DRAFT Minutes of the Public Meeting of the
INTERNATIONAL ACCOUNTING EDUCATION STANDARDS
BOARD CONSULTATIVE ADVISORY GROUP (CAG)

Held on September 15-16, 2011
At Marriott Sawgrass Hotel, Jacksonville, USA

MEMBERS:

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

IAESB Members:
Mark Allison IAESB Chair
Adrian Pulham IAESB member, Secretary of IES 7 Revision Task Force

By Teleconference:
Kim Langfield-Smith IAESB member, Chair of IESs 2 & 6 Revision Task Forces
Clare Minchington IAESB member, Secretary of IES 3 Revision Task Force
Azza Raslan IAESB member, Chair of IES 3 Revision Task Force
Saleem Kharwa IAESB member, Chair of IES 4 Revision Task Force
Ann Lamb External consultant, Secretary of IES 4 Revision Task Force
Jean-Francois Belorgey IAESB member, Chair of IES 8 Revision Task Force

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

Apologies:
David Meyer United States Agency for International Development
Lal Nanayakkara South Asian Federation of Accountants
Michael Wells International Accounting Standards Committee Foundation
OPENING MATTERS

1.1 Welcome and Introductory Remarks
Dr. Calhoun, Chair of the IAESB CAG, welcomed members and other participants to the meeting. A special welcome was extended to Ms. Aulana Peters, PIOB representative.

Apologies were received from Mr. David Meyer (United States Agency for International Development), Mr. Lal Nanayakkara (South Asian Federation of Accountants), and Mr. Michael Wells (International Accounting Standards Committee Foundation).

Finally, Dr. Calhoun drew CAG members’ attention to Agenda Item 8, noting that 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 of the CAG teleconference meeting held on May 2, 2011 as is.

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 that he attended the July 2011 National Association of State Boards of Accounting (NASBA) International Forum held in Vancouver, Canada.

1.5 IAESB Chair’s Report
Mr. Allison indicated that important progress on IAESB projects had been made since last May’s CAG teleconference meeting. He reported that on June 21st and July 8th the IAESB released exposure drafts of IES 1 and IES 5 for 90-day periods to obtain public comment. The Chair also indicated that the IAESB was providing IFAC with comments on the following projects: Definition of the Professional Accountant and Impact Assessments.

Mr. Allison also reported that he and IAESB representatives had undertaken the following speaking engagements and associated communications activities since the February 2011 CAG meeting:

February 2011
- Towards a National Accounting Curricula: An International Perspective, National Association of Business Schools Conference (ANFEOCA), Boca del Rio, Mexico (Sylvia Meljem)
March 2011

- *Building Human Capacity and Professional Accounting Education for High-Quality Corporate Reporting*, UNCTAD-IAESB Forum, Geneva, Switzerland (Mark Allison, Karen Pincus, Kazou Hiramatsu, Fabio Moraes da Costa, and David McPeak)

- *Towards a National Accounting Curricula: An International Perspective*, National Association of Business Schools Conference (ANFECA), Celaya, Mexico (Sylvia Meljem)

- *La Importancia de las Normas Internacionales de Formación Contable del IFAC en la región*, Regional Dialogues CRerCER in Latin America and the Carribean, World Bank, Videoconference, (Sylvia Meljem and Marcelo Canetti)

- IAESB Comment letter, IFAC Policy Position Paper #4: *A Public Interest Framework for Professional Accountants* (Mark Allison and David McPeak)


April 2011

- *IAESB Report to Forum of Firms*, Forum of Firms meeting, London, UK (Mark Allison)

- *Implications of the IAESB Framework on a Global Work Environment*, FACPCE Education Commission meeting, Buenos Aires, Argentina (Marcelo Canetti)

May 2011

- IAESB Consultative Advisory Group teleconference meeting (Mark Allison, Charles Calhoun, Marcelo Canetti, Clare Morley, David McPeak)

- *IAESB Update*, Conseil Superieur de l’Ordre des Experts Comptables, Paris, France (Jean-Francois Belorgey)

- *Accounting Education and Standard-setting: New Frontiers*, President’s Luncheon, Canadian Academic Accounting Association, Toronto, Canada (Jim Sylph)

- *Revision of IESs 4 and 6*, BDO Global Audit Training Advisory Group. Teleconference (Marcelo Canetti and Greg Owens)

- *IAESB - Research Opportunities and Technical Projects*, Concurrent Session, Canadian Academic Accounting Association, Toronto, Canada (Tim Forristal and David McPeak)

June 2011

- *IAESB Report to IFAC Board*, IFAC Board meeting, San Francisco, USA (Mark Allison)

- *IAESB Report to PIOB*, PIOB meeting, Buenos Aires, Argentina (Mark Allison by teleconference)

- *IAESB Update on Revision of IES 8*, IAASB meeting, New York, USA (Eileen Walsh and Greg Owens)
Agenda Item 1-2

- *Revision of International Education Standards*, Concurrent Session, Southern Africa Accounting Association, George, South Africa (Saleem Kharwa, Kim Langfield-Smith, and David McPeak)
- *Competencias necesarias para los preparadores de información pública*, CReCER conference, Buenos Aires, Argentina (Sylvia Meljem & Marcelo Canetti)

**July 2011**

- *IAESB Update*, Accounting Education Interest Group Symposium and AGM, AFAANZ 2011 Annual Conference, Darwin, Australia (Kim Langfield-Smith and Susan Wright)
- *IAESB Update on Projects and Activities*, Talal Abu-Ghazaleh Graduate School of Business (TAGSB), Amman, Jordan (Azza Raslan)
- *IAESB Update on Projects and Activities*, NASBA International Forum, Vancouver, Canada (Dennis Reigle)

**August 2011**

- *IAESB Update*, NRF Annual Assembly, Tempere, Finland (Kristrun Ingolfsdottir)

**September 2011**

- *The Effects of Harmonization and Oversight on the Educational Activities of Professional Accounting Bodies*, Conference of Professors of Accounting and Finance (CPAF), Manchester, UK (Mark Allison)

Finally, Mr. Allison indicated that he would be stepping down as Chair of the IAESB on December 31, 2011 to assume new responsibilities with the Institute of Chartered Accountants of Scotland.

1-6. Leadership and Staff Reports

Mr. James Sylph, Executive Director of Professional Standards, indicated that IFAC has been involved in the following projects:

- Private Sector Task Force of Regulated Professions and Industries. IFAC staff is supporting the task force’s work on providing recommendations to the G20 on achieving regulatory convergence in the financial accounting profession;
- Integrated Reporting. IFAC staff continues to support on the International Integrated Reporting Committee’s project to develop a reporting framework that includes both financial and non-financial information;
- Sovereign Debt Crisis. IFAC staff has presented at several international meetings to address the importance of proper public sector financial accounting when reporting sovereign debt;
- European Commission’s Green Paper on Auditing Quality. IFAC staff is working to prepare a response to the European Commission’s proposals to improve audit quality;
- Monitoring Group Report. IFAC staff is developing a report to address the Monitoring Group’s recommendations;
• IFAC office. IFAC staff is preparing for a move to a new office that includes meeting space in New York during Quarter 1 of 2012.

CURRENT IAESB PROJECTS

2. Revision of International Education Standard 6, Assessment of Professional Capabilities and Competence

The CAG received copies of the Analysis of Respondents’ Comments document and an Issues paper that identified issues for discussion on the revision of IES 6. The following summarizes the CAG’s discussion.

• In general the CAG supported the task force’s proposal of making no change to the scope of proposed IES 6 Exposure Draft, but to improve clarity by editing with consideration of respondents’ comments on the Exposure Draft.

• CAG members made the following suggestions on content issues related to revising IES 6.
  o Clarify the requirements around CPD.
  o Clarify the use of the terms “monitoring” and “assessment” for CPD.
  o Provide more examples in the Explanatory Material section to make it clear how to apply the requirements.
  o Include additional wording within the Explanatory Material section to emphasize the need to ensure a high level of quality when assessing competences.
  o Review the priority and ordering of the sufficiency principle as one of the five principles listed in Paragraph 9.
  o Consider including an explanation on the tradeoffs between principles (e.g., tradeoffs between equity and validity principles).
  o Consider the tradeoff between the level of disclosure and the level of predictability in the content of assessment activities because of its potential effect on the quality of assessment.

• CAG members also made the following editorial suggestions:
  o Clarify Paragraph 10 to ensure that its content focuses on either IPD or CPD.
  o Change the cross-reference of Paragraph A2 from Paragraph 7 to Paragraph 6.
  o Suggest including a list of knowledge and skills in the Explanatory Material section, similar to the extant IES 6, Paragraph 12(c), so as to make the requirement in Paragraph 7 more relevant.
  o Review paragraph A12 to either (1) reword the paragraph so that it does not provide convenient reasons for not complying with certain requirements or delete the paragraph entirely.
  o Reword the three examples in Paragraph A14 to improve clarity. The third bullet point should be reworded to read “… so that requirements can be met in environments of limited opportunity”.
Proposed Way Ahead
The comments of the CAG will be used to inform the IAESB’s discussion on the revision of IES 6 at its October meeting.

3. Revision of International Education Standard 2, Content of Professional Accounting Education Programs

The CAG received an Issues paper that identified issues for discussion on the revision of IES 2. The following summarizes the CAG’s discussion.

- In general the CAG supported the proposed names for the clusters and their associated areas of knowledge subject to some minor editorial changes.
- The CAG agreed with the view that the assumptions and principles needed to develop competence requirements should be identified in the Explanatory Material section. In general the CAG also supported the proposed content of the assumptions and principles underlying the competence requirements, subject to the following suggestions:
  o Ensure that assumptions are not seen as weakening the competences. The 80% criteria should not be specified in the IES.
  o Include the following as a new assumption – Specify the competence statements so that they are viewed as foundation competences which enable professional accountants to build on so as to develop further competence in an area in which they choose to specialize.
- In general the CAG agreed that competences may be included in the requirement using a Table. Although some CAG member indicated that this form of presentation was an effective way of presenting the requirement for competences; other CAG members questioned whether the presentation might be too large and have limited usefulness. There was support to include a table on taxonomy in an appendix of the standard, as readers may miss it if it was included in the Framework.
- CAG members made the following suggestions on content issues related to taxonomy and the Competence Matrix.
  o Ensure that the six “levels” of the taxonomy are not viewed as being linear.
  o Review the appropriateness of competence levels for each knowledge area.
  o Review whether the proposed gaps in competence level within a knowledge area are appropriate.
  o Ensure that the ability to integrate at levels 5 and 6 is explicitly stated in the definition of those two levels.

Proposed Way Forward
The comments of the CAG will be used to inform the IAESB’s discussion on the revision of IES 2 at its October meeting.
4. **Revision of International Education Standard 4, Professional Values, Ethics, and Attitudes**

The CAG received copies of the Analysis of Respondents’ Comments document and an Issues paper that identified issues for discussion on the revision of IES 4. The following summarizes the CAG’s discussion:

- CAG members indicated that the requirement on reflective activity did not state that it had to be undertaken on ethical dilemmas faced by the individual in the workplace, but that reflective activity could be performed on well-known, real life case studies. Although the Explanatory Material section indicates that simulations offer a suitable alternative on which to reflect, there is a need for additional guidance to assist IFAC member bodies to understand their obligations and assist in the implementation of the requirement.
- CAG members indicated that although the use of the term “reflective activity” had been discussed and agreed by both the CAG and the Board previously, there is still a concern over the translation of the phrase. The CAG suggested possible alternatives such as “critical reflection” and “reflective practice.”
- CAG members suggested that the scope and objectives of IES 4 were consistent with the stated requirements and agreed with the Taskforce’s proposal to place greater emphasis on the aspiring professional accountant in paragraphs 12 and A18.

**Proposed Way Forward**

The comments of the CAG will be used to inform the IAESB’s discussion on the revision of IES 4 at its October meeting.

5. **Revision of International Education Standard 7, Continuing Professional Development: a Program of Lifelong Learning and Continuing Development of Professional Competence**

The CAG received copies of the Analysis of Respondents’ Comments document, a revised draft of IES 7, and an Issues paper that identified issues for discussion on the redrafting of IES 7. The following summarizes the CAG’s discussion:

- The CAG supported the task force’s proposed change to the objective statement which identifies the member body as the primary audience of the Standard.
- The CAG also supported the proposed changes by the task force to paragraphs A4 and A5 of Agenda Item 5-4, but suggested that the reference to the word, “traditional” in the last sentence of paragraph A4 should be reviewed.
- The CAG agreed with the proposed changes to paragraph A11 of Agenda Item 5-4, but suggested that the reference to the word, “public” in the last sentence of paragraph A11 should refer to the public interest.
- Some CAG members suggested that there was a risk that further clarification might be viewed as supporting a rules-based approach. Other CAG members indicated that extant paragraph A16 of Agenda Item 5-4 needed to be separated into two paragraphs:
one to clarify the expectation of verifiable CPD and a second paragraph to clarify the issue around the amount of 20 verifiable hours.

- The CAG supported proposed changes to paragraph A25 of Agenda Item 5-4 which removed the existence of an implied requirement; and improved the understanding of the time period required to support the reporting requirement.

At the conclusion of the discussion the CAG was asked the following question: Based on the Background Section of this Issues paper, are you satisfied that the IAESB has consulted the CAG on, and has considered its comments in relation to the development of IES 7? The CAG indicated that it had been consulted on significant issues and had no further comments in relation to the development of IES 7.

**Proposed Way Forward**
The comments of the CAG will be used to inform the IAESB’s discussion on the revision of IES 7 at its October meeting.

6. **Revision of International Education Standard 8, Competence Requirements for Audit Professionals**

The CAG received a first draft of the revised IES 8 and an Issues paper that identified issues for discussion. The following summarizes the CAG’s discussion.

- The CAG indicated the need to explicitly state that the IES did not cover other types of assurance.
- CAG members suggested that the Requirements section include a matrix of competences for an engagement partner.
- CAG members suggested that IES 8 include specific examples of likely CPD for those working on listed, transnational, and complex types of engagement.
- CAG members indicated that the competence matrix needed to be reviewed to distinguish between what competences and proficiency levels needed to protect the public interest and what competences and proficiency levels are needed to meet business interests of an engagement partner.
- CAG members suggested that further clarification be included in the Explanatory Material section to indicate that the competence matrix applies not only to aspiring but also to those about to be appointed to the role of Engagement Partner.

**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 October meeting.

7. **Revision of International Education Standard 3, Professional Skills and General Education**

The CAG received an Issues paper that identified issues for discussion on the revision of IES 3. The following summarizes the CAG’s discussion.
The CAG supported an outcomes-based approach to drafting the skills required by IES 3, but CAG members expressed mixed views as to whether the IES 2 taxonomy could be used for this purpose.

The CAG did not support the introduction of additional skills levels related to the degree of supervision required to display the skill. CAG members, however, suggested incorporating the level of skill needed into the wording of the outcome itself.

The CAG supported eliminating duplication where possible between IESs 2 and 3, but indicated that the reinforcement of ethics across all three standards was important even if this led to some repetition.

The CAG supported the proposed list of skills to be included in the requirement. CAG members suggested ‘knowing how and when to bring in specialist expertise’ as an additional essential skill. They also suggested re-ordering the skills to give prominence to professional skepticism,

CAG members suggested that the taskforce consider whether IES 3 should contain requirements or guidance on how professional skills should be assessed.

Proposed Way Forward
The comments of the CAG will be used to inform the IAESB’s discussion on the revision of IES 3 at its October meeting.

OTHER BUSINESS
8. 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);
- IFAC Communications; and
- IFAC Board Initiatives.

9. FUTURE MEETINGS
The CAG noted that its next meeting will be held on February 9-10, 2012 in Dublin, Ireland.

10. PIOB REPRESENTATIVE REPORT
Ms. Peters congratulated Professor Calhoun on his leadership of the IAESB CAG during his term as Chair.
Ms. Peters indicated that the CAG members’ discussion of the agenda was excellent and the deliberation of project issues was robust. She reminded the CAG to consider the implications of the IES requirements, especially the impact of IES requirements on small and medium practices (SMPs) where the resource base may be very different when compared to that of the large public accounting firms. Ms. Peters also indicated that any change to IES requirements needs to be measured and there cannot be hesitation in implementing change when it is in the public interest. The IESs need to be measurable to enable adoption and implementation. Standards that are measurable will likely raise the quality level of the profession and ensure consistency in the application of the IESs at a global level.

Ms. Peters raised a concern on the release of IESs 2, 3, and 4 and how the content of each standard is to be integrated and applied by stakeholders. The goal of revising these IESs needs to be that each standard is workable and capable of being implemented properly. To achieve this goal there needs to be consideration of implementation issues at the level of each standard as well as at the level of how the standards work as a group. This type of review needs to be built into the timeline of the revision project.

Dr. Calhoun thanked Ms. Peters for her comments.

11. MEETING CLOSURE
Both Mr. Allison and Ms. Pierce expressed their gratitude for Mr. Calhoun’s contribution to the CAG and indicated that Mr. Calhoun can leave as Chair knowing that the CAG continues to be in a position of great strength.

The public meeting closed at 11:15 am on Friday, September 16, 2011.

Approved by Chairman: ..............................................

Date: .................................................................
## ACTION LIST

### IAESB CAG MEETING September 2011

<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. Luciani/ D McPeak</td>
<td>ASAP</td>
<td>DONE</td>
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<tr>
<td>2. Present CAG comments/advice on the revision of IES 4 at the October 2011 IAESB meeting</td>
<td>S Kharwa/A Lamb/D McPeak</td>
<td>October 26</td>
<td>DONE</td>
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<tr>
<td>3. Present CAG comments/advice on the revision of IES 6 at the October 2011 IAESB meeting</td>
<td>K Langfield-Smith/D McPeak</td>
<td>October 26</td>
<td>DONE</td>
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<tr>
<td>4. Present CAG comments/advice on the revision of IES 2 at the October 2011 IAESB meeting</td>
<td>K Langfield-Smith/D McPeak</td>
<td>October 26</td>
<td>DONE</td>
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<tr>
<td>5. Present CAG comments/advice on the revision of IES 8 at the October 2011 IAESB meeting</td>
<td>JF Belorgey/ D McPeak</td>
<td>October 26</td>
<td>DONE</td>
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<td>6. Present CAG comments/advice on the revision of IES 3 at the October 2011 IAESB meeting</td>
<td>A Raslan/C Minchington/ D McPeak</td>
<td>October 26</td>
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<td>7. Present CAG comments/advice on the revision of IES 7 at the October 2011 IAESB meeting</td>
<td>A Pulham/ D McPeak</td>
<td>October 26</td>
<td>DONE</td>
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