

Basis for Conclusions: IAESB 2010-2012 Strategy and Work Plan

*Prepared by the Staff of the International Accounting Education
Standards Board*

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The Basis for Conclusions document for *IAESB 2010-2012 Strategy and Work Plan* (the *SWP*) has been prepared by the Staff of the IAESB. It does not constitute part of the *SWP* and is non-authoritative.

Background

1. The IAESB *2010-2012 Strategy and Work Plan* was developed with input from several sources of information. In July 2008 an online survey was sent out to IFAC member bodies, educators, audit professionals, Directors of Learning from public accounting firms, professional accountants, regulators, and others (e.g., current and past IAESB members, technical advisors, CAG representatives, and to other IFAC committee chairs and technical managers). One hundred and eighteen responses (32% response rate) 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 strategic planning session with Board members at the September 2008 IAESB meeting. The meeting was also informed by comments from the IAESB Consultative Advisory Group (CAG) who discussed the survey findings at its September 2008 meeting.

2. The exposure draft of the IAESB 2010-2012 Strategy and Work ("ED SWP") was released on July 7, 2009, with a deadline for comments of October 5, 2009. The IAESB received 25 comment letters from a variety of respondents, including regulators, IFAC member bodies, academic accounting associations, regional organizations, the public, and public accounting firms. In addition the IAESB consulted with its Consultative Advisory Group (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; (2) Consultation on issues relating to the identification and prioritization of projects and activities for the preparation of the 1st draft; (3) Consultation on issues and Steering Committee proposals resulting from the ED SWP; and (4) Consultation of issues and Steering Committee proposals resulting from the final draft of the *SWP*.

Significant Issues

3. The following summarizes the significant issues that respondents commented on and how the IAESB addressed them:
 - IAESB Strategic Objective;
 - Revision of Standards;
 - Adoption and Implementation Guidance;
 - Communications: Project-by-Project Communications; and

- Other Issues: Convergence Paper, Translations, Clarity of Document.

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

IAESB Strategic Objective

4. The first paragraph of page 8 of the *ED SWP* describes the IAESB strategic objective. All five ED respondents supported the content of the strategic objective as stated indicating that the identified activities were consistent with the responsibility of a standard-setter. The IAESB CAG, however, indicated that the phrase “internationally relevant” should be replaced with “high quality” to ensure consistency with initiatives of IFAC standard-setting boards and other standard setting boards such as the IASB. The CAG also suggested that the IAESB’s focus on adoption and implementation guidance needed to be reflected in the IAESB strategic objective.
5. The IAESB considered these comments and agreed to replace the phrase, “internationally relevant” with “high quality” to ensure consistency with initiatives of IFAC standard-setting boards and other standard-setting boards such as the IASB. It also agreed with the view of the IAESB CAG that the IAESB’s focus on adoption and implementation guidance should be reflected in the IAESB strategic objective. As a result the following phrase was added to the IAESB strategic objective: “promoting the adoption and implementation of the IESs.”

Revision of Standards

6. The last paragraph of page 8 and second paragraph of page 10 discuss the revision of the standards. All of the eighteen respondents who commented on the revision of the standards initiative supported the revision of the 8 IESs as an area of strategic focus for the IAESB. One respondent expressed concern that it might be too early to begin a review of IESs 7 and 8 because these standards have only been in existence for a relatively short period of time and it is likely that a comprehensive revision would create some confusion and additional compliance costs on member bodies. None of the respondents indicated that they disagreed with the high priority status attributed to this project, but several respondents offered advice and helpful suggestions on how to approach the revision project. Recurring themes included: concern that a project timeline of 3 years was too long and needed to be accelerated; requests to move the start of the IES 8 revision project earlier and to provide a longer period of public consultation time than 3 months; a plea for closer coordination with the DNC to capture concerns of developing countries on revision project issues; and the need to improve communications of project outcomes by signaling in advance the projects’ expectations and implications.

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7. The IAESB considered respondents' comments, but disagreed with the view that a revision of IESs 7 and 8 was too early given that (1) interested stakeholders from the public accounting firms have expressed the need to clarify definitions of audit professional and significant judgment in IES 8 and (2) the environment of CPD is rapidly changing. The IAESB also considered the comments on the length of the project (3 years) on the revision of the IESs, but indicated that the IES revision projects have been staggered sufficiently over the 3-year period to reflect the current level of resources, the need for appropriate time for public consultation on IES 8 and other Standards, and to ensure that high quality standards are obtained by following due process. The IAESB acknowledges that the timeline for guidance on IES 8 should be aligned to reflect any changes resulting from the revision of IES 8 and will change Appendix 2 of the *SWP* to ensure that drafts of both the revised IES 8 and the guidance paper are being considered in the same timeframe. The IAESB also agreed with the respondents' comments for closer coordination with the Developing Nations Committee (DNC) to capture concerns of developing countries and will meet with DNC at its planned March 2010 meeting to obtain their advice on the IESs 1-5 revision project. As a result the IAESB has not made any change to the *SWP* since this type of consultation can be scheduled within planned 2010 meetings. Finally, the IAESB acknowledges that the project on the revision of the IESs needs to consider not only the accounting technicians but also the various roles of a professional accountant. As a result the IAESB has clarified the wording of both sections on the revision of the IESs in the *SWP* to recognize the need to ensure that the standards address the various roles performed by a professional accountant.

Adoption and Implementation Guidance

8. The first two paragraphs of page 9, the last three paragraphs of page 10, and first two paragraphs of page 11 discuss the area of adoption and implementation. All of the sixteen respondents who commented on this initiative supported the development of adoption and implementation guidance as an area of strategic focus for the IAESB. None of the respondents indicated that they disagreed with the medium priority status attributed to these types of projects. Two respondents, however, indicated that the projects on implementation guidance should be suspended until the revision of the IESs was completed to avoid unnecessary duplication of work. Of those respondents who indicated a preference as to which implementation projects should be started, there was a consensus for the following order of projects proposed in the work plan; that is implementation guidance on Competence Requirements for Audit Professionals, Measurable Implementation of IESs, Development of Competency Frameworks, and Quality Control Measures for Education Providers. Several respondents offered advice and helpful suggestions on approaching this area of strategic focus. Recurring themes included: a plea for an analysis of resources prior to project/paper initiation to ensure appropriate allocation of time, personnel, and financial means; suggestions on signposting to existing work in the areas of developing competency frameworks and quality control measures for education providers;

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and a request to analyze the findings of the IFAC compliance program to understand how member bodies adopt and implement the IESs.

9. The IAESB recognizes the need to review the allocation of time, personnel, and financial resources before a project begins. An effective vehicle to ensure that there is consideration of resource allocation is to include this issue in the project proposal and ensure that the Board has the opportunity to discuss the proposal. Because the IAESB uses project proposals for each new project and includes a review of needed expertise and resources to complete the project, the IAESB is proposing no change to the *SWP* document. The IAESB agreed that signposting to already existing resources should be recommended as an approach for task forces to consider when they decide how to develop guidance for new projects including those already identified on Measurable Implementation of IESs, Development of Competency Frameworks, and Quality Control Measures for Education Providers. As a result no change to the Strategy and Work Plan is proposed as the IAESB will instruct the task forces to consider this approach when applicable. The IAESB agrees with the request to analyze the findings of the compliance program to understand the adoption and implementation by member bodies. The IAESB indicated that it will continue to invite the Compliance Advisory Panel (CAP) on an annual basis to the IAESB meetings to respond to specific questions by the task forces. The IAESB views this approach as appropriate to inform Board members sufficiently and assist in moving forward its projects. Because the IAESB will use scheduled activities no change has been made to the *SWP* document.

Communications: Project-by-Project Communications

10. The third paragraph of page 9, the last three paragraphs of page 11, and first paragraph of page 12 discuss the area of communications. All of the seventeen respondents who commented on communications supported the view that this was an area of strategic focus for the IAESB. Most of the respondents indicated that they agreed with the strategy of increasing the awareness of the IAESB's pronouncements and activities. Some respondents suggested that communications activities should also enhance the stature or profile of the IAESB and provide an educative function to interested stakeholders. Two respondents, however, indicated that there should be specific communications objectives included within the work plan that requires the IAESB to address issues resulting from the revision of the IESs or findings from IFAC's compliance program. Several respondents indicated that the IAESB should target its communications to a wider audience than member bodies. Respondents suggested the following as examples of important audiences: academics, developing countries, and regulators. One respondent, however, indicated that member bodies are well positioned to be an effective channel when communicating with other interested and relevant parties. It was suggested that member bodies should be encouraged to disseminate the IESs on behalf of the IAESB in order to reach local government regulators of schools and colleges. Many respondents supported the need to develop additional

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materials (e.g., slide presentations and summaries) and to spread communications activities geographically.

11. The IAESB agreed with the respondents' comments indicating the need for other communications activities and vehicles to address specific communications objectives and a wider audience. As a result the IAESB has developed a communications plan that sets out the activities and projects that provide the necessary focus to improve awareness of IAESB pronouncements. In addition the communications plan will be reviewed on a regular basis to ensure that progress is monitored and reported. The IAESB, however, is including in this section the need to develop specific communications activities for each project. This initiative will provide the IAESB with greater flexibility to address specific communications issues such as targeting appropriate audience and identifying specific issues that require clarification.

Other Issues:

Convergence Paper

12. The IAESB also considered respondents' comments on developing a convergence paper and felt that additional clarification which describes the various education models around the world is needed to inform the understanding of what convergence is for the IAESB. As a result the IAESB is planning to gather information on the various education models around the world to inform the development of a consultation paper on convergence. The IAESB is also clarifying the scope of the paper on convergence within the *SWP* document by identifying what convergence means for the IAESB and describing how its activities and publications can be used to promote convergence given the diversity of education models that exist around the world.

Translations

13. The IAESB acknowledges the need of translation to increase the awareness of the Board's pronouncements, and IAESB staff will work with IFAC's translation department to encourage member bodies and other organizations to make available any translated IAESB pronouncements to the public on the IFAC website whenever possible. As a result no change has been made to the *SWP* document because the matter will be addressed by IFAC staff.

Clarity of the Document

14. The IAESB has considered all editorial suggestions provided by ED respondents and only accepted suggestions if they improved clarity of the document and did not change the content of the *SWP* document. Of particular note, the IAESB has replaced the phrase, "development of standards" with "revision of standards" and updated Appendix 2 to ensure consistency with other sections of the document.