

AGENDA ITEM A.2

International Accounting Education Standards Board

Terms of Reference – IAESB Agreed Changes 10/2014

Marked-up Version showing changes from Terms of Reference dated January 2012

Proposed Change	Reason for Change
<p>PURPOSE</p> <p>The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest by contributing to the development, adoption and implementation of high quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking out on public interest issues where the accountancy profession’s expertise is most relevant.” In pursuing this mission, the IFAC Board has established the International Accounting Education Standards Board (IAESB) to function as an independent standard setting body under the auspices of IFAC and subject to the oversight of the Public Interest Oversight Board (PIOB).</p>	<p>To remove IFAC’s mission statement to help to clarify and reinforce the independence of the SSBs and because it is not directly relevant to the IAESB (that is, the focus of the IAESB’s ToR should be on the IAESB’s mission).</p>
<p>The IAESB develops and issues, in the public interest and under its own authority, high quality standards, practice statements, information papers and other information documents on pre-qualification education and training of professional accountants and on continuing professional education and development for members of the accountancy profession.</p>	<p>To remove a paragraph that contains a reference to IFAC’s Board and is not considered to be necessary. Pertinent information about the IAESB is contained in the “Objective” section below.</p>
<p>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.</p>	<p>Moved to the “Objective” section below, as the “Purpose” section is now deleted in the various SSBs’ ToR.</p>
<p>The IFAC Board has determined that designation of the IAESB as the responsible body, under its own authority and within its stated terms of reference, best serves the public interest in achieving this aspect of its mission.</p>	<p>To remove a paragraph that contains a reference to the IFAC Board and is not considered to be necessary.</p>

AGENDA ITEM A.2

Proposed Change	Reason for Change
<p>From time to time the IAESB may also publish other material on education and education standards-related matters—issues—non-authoritative publications, including:</p> <ul style="list-style-type: none"> • <i>International Education Information Papers for Professional Accountants (IEIPs), which may critically assess emerging learning and development issues and practices. The aim of such IEIPs is to</i> 	
<p>3.0 MEMBERSHIP</p> <p>The <u>appointment of</u> members of the IAESB, including the Chair and Deputy Chair, are <u>approved appointed</u> by the <u>IFAC Board Public Interest Oversight Board (PIOB) based</u> on the recommendation of the <u>IFAC Nominating Committee</u>⁴ and <u>after with</u> the <u>endorsement of the IFAC Board approval of the PIOB</u>. The appointment as Deputy Chair does not imply that the individual concerned is the Chair elect.</p>	<p>To conform to the revised Constitution and Bylaws</p> <p>Footnote added to further describe the Nominating Committee</p>
<p>The IAESB has 18 members comprising practitioners and non-practitioners,⁵ of whom no more than nine shall be practitioners and no less than three 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</p>	<p>No change</p> <p>[For noting: The definition of a public member is being discussed by the Nominating Committee, along with the PIOB and Monitoring Group</p>

² The IAESB is supported by the nominating process as administered by the Nominating Committee. The Nominating Committee is part of the overall governance structure for the SSBs and IFAC. Nomination decisions are made outside of the management structure of IFAC and the SSBs, and under PIOB oversight. For more information on the Nominating Committee, refer to <http://www.ifac.org/about-ifac/nominating-committee>.

³ A non-practitioner is a person who is not a member or employee of an audit practice firm and, in respect of individuals who have been members or employees of such firms, there shall normally be a cooling-off period of three years, but that such period may, on a comply or explain basis, be reduced, provided that such a reduction shall not result in a cooling-off period of less than one year. Where an individual is proposed for appointment with less than a three year cooling-off period IFAC shall provide to the PIOB the reasons for the proposed appointment, which the PIOB shall, in line with its authority to approve all appointments to the IAESB, have the authority to accept or decline.

⁴ ~~While these sentences reflect changes approved to membership in 2011, the transition to the changes in membership will commence in 2013.~~

AGENDA ITEM A.2

Proposed Change	Reason for Change
<p>non-practitioners are therefore eligible to be public members. The three public members may be members of IFAC Member Bodies.</p>	<p>(MG), and further changes to this section may be necessary in the future.]</p>
<p>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, of the IAESB. Accordingly, consideration will be given to other factors including geographic representation, sector of the accountancy profession (including academic and non-academics), size of organization, and level of economic development...</p>	<p>Minor editorial changes</p>
<p>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.</p>	<p>No change</p>
<p>The IAESB, at its discretion, may also include up to three observers. IAESB observers are endorsed by the IFAC Board and approved by appointed at the discretion of the IFAC Board, in consultation with the PIOB.</p>	<p>To conform to the revised Constitution and Bylaws</p>
<p>IAESB Observers are expected to may 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 technical skills to participate fully in IAESB debates and attend IAESB meetings regularly to maintain an understanding of current issues. The Chair of the IAESB Consultative Advisory Group (CAG) is expected to attend IAESB meetings, or 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.</p> <p>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 act in the public interest and 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.</p>	<p>Though not part of the Constitution and Bylaws changes, editorial changes are suggested to clarify the roles and responsibilities of observers</p> <p>No change other than editorial</p> <p>To clarify that technical advisors must also sign annual declarations and to remove the reference to IFAC. Also, the language in the declarations is changed to conform to the language in the revised</p> <p>Bylaws [this will go into effect in 2015].</p>

AGENDA ITEM A.2

Proposed Change	Reason for Change
<p>4.0 THE IAESB CHAIR</p> <p>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 selected by the Nominating Committee and recommended to the IFAC Board for its agreement and to the PIOB for subsequent approval.</p>	<p>To conform to the revised Constitution and Bylaws</p>
<p>5.0 THE IAESB DEPUTY CHAIR</p> <p>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.</p> <p>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.</p>	<p>To provide guidance on succession matters</p>
<p>6.0 TERMS OF OFFICE</p> <p>The standard Each term of office for an IAESB members shall be for a period of not more than is three years, with an intention for approximately one-third of the membership rotating each year. A member may serve up to two consecutive terms, for up to an aggregate term of six years.</p> <p>The Chair ordinarily may serve three consecutive terms (as Chair or as a member for one or more two 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.</p>	<p>Changes made to reflect the current practice where a member may be appointed for a term of less than 3 years.</p>
<p>7.0 MEETING PROCEDURES</p> <p>Each IAESB meeting requires the presence, in person or by simultaneous telecommunications link, of at least twelve appointed members.</p> <p>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.</p> <p>Each member of the IAESB has one vote which can be exercised only by the appointed member. The affirmative vote of at least twelve of those present at the meeting or by simultaneous telecommunications link is required to approve or withdraw IESs, IEPSs, and other pronouncements, and to approve exposure drafts.</p> <p>IAESB meetings to discuss the development, and to approve the issuance or withdrawal of IESs, IEPSs, exposure drafts and other pronouncements 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, IEPSs, and other <u>material pronouncements</u> 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 #IFAC website. The meetings and agenda papers are in English, which is the official working language of the IAESB#IFAC.</p> <p>The PIOB has the right to attend, or be represented at, all meetings and closed</p>	<p>No change</p> <p>Consequential amendments</p> <p>To remove reference to IFAC</p>

AGENDA ITEM A.2

Proposed Change	Reason for Change
<p><u>7-08.0</u> DUE PROCESS</p> <p>The IAESB is required to be transparent in its activities, and in developing IESs-and IESs, to adhere to due process as approved by the PIOB.</p> <p>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.</p> <p>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.</p>	<p>Consequential amendments from proposals to clarify may be needed depending on</p>
<p><u>8-09.0</u> CONSULTATIVE ADVISORY GROUP</p> <p>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 project timetable (work program), including project priorities and timeteables; technical advice on projects; and other matters of relevance to the activities of the IAESB.</p>	<p>No change, except minor clarifying edits</p>
<p><u>9-010.0</u> OTHER</p> <p>The IAESB reports annually on its work program, activities and progress made in achieving its objectives during the year. This information is normally included as part of the IFAC annual report.</p>	<p>To remove non-essential reference to IFAC</p>
<p>The IFAC Board will review the terms of reference of the IAESB will be reviewed at least every three five years. The terms of reference, or any changes to it, shall be approved by the PIOB after endorsement by the IFAC Board.</p> <p><u>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 function under these terms of reference.</u></p>	<p>To conform to the revised Constitution and Bylaws (the IFAC Board now endorses, rather than approves, the ToR). A period of time for review is not mandated, but 5 years has been suggested with the opportunity to review more frequently if needed.</p> <p>To acknowledge the relationship between the IAESB and IFAC.</p>