Draft Minutes of the Public Meeting of the
INTERNATIONAL ACCOUNTING EDUCATION STANDARDS
BOARD CONSULTATIVE ADVISORY GROUP (CAG)
Held on September 16-17, 2010
At ICAS Headquarters, Edinburgh, Scotland

MEMBERS:

Present:
Charles Calhoun (Chair) National Association of State Boards of Accounting
Amanda Dempsey Independent Regulatory Board for Auditors (South Africa)
Susan Haka American Accounting Association
Jon Hooper (Sept. 16) Professional Oversight Body (UK)
Aileen Pierce European Accounting Association
Andre Kilesse (Sept. 16) Fédération des Experts Comptable Européens
Lal Nanayakkara South Asian Federation of Accountants
Fabio Moreas da Costa FUCAPE Business School (Brazil)
Keith Bowman Public Accountants Council (Ontario, Canada)
Agnieszka Ostaszewicz European Federation of Accountants and Auditors for SMEs
Greg Scates Public Company Accounting Oversight Board (US)
Michael Wells International Accounting Standards Committee Foundation
Jane Mutchler The Association to Advance Collegiate Schools of Business
Susan Wright Accounting and Finance Association of Australia and New Zealand

IAESB members:
Mark Allison IAESB Chair
Clare Morley IAESB member, Member of Revision of IESs 1-5 Task Force
Aude Leonetti IAESB member, Member of Revision of IES 6 Task Force
Mark Spofforth IAESB member, Chair of Revision of IES 7 Task Force

IFAC Staff:
David McPeak IAESB Technical Manager
Jim Sylph IFAC Executive Director, Professional Standards

Observers:
Sir Bryan Nicholson Public Interest Oversight Board
Marie Lang European Federation of Accountants and Auditors for SMEs
Ann Lamb IAESB External Consultant, ICAS Education Director

Apologies:
David Meyer United States Agency for International Development
Dan Yang Confederation of Asian and Pacific Accountants
OPENING MATTERS

1.1 Welcome and Introductory Remarks
Dr. Calhoun, Chair of the IAESB CAG, welcomed members and others to the meeting. A special welcome was extended to: Professor Jane Mutchler (The Association to Advance Collegiate Schools of Business), to Ms. Marie Lang (European Federation of Accountants and Auditors for SMEs) who will be taking Ms. Agnieszka Ostaszewicz position; and PIOB representative, Sir Bryan Nicholson.

Apologies were received from Mr. David Meyer (United States Agency for International Development) and Dr. Dan Yang (Confederation of Asian and Pacific Accountants).

Finally, Dr. Calhoun drew CAG members’ attention to Agenda Item 9, noting that the activity reports from the IAESB and the other IFAC Boards and Committees were provided for information purposes.

1.2 Approval of Agenda and Minutes of Previous Meeting

Approval of Meeting Agenda
The CAG approved the meeting agenda as is.

Approval of Minutes of Previous Meeting
The CAG approved the minutes and action list of the CAG meeting held in New York on February 8, 2010 with the following amendments:

- Add Mr. Jon Hooper to the list of attendees;
- Last bullet of Section, Clarifying the knowledge and skills required to work as a competent audit professional, page 5 of 10; change ability to requirements;
- Second sentence of Section, 5. Revision of International Education Standards 1-5; change Board’s to CAG’s
- Second sentence of Section, 6. Strategy and Work Plan; change Board’s to CAG’s
- First sentence of Section 10 MEETING CLOSURE; Change Friday to Tuesday.

1.3 Summary of IAESB responses to CAG comments
CAG members also received and noted a summary of IAESB responses to CAG comments on the Board’s current projects.

1.4 CAG Chair’s Report
Dr. Calhoun reported his participation at the February and May 2010 IAESB meetings.

1.5 IAESB Chair’s Report
Mr. Allison reported that significant progress on IAESB projects had been made since the last CAG meeting in February. He indicated that the IAESB had met twice (February and May meetings) since the CAG February meeting and had released the following
publications: IAESB 2010-2012 Strategy and Work Plan (April); Development and Management of Written Examinations (July); and IAESB Handbook of International Education Handbooks (August). He also reported that targeted consultation on IESs 1, 2, 3, and 5 was now complete and public consultation on the Consultation paper for IES 8 was expected to be complete by the end of September with the aim of presenting these findings to the IAESB for discussion at its November meeting. He also indicated that a task force, including Professor Karen Pincus and the other Deputy Chairs of IFAC Standard-setting Boards and Committees, had started work to develop a definition for the professional accountant. Mr Allison reported that the IAESB submitted a response letter to the Monitoring Group’s Consultation paper, Review of the IFAC Reform.

Finally, Mr. Allison indicated that he and IAESB representatives had undertaken the following speaking engagements and associated communications activities since the February 2010 CAG meeting:

**February 2010**
- Accounting Program Leadership Group and Federation of Schools of Accounting 2010 Annual Seminar, Albuquerque, USA
- Japanese Institute of Certified Public Accountants’ Accounting Education Seminar, Tokyo, Japan
- IFAC Board Meeting, New York, USA

**March 2010**
- Monitoring Group Teleconference with IAESB Chair and Representatives
- Meeting with the Developing Nations Committee, Dubai, UAE
- PIOB Teleconference with IAESB Chair

**April 2010**
- Royal NIVRA Education Conference, Breukelen, The Netherlands
- Meeting with Standards Working Group- Forum of Firms, London, UK
- ECSAFA Annual General Meeting, Zambia

**May 2010**
- National Meeting of SFAP Educators, Buenos Aires, Argentina
- Federation Europeen des Experts-Comptables, Brussels, Belgium
- European Accounting Association 2010 Annual Congress, Istanbul, Turkey
- FSR-IAESB Education Seminar, Copenhagen, Denmark
- Normas de Formación para Profesionales en Contaduría, Mexico city & Monterrey, Mexico

**June 2010**
1-6. Leadership and Staff Reports
Mr. James Sylph, Executive Director of Professional Standards, indicated that the Confederation of Asian Pacific Accountants (CAPA) had nominated Dr. Dan Yang as its IAESB CAG Representative. Mr. Sylph also indicated that IFAC provided a response to the Monitoring Group’s Consultation paper which focused on the issues primarily related to the work of the IAASB and IESBA with little coverage of issues that directly relate to the IAESB or CAP. Sir Bryan Nicholson, PIOB representative, also indicated that the PIOB shared the same concern as to the narrow focus of the Consultation paper. Mr. Sylph also reported on the following IFAC initiatives:
- Planning the IFAC-UNCTAD Accountancy Summit on Governance Reform in October;
- Supporting Mr. Ian Ball, IFAC CEO, who will serve as Co-Chairman of Working Group of the International Integrated Reporting Committee;
- Developing an IFAC Public Policy Paper, A Public Interest Framework for the Accountancy Profession for release in Quarter 4;
- Planning of the 2010 World Congress of Accountants in November; and
- Supporting the recommendations on reforming IFAC’s Developing Nations Committee.

Finally, Mr. Sylph indicated that the IFAC Board had approved the nomination of Mr. Warren Allen as IFAC’s Deputy Chair.

CURRENT IAESB PROJECTS
2. REVISION OF INTERNATIONAL EDUCATION STANDARD 4
The CAG considered a paper that identified issues relating to the revision of IES 4. The following summarizes the CAG’s discussion of these issues:

IESBA Code of Ethics
The CAG agreed that the International Ethics Standards Board for Accountants (IESBA) Code of Ethics ("Code") was a very important source for reference, but should not be viewed as the only reference. Country-specific legislation and regulatory requirements are also important and accountants need to ensure that they have complied with these requirements if they are more stringent than those of the Code. CAG members indicated that professional accountants would be expected to go beyond following the "rules". It was suggested that the IAESB monitor what other professional organizations are doing, especially in the area of developing a better understanding of professionalism and how it should be developed. For example, CAG members suggested that guidance material be developed in the form of a matrix which shows the knowledge and skills that are needed to be developed in the area of ethics and professionalism over the career of a professional accountant.

Reflective Activity
CAG members expressed mixed views on a specific requirement for reflective activity. It was agreed that reflection was important and it was difficult to imagine developing ethical values without reflective activity. Several CAG members indicated that the phrase "reflective activity" was difficult to translate from English into other languages and would need to be clearly explained by identifying when the activity had been completed and how the activity would be documented. It was suggested that the literature on how individuals learn be consulted because reflective activity might be too restrictive for some individuals. In general CAG members agreed that public consultation would not be required for this issue other than that conducted through the exposure draft period.

Assessment
The CAG agreed that assessing the elements of professional values, ethics and attitudes was essential, but noted that assessment requirements on capabilities and competence are identified in IES 6. Some CAG members indicated that the assessment of an Ethics program should be considered from the perspective of compliance to IFAC membership. This type of compliance, however, should be applied to the requirements of all the IESs.

Other Content Issues
CAG members suggested that the IAESB consider the issues of governance in relation to ethics when developing the explanatory section of the Standard. No other issues were identified by the CAG in relation to IES 4.

Proposed Way Ahead
The comments of the CAG will be used to inform the IAESB’s review of a revised draft version of IES 4 at its November meeting.
3. **Revision of International Education Standard 6**

The CAG received an update from the Taskforce and the CAG provided advice on a number of issues. The following summarizes this discussion.

**Scope of Consultation**

The CAG agreed that the scope of the planned Exposure Draft public consultation was appropriate and sufficient. CAG members indicated that responses from IFAC member bodies to the Statement of Membership Obligations provided appropriate direction to address the assessment issues identified by the IAESB. Any additional public consultation was not viewed as necessary.

**Content Issues**

The CAG supported the Taskforce’s proposal to focus on competences rather than capabilities, and that the name of the standard be changed accordingly. The CAG also agreed that the standard should be principles-based.

CAG members expressed a mixed view on the proposed approach to de-emphasize the final assessment. CAG members indicated that the term “final assessment” can be interpreted in different ways. This includes a final formal examination or an evaluation of competence prior to admitting and individual to “the profession”. The following summarizes the range of comments from CAG members:

- The critical issue is the *quality* of assessment not the *timing* of assessment, so cumulative assessment over IPD could provide a valid test of competence.
- The requirement for a “final assessment” should be retained, based on the need to be seen to maintain the quality of entry into the profession (consistent with what happens in other professions), and to maintain the quality of the profession.
- A final examination provides a way to confirm that candidates have met the defined level of competence.
- It is the responsibility of member bodies to demonstrate that they have in place the processes to confirm that professional accountants have achieved the required competencies.
- The key issue was not that there was a final assessment, but the need for candidates to demonstrate their professional competence, particularly in regard to the integration of different areas of knowledge and skills and their ability to apply this to real world situations.

**Other Issues**

The CAG supported the Taskforce’s approach that IES 6 should focus on principles of assessment. The CAG also supported the proposed timetable for the presentation of the first draft standard at the next IAESB meeting.

**Proposed Way Forward**

The comments of the CAG will be used to inform the IAESB’s discussion on the revision of IES 6 at its November meeting.
4. Revision of International Education Standards 1, 3, & 5

The CAG considered a paper that identified issues relating to the proposed consultation on the revision of IESs 1, 3, & 5. The following summarizes the CAG’s discussion.

Revision of IES 1

Entry Requirements

CAG members expressed mixed views on the need to set entry requirements. Some CAG members indicated that IES 1 was not needed and IAESB should not be setting any entry requirements since the public interest would be met when those joining the profession pass their member body qualifying examinations and become professional accountants. Those who held this view also indicated that if IESs 2, 3, and 4 are properly designed to ensure qualification and there is no need for entry requirements. Several CAG members agreed to rewrite IES 1 in order to put in place a requirement for member bodies to set entry requirements that allow a “reasonable chance of success” while not putting in place unnecessary barriers to entry. Those who held this view suggested that success rates from candidates of professional bodies to balance the discussion on open access and ensuring a reasonable chance of success.

Other Issues

The CAG supported the proposal of moving to a principles-based approach and giving examples of how it will work. It was suggested to move the section on General Education to IES 1 so that an entry requirement includes a certain level of general education. Several CAG members indicated that member bodies would have difficulty in interpreting “a reasonable chance of success”

Revision of IES 3

Scope of Standard

CAG members indicated that increasing the scope of IES 3 to include post-qualification would be confusing when it came to the implementation of general education that covers CPD as well as IPD. There was support however for making reference in IES 3 to the need for CPD in developing professional skills to a greater proficiency level.

General Education Requirement

The CAG supported the view that the Standard should include a requirement on professional skills. CAG members suggested that it was preferable to provide guidance on general education rather than setting a requirement on general education. CAG members indicated that the current list of criteria for general education was not helpful and suggested that the list might include areas such as: general ethics, economics, communications, and quantitative methods.

Revision of IES 5

Amount of Practical Experience
CAG members expressed mixed views on the requirement for 3 years of practical work experience. Some CAG members felt that in some jurisdictions 3 years’ work experience is a legal requirement that was necessary in connection with cross border equivalence requirements. Other CAG members, however, expressed a view that 3 years was an arbitrary figure and that some jurisdictions were very unlikely to ever meet this requirement. It was suggested that the standard include a provision in the explanatory section for member bodies to consider relevant legal requirements.

**Principles-based Approach**

CAG members welcomed a principles based approach for setting the Standard, but noted the critical need for flexibility. A number of CAG members felt that the qualification content requirements for professional accountants are the most important part of making someone a professional accountant, and that the precise number of years of work experience was less relevant, providing they demonstrate the core skills and competencies.

CAG members indicated the need for the inclusion of clear guidance and examples about what constitutes practical experience. The guidance might explain, for example, that a candidate should go through the full accounting cycle several times to gain appropriate practical experience: once as an observer, once participating but with support and once participating independently.

**Proposed Way Forward**

The comments of the CAG will be used to inform the IAESB’s discussion on the revision of IESs 1, 3, & 5 at its November meeting.

5. **Revision of International Education Standard 8**

The CAG considered a progress report on the IAESB’s efforts to obtain public comments on the IES 8 Consultation paper and an Issues paper which identified issues relating to the proposed consultation on the revision of IES 8. The following summarizes the CAG’s discussion.

The CAG supported the view that competence requirements should be identified for the role of engagement partner. This view was consistent with how responsibility is apportioned in an audit engagement, but CAG members suggested that discussion of competence requirements needed to consider that responsibilities are cascaded over the different roles involved with an audit engagement. It was suggested that this discussion take the form of guidance and might address important roles and various types of engagements such as trans-national audit engagements. CAG members also suggested that the role of the Engagement Quality Control Reviewer needed to be considered when identifying competence requirements.

Sir Bryan Nicholson indicated that a clear understanding of where the public interest lies is needed in developing this Standard. It was suggested that the Standard needed to address what will satisfy the public interest. CAG members indicated that the overall
quality of the audit engagement is a very important public concern. In addressing this concern CAG members suggested that the requirements for audit competence also needed to consider the perspectives of the developing nations and small and medium enterprises.

**Proposed Way Forward**
The comments of the CAG will be used to inform the IAESB’s discussion on the revision of IES 8 at its November meeting.

### 6. **Revision of International Education Standard 7**
The CAG considered a paper that identified issues relating to the revision of IES 7. The following summarizes the CAG’s discussion.

**Audience of Standard**
CAG members indicated that the view of addressing a wider stakeholder group needed to be considered in terms of the capability to enforce the Standard. The Big 4 public accounting firms may have an interest in this view, but there remains no mechanism of enforcement with them. CAG members also suggested addressing other interested stakeholders through guidance; this would be particularly relevant for developing nations’ member bodies. Other members indicated that an Information paper could be used to explain/interpret full context, especially when considering a non-accountant’s perspective to implementing IES 7. It was also suggested that an overall objective for the IESs be provided and referred to when trying to obtain buy-in from other stakeholders.

**Redrafting the Standard**
CAG members suggested that it was important to consider who the audience for IES 7 is and whether new material is being introduced; if no new material is being introduced, IES 7 should be redrafted. CAG members indicated that they did not see new thinking in the proposed amendments and thus should be redrafted. CAG members suggested as a guide post that the redrafting includes clarification for member bodies, but that the IAESB should also consider whether the standard affects other stakeholders or whether there are issues that might affect other standards- for example, there could be different requirements for IPD and CPD.

The CAG agreed that there should be no change to the requirement on the number of hours for CPD.

**Proposed Effective Date**
CAG members suggested that as a guide post the IAESB needs to consider feedback from the revision of the other standards, but for IES 7 the IAESB should proceed with the Exposure Draft because no new material is being introduced. CAG members indicated not to include an effective date at this time; but to use a footnote to provide direction as to the effective date. In setting the effective date, the IAESB should consider the time required for member bodies to translate IES 7. It was pointed out that having no effective date may eliminate any engagement with respondents.
Preferred Measurement Approach
CAG members indicated that the proposed change was not seen as a small change and would be viewed as a revision of the Standard. Sir Bryan Nicholson, the PIOB representative, also raised a concern with the proposed change, especially in the context of this project being considered a redrafting of IES 7. In addition CAG members indicated a need to clarify what is meant by a principles-based approach when redrafting IES 7, especially when it comes to removing the “bright” lines. CAG members suggested that IES 7 focus on activity required rather than the number of hours.

Use of Guidance
CAG members suggested including learning plans into an Information paper. CAG members cautioned that the addition of examples would increase size of document and defeat the purpose of conciseness. If there is a gap in understanding CAG members suggested it should be addressed through the development of implementation guidance in the form of a practice statement which might come out at around the same time. Another possibility would be to consider updating the current information paper.

Other Considerations
CAG members also made the following suggestions:
- Ensure that language and tone are right so as to align with work on definition of professional accountant;
- Consider the need for balance for quality assurance and the requirements for professional accountants; and
- Review ‘Monitoring and Enforcement’ section to determine if it creates barriers for implementation, suggest reviewing SMO responses to see if there is non-compliance, this also could be reviewed by state/province.

Proposed Way Forward
The comments of the CAG will be used to inform the IAESB’s discussion on the development of a revised draft of IES 7 at its November meeting.

7. GUIDANCE ON PROFESSIONAL SKILLS
The CAG received an Issues paper and reviewed the revised draft of the Information paper on Professional Skills. The following summarizes the CAG members’ discussion on these papers:
- The Information paper was difficult to follow in some places because of its conciseness, requiring the reader to refer back to IES 3 to understand the context.
- The body of the Information paper needed a fuller introduction of the matrices provided in the Appendices so as to enable the reader to understand the information (e.g., what stages 1-4 mean) provided and its context;
- The Information paper needed more explanation on its purpose and scope so as to differentiate it from a practice statement for the implementation of IES 3.
• The matrices in the Appendices need to consider both IPD and CPD perspectives as was mentioned by the IAESB members.

**Proposed Way Forward**

The comments of the CAG will be used to inform the IAESB’s discussion on the development of an implementation support materials for professional skills at its November meeting.

**OTHER BUSINESS**

8. **IAESB 2011 COMMUNICATIONS STRATEGY AND WORK PLAN**

The CAG received an Issues paper that proposed three objectives for the IAESB 2011 Communications Strategy and Plan. The CAG supported these objectives subject to amendments to their wording which would emphasize a more active tone. CAG members suggested that more effort should be placed in identifying “champions” within targeted organizations so as to ensure that these organizations provided needed responses on Exposure Drafts (ED) and that their members are aware of new pronouncements. CAG members also suggested that roundtable discussions were also effective in obtaining ED response and ensuring awareness of IAESB projects and activities. CAG members indicated that increased awareness would come as a result of an increased effort in ensuring translation of pronouncements and EDs and suggested that the IAESB should explore with International Development Agencies on possible assistance with translation services.

**Proposed Way Forward**

The comments of the CAG will be used to inform the IAESB’s discussion on the development of the 2011 Communications Strategy and Work Plan.

9. **OTHER BOARDS AND COMMITTEE REPORTS**

The CAG received and noted reports on the activities of the following IFAC boards and committees:

- International Auditing and Assurance Standards Board (IAASB);
- International Accounting Education Standards Board (IAESB);
- International Ethics Standards Board for Accountants (IESBA);
- International Public Sector Accounting Standards Board (IPSASB);
- Compliance Advisory Panel (CAP);
- Developing Nations Committee (DNC);
- Professional Accountants in Business Committee (PAIB);
- Small and Medium Practices Committee (SMPC);
- Transnational Auditors Committee (TAC); and
- IFAC Board Initiatives.
10. **FUTURE MEETINGS**  
The CAG noted that its next meeting will be on  
- February 10-11, 2011; London, UK; and  
- September 16, 2011; New York, USA.

11. **COMMENTS OF PIOB REPRESENTATIVE**  
Sir Bryan Nicholson congratulated the CAG members on a good meeting indicating that  
that he was impressed with everyone’s participation. Sir Bryan indicated that he would  
like to see a greater global representation in terms of member organizations sitting on the  
CAG. This type of representation would assist the CAG in providing advice on  
implementation and adoption of the IESs.

12. **Meeting Closure**  
The public meeting closed at 11:55 am on Friday, September 17, 2010.

Approved by Chairman: ………………………………………

Date: …………………………………………………………………
### ACTION LIST

**IAESB CAG MEETING September 2010**

<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 CDL</td>
<td>S. Summerhill/ D McPeak</td>
<td>ASAP</td>
<td>DONE</td>
</tr>
<tr>
<td>2. Present CAG comments/advice on the revision of IES 4 at the November 2010 IAESB meeting</td>
<td>Ann Lamb/D McPeak</td>
<td>November 3</td>
<td>DONE</td>
</tr>
<tr>
<td>3. Present CAG comments/advice on the revision of IES 6 at the November 2010 IAESB meeting</td>
<td>Aude Leonetti/D McPeak</td>
<td>November 3</td>
<td>DONE</td>
</tr>
<tr>
<td>4. Present CAG comments/advice on the revision of IESs 1, 3, &amp; 5 at the November 2010 IAESB meeting</td>
<td>Claire Morley/D McPeak</td>
<td>November 3</td>
<td>DONE</td>
</tr>
<tr>
<td>5. Present CAG comments/advice on the revision of IES 7 at the November 2010 IAESB meeting</td>
<td>Mark Spofforth/D McPeak</td>
<td>November 3</td>
<td>DONE</td>
</tr>
<tr>
<td>6. Present CAG comments/advice on the revision of IES 8 at the November 2010 IAESB meeting</td>
<td>D McPeak</td>
<td>November 3</td>
<td>DONE</td>
</tr>
<tr>
<td>7. Present CAG comments/advice on the guidance for professional skills at the November 2010 IAESB meeting</td>
<td>Mark Spofforth/D McPeak</td>
<td>November 3</td>
<td>DONE</td>
</tr>
</tbody>
</table>