



International Accounting
Education
Standards Board

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Meeting: International Accounting Education Standards Board
Meeting Location: IFAC Headquarters, New York, USA
Meeting Date: November 2-4, 2016
SUBJECT: **IAESB Strategy 2017-2021, and Proposed Reform of the IAESB's Terms of Reference and Operating Procedures**

IAESB Strategy 2017-2021, and Proposed Reform of the IAESB's Terms of Reference and Operating Procedures

I. IAESB Strategy and Principal Assessment

1. The IAESB is nearing conclusion of its deliberations on its future strategy. The Board's focus during its public consultations and discussions on strategy has been to ascertain public interest needs relative, but not limited, to its role to develop and set international education standards.
2. Agenda 6-2 sets out the proposed IAESB Strategy 2017-2021. In broad terms, its focus is on standards development in the near term on IES 7 (Continuing Professional Development) and Professional Skepticism; and a post implementation review, among other activities, to further inform its standards development in the medium term. The strategy also recognizes the global state of awareness and use of the IESs, and the multiplicity of educational systems, stakeholders and regimes across the globe with roles relating to accounting education. There are initiatives, therefore, also directed at standards maintenance and guidance to support proper application of the existing standards, and communication and outreach initiatives.
3. The IAESB is clear in its opinion that the IAESB should remain as an independent standards setting Board, under the oversight of the PIOB. This conclusion is considered entirely appropriate in view of expected standards development activities in the near and medium term. It also acknowledges the important public interest role the IAESB serves in enhancing the competence of the global accountancy profession, particularly at a time of great change within the profession, thereby strengthening the worldwide accountancy profession and contributing to public trust.
4. The conclusion to remain as an independent standards setting Board has been examined against the feasibility, advantages and disadvantages, and appropriateness of alternative arrangements.¹ This included assessing options ranging from placing the IAESB in abeyance (and replacing it with an IFAC committee), to reformulating the IAESB and CAG into a quasi-independent body without PIOB oversight focused on environmental monitoring and IES promotion/awareness activities, to placing the CAG in abeyance (and replacing it with a mechanism focused on convening global dialogue on accountancy education matters). The decision to not pursue these options reflects the importance the IAESB attaches to the need for independent authority to maintain, modify and

¹ The Annex to this paper summarizes the various options considered.

add to the existing suite of international education standards, and the ability to continue to attract diverse and skilled talent to the Board. It also reflects the comparative advantage the IAESB has in addressing standards-related issues and, when and as needed, in providing appropriate support concerning adoption and implementation of the recently revised IESs. Further, it reflects the high value the IAESB places on the quality, independent advice provided by the CAG.

5. The IAESB has also reflected on its success in introducing change to ensure its *modus operandi* is efficient and responsive to the goals set out in its strategy. For its 2014-2016 strategy period, the IAESB has, in addition to other changes: (i) innovated the way it uses its plenary and task force meeting structures, thereby increasing more effective use of Board plenary time on matters of principle and maximizing participants time and value when convening; (ii) expanded the use of working groups and task forces; and (iii) streamlined the processes surrounding development and finalization of non-authoritative guidance material.
6. Notwithstanding, the IAESB believes that certain further changes to its structures and operations at this time are feasible and appropriate, thereby maximizing both the effectiveness and value for money of the IAESB in the public interest.

II. Reform Recommendations

7. The IAESB must have, and be seen to have, structures and process surrounding its activities which are fit for purpose – that is: designed to achieve the necessary impact, while also reflective of the standards development program envisioned by the IAESB in the medium term.
8. Five interrelated reform recommendations intended to serve this purpose, and to further improve the way the IAESB works, are as follows.

It is recommended that:

1. **The IAESB Terms of Reference be amended to emphasize the IAESB’s principal remit of standards development, and clarify the relationship between that remit and the nature and scope of related or ancillary activities including those concerning proper application and implementation of its standards.**
2. **The IAESB Terms of Reference be amended to adopt a scalable design for purposes of the size and composition of the IAESB.**
3. **The IAESB enact further efficiency and effectiveness initiatives to ensure its *modus operandi* is proportionate and responsive to the nature and extent of the work under its Strategy.**
4. **The operation of the IAESB CAG be streamlined in a manner proportionate to the nature and extent of the standard-setting work under the IAESB’s Strategy, while also enhancing the opportunity for the CAG function to further contribute to the advancement of international debate on issues relating to the education, development, and assessment of aspiring professional accountants and professional accountants.**
5. **IFAC, in consultation with the IAESB Chair and Managing Director, Professional Standards, review the need to increase the IAESB staff complement by one (1) FTE commencing in 2018, or otherwise assess the adequacy of arrangements supporting sustained and uninterrupted staff services to the IAESB.**

The recommendations are discussed below.

II. Elaboration

Recommendation 1

It is recommended that the IAESB Terms of Reference be amended to emphasize the IAESB's principal remit of standards development, and clarify the relationship between that remit and the nature and scope of related or ancillary activities including those concerning proper application and implementation of its standards.

9. The IAESB's extant Terms of Reference cite five distinct objectives. This has resulted in a lack of clarity surrounding the principal focus of the IAESB as an international standards setter, and mixed expectations concerning the Board's role.
10. IAESB deliberations have brought further clarity to the *standard development* activities it considered essential in its public interest standard setting role, for which it is the principal actor. Its deliberations have also resulted in an improved understanding of its role (when there exists a comparative advantage in the Board being involved in a limited fashion) concerning activities that address proper application and implementation of the standards, for which it is recognized the IAESB is one of several potential actors.
11. This recommendation is intended to provide clarity to the principal remit of the IAESB, for use in its ongoing assessment of its strategy, work plans and review of its effectiveness. Related, there is merit to also acknowledging the importance of the interactions between the IAESB and the IFAC Compliance Advisory Panel and PAO Development Committee on matters of mutual interest.
12. See proposed changes in Section 1.0 (Objective), Section 2.0 (Pronouncements) and Section 10.0 (Related Activities) of the draft revised IAESB Terms of Reference in the Appendix.

Recommendation 2

It is recommended that the IAESB Terms of Reference be amended to adopt a scalable design for purposes of the size and composition of the IAESB.

13. At present the IAESB is required to comprise 18 members, consistent with the scheme used for the other SSBs. The other SSBs, however, operate in environments that give rise to shorter-term, more continuous re-assessment of the need to amend their standards; the education environment in contrast is characterized in general by a longer application and evaluation period. The IAESB may therefore experience periods in which a proportionately smaller Board complement is needed for decision-making and standards-quality purposes – for example, in view of a limited standards development agenda or where only standards monitoring and maintenance decisions are needed – or periods in which a full (i.e., a proportionately larger) Board complement is needed – for example, in view of a full standards development agenda.
14. This recommendation is intended to thereby allow for a proportionate and responsible approach to resource use while reflecting the diversity and complement of talent resources needed for planned standards development activities.
15. It is proposed that the minimum Board size be 12 members to continue the ability to balance geographical, gender and representational needs. Size determination would be considered

annually by the Nominating Committee, in close consultation with IAESB Chair, taking account of the implications on capacity and of the diversity and complement of talent resources needed for anticipated standards development activities. (Criteria for assessing change to composition may need to be developed in due course.) Changes would be subject to PIOB approval. Composition adjustment would exist along the scale-points of 12, 15 or 18 members to respect the existing 2/3rds quorum and voting scheme.

16. See proposed changes in Section 3.0 (Membership) and Section 7.0 (Meeting Procedures) of the draft revised IAESB Terms of Reference in the Appendix.

Recommendation 3

It is recommended that the IAESB further enact efficiency and effectiveness initiatives to ensure its modus operandi is proportionate and responsive to the nature and extent of the work under its Strategy.

17. The IAESB will further modify its operational activities so that only those matters which require deliberation and decision-making by the full plenary Board will be brought before it. Consequently, upon direction by the IAESB, the ongoing review and monitoring of communication initiatives and non-authoritative material will be assumed more directly by the Steering Committee, including the active monitoring of the interim performance of the various Working Groups and ongoing Task Forces of the Board.
18. For this purpose, the Steering Committee will annually set benchmark activities for Working Groups of the Board (e.g., Drafting Working Group, Communications and Stakeholder Engagement Working Groups) in accordance with their workload and activities.
19. See proposed changes in Section 10.0 (Related Activities) of the draft revised IAESB Terms of Reference in the Appendix.

Recommendation 4

It is recommended that the operation of the IAESB CAG be streamlined in a manner proportionate to the nature and extent of the standard-setting work under the IAESB's Strategy, while also enhancing the opportunity for the CAG function to further contribute to the advancement of international debate on issues relating to the education, development, and assessment of aspiring professional accountants and professional accountants.

20. The above recommendation acknowledges that the CAG comprises significantly talented individuals representing organizations with a strong interest in accounting education, and a desire to:
- Increase connectivity with the IAESB, other stakeholders and influencers, and members of other CAGs, for purposes of stimulating further discussion of contemporary and emerging accounting education trends and issues, and therefore enhancing the input to the IAESB; and
 - Have further opportunities outside of CAG meetings to contribute to, and be more pro-active in their involvement with, specific IAESB or IAESB-related initiatives.
21. The recommendation also acknowledges, however, that the function and operation of a CAG are designed to provide input around a standard setting board's agenda, and resources are directed

to support specific mechanisms that are optimal when considered in the context is a full standards setting agenda. With the exception of discrete standards matters (IES 7, Professional Skepticism, design of post-implementation review, etc.) in the immediate term through 2017, however, IAESB initiatives in the strategy period will largely involve standards development in an exploratory phase; with the results of the post-implementation review in 2020-2021 further supplementing the assessment of forward-looking standards development.

22. The recommendation therefore looks to consider whether certain activities associated with the typical functioning of a CAG are proportionate in light of the work being addressed by the IAESB, and to provide the opportunity to recalibrate how resources are applied.

23. *For the above purposes, it is proposed that:*

- i) Individual CAG Representatives be permitted to participate in IAESB task forces or working groups. (CAG Representatives' roles to communicate the views of their Member Organizations during CAG meetings can remain unchanged, and any involvement in task forces in their personal capacities can be disclosed.)*
- ii) The CAG modify its convening cycle from two annual meetings to i) one annual physical meeting, held adjunct to or in conjunction with one of the meetings of the IAESB, an education-related forum or roundtable, or meetings of the CAGs of the other international standards setting boards, and ii) additional meetings, as needed to address specific matters on a more frequent basis (which may be the case as the IAESB explores various standards development areas, by teleconference or other electronic means.*
- iii) The obligation on the CAG Chair to observe all IAESB meetings be relaxed, with attendance instead determined by the CAG Chair on a case by case basis.*
- iv) The obligation on the CAG Chair to report quarterly to the PIOB be relaxed, and instead undertaken annually or otherwise on an exception basis.*

Recommendation 5

It is recommended that IFAC, in consultation with the IAESB Chair and Managing Director, Professional Standards, review the need to increase the IAESB staff complement by one (1) FTE commencing in 2018, or otherwise assessing the adequacy of arrangements supporting sustained and uninterrupted staff services to the IAESB.

24. The IAESB intends to pursue its 2017-2021 Strategy ambitiously. The intended areas of study are data and evidence gathering intensive, and will require in-depth analysis. Resources are also needed to help manage planned workloads, to increase the IAESB's capability on outreach on strategic communications in line with emerging proposals, and to support more "virtual" Board and CAG ways of working. It is therefore essential that adequate staff resources are available.

Annex**Alternative Form and Structural Options Considered**

Options	Observation
<ul style="list-style-type: none"> • Place IAESB in abeyance 	<ul style="list-style-type: none"> • Loss of independent authority to maintain, modify and add to the existing suite of international education standards • Inconsistent with broad consultation results and IAESB assessment of public interest needs
<ul style="list-style-type: none"> • Place IAESB in abeyance, request IFAC to establish an IFAC Group or Committee focused on promoting IESs, environmental scanning and implementation support/monitoring 	<ul style="list-style-type: none"> • Loss of independent authority to maintain, modify and add to the existing suite of international education standards • Overlooks IAESB’s comparative advantage in addressing standards-related issues and, as needed, in providing appropriate support concerning adoption and implementation of the recently revised IESs
<ul style="list-style-type: none"> • Revert IAESB to an IFAC Committee 	<ul style="list-style-type: none"> • Loss of independent authority to maintain, modify and add to the existing suite of international education standards
<ul style="list-style-type: none"> • Place IAESB and CAG in abeyance, establish new quasi-independent architecture (so-called “IAESB Foundation”) charged principally with environmental scanning and IES maintenance 	<ul style="list-style-type: none"> • Loss of independent authority to maintain, modify and add to the existing suite of international education standards • Loss of ability to continue to attract diverse and skilled talent as compared that under current Board status
<ul style="list-style-type: none"> • Place IAESB in abeyance, move responsibilities for maintenance and monitoring of IESs under IAASB or IESBA 	<ul style="list-style-type: none"> • Potential disruption to IAASB and IESBA • Potential loss of concerted attention to education and education-related needs and IAESB’s comparative advantage
<ul style="list-style-type: none"> • Continue IAESB, place CAG in abeyance 	<ul style="list-style-type: none"> • Loss of quality, independent advice/challenge provided by the CAG, and thereby credibility of any new or modify international education standards • Loss of connection with key stakeholder communities

Options	Observation
<ul style="list-style-type: none"> Continue IAESB, place CAG in abeyance, reconstitute CAG membership into a standing body (named the International Accounting Education Forum (the “Forum”) that serves as the convener of an annually global event on international accounting education 	<ul style="list-style-type: none"> Loss of quality, independent advice/challenge provided by the CAG, and thereby credibility of any new or modify international education standards Loss of ability to continue to attract diverse and skilled talent as compared to that under current status
<ul style="list-style-type: none"> Continue IAESB, adopt reforms aimed at clarifying IAESB remit, adopt a more scalable/proportion design to IAESB structure and operations and CAG operations 	<ul style="list-style-type: none"> See Reform recommendations
<ul style="list-style-type: none"> Continue IAESB, enact further internal efficiency measures only 	<ul style="list-style-type: none"> Non-responsive to challenges concerning whether existing structures are optimal
<ul style="list-style-type: none"> Status quo / No change 	<ul style="list-style-type: none"> Not credible, given IAESB’s desire to be responsive to changing demands and enhance efficiency and effectiveness of its operations. Non-responsive to challenges concerning whether structures and operations are optimal

Appendix

International Accounting Education Standards Board

Terms of Reference – Proposed Changes

Marked-up Version showing changes from Terms of Reference dated October 2014

1.0 OBJECTIVE

The IAESB's objective is to serve the public interest by ~~by~~ developing and setting ~~Establishing a series of high-quality international education standards that enhance the competence of aspiring professional accountants and professional accountants, thereby strengthening the worldwide accountancy profession and contributing to strengthened public trust. and other publications reflecting good practice in the education, development, and assessment of professional accountants;~~

- ~~• Promoting the adoption and implementation of the International Education Standards;~~
- ~~• Developing education benchmarks for measuring the implementation of the International Education Standards; and~~
- Advancing international debate on emerging issues relating to the education, development, and assessment of professional accountants.

~~The IAESB acts as a catalyst in bringing together the developed and developing nations, as well as nations in transition, and to assist in the advancement of accountancy education programs worldwide, particularly where this will assist economic development. The IAESB's role is focused on addressing the professional knowledge, skills and professional values, ethics and attitudes of the accountancy profession to serve the overall public interest.~~

2.0 PRONOUNCEMENTS

In fulfilling the above objective, the IAESB ~~develops and~~ issues, under its own authority, *International Education Standards for Professional Accountants (IESs)*, which are IAESB's authoritative pronouncements. IESs address the principles of learning and development for aspiring professional accountants and professional accountants. As they prescribe good practice in learning and development ~~for professional accountants~~, they should be incorporated into the educational requirements of IFAC Member Bodies.

~~The IAESB may also publish other material on education and education standards related matters.~~

The official text of the IESs and other material is that published by the IAESB in the English language.

3.0 MEMBERSHIP

The appointment of members of the IAESB, including the Chair and Deputy Chair, are approved by the Public Interest Oversight Board (PIOB) based on the recommendation of the Nominating Committee and after endorsement of the IFAC Board.

The IAESB has up to 18 members, but no less than 12 members. The determination of the size of the IAESB is made annually by the Nominating Committee in close consultation with the IAESB chair, taking account of the implications on capacity and of the diversity and complement of talent resources needed for anticipated standards development activities. The size of the IAESB is approved by the PIOB based on recommendation of the Nominating Committee and after endorsement of the IFAC Board.

The IAESB comprises ~~ing~~ practitioners and non- practitioners, of whom no more than half ~~nine~~ shall be practitioners and no less than three (two, in the case of a board composition less than 18) shall be public members.⁶ A public member is an individual who satisfies the requirements of a non-practitioner and is also expected to reflect, and is seen to reflect, the wider public interest. Not all non-practitioners are therefore eligible to be public members. The three public members may be members of IFAC Member Bodies.

The selection process is based on the principle of “the best person for the job,” the primary criterion being the individual qualities and abilities of the nominee in relation to the position for which they are being nominated. However, the selection process also seeks a balance between the personal and professional qualifications of a nominee and representational needs, including gender balance, geographic representation, sector of the accountancy profession (including academic and non-academics), size of organization, and level of economic development.

IAESB members may be accompanied at meetings by a technical advisor. A technical advisor has the privilege of the floor with the consent of the IAESB member he or she advises, and may participate in projects. Technical advisors are expected to possess the technical skills to participate, as appropriate, in IAESB debates and attend IAESB meetings regularly to maintain an understanding of current issues relevant to their role.

The IAESB, at its discretion, may also include up to three observers. IAESB observers are endorsed by the IFAC Board and approved by the PIOB. IAESB observers are expected to attend IAESB meetings regularly to maintain an understanding of current issues. They have the privilege of the floor, and may also participate in projects. Observers are expected to possess the necessary ~~technical~~ skills to participate fully in IAESB debates.

The Chair of the IAESB Consultative Advisory Group (CAG), at his or her discretion, may is expected to attend all or part of IAESB meetings, or may to appoint a representative of a CAG member organization to attend. The Chair of the IAESB CAG, or appointed representative, has the privilege of the floor at IAESB meetings.

IAESB members and technical advisors are required to sign an annual statement declaring they will not submit to undue influence, whether financial or otherwise, which might impair their ability to serve or act as a member or technical advisor with independence,

integrity, and in the public interest with integrity in discharging their roles within IFAC. Nominating organizations of members of the IAESB and the employing organization of the chair of the IAESB (as applicable) are asked to sign independence declarations.

4.0 THE IAESB CHAIR

The appointment of the IAESB Chair is approved by the PIOB based on the recommendation of the Nominating Committee and after the endorsement of the IFAC Board.

5.0 THE IAESB DEPUTY CHAIR

The appointment of the IAESB Deputy Chair is considered a leadership position in support of the Chair and does not imply that the individual concerned is the Chair-elect.

In the event of a vacancy by reason of the incapacity, resignation, removal, or death of the Chair, the Deputy Chair shall assume the duties of the Chair or acting Chair, having full power, authority, and responsibility of the role of the Chair to manage the Board's agenda and work program until the appointment of an interim or a new Chair.

6.0 TERMS OF OFFICE

Each term of office for an IAESB member shall be for a period of not more than three years, with an intention for approximately one-third of the membership rotating each year. A member may serve consecutive terms, for up to an aggregate of six years.

The Chair ordinarily may serve consecutive terms (as Chair or as a member for one or more terms preceding the appointment as Chair), for up to an aggregate of nine years. In exceptional circumstances, to be specified by the Nominating Committee, the Chair may serve for one additional consecutive term, for an aggregate term of twelve years.

7.0 MEETING PROCEDURES

Each IAESB meeting requires the presence, in person or by simultaneous telecommunications link, of at least two-thirds of the ~~twelve~~ appointed members.

IAESB meetings shall be chaired by the Chair, or in his/her absence, by the Deputy Chair. In the event of the absence of both, the members present shall select one of their number to take the Chair for the duration of the meeting, or of the absence of the Chair and Deputy Chair.

Each member of the IAESB has one vote which can be exercised only by the appointed member. The affirmative vote of at least two-thirds ~~twelve~~ of the membership and being ~~those~~ present at the meeting or by simultaneous telecommunications link is required to approve or withdraw IESs and to approve exposure drafts.

IAESB meetings to discuss the development, and to approve the issuance or withdrawal of IESs are open to the public. Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions of the IAESB; no decisions that would affect the content of the IESs ~~and other material~~ issued by the IAESB are made in a closed session. Agenda papers for open sessions, including minutes of the meetings of the IAESB

are published on the IAESB website. The meetings and agenda papers are in English, which is the official working language of the IAESB.

The PIOB has the right to attend, or be represented at, all meetings and closed sessions of the IAESB.

8.0 DUE PROCESS

The IAESB is required to be transparent in its activities, and in developing IESs, to adhere to due process as approved by the PIOB.

In setting its strategy and work program, the IAESB obtains the PIOB's conclusion as to whether the due process used to develop the IAESB's strategy and work program has been followed effectively and with proper regard for the public interest. The IAESB also obtains the PIOB's opinion, as at the date of that opinion, on the appropriateness of the items on the work program, and its approval of the completeness of the strategy and work program from a public interest perspective. The IAESB adds to its work program those items that the PIOB resolves should, from a public interest perspective, form part of the IAESB's work program.

9.0 CONSULTATIVE ADVISORY GROUP

The objective of the IAESB CAG is to provide input to and assist the IAESB through consultation with the CAG member organizations and their representatives at the CAG meetings, in order to obtain: advice on the IAESB's agenda and work program, including project priorities and timetables; technical advice on projects; and other matters of relevance to the activities of the IAESB.

10.0 RELATED ACTIVITIES

The IAESB's principal activity is standards development and setting. This activity encompasses a range of activities, including among other matters: exploring emerging educational trends having potential implications to the content and quality of accounting education and therefore potential standard setting implications; promoting debate with users, regulators and other stakeholder throughout the world to identify user needs for new or revised IESs; post-implementation reviews of new or existing standards; and coordination with other independent international standard setting boards.

When related to its principal activity, the IAESB may also publish other material or otherwise communicate on education and education standards-related matters. These activities may serve to advance international debate on emerging issues relating to the education, development, and assessment of **aspiring professional accountants and professional accountants**, or enhance the understanding and proper application of the IESs and the benefits of their use and implementation. Such non-standards setting activities are typically not subject to Board plenary deliberation. On the direction of the IAESB, the IAESB Steering Committee assumes responsibility for guiding and monitoring such activities on behalf of the IAESB.

As appropriate, the IAESB coordinates with the IFAC Compliance Advisory Panel and PAO

Development Committee of IFAC on matters of mutual interest, thereby acting as a catalyst in bringing together the developed and developing nations, as well as nations in transition, and assisting in the advancement of accountancy education programs worldwide.

110.0 OTHER

The IAESB reports annually on its work program, activities and progress made in achieving its objectives during the year.

The terms of reference of the IAESB will be reviewed at least every five years. The terms of reference, or any changes to it, shall be approved by the PIOB after endorsement by the IFAC Board.

IFAC provides financial, operational and administrative support to the IAESB and, if applicable, in consultation with the PIOB. IFAC does not interfere with the independent decision-making process of the IAESB in carrying out its public interest standards development and setting function under these terms of reference.