

**Basis for Conclusions
Prepared by Staff of the IAESB™
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*The International Accounting Education
Standards Board™*

2014-2016 IAESB Strategy and Work Plan

IAESB

International Accounting
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The IAESB develops education standards, guidance, and information papers on pre-qualification education, training of professional accountants, and continuing professional education and development.

The objective of the IAESB is to serve the public interest by setting high-quality education standards for professional accountants and by facilitating the convergence of international and national education standards.

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BASIS FOR CONCLUSIONS

2014-2016 IAESB STRATEGY AND WORK PLAN

The Basis for Conclusions document for *2014-2016 IAESB Strategy and Work Plan* (“SWP”) has been prepared by the Staff of the International Accounting Education Standards Board (“IAESB”). It relates to, but does not form part of the SWP.

Background

1. The SWP was developed with full consideration of comments received from consultation with International Federation of Accountants (“IFAC”) member bodies and interested stakeholders. The consultation included both the use of a survey of stakeholders interested in professional accounting education and an Exposure Draft of the 2014-2016 IAESB Strategy and Work (“ED SWP”) to obtain public comment. The following describes these consultations in greater detail.
2. During the 60-day period extending from July 19 to September 19, 2012, the IAESB surveyed the following: IFAC member bodies, educators, audit managers and partners, directors of learning from public accounting firms, professional accountants, regulators, and other interested stakeholders (e.g., current and past IAESB members, technical advisors, IAESB Consultative Advisory Group (“CAG”) representatives, representatives of donor agencies, and other IFAC committee chairs and technical managers). One hundred and thirty-two responses were received providing a range of views on the IAESB’s current and future strategic direction. The survey results were used to inform a half-day, independently facilitated strategic planning session with the CAG members at its September 2012 meeting. The CAG’s advice and the survey findings were then used to inform a full-day, independently facilitated strategic planning session with the IAESB at its October 2012 meeting.
3. The ED SWP was released on July 3, 2013, with a deadline for comments of October 3, 2013. The IAESB received 25 comment letters from a variety of respondents (See Appendix), including IFAC member bodies and associates, public accounting firms, professional accounting associations, regional organizations, and the public. In addition, the IAESB consulted with its CAG at the following stages of the development of the document: (1) Consultation on project issues resulting from findings obtained from public consultation online survey (September 2012 meeting); (2) Consultation on issues relating to the identification and prioritization of projects and activities for the preparation of the 1st draft and ED SWP (February 2013 meeting and April 2013 teleconference meeting); (3) Consultation on content issues and Steering Committee proposals resulting from the ED SWP (February 2014); and (4) Consultation of content issues and Steering Committee proposals in developing the final draft of the SWP (April 2014 teleconference meeting).

Significant Issues

4. The following summarizes the significant issues identified by respondents. Respondents’ comments have been arbitrarily categorized under the following headings:
 - Strategy;
 - Work Program; and
 - Other Issues:

Changes made to the ED SWP since the exposure period, are now discussed in turn below. Pages and paragraphs refer to the SWP as issued, unless otherwise stated.

Strategy

5. Twenty-five respondents on the ED SWP provided a wide range of views on the proposed 2014-2016 SWP. The majority of respondents (17) representing the following categories supported the continuation of the IAESB's proposed activities and projects: IFAC member bodies (11)¹, public accounting firms (4)², professional organizations (1)³, and individuals and others (1)⁴. The IAESB CAG also supported the continuation of the IAESB's proposed activities and projects, subject to providing helpful advice on improving the effectiveness of some of the projects. The remaining respondents (8), representing member bodies (AICPA, ICAEW, CAI, HKICPA, CPA Canada, and SAICA), a regional organization (FEE), and a professional accounting organization (GAA) indicated that the IAESB should suspend or cease its proposed activities and projects, once the revision of IES 8 has been completed.
6. In general, those comment letters that were critical of the proposed strategy addressed the following issues:
 - *Resource Demanding Processes.* The revision of IES 8 was supported but other components of the 2014-2016 work plan were not considered a high priority or at least that this work should not be pursued by the resource demanding processes of a PIOB.
 - *Concentrating Resources.* IFAC must recognize the resource constraints under which it has to operate and prioritize accordingly. IFAC is best advised to redirect its resources away from the IAESB by either dismantling the Board or mothballing it for a defined period, in consultation with the PIOB; concentrating resources available on what we firmly believe are more important - Ethics and Auditing.
 - *Work on Compliance and Capacity Building.* Compliance work can be left to the Compliance Advisory Panel ("CAP") and work on capacity building to the Professional Accountancy Organization Development Committee ("PAODC"). Contracting out or outsourcing is also an option.

The IAESB has addressed these issues as follows:

Resource Demanding Processes

7. After a full discussion of respondents' comments, the IAESB has concluded that, in its role as a standard-setter, the public interest is best served by raising the level of confidence and trust of stakeholders in the work of professional accountants. The IAESB CAG also agreed with this view of the IAESB's role in serving the public interest. As a result, the IAESB has decided to complete its International Education Standards™ (IESs™) revision project, including the revision of IES 8. This work aims at raising the level of confidence and trust of stakeholders in the work of professional accountant by setting requirements for the development and maintenance of professional competence by professional accountants, including audit engagement partners. Paragraphs 7 and

1 AAT, ACCA, ANAN, CGA-Canada, CICPA, ICAA, ICAN, IDW, JICPA, NZICA, SAIPA

2 BDO, DTT, EYG, PWC

3 EFAA

4 Juvenal

22 of the SWP indicate the IAESB's decision to complete the IESs revision project, including the revision of IES 8 on *Competence Requirements for Audit Professionals*.

8. The IAESB's primary function, standard-setting, continues to be the cornerstone of its purpose statement and an important means of achieving its mission, which is to develop and enhance the competence of professional accountants worldwide. Recognizing the trend towards global convergence, increasing mobility of professional accountants, and the dynamic environment in which professional accountants work, the IAESB has decided to periodically review its IESs and consider the need for further revisions of its IESs, for additional IESs, or for authoritative implementation guidance. The IAESB CAG supported the IAESB on the need for periodic reviews and advised that the IAESB's initiative on standard-setting should be reworded to reflect the need to maintain the IESs and to assess whether there are problem areas in implementation of the IESs, especially given that a new learning outcomes approach is being required of stakeholders. Paragraphs 5, 22, and 23 of the SWP recognize the review and maintenance activities for the revised IESs, and describe how these activities will be done. In addition, the IAESB has modified its strategic objective to recognize the Board's view of the need to review, maintain, and improve the IESs. Paragraph 8 of the SWP has also been amended to indicate the Board's intention to periodically review the need for further revisions to any of the IESs, or for developing additional standards.
9. The IAESB views the periodic review of the IESs as a way forward in addressing the demands on the accountancy profession to provide competent professional accountants and to continually improve the quality of professional accounting education. The Board also recognizes that changes to professional accounting education programs are done on an incremental basis and require appropriate lead time. To preserve the transparency of the standard-setting process, any deliberations by the IAESB on reviewing and maintaining the IESs, considering additional IESs, or developing authoritative implementation guidance will require Public Interest Oversight Board's ("PIOB") oversight.

Concentrating Resources

10. The IAESB recognizes that for the revised IESs to be relevant and effective, there must be provision, promotion, adoption, and implementation of these standards. The IAESB has revised the IESs to address the needs of the accountancy profession worldwide with the aim of continually improving the quality of professional accounting education and contributing to the development of competent professional accountants. Paragraphs 17 and 18 of the IAESB's 2014-2016 Strategic Statement state the relevancy of the IAESB's work to set requirements, through its IESs, for improving the quality of professional accounting education. In addition, the IAESB considers the activities of provision, promotion, adoption and implementation as key activities in obtaining effective implementation of the IESs. This is stated in the IAESB's strategic objectives identified in Paragraph 8 and shown in Figure 1 of Paragraph 19 of the SWP.
11. The IAESB recognizes that these periodic reviews cannot be taken lightly in a resource-constrained environment. As a result, the IAESB is developing a continuous quality improvement process that will inform the need to revise existing IESs or develop additional IESs for professional accounting education. The IAESB CAG supported the initiative of developing a continuous quality development process and indicated that further work on the IESs may be needed to ensure that there exists a fit of principles with observed best practice. Paragraph 23 indicates that this work will be done in

consultation with IFAC member bodies and associates, the IAESB CAG, the PIOB and other interested stakeholders in professional accounting education.

Work on Compliance and Capacity Building

12. The IAESB supports the view that projects on compliance and capacity building should be best left to IFAC's CAP or PAODC. Paragraph 7 of the SWP indicates that the IAESB has assigned the responsibility of several projects covering stakeholder engagement and translation of pronouncements to organizations that have better fit of purpose or are better resourced to perform these activities. In addition, the IAESB has adjusted the scope of the proposed project on scanning the environment. Paragraph 7 also indicates that this project will now draw on the existing data from IFAC's Compliance Program, where appropriate, with the aim of developing an understanding of the quality of professional accounting education programs so as to develop a baseline against which to evaluate the impact of the revised IESs.

Work Program

13. The IAESB received a wide range of comments on its 2014-2016 work program. The IAESB has reviewed these comments and adjusted the Board's work priorities according to three categories: reviewing, maintaining, and considering the need for additional IESs; supporting the adoption and implementation of the revised IESs; and assessing the impact of the IESs. The IAESB has also included a new paragraph (Paragraph 7 of the SWP) that provides a summary of the modifications to the 2014-2016 work plan ranging from: revising work priorities, reviewing the need for implementation guidance, developing a baseline to evaluate the impact of the revised IESs, assigning activities to IFAC and other organizations who are better positioned and resourced; and removing projects and activities that were considered the means for the IAESB to meet its objectives.

Setting and Maintaining the IESs, and Considering the Need for Additional IESs

14. Six respondents provided responses on whether the IAESB should follow the strategic initiative of establishing and developing IESs and pronouncements. In general, these respondents provided a range of views. The AICPA indicated the IAESB should take some "quiet time" to give IFAC Member bodies and other interested parties time to digest, adopt, and arrange for ultimate implementation of the standards and current work should focus on the revision of IES 8. Two respondents (ICAA and NZICA) indicated that these activities were not critical to meet the IAESB's aims to enhance the competence of professional accountants. The CICPA encouraged that the revision project on IESs should be completed as soon as possible to enable IFAC member bodies to implement the revised IESs. The EFAA encouraged a close and ongoing dialogue with the IAASB and IESBA to inform the longer term development of competency requirements for professional accountants. Finally, the SAICA suggested that IES 8 should be re-purposed to develop detailed guidance because some member bodies are not primarily responsible for the development of professional competence.
15. The IAESB considered respondents' comments and recognized that further clarification is needed to ensure a better understanding of the activities that the Board will undertake over the 2014-2016 work program in establishing and developing IESs and pronouncements. As a result, the IAESB has amended this work priority in Paragraphs 20 and 21. It has enhanced the description of the Board's work in the area of standard setting by recognizing its revision work to finalize IES 8, its care and maintenance work on the revised IESs, and its consideration of findings from periodic

reviews on the need for additional IESs and for authoritative implementation guidance. The IAESB has also identified this initiative in Appendix 1 of the SWP by including a new description of this project under the heading, “Review and maintain the extant suite of IESs, and consider the need for additional IESs.”

Revision of IES 8

16. Twelve respondents provided a response on the project to revise and redraft IES 8. All respondents were supportive of the need to complete the revision of IES 8. Two of these respondents (ICAEW, SAICA), however, suggested that the content of the revised IES 8 should be issued as non-voluntary guidance directed to the public accounting firms. The majority of respondents suggested that the work of the revision project should be accelerated to ensure completion at an earlier date than quarter 4 of 2014.
17. The IAESB noted strong support to continue its work to revise IES 8. The IAESB recognizes that it is the responsibility of audit engagement partners as professional accountants to undertake relevant CPD activities to develop and maintain professional competence. IES 7, however, establishes the responsibility of IFAC member bodies to require, monitor, and enforce CPD of professional accountants, including audit engagement partners. As a result, the IAESB has decided that a standard on professional competence needs to exist to enable IFAC member bodies and other stakeholders such as public accounting firms to meet their responsibility in ensuring that the public receives services provided by competent audit engagement partners.
18. The IAESB recognizes that there are jurisdictions in which some member bodies are not primarily responsible for the development of professional competence, but this does not prevent establishing a standard on professional competence for engagement partners that aims at ensuring a high level of audit quality. It is in the public interest that for those member bodies which are not responsible or share responsibility with other organizations to ensure awareness of the standard and influence its implementation.

Supporting Adoption and Implementation of the Revised IESs

19. Twelve respondents provided a response on whether the IAESB should support and provide guidance to facilitate the implementation of the IESs. The majority of respondents recognized the need for implementation guidance, but suggested the need to investigate more efficient and effective ways of developing such guidance. FEE indicated that extensive guidance might move too close to a rules-based approach. Other respondents such as the GAA and HKICPA indicated that there is a much greater need for IFAC's resources to be devoted to the other standard setting boards at this time, such as the IAASB and IESBA. These respondents also stated that adoption is a responsibility of the CAP, and the strong emphasis on capacity building indicated that it would be better addressed outside of the standard setting board by the PAODC which would be charged with overseeing the processes to ensure sufficient guidance to facilitate implementation for developing PAOs.
20. The IAESB noted the support for developing adoption and implementation guidance to assist IFAC member bodies with the implementation of the IESs. The IAESB CAG also identified the need to provide adoption and implementation guidance to ensure that the principles and concepts of the IESs are well understood by stakeholders. The IAESB agrees with respondents' comments on the need to investigate more efficient and effective ways of developing such guidance. Paragraphs 11

and 26 of the SWP describe the approach and the timing in which the IAESB expects to take when developing guidance.

21. The IAESB has considered comments received from the GAA and some of its members on discharging the Board's projects on adoption and capacity building to IFAC's CAP and PAODC. The IAESB noted that this view was not prevalent among other respondents, especially IFAC member bodies from developing countries and even some of the GAA member bodies. The IAESB sees a role in supporting the development of implementation guidance when this guidance assists in the application of the IESs. The IAESB CAG also supported the need to provide adoption and implementation guidance to ensure that the principles and concepts of the IESs are well understood by stakeholders. Paragraphs 26 and 27 of the SWP have been included to address what types of adoption or implementation guidance are needed and what should be the aim of this type of guidance in terms of implementing the IESs.

Revision of Framework and Development of the Definition of the Professional Accountant

22. Eight respondents provided responses on the project to revise the *Framework for International Education Standards for Professional Accountants* ("Framework"). Respondents expressed mixed views on the priority of this project. Those respondents (EYG, SAICA, CPA Canada) supporting the revision of the framework did so because of the need to improve consistency of terminology and updating of concepts and terminology. Some of these respondents indicated that such an update should not be a long-term effort and indicated that the expected completion date needed to align as close as possible with the effective date of the clarified IESs. Those respondents (GAA, HKICPA, ICAA, NZICA) disagreeing with the priority of this project did not attach a high benefit or priority to this revision in light of the recent efforts to revise the IESs.
23. Fourteen respondents also provided a response on the initiative to develop a definition for the professional accountant. All respondents were supportive of developing a definition; however, respondents expressed a mixed view as to whether it was the responsibility of the IAESB to perform this project. Those respondents (AICPA, CAI, CPA Canada, GAA, HKICPA, ICAA, ICAEW, NZICA) expressing this view indicated that this project should be undertaken across IFAC. Those respondents (BDO, EYG, ICAN, SAICA, SAIPA) supporting this project indicated that it was needed to support the IES revision project, to improve consistency in the implementation of IESs, and to increase the understanding in adopting a learning outcomes approach to professional accounting education.
24. The IAESB has considered respondents' comments on the revision of the Framework and the development of the Definition of the Professional Accountant and modified the scope of these projects. The IAESB recognizes the value of improving the consistency in applying the IESs that results from updating terminology and concepts to those used in the IESs. As a result the IAESB has amended Paragraph 24 to describe the scope and purpose of the project on the revision of the Framework. In addition, the IAESB has decided that the term, "professional accountant," is especially relevant to the Framework document and the definition should be included within the Framework as described in Appendix 1 of the SWP.

Guidance on Learning Outcomes Approaches

25. Nine respondents provided responses on developing guidance on learning outcome approaches for professional accountants. Several respondents (AICPA, GAA, HKICPA, and ICAEW) indicated that the project was not a high priority and questioned the need for such work. Other respondents (ICAA

and NZICA) supported the project indicating that it would be useful for member bodies. The ACCA indicated that the project should address the scope and limitations of e-assessment for higher intellectual domains and the suitability of different models for education, training and demonstrating work-based competencies; while, the JICPA recommended the IAESB to consider adding a new project on the development of the implementation guidance for IES 2 under the item, “*Develop Guidance on Learning Outcomes Approaches for Approaches for Professional Accounting Education.*”.

26. The IAESB has considered respondents’ comments on developing guidance on learning outcomes approaches. From its deliberations on issues relating to the IESs on learning outcomes and levels of proficiency, as well as comments received from respondents on the exposure drafts of IES 2, 3, 4, and 8, the IAESB has decided that guidance is needed to assist IFAC member bodies in applying the principles and concepts in these IESs. The IAESB CAG also supported the guidance project on learning outcomes to improve the understanding of how proficiency levels are applied to each competence area. In addition, CAG members indicated that further explanation is needed on the use of the verbs so as to ensure understanding of the depth and breadth required within a learning outcome

Other Types of Implementation Guidance

27. Six respondents provided responses on the projects to revise IEPs 1 and 3. The majority of respondents (CGA Canada, EYG, ICAA, ICAN, and NZICA) supported the revision of IEPs 1 and 3. In addition, most of these respondents indicated that these projects should be a high priority project. One respondent (ICAEW) did not support their revision indicating that the IESs published in this area were sufficient. Four respondents provided responses on the project to develop implementation guidance on how general education is used to develop the professional accountant. All respondents (BDO, ICAA, ICAN, and NZICA) indicated that they supported the project to develop implementation guidance on general education and suggested that it should have a higher priority in the IAESB’s work plan. Six respondents provided responses on the project to develop implementation guidance on entry requirements into professional accounting education programs. All respondents (ACCA, ICAA, ICAN, JICPA NZICA, and SAIPA) indicated they supported the project to develop implementation guidance on entry requirements with some providing suggestions on issues to be covered (e.g., technician/foundation level qualifications, alternative pathways to entry)
28. The IAESB has noted the support for developing additional implementation guidance to assist IFAC member bodies with the implementation of the IESs. The IAESB, however, agrees with respondents’ comments on the need to investigate more efficient and effective ways of developing such guidance. Paragraphs 11 and 26 of the SWP describe the approach and the timing in which the IAESB expects to take when developing guidance. Appendix 1 has been amended to indicate the initiative to review the feedback from the IES Exposure Drafts, the SWP Exposure Draft, and other sources. Project proposals that are likely to be considered, include: Revision or replacement of practice statements on professional values, ethics, and attitudes (IEPS 1) and practical experience (IEPS 3); Information paper on audit competence (IES 8); and an Information paper on entry requirements to professional accounting education programs (IES 1). The IAESB CAG also indicated that existing IEPs needed to be aligned to the principles and concepts of the revised IESs so as to ensure that these practice statements remain relevant.

Assessing the Impact of the IESs

29. Ten respondents provided responses on the project of scanning for gaps in the development, delivery, and assessment of professional accounting education. Several respondents (BDO, EFAA, FEE, JICPA, and SAIPA) were supportive of conducting environmental scans. Some of these respondents (FEE, NZICA, and ICAA) expressed concern on the frequency of such scans. Other respondents (GAA, HKICPA) indicated that such scans were non-critical, and might constitute a blank check of an unspecified and unbounded program of work (ICAEW).

Development of a Continuous Quality Improvement Process

30. The IAESB has considered respondents' comments on the proposed project to perform an environmental scan to identify gaps in good practice related to the development, delivery, and assessment of professional accounting education. The IAESB has decided to adjust the scope of this project by focusing on the development of a continuous quality improvement process to inform the IAESB's projects on developing and maintaining the IESs. The first step will be to perform a baseline study on the current status of professional accounting education programs (entry requirements, professional accounting education program content, practical experience, and assessment) in IPD and CPD. This baseline will cover a sample of developing and developed IFAC member bodies, and will draw on existing data from IFAC's compliance program and other sources. Findings from this type of study will enable the IAESB to identify good practice that can be shared with developing PAOs or identify gaps in good practice which require developing implementation guidance, maintaining the revised IESs, or developing new education standards. Subsequently, IAESB envisages undertaking a post-implementation review of the revised IESs that will compare latest practice against the findings of the baseline study. Paragraphs 7 and 28 of the SWP have been amended to describe the change in project scope and the approach to develop a continuous quality improvement process and the step of conducting a baseline study and a post-implementation review.

Other Issues

Priority of implementation guidance projects

31. Several respondents (CICPA, ICAA, ICAN, JICPA, and NZICA) requested that additional information on the priorities of the proposed implementation guidance projects. The IAESB has decided to first investigate the need of particular implementation guidance projects and then more efficient and effective ways of developing such guidance. Both Appendices 1 and 2 of the SWP have been amended to identify likely projects, their priority, and expected project timelines. Paragraph 29 of the SWP presents the work program and recognizes the impact of resource availability on competing priorities.

Success measures for the work program

32. The IAESB aims to report on its progress and effectiveness as a standard-setter in professional accounting education. This may be achieved by reporting: (a) its actual performance against its expected performance; and (b) the status of IESs by identifying their impact in terms of country adoption and implementation. Paragraph 30 of the SWP indicated that for each of its activities and projects, the IAESB will develop success measures to ensure that sufficient clarity of purpose and expectation is provided to each project team.

33. Minor editorial improvements were made to Paragraphs 3, 4, 6, 9, 10, 19, 25, and 31 of the SWP to improve the clarity and consistency. These editorial improvements do not substantially change the content of these paragraphs.

Respondents on Exposure Draft (October 2013)

ACRONYM	FULL NAME OF ORGANIZATION
AAT	Association of Accounting Technicians, United Kingdom
ACCA	The Association of Chartered Certified Accountants
AICPA-PcEEC	American Institute of Certified Public Accountants' Pre-certification Education Executive Committee
ANAN	The Association of National Accountants of Nigeria
BDO International	BDO Global Coordination B.V.
CAI	Chartered Accountants Ireland
CGA-Canada	Certified General Accountants Association of Canada
CICPA	The Chinese Institute of Certified Public Accountants
CPA Canada	Chartered Professional Accountants of Canada
CPA-Ireland	CPA Ireland
DTT	Deloitte Touche Tohmatsu
EFAA	The European Federation of Accountants and Auditors for SMEs
EYG	Ernst & Young Global
FEE	Federation des Experts Comptables Europeens
HKICPA	Hong Kong Institute of Certified Public Accountants
ICAA	The Institute of Chartered Accountants in Australia
ICAN	Institute of Chartered Accountants of Nigeria
ICAEW	The Institute of Chartered Accountants in England and Wales
IDW	Institut der Wirtschaftsprufer
JICPA	The Japanese Institute of Certified Public Accountants
Juvenal	Denise Silva Ferreira Juvenal
NZICA	New Zealand Institute of Chartered Accountants
PWC	PricewaterhouseCoopers
SAICA	The South African Institute of Chartered Accountants
SAIPA	South African Institute Of Professional Accountants

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