Draft Minutes of the Meeting of the

INTERNATIONAL ACCOUNTING EDUCATION STANDARDS
BOARD CONSULTATIVE ADVISORY GROUP (CAG)

Held on February 27th 2006
At AICPA Boardroom, New York, United States

MEMBERS:

Present:
Charles Calhoun Chair
Steven Cahan Accounting and Finance Association of Australia and New Zealand
Gary Holstrum Public Company Accounting Oversight Board (US)
Jane Mutchler American Accounting Association
Julian Rose Professional Oversight Board of Accountancy (UK)
Judy Tsui Confederation of Asian and Pacific Accountants
Michael Wells International Accounting Standards Committee Foundation
Doyle Williams The Association to Advance Collegiate Schools of Business
Richard Wilson European Accounting Association

Not Present:
David Meyer United States Agency for International Development

Apologies:
Wim Moleveld Fédération des Experts Comptable Européens

IAESB
Henry Saville Chair
Alain Burlaud Member
Mel Berg Member (present for part of meeting)
Ronan O’Loughlin Member (present for part of meeting)
Hans Verkruijsse Member (present for part of meeting)

IFAC Staff
Jim Sylph IFAC Technical Director
Simon Thompson IAESB Technical Manager

PIOB Observer
Stavros Thomadakis (Chairman)
1. **Welcome and Introductory Remarks**

Charles Calhoun, Chair of the IAESB CAG, welcomed members to the meeting, and introductions from all present were made. A special welcome was extended to Jane Mutchler, attending a meeting of the CAG for the first time. Dr. Calhoun also welcomed Stavros Thomadakis, Chairman of the Public Interest Oversight Board (PIOB) and Jim Sylph (IFAC Technical Director) to the meeting. Dr. Thomadakis congratulated Dr. Calhoun on his appointment as CAG Chair.

Apologies were received from Wim Moleveld, and it was noted that he had provided input to a number of items on the CAG’s agenda via e-mail.

Dr. Calhoun informed the CAG that Agenda Item 10 (Public Interest Discussion) would be postponed to the CAG’s next meeting in September 2006, to allow for IFAC Board discussion of the topic. The IFAC Board’s conclusions would be used as a basis for a paper to be presented to the CAG at its next meeting.

2. **Minutes of Last Meeting**

The minutes of the meeting held in Bordeaux on September 27/28, 2006, were received and approved as a true and correct record of the meeting.

3. **CAG Terms of Reference and Role of CAG Chair**

The CAG noted updated draft terms of reference and roles and responsibilities of the CAG Chair documents, based on documents prepared for the IAASB CAG and approved by the PIOB. Dr. Thomadakis reported that the PIOB was keen to see terms of reference standardized between CAGs as much as practicable.

The CAG noted a significant change to the terms of reference relating to the objectives of the CAG. It was agreed that references to the monitoring of due process and reporting to the PIOB should not form part of the CAG’s objectives. The CAG agreed its role is to provide advice on a broad range of issues and projects, and agreed that the terms of reference be revised as follows:

1. The objective of the IAESB Consultative Advisory Group (CAG) is to provide input to and assist the IAESB through consultation with the CAG member organizations (the “Member Organizations”) and their representatives (the “Representatives”) at the CAG meetings, in order to obtain:

   a. advice on the IAESB’s agenda and project timetable (work program), including project priorities and progress
   b. advice on projects; and
   c. advice on other matters of relevance to the activities of the IAESB.
It was clarified that it would be the responsibility of the CAG Chair to report semi-annually to the PIOB on the IAESB’s projects and priorities, following a report to the PIOB from the IAESB Chair.

The CAG also discussed and noted a number of further changes to the terms of reference, including a change in terminology used in the document from “CAG members” to “Member Organizations” and their “Representatives”. It was clarified that Member Organizations could send two Representatives to meetings, though it was expected that at least one Representative would attend consistently. It was also clarified that Member Organizations could not send “substitutes” to meetings, as Representatives were appointed on an individual basis.

There was some debate about the distinction between “open”, “closed” and “private” CAG meetings. Open sessions of the CAG meetings are attended by the CAG Chair, Representatives of the CAG member organizations, member(s) of the PIOB, and relevant IAESB members and staff (including the IAESB Chair), and are open to other IAESB members and the public. The public is not allowed to attend closed sessions of the CAG meetings. Private sessions are attended by the CAG Chair, Representatives of the CAG member organizations and member(s) of the PIOB only. It was agreed that a footnote to this effect would be included in the CAG terms of reference.

It was agreed the updated draft terms of reference would be circulated after the meeting to all CAG members. The PIOB is expected to approve the CAG’s terms of reference and roles and responsibilities of the Chair at its meeting on March 21, 2006.

4. IAESB STRATEGIC PLAN AND TIMETABLE

The CAG received and considered the IAESB strategic plan and project timetable. Henry Saville, IAESB Chair, informed the CAG that, as the IAESB will conduct a strategic review of its priorities and work program at its meeting in July 2006, there had been little change to the overall work plan since the CAG’s last meeting. It was noted that the timescales for some projects, particularly IEG 11 (IT) and the Ethics Education Guideline would be deferred by one meeting. It was now anticipated both would be considered by the IAESB for exposure at its July 2006 meeting. There was some concern raised by the CAG as to whether the IAESB was allowing sufficient time to address all the priorities identified in its current strategic plan and timetable.

Noting that the IAESB is to consider its strategic priorities in July, the CAG discussed a number of areas that the IAESB might wish to consider including in its new strategic plan. These included the development of competency maps, and the development of competence requirements for professional accountants other than auditors, particularly accountants in business. It also suggested that the IAESB may wish to consider changing the focus of its activities from the production of standards and guidance towards the promotion and dissemination of its pronouncements.
The CAG expressed a keen interest in contributing to the development of the IAESB’s new strategic plan, and it was agreed that the IAESB Technical Manager would ask for CAG members’ input into the agenda papers prepared for the IAESB’s July 2006 meeting.

5. IAESB MEETING AGENDA

The CAG received and noted the list of agenda topics to be considered by the IAESB at its meeting in New York, February 27 to March 2, 2006, immediately following the CAG meeting.

RECENT EDUCATION COMMITTEE PROJECTS

6. IES 8 - COMPETENCE REQUIREMENTS FOR AUDIT PROFESSIONALS

The CAG received and considered a proposed final version of IES 8, and noted a number of changes made to the document released for exposure in April 2005, including:

- Changes to the definition of “audit professional;”
- Removal of the requirement for an undergraduate degree, and introduction of a notion of “equivalency;”
- Clarification of the definition of “advanced level” knowledge and implications for the knowledge content for audit, financial reporting and IT knowledge areas;
- Clarification that a substantial proportion of practical experience should be in the area of audit of historical financial information, with a recommended quantum of experience in gray lettering;
- Updated competence requirements for engagement partners, focusing on leadership, managerial and communicative competences;
- Removal of separate assessment requirements for transnational audit professionals.

Mel Berg gave the CAG an overview of the development of IES 8, and Henry Saville outlined some of the key issues for CAG discussion. These included:

Definition of “audit professional”

The CAG expressed concern that the proposed definition of audit professional was too long, repetitive, and possibly confusing. There was also comment that the first part of the proposed definition did not seem to include the engagement partner within its scope. The CAG recommended that the IAESB refine (and, if possible, shorten) the proposed definition. There was also some debate about whether the definition should focus on audits of historical financial information; it was recommended that this focus remain, but that clarification or a footnote should be added to differentiate between audits of historical financial information and other assurance engagements.
Definition of “advanced level” knowledge
There was some concern raised as to whether “advanced level” knowledge required knowledge of all ISAs and IFRSs. The CAG accepted assurances from the IAESB Chair and project task force members present that this was not the case, and that the standard as drafted does not require this.

Scope of Standard
The CAG raised the issue of to whom IES 8 would apply, noting that the proposed effective date applied to audit professionals assuming this role for the first time from 1\textsuperscript{st} January 2008. There was a strong recommendation from the CAG that the public interest required IES 8 to apply to all audit professionals from the effective date, as the public would expect all audit professionals to be competent, not only those assuming the role after the effective date.

The CAG agreed that existing audit professionals should not be automatically “grandfathered” to meet the requirements of IES 8, and suggested that the IAESB consider transition arrangements to allow existing audit professionals to meet the standard’s requirements.

It was agreed that the CAG’s recommendations regarding the scope of IES 8, and other advice regarding the detail of the standard, would be relayed to the IAESB for consideration at its forthcoming meeting.

7. ETHICS EDUCATION
The CAG received and noted an overview of the status of the IAESB’s research project regarding ethics education, providing guidance regarding the implementation of IES 4, “Professional Values, Ethics and Attitudes,” for member bodies, academics, and others. It was noted that the final research report, written by a research team led by Professor Philomena Leung, was now ready for publication, following an academic critique of the report from Professor Tom Gavin. The CAG noted that the Ethics Education Toolkit was currently being finalized, and would be completed by the end of April 2006. It was agreed that this would be a useful resource for universities, accounting educators and member bodies.

The CAG received and noted a first draft of a proposed IEG to be considered by the IAESB, based on an earlier draft prepared by the project research team. While recognizing that the proposed document provided guidance on ethics education throughout professional accountants’ careers (i.e. beyond the scope of IES 4), it was agreed that the level of the document (an IEG) was appropriate. It was recommended that the IAESB tighten the focus of the document and align its ethics education guidance more closely with the \textit{IFAC Code of Ethics for Professional Accountants}.

A number of concerns were raised regarding the approach taken in the proposed IEG, and in particular its recommendation for one or more separate ethics modules during pre-qualification programs. While the document also suggests that ethics education may be
integrated throughout a pre-qualification program, it was felt that this aspect of the document should be given more prominence, and that this would allow greater flexibility to member bodies implementing the IEG’s recommendations.

There was also concern raised that the proposed IEG focused more on input measures than on output measures, and that this was at variance with the IAESB’s output-based approach to education. The CAG agreed that this was a significant weakness in the document, and recommended that the IAESB redraft the document to focus on learning outcomes and/or competences, rather than inputs. It was felt that this too would add greater flexibility for member bodies.

It was agreed that the CAG’s concerns relating to the structure and content of the proposed IEG would be relayed to the IAESB for consideration at its meeting over the following days, with an overall recommendation that the IAESB should build on the research report and its findings, rather than be constrained by them.

8. CPD GUIDANCE

The CAG received and expressed support for an updated project proposal and timetable for an IAESB project to provide guidance for member bodies implementing output-based CPD systems. Gary Holstrum, a former member of the IFAC Education Committee, provided some background as to the thinking behind IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence. It was felt that discussion and/or guidance on implementation of output-based approaches to CPD would be welcomed by member bodies, particularly if it included guidance on the assessment of competence.

The CAG discussed whether regulators may prefer the easier measurements offered by input-based approaches to CPD. It was determined that regulators often look for both input and output measures.

There was also some discussion as to whether the project output should be at the level of an International Education Guideline (IEG) or International Education Paper (IEP). It was felt that an IEP may be more appropriate at this stage as (a) it is anticipated that the paper will be discursive in nature, rather than recommending specific approaches; and (b) member bodies have, in many cases, just implemented CPD programmes, therefore guidance recommending alternative approaches may not be welcomed at this stage.

The CPD Guidance project aims to survey a number of professions with CPD requirements in addition to the accounting profession, with the aim of identifying innovative approaches to output-based CPD. The CAG made a number of very helpful suggestions and recommendations as to bodies, research groups and individuals the IAESB project team may wish to contact during their research.
9. IEG 11 – *Information Technology for Professional Accountants*

The CAG received and noted an updated draft of IEG 11, *Information Technology for Professional Accountants*. Gary Holstrum gave an overview of the IFAC Education Committee’s approach to IEG 11 over the years. There was general support for the updated draft of IEG 11 as being much more user-friendly than previous documents. In particular, the CAG welcomed the separation of competency elements from the body of the document into appendices, though there was concern that better referencing between document and appendices was needed to make IEG 11 still easier for member bodies to use.

There was discussion around the concept of the “advanced user” role, and agreement that the document should include this role in addition to the IT manager, designer and assurance provider roles already included. The CAG agreed, however, that the current explanation of the advanced user role needed further work and clarification in the final version of IEG 11.

The CAG debated the replacement of the “evaluator” role with the “assurance provider” role, and questioned whether this ensured conformity with other IFAC pronouncements. It was suggested that IEG 11 should also contain reference to the need for professional accountants to maintain their IT competence post-qualification, through continuing professional development (CPD). There also was support for the retention of paragraphs 104-107 (giving examples of broad areas of competency for various user roles) in an updated IEG 11.

10. **Future Meetings**

The CAG agreed to hold its next meeting in Brussels, Belgium, on September 21st-22nd, 2006, with the aim of securing participation of observers from the European Commission.

11. **Meeting Closure**

There being no further business, the meeting closed at 4.30pm.
## ACTION LIST

**IAESB CAG MEETING FEBRUARY 2006**

<table>
<thead>
<tr>
<th>ACTION</th>
<th>PERSON(S) RESPONSIBLE</th>
<th>DUE DATE</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Update and circulate CDL</td>
<td>S Thompson</td>
<td>ASAP</td>
<td>Completed</td>
</tr>
<tr>
<td>2. Discussion of public interest to be added to next CAG agenda</td>
<td>S Thompson</td>
<td>Sept. 2006</td>
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<tr>
<td>3. Update CAG Terms of Reference and circulate to CAG members</td>
<td>S Thompson</td>
<td>ASAP</td>
<td>Completed</td>
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<tr>
<td>5. Circulate final Ethics Education research report to CAG members</td>
<td>S Thompson</td>
<td>31 March 2006</td>
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<tr>
<td>6. Attend IAESB meeting and report CAG comments and recommendations (especially IES 8 and Ethics Education).</td>
<td>C Calhoun</td>
<td>28th February 2006</td>
<td>Completed</td>
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