competence**
   
   (i) Clarify the standard’s scope to focus only on principles of assessment.
   
   (ii) Consider whether the standard should apply to assessment over IPD, including practical experience and CPD.
(iii) Determine whether the content of the standard should and can be consolidated within other standards or remain a stand-alone standard;

(iv) Broaden the standard to apply to all members of IFAC member bodies (professional accountants);

(v) Clarify the standard to eliminate repetition and duplication by transferring content to guidance to ensure that the standard is easily understood by its target audience.

19. IES 7 – Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence

i) Redraft the Standard to update the requirement to assist the ongoing development of CPD systems, standards and compliance mechanisms worldwide to continue to ensure that the public interest is met, with particular additional regard to:
   • The needs of the wider development ‘team’, i.e. those mentors, technicians and non-members of IFAC member bodies involved in the CPD process
   • The range of definitions and examples in the standard, i.e. to review and update, particularly to encourage an innovative approach to meeting CPD needs.

ii) Confirm the existing fundamentals of the standard, particularly in relation to the range of available approaches to CPD systems and the recommended measurements for appropriate CPD activity over time.

iii) Confirm the proposed exposure draft process and CAG consultation provides sufficient formal consultation and undertake a targeted review of the experiences of recent adopters of IES7 to inform the working group’s deliberations, including the views of the regulatory community.

iv) Confirm the anticipated and intended impact of the redrafted standard will be materially neutral, but also positive in respect of its clarity of content for both IFAC member bodies and regulators.

20. IES 8 - Competence Requirements for Audit Professionals

(i) Revise the Standard’s use and interpretation of the following key definitions: Significant judgment, Audit professional, Education and development program, and Advanced level.

(ii) Clarify the Standard’s explanation surrounding:
   • Precise roles in a transnational audit;
   • Acceptance of the need for progression through a variety of roles, over time, whilst part of a larger team;
   • How the shared responsibility between IFAC member bodies, firms and regulatory authorities should work in practice;
   • The practical application of an IES that has requirements written primarily to individuals who are practicing members of Member Bodies; and

(iii) Revise the Standard’s scope to clarify the coverage of the following key areas:
   • Engagement Partner Competences
   • Specific Industries
   • Practical Experience.
V. Implications for Any Specific Persons or Groups

21. All of the IESs will be redrafted to include the new structure identified in the IAESB Drafting Conventions. Each of the IESs will be reviewed to address issues of interpretation and clarification, which have been identified by stakeholders as a result of the implementation of the Standards. In some cases this may mean that the requirements of a Standard may change or new requirements may be added. The IESs will also be revised to reflect the concepts and principles of the new Framework. In revising the IESs there will be both public consultation on project issues at the beginning of the project and consultation on the exposure draft of each revised Standard.

22. The IAESB expects that the structure and language of the IESs to change, which will affect IFAC member bodies and other interested stakeholders that require a translated version of the revised IESs. The revised Standards will be translated into the official languages of IFAC and will be freely downloadable from the IFAC bookstore when released.

VI. Development Process, Public Consultation, Project Timetable and Project Output

23. The revision of IESs 1-8 will follow due process with careful consideration of the public interest while balancing the costs and benefits of the expected project output. Following the approval of the project proposal to revise the 8 IESs, the IAESB will:

- Discuss significant issues;
- Consider 1st draft;
- Approve the exposure draft;
- Consider significant matters raised from respondents’ comments and prepare a revised draft; and
- Approve the final document and comment on the accompanying Basis of Conclusions document.

24. The IAESB will consider, on a Standard-by-Standard basis, whether to hold a public consultation in the form of a forum, roundtable, online survey, or issue a consultation paper, in order to solicit views on significant issues under consideration. In addition consultation will request participants’ views on (1) key impacts of the significant issues and (2) expectations of redrafting or revising an IES. The IAESB will also request comments over a 90-day period from the public on the exposure draft of each revised IES. The IAESB will also consult with its CAG at the following stages of the project: project proposal; significant issues relating to the revision of the IES; significant issues raised in comment letters on exposure drafts and the IAESB’s related response.
A. **Project Timetables**

25. The following tentative project timetables are proposed:

### IESs 1-5

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<th>Timing</th>
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<tr>
<td>Approval of project proposal by IAESB</td>
<td>October 2009</td>
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<tr>
<td>Key Issues Discussion paper</td>
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<td>Discuss Public Consultation Findings</td>
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<td>Discuss Issues</td>
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<td>Consultation</td>
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<td>Discussion of Issues</td>
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<td>First read &amp; Approval of exposure draft</td>
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<td>Exposure period</td>
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IES 8

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B. Project Outputs

26. The project output will include a revised and redrafted pronouncement for each of IESs.

C. Impact Analysis Considerations

27. The IAESB will be conducting an analysis of key impacts to stakeholders on two of the IES Revision projects: IES 8 and IESs 1-5. Given that IFAC has not finalized the steps of an impact analysis process, the IAESB will pilot test relevant parts of the impact analysis process. It is expected that the outcomes from the impact analysis will contribute to the development of high-quality standards by providing a systematic and structured approach to (a) understand the potential impacts of a proposed new standard on key stakeholders and (b) document and communicate this information. The information obtained will also inform IFAC’s initiative to develop a finalized version of the impact analysis process. The following represents the next steps envisioned in conducting the analysis of the key impacts.

Public Consultation Phase

28. The task forces responsible for revising IESs 1-5 and IES 8 are planning public consultations on the proposed revisions. The public consultation activity presents an opportunity for the IAESB to obtain information for the impact analysis. The respondents’ answers from the public consultation activity will be analyzed and used to develop an impact analysis that should be included in the Explanatory Memorandum issued with the Exposure Draft.

Exposure Draft Phase

29. The impact analysis will present a narrative, which summarizes the task force’s response to the questions presented in the public consultation. This analysis would be developed
by staff for discussion with the task force and further informed from discussion with the IAESB and the IAESB CAG. The Explanatory Memorandum should draw the attention of respondents to the impact analysis and ask for consideration of the analysis, along with a request to provide information on other impacts that may not have been included.

**Development of Basis of Conclusions Document**

30. Respondents’ comments on the impact analysis from the Explanatory Memorandum of the Exposure Draft will be analyzed and discussed by the IAESB. Resulting discussion on significant issues will be recorded in the meeting minutes and will inform the final impact analysis provided in the Basis of Conclusions document.

**VII. Resources Required**

30. Four project task forces have been assigned to the revision of the IESs. A task force can include as many as 9 individuals, including a member of the IAESB as chair. IAESB public members will be involved with each of the task forces and the Steering Committee will provide oversight and a consistency review across all Standards.

31. Each task force will consider the participation at relevant stages of individuals or groups with relevant expertise. The IAESB will be making special efforts to consult on specific revision projects. In revising IES 6 the following groups will be important in the consultation process: Professional bodies, universities and “higher education” providers who assess capabilities, and employers who assess competence. For the revision of IES 8 it will be important to consult with the IESBA and the IAASB with respect to definitions and requirements for competence. The IAESB will be particularly mindful of ensuring that there is sufficient consultation on IES 8 with: Accounting firms (especially Transnational firms), the Steering Committee of the Consultative Committee of Accountancy Bodies (CCAB) on Audit Conduct and Training from the UK member bodies and the Standards Working Group (SWG) which includes representatives from the Big 6 public accounting firms of IFAC’s Forum of Firms.

32. The allocation of resources for each IES revision project will be reviewed by the IAESB and IAESB CAG on a regular basis to ensure completion of each project. Resource requirements are subject to change as the needs for technical expertise and administrative support change during the life cycle of each project. Monitoring such resource needs will be especially important for the IES 8 revision project which aims to revise the Standard and develop new guidance for the implementation of the Standard. In a similar manner the resources for IESs 1-5 revision project will also be closely monitored given the potential of developing new requirements for each Standard.

**VIII. Relevant Sources of Information that Address the Matter Being Proposed**

33. The following sources of information will be consulted by the task forces:
• Member body feedback on SMOs and ease of compliance of new standard.
• Feedback from the CAG on the issues identified above.
• Comments previously received on consultations and exposure drafts of IESs.
• The work currently being undertaken by the IAESB task force on the assessment information paper.
• IFAC’s Compliance Advisory Panel’s Compliance Program (2009)
• The current CPD policies and experiences of the organisations (both professional bodies and employing organisations) represented on the taskforce and the wider IAESB.
• The CPD requirements of the relevant regulatory bodies worldwide.
• Existing research into CPD, such as that undertaken (in the UK) by the Professional Association Research network (PARN).
• Existing Competency Maps (of Firms, Member Bodies, other groups)
• 8th EU directive.