

Basis for Conclusions: **IEPS 2 – IT for Accounting Professionals**

Prepared by staff of the International Accounting Education Standards Board

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BASIS FOR CONCLUSIONS: International Education Practice Statement 2 – IT for Accounting Professionals

The Basis for Conclusions document for International Education Practice Statement (IEPS) 2 has been prepared by staff of the IAESB and has not been discussed by the IAESB. It does not form part of IEPS 2.

Background

1. The IEPS 2, *IT for Professional Accountants*, was developed to provide guidance to assist member bodies and academics to implement the requirements set out in IES 2, *Content of Professional Accounting Education Programs*, in August 2004. This guidance document was first issued as IEG 11 by the Committee in December 1995, revised in June 1998, and again revised in December 2002. IEPS 2 was intended to assist member bodies to prepare professional accountants to work in the information technology environment, describing the knowledge and competences required. More specifically, IEPS 2 provides guidance to IFAC member bodies and other educators in implementing IES 2 in relation to the IT knowledge component of pre-qualification professional accounting education programs. In addition the IEPS also provides guidance for IFAC member bodies in implementing IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*, and IES 8, *Competence Requirements for Audit Professionals*, in relation to the further development of IT knowledge and competences post-qualification.
2. The IAESB issued an exposure draft of IEPS 2 (“ED IEPS 2”) on August 15, 2006 with a deadline for comments of November 15, 2006. The IAESB received 17 comment letters from a variety of respondents, including regulators, IFAC member bodies, related IT associations, and public firms. In addition the Consultative Advisory Group (CAG) for Education commented on both the Exposure Draft (ED) of the IEPS and the comment analysis of the ED respondents at their 2006 and 2007 meetings, respectively.

Issues Raised During Exposure Period

3. The most significant issues raised by respondents in their submissions to the IAESB related to:
 - Levels of Development Among Member Bodies;
 - Scope of IEPS;
 - IT Knowledge Requirements;
 - Linkage between IES 2 and IEPS 2;
 - Level of General IT Knowledge Requirements;
 - IT Control & IT User Competences;
 - Consistency between IES 2 and IEPS 2;

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- Advanced User Role;
- Inclusion of Guidance on Teaching/Assessing IT;
- Guidance on Ethics and IT;
- Basic Skills Gained Prior to Registration;
- Continuing Professional Education & Development;
- Level of Detail in Appendices;
- Emerging Topics; and
- Guidance on Ethics and IT.

Changes made to IEPS 2 since the exposure period, are now discussed in turn below. Paragraph numbers refer to IEPS 2 as issued, unless otherwise stated.

Levels of Development Among Member Bodies (Paragraphs 4 and 14)

4. ED IEPS 2 respondents indicated that the practice statement may prove difficult to implement considering the knowledge gaps that presently exist between member bodies in countries with high levels of access to the most current information technologies (hardware and software) and other member bodies still at the early stages of establishing their IT infrastructure.
5. In response the IAESB agreed to reword the IEPS so as to recognize the different levels of development and the practice statement has been structured to allow member bodies to adopt guidance most suitable for their environment and their levels of development.

Scope of IEPS (Paragraphs 6-12)

6. ED IEPS 2 provides guidance that covers elements of IES 2, IES 7 and IES 8 and also addresses issues that concern pre- and post-qualification levels. ED respondents indicated that the scope of the document may be too broad. Respondents also indicate that the statement should address information technology competencies for three major roles that a professional accountant typically would have: (1) the professional accountant as a user of IT, which encompasses professional accountants that are financial statement preparers and/or involved in finance or tax functions; (2) the professional accountant as an audit professional, as defined in IES 8; and (3) the professional accountant as an IT auditor, who specializes in providing assurance on IT systems and organizations.
7. In response the IAESB agreed to modify the structure of the practice statement to make a clear distinction between pre-qualification, post-qualification and audit professional guidance. The IAESB noted that the current version of IEG 11 (which the proposed IEPS aims to update) provided well-received guidance on IT education at both pre- and post-qualification levels, and that a number of ED respondents clearly valued the post-qualification guidance set out. The IAESB

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decided that the roles of manager of IT, evaluator of IT and designer of IT were still relevant and useful in developing the IT component of pre-qualification programs. The IEPS was, however, reviewed to ensure that there is no mention of job titles, which were found to be confusing and making it seem as though these were highly specialized roles. There was also general agreement that the Evaluator role was certainly helpful to member bodies in the context of the education and development of audit professionals. IAESB members concurred that some of the more advanced/specialized guidance relating to audit professionals/the Evaluator role be removed and used to develop future guidance for member bodies implementing IES 8, *Competence Requirements for Audit Professionals*.

IT Knowledge Requirements (Paragraph 12)

8. ED IEPS 2 explained the competences and knowledge relevant to each of the roles listed in paragraph 12. Respondents indicated that using this structure of presenting the knowledge areas and skill levels within IT was confusing. It also did not recognize the important role of an accountant as manager of a general business function.
9. In response the IAESB has agreed to reword this paragraph to delete any specific reference to job titles and remove any impression that professional accountants should be able to demonstrate the competencies of these highly specialized jobs. The IEPS does not prescribe the specific IT knowledge and competences that such specialists may require. It sets out the knowledge and skills that professional accountants may require for (a) formulating the precise questions to be answered by specialists such as the IT auditor, and (b) understanding the outcome of the activities of such specialists.

Linkage between IES 2 and IEPS 2 (Paragraphs 17-34)

10. Respondents indicated that the structure of ED IEPS 2 could be improved by closely aligning it with that of IES 2.
11. In response the IAESB agreed to align Appendices 1-6 of the practice statement with the subject areas and competences listed in paragraph 28 of IES 2. In addition Appendix 7 of the practice statement has been included to identify the subject areas and competences for an audit professional.

Level of General IT Knowledge Requirements (Paragraphs 17-20)

12. ED IEPS 2 provided detailed knowledge requirements for General IT and IT Control Knowledge in the Appendices 1 and 2. Respondents indicated that acquiring and maintaining this level of knowledge and competence would be difficult given the other knowledge areas that a professional accountant needs to possess.

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13. In response the IAESB agreed to review the appendices of the ED IEPS 2 document and develop a new General IT Knowledge section (Paragraphs 17 and 18) and a new IT Control Knowledge section (Paragraphs 19 and 20). To demonstrate knowledge and understanding of the General IT subject area, candidates need to demonstrate their ability to explain, describe or discuss a range of general IT topics shown in Table 1. Appendices 1 and 2 are not prescriptive; they are intended to be of further assistance to member bodies in developing the IT component of a pre-qualification professional accounting education program.

IT Control & IT User Competences (Paragraphs 21-24)

14. ED IEPS 2 discusses the need of fundamental competences for professional accountants and identifies the user role IT control competences in Appendix 3 of the document. ED IEPS respondents indicated that there was not sufficient differentiation between IT control competences and IT user control competences.
15. In response the IAESB agreed that IT control competences and IT user competences needed to be better differentiated. Paragraphs 21 and 22 identify the topics in IT control that should be included as part of the IT component of a pre-qualification professional accounting education program and presents Appendix 3 as a source of competence elements for each of these topics. In addition paragraphs 23 and 24 identify the three broad areas of competence relating to the user role and what is required to demonstrate these areas of competence.

Consistency between IES 2 and IEPS 2 (Paragraph 27)

16. ED IEPS 2 identifies the minimum expected level of competence and expects proficiency in those competence elements in order to meet the requirements for qualification as a professional accountant. ED IEPS 2 respondents indicated that the practice statement brings a higher level of requirement than IES 2 where proficiency is not required.
17. In response the IAESB has agreed to align the guidance of the practice statement with IES 2. More specifically, paragraphs 23 and 24 indicate that candidates need to demonstrate a range of IT user competences in three broad areas of competence relating to the user role are set out in IES 2 (paragraph 32). These competences will be demonstrated by the candidates' ability to perform their work using appropriate IT systems and tools.

Advanced User Role (Paragraph 34)

18. ED IEPS 2 indicates that an IFAC member body may create other specific roles to meet specific need in an IT area; for example, an advanced user role within a narrow or specific domain. The knowledge and competences required for these specific roles may be drawn from the knowledge and competences required in this IEPS relating to the generic roles of user, designer, manager, and assurance provider, as appropriate. ED IEPS 2 respondents were not in favor of developing

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an advanced user role on the grounds that the existing user role may already be sufficient, or could be extended or redrafted to make it so.

19. In response, the IAESB has deleted paragraph 15 of ED IEPS 2 on the advanced user role, and replaced it with “mixed user” as per IES 2, and included an example. Paragraph 34 the practice statement indicates that IFAC member bodies can choose to combine some of the topics, illustrative subject matter and competency elements listed in the appendices of the IEPS to reflect the role or occupation of some or all of its members at point of qualification. For example, a set of competences extracted from the generic roles of user, designer, manager, and assurance provider, which relate to the role of an IT Project Manager is provided in Table 2.

Inclusion of Guidance on Teaching/Assessing IT (Paragraphs 35-41)

20. ED IEPS 2 does not provide any guidance on the teaching or assessment of IT knowledge or competence. More specifically, ED respondents indicated that the IEPS focus on (a) the importance of integrating IT into the overall accounting curriculum, (b) how IT knowledge and skills can be best developed, and (c) the assessment of IT knowledge and skills, highlighting the importance of practical experience/workplace learning.
21. In response, the IAESB agreed to provide guidance on teaching and assessment that would target the pre-qualification level only, as the variety of possible subjects and approaches to teaching and assessment post-qualification were too broad to make (limited) guidance helpful. Paragraphs 35-38 suggest approaches to integration of IT with other components of the accounting education program and discuss approaches that can be used to develop IT knowledge and competence. Paragraphs 39-41 suggest a range of assessment techniques while reinforcing the need for sufficient coverage of IT knowledge especially when integrating IT with other components of the accounting education program.

Basic Skills Gained Prior to Registration (Paragraph 37)

22. ED IEPS 2 does not provide any assistance to member bodies that want to acknowledge skills gained prior to registration when developing the IT component of a pre-qualification professional education program.
23. In response the IAESB indicated that the direction of IEPS 2 is to focus on outputs from an accounting education program rather than focusing on the use of inputs into an accounting education program. As a result, the Appendices of IEPS 2 have included examples of outputs in the form of competency elements and subject matter for the knowledge that is used to support each competency element.

Continuing Professional Education & Development (Paragraphs 42-52)

24. ED IEPS 2 does not provide sufficient guidance to member bodies to develop IT knowledge and competence through their CPD programs. More specifically, the

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structure of the practice statement needs to distinguish between pre- and post qualification levels with respect to IT knowledge and competence.

25. In response, the IAESB has agreed to re-organize the guidance on the development of IT knowledge and competence between pre-qualification, post-qualification and audit professionals. More specifically, paragraphs 44 to 51 describe the post-qualification guidance for member bodies to develop CPD programs on IT knowledge and competence for the Following IT roles: manager of information systems, evaluator of information systems and designer of information systems.

Level of Detail in Appendices (Appendices 1-7)

26. ED IEPS 2 respondents indicated that there was a need to reduce the content (particularly in the appendices) or change how the content is presented.
27. In response the IAESB indicated that the content of the appendices would remain unchanged but would be identified as containing illustrative subject matter that IFAC member bodies may consider including in the IT knowledge component of pre-qualification professional accounting education programs, as appropriate. More specifically, the IAESB agreed to include a series of statements of learning outcomes so as to be helpful at the pre-qualification level, and that these would be supported by detailed appendices. In addition, the appendices were redesigned to better identify the indispensable IT knowledge and skills needed by all professional accountants at point of qualification, and separate this from the knowledge and skills required by specialists post-qualification.

Emerging Topics (Appendices 1 and 3)

28. ED IEPS 2 respondents indicated that the following emerging areas were not discussed in the body of the IEPS 2: compliance work dealing with the regulatory framework concerning IT and communications, the convergence of data management and data networks.
29. In response the IAESB did not consider compliance work and the regulatory framework concerning IT and communications to be areas of core knowledge required by all professional accountants. Although these knowledge topics are important and specialized in nature, related knowledge topics have been included in Appendices 1 and 3.

Guidance on Ethics and IT (Appendices 2 and 5)

30. ED IEPS 2 does not provide any guidance on the integration of ethics and IT. More specifically respondents pointed to the need of professional accountants to emphasize responsibility and ethical use of IT in the workplace.
31. In response the IAESB agreed to include ethics knowledge in the general knowledge of IT subject areas and in relevant appendices. For example, the understanding of ethical values is included in the topics found in Appendix 2 on IT control knowledge. Appendix 5 also identifies knowledge of ethical standards in

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order to demonstrate competence when analyzing/evaluating and advising on an entity's IT assurance needs.