



International Accounting
Education
Standards Board

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Committee: IAESB Steering Committee
Meeting Location: IFAC Headquarters, New York, USA
Meeting Date: November 2 - 4, 2016
SUBJECT: **IAESB 2017 – 2021 Strategy - Issues Paper (11/16)**

INTRODUCTION

- 1) The objective of this paper is to assist the IAESB (the “Board”) in the discussion of the proposed content of the IAESB 2017 – 2021 Strategy (the “Strategy”) and related documents. Overall, the following broad areas are expected to be addressed during the Board meeting:
 - a) Discuss input by the CAG and the PIOB on the Strategy;
 - b) Explain the rationale for proposed changes to the Strategy; and,
 - c) Seek Board approval for the Strategy and related documents.
- 2) This agenda item includes the following materials:

Number of Agenda Item	Title
Agenda Item 6-1	IAESB 2017 – 2021 Strategy – Issues Paper (11/16)
Agenda Item 6-2	IAESB 2017 – 2021 Strategy – Revised Draft (11/16)
Agenda Item 6-3	IAESB 2017 – 2021 Strategy – Basis for the Strategy (11/16)
Agenda Item 6-4	IAESB 2017 – 2021 Work Plan – Draft Outline (11/16)

BACKGROUND

- 3) There were several sources from which input was received on the Strategy:
 - a) Comments received in response to the Consultation Paper issued by the IAESB in December 2015 – *Meeting Future Expectations of Professional Competence*;
 - b) CAG meetings in April 2016 and September 2016;
 - c) Board meeting in April 2016 and informal gathering in July 2016;
 - d) PIOB communication received in October 2016; and
 - e) Stakeholder feedback received during the development of implementation support for a learning outcomes approach and the current projects on continuous professional development and professional scepticism.
- 4) At the April 2016 Board meeting, the Steering Committee was provided with the following direction for development of the 2017 – 2021 Strategy:

- a) Innovation/Thought Leadership: informed by research papers; thought leadership; guided by forward thinking
 - b) Strategic Communications: targeted Board outreach; enhance brand and build awareness; innovative media; benefits of IESs and learning outcomes approach
 - c) Implementation Review and Support: new guidance; potential topics include Public Sector, IT skills, CPD in the digital environment; maintenance of existing guidance
 - d) Discrete projects on IES 7, professional scepticism, and post-implementation review
- 5) Since the April 2016 Board meeting, the Strategy has been developed and revised to incorporate comments received from the July 2016 informal gathering, CAG September 2016 meeting, and PIOB October 2016 comments.
- 6) The Strategy and related documents consist of three elements: the Strategy, Basis for the Strategy, and 2017 Work program.
- 7) For reference purposes, a summary of the responses to the Consultation Paper were as follows:
- a) Mixed views on eliminating input-based measures from IES 7
 - b) Need for a post-effective date review
 - c) Additional guidance and thought leadership is of value
 - d) Agreement to coordinate work on professional skepticism with the other standard setting boards
 - e) Mixed views on the need for enhancements to the IESs or the development of new IESs
 - f) Concern expressed over the future role of the IAESB
- 8) Comments received from the CAG in September 2016 are more fully described in Appendix 1. In summary, the CAG:
- a) Cautioned against new or revised standards due to the longer life cycle of educational programs and the risk of disengagement by stakeholders;
 - b) Commented on the lack of clarity about what was meant by standards development and whether it was defined as known areas where IESs will be developed or amended;
 - c) Was supportive of the change in the approach in presenting the Strategy; and,
 - d) Emphasized the importance of implementation support, including a recommendation for a repository of already published literature.
- 9) The PIOB provided comments during the CAG meeting and through a separate communication. Appendix II more fully describes these comments. In summary, the PIOB expressed concerned in the following areas:
- a) The Strategy is appropriate but not very ambitious, and there was insufficient detail on the proposed areas for standards development;
 - b) Professional scepticism should be a priority and the Board should convey a commitment to do work in this area through more specificity, for example, on educational initiatives or the existence of educational shortcomings;

- c) Importance of demonstrating independence from IFAC;
- d) A bi-annual work program is aligned with the other standard setting boards and maybe more efficient. The work programs will require PIOB approval;
- e) A completed 2017 work program will require CAG review prior to publication; and
- f) Include strategic communications and Board engagement with stakeholders in the Strategy given its importance.

DISCUSSION

Strategic Objectives

- 10) Recognizing that professional accounting education provides the foundation for the competence and confidence of professional accountants operating in an environment characterised by rapid and substantial change, the Steering Committee agreed that the IAESB 2017 – 2021 Strategy should focus on **Standards development, implementation support, and a post-effective date review** in order to best serve the public interest. Underpinning these strategic areas of focus are **strategic communications and engagement** with stakeholders.
- 11) Standards that remain relevant to the needs of the professional accountant and which are consistently adopted and effectively implemented worldwide will build and maintain competence of, and confidence in, professional accountants.
- 12) Standards development is a continuous process that does not stop once a standard is issued. It involves a constant scanning of the environment, anticipating change, evaluating the current state and needs of stakeholders, and timely issuing standards when warranted, to serve the public interest.
- 13) The Board is focused on evidenced based standards development. Within this context, the following areas represent those considered to be of strategic importance over the next 5 years.
 - a) IES 7, *Continuing Professional Development*
 - Reference papers submitted by the IES 7 Task Force in Agenda item 3
 - b) Professional Skepticism
 - Reference papers submitted by the Professional Skepticism task force in Agenda item 5
 - c) Public Sector Accounting, Reporting, and Assurance
 - Need for transparency and accountability in the public sector supports the need for an evaluation of the adequacy of educational standards.
 - d) Information, Communication and Technology skills
 - Broadly defined to include, for example, use of predictive analytics, Big Data, technology, and intelligent systems. Are the current suite of IESs sufficient to develop and maintain the professional accountant's competence for the skills needed in the future?
- 14) Implementation support will consist of:
 - a) evidence gathering to assess the critical implementation challenges faced by stakeholders;
 - b) increasing the awareness of the IESs;
 - c) reinforcing the value of implementing a learning outcomes approach; and

- d) engaging on emerging issues and advancing the international debate of issues affecting professional accounting education.
- 15) Undertaking a formal post effective-date review of the recently revised IESs is a component of standards development and will also inform implementation support objectives. A formal post-effective date review of the IESs will evaluate whether they are achieving their intended outcomes. Understanding whether the Standards are operating as intended, and whether they are being consistently understood and applied, is essential for continuous improvement globally. Findings from these reviews will assist in facilitating further global adoption and obtaining a fuller understanding of how the Standards are meeting the needs of users.
- 16) Underpinning the areas of strategic focus are an effective and innovative means by which to communicate and engage stakeholders.

The Strategy

- 17) The proposed Strategy and related documents are intended to be direct, concise and thought provoking. It aims to represent an innovative approach to the Board's communication with its stakeholders. The form and manner of presentation of the Strategy documents will be updated prior to publication.
- 18) The Strategy and related documents consists of three parts:
 - a) 2017 – 2021 Strategy
 - Guided by conciseness for ease of use and understanding
 - b) Basis for the Strategy
 - Summary of what has been accomplished and evidence supporting areas of strategic importance
 - c) Annual Work Plan
 - Provides the impetus for transparency, accountability and flexibility
- 19) Purposeful elements of the Strategy include:
 - a) Separating the Strategy from the basis for the Strategy.
 - b) Outward focus vis-à-vis internal processes by the Board.
 - c) Identification of macro trends that provide a basis for standards development.
 - d) Positioning the IESs and the ongoing Standards development by the IAESB as foundational to the objectives of the other standard setting boards.
 - e) Separation of the Strategy from the tactical aspects or work plan developed to execute the Strategy. This recognizes that the actions by the Board will evolve over the five year period as the future needs are identified and evidenced. This approach anticipates an annual communication to update the work plan.
 - f) Highlighting that the IESs and the ongoing Standards development activities serve the public interest by ensuring continued relevance in an environment of change.
 - g) Summarizing key accomplishments with hyperlinks to a number of the deliverables issued.

Requested Action:

- A. What is your point of view on the strategic objectives of the IAESB for 2017-2021?**
 - a. Are there any missing?**
 - b. Are there areas that should be excluded?**

- B. Do you agree that a separate communication articulating the standard developments process should be developed, e.g., a video or podcast?**

- C. What is your point of view on the Strategy? Specifically:**
 - a. Does the 2017-2021 Strategy have impact?**
 - b. Do you have any further recommendations for improvement?**
 - c. Do you agree with separating the Strategy, basis for Strategy and work plan documents?**

- D. Do you believe the work program should be published annually or bi-annually (every two years)?**

- E. Do you believe the comments received from the CAG and PIOB have been adequately addressed?**

PROPOSED WAY FORWARD

- 20) The Task force will gather the comments received from the Board and revise the Strategy and related documents accordingly.

- 21) The Strategy documents will undergo DWG review and a final opportunity for the CAG to review the 2017 work plan.

- 22) The final Strategy documents will be published in December 2016.

Appendix I – CAG Feedback

The Steering Committee shared a draft of the Strategy and an outline of a proposed Work Program with the CAG on September 29, 2016, gathering feedback on content and format.

Overall, the CAG was supportive of the content and format of the proposed IAESB 2017 – 2021 Strategy, endorsing a crisp strategy that addresses the dynamism of the profession and the critical purpose of education. The appetite to support member bodies and educators in implementing the revised Standards was evident from the discussion and many suggestions were made to facilitate the sharing of experiences. The Steering Committee is of the view that if the Board can facilitate sharing, we should take the opportunity.

Feedback themes and proposed Steering Committee responses are set out in the table below.

Feedback Theme	Response
<p>Potential stakeholder reaction to the concept of “Standards Development” There were mixed views amongst the CAG on whether the prospect of further IESs would generate disengagement given the time it takes to implement education Standards and the current challenges in adoption.</p> <p>While most CAG members were empathetic to the stakeholder reaction to the prospect of new or amended Standards, most recognised the need to address the areas of change highlighted in the Strategy to maintain the credibility of professional accountants, as well as to keep pace with the changes facing the profession.</p> <p>Some CAG members cautioned against making the Standards development activities in the Strategy document too discrete or narrowly selective, which implied these were known areas where new or revised standards were already decided upon.</p>	<p>Clarify what is meant by Standards Development in the Strategy Document (i.e., that the associated activities may or may not result in new or revised Standards) and include acknowledgement of the time taken to implement change in educational system.</p> <p>Amend the wording of the opening statement of the Chair of the IAESB to give equal prominence to the evidence gathering process and highlight the concept of continuous improvement.</p> <p>Use the annual work program to highlight the impact of communication and evolution of executing on the Board’s strategy, showing the breadth of different areas of Standards development activity.</p> <p>Discuss with the strategic engagement task force whether more needs to be done to:</p> <ul style="list-style-type: none"> • increase the understanding of what is meant by Standards development activity, and • bridge the expectation gap around activities of the Board – how extensive is the role of a Standard Setting Board in providing active and direct implementation support to member bodies?
<p>Reference to IFAC macro trends analysis The CAG was supportive of this reference/foundation in the macro trends and how they will impact the profession and related education, but encouraged the Steering Committee to:</p> <ul style="list-style-type: none"> • highlight the changing role of the professional accountant • recognise that there is still work to be done even without significant change in the profession – regulator reports continue to tell us that there are gaps in competence. 	<p>Revised to address these comments, including positioning the IFAC strategy document and analysis of macro trends as being validation of the IAESB’s direction, rather than the source.</p>
<p>Purpose of the post-effective date review Position as a continuous improvement/evidence gathering process rather than a compliance exercise.</p>	<p>Revised to avoid the perception of a compliance exercise.</p>

Appendix II – PIOB Feedback

Feedback	Response
<p>The draft Strategy is appropriate even though it is not a very ambitious program. However, the areas are not sufficiently developed in the Strategy. The IAESB could further develop the strategic streams, explaining, for instance, why projects on IT/IES 7/Professional Skepticism are important, which IESs could be affected, provide examples, etc.</p>	<p>The details of the projects and the execution of the areas of strategic importance will be addressed through the annual work programs as developed by each task force.</p>
<p>We believe that Professional Skepticism (PS) should be a priority area for IAESB's next work. This Strategy does not convey an IAESB's commitment to do work on PS during the 2017-2021 cycle.</p>	<p>Reference Agenda 5 documents submitted for Board discussion in its November 2016 meeting and the 2017 work program.</p>
<p>The IAESB is considering a Work Plan for 2017 only, which would be published with the Strategy document. This means that the Strategy will cover 5 years, and there will be 5 annual WPs, to be developed on an annual basis. If this is so, the future annual plans would require the PIOB's approval. We think that a more efficient approach could be to prepare bi-annual WPs, as the IAASB does, for example. This would also align the 2 SSBs Strategies' timeframes, as the IAASB is currently working on its 2017-2018 Work Plan.</p>	<p>The Steering Committee is recommending an annual work plan to promote transparency, accountability and flexibility. This will be discussed by the Board at its November 2016 meeting.</p>
<p>The work program should include a list of projects including their starting and ending dates, and their relative priorities for review by the CAG.</p>	<p>While there was discussion of specific projects that are in process during the CAG September 2016 meeting, the CAG will be provided the opportunity to conduct a review of the 2017 annual work program prior to publication. This will be reflective of the planned activities by the task forces that will present and meet during the November 2016 Board meeting.</p>
<p>Include strategic communication in the Strategy since it will play an important role in raising awareness of the Strategy and the IAESB's work streams for the next 5 years, for promoting the adoption of the IESs, and when the IAESB conducts its post-implementation review of the revised IESs.</p>	<p>This element has been included in the 2017 – 2021 Strategy.</p>
<p>The form and manner of presentation of the Strategy document will be updated by the IFAC Communications group subsequent to the finalization of content. Why is an independent SSB delegating to the IFAC communication team matters on such a key document as the Strategy?</p>	<p>The form and manner of presentation is solely related to the use of professionals to "polish" its current form, which expressly excludes content. There are no aspects of the Strategy and related documents that have been delegated to IFAC.</p>