



International Accounting
Education
Standards Board

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Committee: IAESB Consultative Advisory Group
Meeting Location: FEE Headquarters, Brussels, Belgium
Meeting Date: February 6-7, 2014, beginning 8:30am.

SUBJECT: **Status of International Education Practice Statements – Issues Paper (01/14)**

INTRODUCTION

1. The aim of this paper is to assist CAG members in discussing issues related to the status of the International Education Practice Statements. More specifically, the paper will:
 - Provide a background on issues to be discussed;
 - Identify issues for discussion by the CAG; and
 - Request the CAG's advice on these issues.

BACKGROUND

Terminology

2. According to the *Framework for International Education Standards for Professional Accountants* (2009), the IAESB differentiates International Education Standards, International Education Practice Statements, International Education Information Papers, and additional Support Materials as follows:
 - **International Education Standards (IESs).** The IESs address the principles of learning and development for professional accountants.
 - **International Education Practice Statements (IEPSs).** IEPSs assist in implementing generally accepted good practice in learning and development for professional accountants. IEPSs may interpret, illustrate, or expand on matters related to IESs. In this function, IEPSs assist IFAC member bodies to implement and achieve good practice, as prescribed by the IESs. The IEPSs may also include commendable methods or practices, including those recognized as current best practice, that IFAC member bodies may wish to adopt.
 - **International Education Information Papers (IEIPs).** IEIPs may critically assess emerging learning and development issues and practices. The aim of such IEIPs is to (a) promote consideration of these issues, and (b) encourage comment and feedback. In this way, they may be useful forerunners of IESs and IEPSs. Alternatively, the IEIPs may simply be descriptive in nature. In this function, they promote awareness of learning and development issues or practices relating to the accountancy profession.
 - **Additional Support Materials.** The IAESB may issue additional material, such as toolkits or interpretation guidance, to assist IFAC member bodies in achieving good practice in learning and development, as prescribed by the IESs.
3. IESs are developed with a section entitled, Explanatory Material, which provides additional explanation and guidance to the requirements. The material is intended to explain more fully what a requirement means, and may include examples of how to meet the requirements. The explanatory material does not in itself impose any additional requirements; its purpose is to assist in their application.
4. IESs and IEPSs are considered authoritative pronouncements because they have been issued by the PIAC after the Public Interest Oversight Board (PIOB) concludes that due process has been followed effectively and with proper regard for the public interest.

Status of Practice Statements

5. As a result of approving the revised IESs 2, 3, 4, and 5 the following IEPSs were withdrawn effective July 1, 2015 with the aim of revising these guidance pronouncements to ensure alignment with the concepts and principles of the revised IESs:

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- IEPS 1, Approaches to Developing and Maintaining Professional Values, Ethics, and Attitudes
 - IEPS 2, Information Technology for Professional Accountants
 - IEPS 3, Practical Experience Requirements – Initial Professional Development for Professional Accountants.
6. It should be noted that the IAASB has withdrawn its authoritative International Auditing Practice Statements (IAPSs) and re-categorized these pronouncements as non-authoritative International Auditing Practice Notes (IAPNs) (See Appendix A for description of IAPNs). The reasons for their withdrawal were indicated in IAASB meeting minutes (June 2011 and September 2011 meeting minutes):
- would respond to the need for the IAASB to be able to provide auditors with a source of timely and useful material;
 - provide greater flexibility, by providing assistance to auditors, and enabling firms to use IAPNs in developing programs and internal guidance;
 - avoid confusion between material within the IAPSs and the application material in the ISAs;
 - bring discipline to future guidance projects; and
 - may lead to a shorter due process for such projects.
7. The IASB also uses a practice statement to provide guidance on Management Commentary (See Appendix A for description). The practice statement contains a framework that identifies principles and presentation issues which management commentary should be based; as well, the practice statement includes information on the elements that should be included in the management commentary. It should be noted that the practice statement is based on qualitative characteristics from the “old” IFRS Accounting Framework and the practice statement has not been updated at this point in time. However for the purposes of this discussion, the practice statement provides an example of how the IASB has used this type of pronouncement.

DISCUSSION

Content of IEPSs

8. The IAESB is seeking clarification on what should be included in an IEPS. The revised IESs have been drafted to address the principles of learning and development in Initial Professional Development (IPD) and Continuing Professional Development (CPD). The IESs are drafted to include the requirements or obligations on IAESB stakeholders while the explanatory material provides explanation and interpretation of the requirements. The following open-ended questions are starter questions that you may wish to consider when trying to respond to what should be included in an IEPS.

Action Requested:

- 1. What should be purpose of an IEPS?**
- 2. What should be included in an IEPS?**
- 3. What features distinguish an IEPS from an IES or an IEIP?**
- 4. What type of guidance might better be covered in an IEIP rather than in an IES or IEPS?**

Development of IEPS

9. The IAESB would appreciate the CAG’s advice on what activities are needed to develop an IEPS. The development of the revised IESs required (1) consultation on significant issues with stakeholders (e.g., CAG, member bodies, interested stakeholders, and the public) and (2) exposure of the proposed draft of the IESs to obtain public comments, as well as (3) oversight by the PIOB to ensure proper regard of the public interest. The following open-ended questions are starter questions that you may wish to consider when trying to respond to what activities are needed to develop an IEPS.

Action Requested:

- 5. What type of expertise is needed to develop an IEPS?**
- 6. What activities should be included in developing an IEPS?**
- 7. What are advantages and disadvantages of having oversight when developing an IEPS?**
- 8. What are examples where PIOB oversight might not be needed in developing an IEPS?**
- 9. What are examples of criteria that should be used to determine whether PIOB oversight is needed when developing an IEPS?**

Level of Authority

10. The IAESB requests the CAG's advice on what level of authority should be assigned to an IEPS. The IES is considered an authoritative pronouncement because the pronouncement has been issued by the PIAC after the Public Interest Oversight Board (PIOB) concludes that due process has been followed effectively and with proper regard for the public interest. The following open-ended questions are starter questions that you may wish to consider when trying to respond to what the level of authority should be assigned to an IEPS.

Action Requested:

- 10. Should the IAESB require compliance with an IEPS if it provides good practice guidance that is explicitly linked to an IES?**
- 11. Should the IAESB recognize compliance with an IES if compliance with the IEPS is not met?**

PROPOSED WAY FORWARD

11. The advice from the IAESB CAG's deliberations will be brought to the IAESB discussion at its April meeting.

APPENDIX A

Description of Guidance Pronouncements of Other Standard Setting Boards

International Auditing Practice Notes

21. International Auditing Practice Notes (IAPNs) do not impose additional requirements on auditors beyond those included in the ISAs, nor do they change the auditor's responsibility to comply with all ISAs relevant to the audit. IAPNs provide practical assistance to auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance.
22. Depending on the nature of the topic(s) covered, an IAPN may assist the auditor in:
 - Obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;
 - Making judgments about how to respond to assessed risks, including judgments about procedures that may be appropriate in the circumstances; or
 - Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.

IFRS Practice Statement

- IN2. The Practice Statement is not an IFRS. Consequently, entities applying IFRSs are not required to comply with the Practice Statement, unless specifically required by their jurisdiction. Furthermore, non-compliance with the Practice Statement will not prevent an entity's financial statements from complying with IFRSs, if they otherwise do so.
- IN5. The Practice Statement sets out the principles, qualitative characteristics and elements of management commentary that are necessary to provide users of financial reports with useful information. However, the form and content of management commentary may vary by entity. Thus, the Statement also provides principles to enable entities to adapt the information they provide to the particular circumstances of their business, including the legal and economic circumstances of individual jurisdictions. This flexible approach will generate more meaningful disclosure by encouraging entities that choose to present management commentary to discuss those matters that are most relevant to their individual circumstances.