**INTERNATIONAL FEDERATION**
**OF ACCOUNTANTS**

**Agenda Item**

**5-1**

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| **Committee:** | IAESB Consultative Advisory Group |
| **Meeting Location:** | New York, USA |
| **Meeting Date:** | February 9, 2010 |
| **SUBJECT:** | IAESB Revision of IESs 1-5 – Issues and Task Force Proposals for Public Consultation (02/10) |

## Introduction

1) The aim of this paper is to assist the IAESB CAG in its discussion of the issues related to the revision of IESs 1-5. Specifically, the paper will (1) provide background information on the revision of IESs 1-5; and (2) identify issues for CAG discussion on public consultation phase of the project.

## Background

2) IESs 1 to 5 are currently being reviewed to identify whether the issues surrounding the current standards warrant a re-write that goes beyond the required re-drafting to meet the new framework and drafting conventions standards. The task force is also being asked to consider whether consultation might be necessary on all or some of the standards.

3) This paper sets out the issues that the task force considers to be critical for consideration and discussion. These were discussed initially at the Brussels IAESB meeting in October, and this paper elaborates on those discussions. The task force is now seeking the IAESB's agreement to taking these points forward for consultation. Following the consultation the task force will present its findings and recommendations to the IAESB.

4) Each of the issues below will be explained during our proposed consultation events, and explored with the public. Rather than set out the full arguments for and against each approach in writing, we would prefer to use the task force members conducting the consultations to talk through the issues with the public. The task force knows that many of these issues are emotive and not fully understood, and we consider this "verbal explanatory" approach to therefore be the most effective approach to use. The task force believes that this approach will help to ensure that participants come to the consultation events, and participate in them, with relatively open minds rather than with preconceptions.

## Discussion
*Public Interest Issues*
5) **Project Issues and Objective**

The following project issues are being considered by the task force in the revision of IESs 1-5 as a result of the October 2009 IAESB meeting:

*IES 1 – Entry Requirements to a Programme of Professional Accounting Education*

(i)     Review and clarify the entry requirements to a professional accounting qualification

(ii)    Revise the entry requirements to ensure that they are inclusive of the various roles and expected outcomes of a professional accountant;

(iii)   Consider the revision of the Standard to take account of the fair access agenda

(iv)    Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

*IES 2 – Content of Professional Accounting Education Programs*

(i)     Review the Standard to ensure that it reflects a competence-based approach to the education and development of a professional accountant

(ii)    Clarify areas of the Standard which focus only on a knowledge-based approach to learning by ensuring that outcomes can be demonstrated and measured

(iii)   Revise the requirements of the Standard to ensure that the mix of input or output measures continue to be relevant and appropriate

(iv)    Revise the level and depth of knowledge required to ensure relevance and completeness while aiming to identify core competence of a professional accountant (future proofing e.g. sustainability)

(v)     Clarify the requirements for core competence given the various roles of the accounting profession

(vi)    Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

*IES 3 – Professional Skills and General Education*

(i)     Determine whether the content requirements of, and approach to, general education should continue to exist in IES 3 or whether it is still appropriate for specification within any IES

(ii)    Clarify the level of core competence required of a professional accountant (to include various roles and future proofing) to ensure consistency within the Standard

(iii)   Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

*IES 4 – Professional Values, Ethics and Attitudes*

(i)     Consider clarifying the Standard's requirements to ensure that accounting education programs continue to meet the core competence required for the various roles of a professional accountant

(ii)    Revise the Standard to ensure consistency with the terminology and concepts set out in the revised IFAC Code of Ethics.

*IES 5 – Practical Experience Requirements*

(i)     Revise the requirements of the Standard to ensure that all measures continue to be relevant and appropriate to a competence-based approach to the learning and development of a professional accountant

(ii)    Consider elaborating on various components of practical experience such as participation, observation, simulation

(iii)   Clarify the Standard's scope to address both development and assessment of competence by practical experience

(iv)    Clarify the Standard's requirements on practical experience to ensure that they continue to meet the core competences required for the various roles of a professional accountant

(v)     Clarify the Standard to eliminate repetition and duplication by transferring content to the existing Practice Statement (IEPS 3) to ensure that the Standard is easily understood by its target audience

(vi)    Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

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In following up on these issues the task force will consult with the public on the importance of these issues, perform an analysis of key impacts to stakeholders, revise the content of the Standard to address these issues, and consult with the public on changes to the Standard. In pursuing this approach the task force is addressing the project's objectives of improving the clarity the Standard by implementing the IAESB drafting conventions, ensuring consistency the concepts and principles of the new Framework, and clarifying the Standard as a result of experience gained from implementation of the Standards by IFAC member bodies.

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**Action requested:**

1) **Do you agree that these project issues address completely and sufficiently the objectives of the revision project? Are there other issues which you consider significant in the revision of IESs 1-5?**

2) **Does the task force's approach in addressing the project objectives continue to be in the public interest?  If not what should the task force consider in its approach?**

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**Overarching issues across the 5 standards**

(i)     *Competence versus knowledge*

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**Action Requested:**

3. **Should the IAESB adopt a competence-based approach rather than a knowledge-based approach to education?**

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6)     Competence-based approaches are becoming more prevalent in professional education and training. In the light of this, the taskforce considers that as it is

representing the public interest, it will propose a move to competence-based rather than knowledge-based education. This may however not be fully understood or supported by the interested parties, partly due to cost implications of changing syllabuses, assessment approaches, etc. The task force aims to use our consultation events to fully explore the pros and cons of each approach, in terms of both outcomes and practicalities. The task force will explain that we believe a competence-based approach will deliver a better outcome in terms of application of IESs, and make it clear that task force wishes to gather information on stakeholder concerns so that they can be fully considered and addressed in any revision.

*(ii)*     *Principles versus rules*

> **Action Requested:**
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>   4. **What is the impact of adopting a principles-based approach to standards on matters such as input measures and drawing of lines?**

7)      The task force aims to use the consultation events to fully explore the pros and cons of each approach, in terms of both outcomes and practicalities. The task force will probe as to whether any preference for a rules based approach is based on concern over implementation of a principles-based approach, and explore any difficulties expressed over a move to a principles-based approach. Task force members will explain that we believe a principles-based approach will deliver a better outcome in terms of application of IESs, and will make it clear that information is to be gathered on stakeholder concerns so that they can be fully considered and addressed in any revision.

*(iii)* *Stand-alone versus amalgamation*

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**Action Requested:**

5. **Should IES 1 to 5 be amalgamated or remain as stand-alone standards?**

6. **Should amalgamation be deemed to be desirable, which particular combination would be most appropriate in order to provide a 'linear' approach to accounting education?**

   **Possible Options**

   i) **Leave IES 1 as stand-alone and combine IES 2 and 3 as one standard and IES 4 and 5 as another standard.**

   ii) **Leave IES 4 as stand-alone, with copious references to Ethics in the other standards**

   **Other possible permutations include:**

   iii) **IES 2 combined with other standards amongst the first 5, and in particular IES 3 and 4?**

   iv) **IES 3 content to be consolidated within other Standards**

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8) Task force members are open-minded on the issue of potential amalgamation of IESs, and that we wish to gather stakeholder information about the pros and cons of each of the above possibilities, or any other possibilities. The task force does not intend to lend more weight than necessary to the issue of amalgamation, and believe that this is a "process" issue which could be resolved in a number of ways, and that this is not critical to the revision project.

*(iv)* *Fair access and levels within the accountancy profession*

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**Action Requested:**

7. **How to include considerations of fair access to the profession (e.g. entrants who do not possess the level of qualification necessary to enter a degree level programme)?**

8. **How to ensure that technician level considerations are encompassed in all relevant standards?**

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9)     These two issues are integrally linked.  These questions are important now that
       many countries, including both the UK and many developing nations, are
       considering the fair access agenda in depth and publicly.  Accounting technicians
       have now been agreed as being "within scope" for IESs.  This will involve a short
       description of accounting technicians, as we know that this is not a universally
       understood term.   The focus of our discussion will be that all levels of the
       accountancy profession need to be addressed within the revised IESs, and we will
       gather views on how to achieve this, and how to ensure that the IESs protect
       standards at the same time as allowing access to the profession at various levels
       without putting in place unnecessary barriers.

**Specific issues relating to individual standards**
  *IES 1*

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| **Action Requested:** |
| 9.  **Should providing access to those entrants without formal qualification form the basis of a principle upon which entry requirements are put in place by each member body?** |

10)    The task force will look at the pros and cons of setting bright line entry
       requirements, addressing the issues of maintaining standards, allowing fair access,
       making sure that entrants have a reasonable chance of success, and accommodating
       those who may not have had a good experience with qualifications in the past – this
       would particularly focus on those who left formal schooling or education some time
       ago but who have since gained the experience and maturity to potentially be
       successful students within the accounting profession.   Task force members will
       encourage discussion on the possibility of the Standard focussing on the desired
       outcome or principle (ensuring that those who start on a programme of accounting
       education are likely to have the capacity to successfully complete the relevant
       qualification) and allowing flexibility within different jurisdictions and for different
       levels of qualification.  This discussion will include exploration of the complexities
       associated with trying to line up qualifications from across the world, from many
       awarding organisations, to form any useful sort of comparison.

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| **Action Requested:** |
| 10. **What are the appropriate entry requirements for those wanting to start a programme of education and training to become a member of the accounting profession, taking into account the two main qualification levels of (i) accounting technicians and (ii) professional accountants?** |

11) The task force will explore this question with the public by explaining, as outlined at 2.1(iv) above, what accounting technicians are, and then moving on to explore the issue of different entry requirements for different levels of study. As above, we will explore the notion of specifying the desired outcome (or principle) within the IES, and allowing flexibility for the entry specification.

*IES 2*

> **Action Requested:**
> **11. Should IES 2 refer to content of Professional Accounting Education and Training Programme?**

12) Our consultation will focus on the main question of whether it is still appropriate for an IES to specify, in detail, what should be included within a training programme which leads to an accounting qualification, or whether it might be more appropriate to focus on principles. The task force will explore the pros and cons of each approach. If there is a strong view from the public that content should be explicitly specified, the task force will ask for views on what that content should be.

> **Action Requested:**
> **12. As we are moving towards a more competence based approach, should we specify the length of study required (input) or focus on outputs? Should we specify whether students should pursue a degree in accounting to gain this knowledge as in paragraph 13?**

13) The task force will propose that a focus on outputs is more in keeping with a principles-based approach, and gauge the reaction. If there is some objection, we will explore reasons for this, and try to ascertain whether any objection is more to do with perceived implementation difficulties than with the actual principle of the proposal to focus on outputs. The task force will also make it clear that we know that not all member bodies require students to gain an accounting degree and we will explore views on the pros and cons of this as a requirement.

> **Action Requested:**
> **13. Should we widen the 'information technology' knowledge and competences requirements in paragraph 14 as well as paragraph 28 to better reflect the fact that 'e-business' skills are now widely required ?**

14) This part of the consultation will focus on the current business environment, and we will gather views to help us to make sure that IESs are up to date in terms of the now all pervasive use of technology within accounting.

*IES 3*

> **Action Requested:**
> 14. **Should the general education section be removed? If yes should it be put in another standard or removed completely?**
> 15. **Should it be referred to as optional/guidance rather than part of a standard?**

15) The task force's consultation will focus on whether the IESs are going beyond their remit in specifying general education requirements within a programme of study for accountants, and the pros and cons of the inclusion of such specifications. The task force will consult on what value such inclusion brings and whether it would be more appropriate to include this as guidance, or optional for inclusion etc. Our focus will be on what evidence there may be that such inclusion leads to more competent accountants, and on how this aspect of IES 3 is viewed in different parts of the world.

> **Action Requested:**
> 16. **Should the requirement provide an indication of level as well as stating the skills to be acquired as in paragraph 13?**
> 17. **Should we provide additional explanation similar to that provided in the practice statement on professional ethics?**

16) The task force's consultation will look at how useful the current IES is in terms of stakeholder implementation, looking specifically at the fact that the IES does not specify levels at which the various skills should be pitched; the task force will explore how stakeholders deal with this anomaly, how big a problem it is, and what could be done in revising the standard that they would find useful.

> **Action Requested:**
> 18. **Should the revised IES 3 talk about professional skill as a requirement at a point in time (qualification) or as a continuum (through IPD and CPD)?**

17) The focus of our consultation on this issue will be to outline the continuum of IPD/CPD and to explore stakeholder views on interpretation of IES 3 in relation to this continuum, both in terms of current interpretation and possible revision of the standard.

*IES 4*

**Action Requested:**
  19. **The main issue of principle identified for this standard is whether it should stand alone with copious references to Ethics in the other IESs or whether it should be combined with other IESs.**

18)    The task force will touch on this point during our consultation, but we do not propose spending a huge amount of time on this, as we have so many other issues on which to consult, and we feel that the Task Force is able to make a proposal to the Board on this matter without extensive consultation.

**Action Requested:**
  20. **Other issues pertained to redrafting in line with IFAC guidelines on professional ethics and competence based outcomes rather than simply as knowledge based requirements**

*IES 5*

**Action Requested:**
  21. **Should IES 5 define and provide examples of relevant practical experience?**

19)    The task force intends to explore with the public whether such examples would be useful.  The task force will also need to explore whether such examples might be seen as prescriptive and off-putting, or whether they can be presented in such a way that they are clearly options rather than a specified way for member bodies to ensure compliance with IES 5.  If such examples are considered useful, we will gather ideas during the consultation on potential examples.

**Action Requested:**
  22. **Should we, in line with a more principles based approach to standards, include competency models and measures which can be used to assess the efficacy of the practical experience obtained?**

This part of task force's consultation will require us to outline a competence based approach and explore reactions to this.  It will involve explanation of terms and approaches some stakeholders will not be familiar with, and we will need to follow this with sensitive assessment of reactions to it, taking into account whether any objections are associated with the "newness" of the ideas, and with practical implementation issues etc.

> **Action Requested:**
> **23. Should input measures be retained in IES 5? e.g. how could 3 years of practical experience (2 with relevant graduate professional education) be translated/transformed into an output/competency measurement?**

20) As with some of the other issues on which we wish to consult, this will involve careful explanation of the benefits of an output based approach. Consulting on such a big potential change to the way the IESs are written will involve sensitive analysis of the consultation responses to see the true picture rather than any immediate reactions associated with change etc

> **Action Requested:**
> **24. Should IES 5 specifically address all the various roles of professional accountants, from technician to public company auditor?**

This issue is likely to raise a number of strongly held views in terms of how prescriptive the IESs should be, and how practical it is to suggest that various roles be addressed. The task force intends to gather views on the pros and cons of such an approach, along with some thoughts from the public on which roles might be included, and the level of detail that might be appropriate in such definitions; this will cover sector and occupational/specialisation differences in role as well as different levels within the profession.

## Next Steps
**Consultation process**
21) It was agreed that the key issues outlined above will form the basis of discussions at the following forums:

- DNC 15th -16th March led by Azza Raslan
- ECSAFA meeting in April led by Saleem Kharwa
- APLG meeting in February led by Dennis Reigle and David McPeak
- FEE meeting on 3rd May in Brussels led by Aude Leonetti

The comments/advice of the CAG will be used to inform the IAESB's discussion on consulting the public in revising IES 8.