

## Consultation Paper

December 2015

*Comments due: March 8, 2016*

*International Accounting Education Standards  
Board*

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# Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities

**IAESB**

International Accounting  
Education  
Standards Board™

This document was developed and approved by the International Accounting Education Standards Board™ (IAESB™).

The IAESB develops education standards, guidance, and information papers on Initial Professional Development (IPD), training of professional accountants, and Continuing Professional Development (CPD).

The objective of the IAESB is to serve the public interest by setting high-quality International Education Standards™ (IES™) for professional accountants and by facilitating the convergence of international and national education standards.

The structures and processes that support the operations of the IAESB are facilitated by the International Federation of Accountants® (IFAC®).

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## EXECUTIVE SUMMARY

The International Accounting Education Standards Board (IAESB) is undertaking this consultation to obtain public comment on its vision for the next five years and the strategic priorities it believes need to be addressed in serving the public interest. This Consultation Paper has been developed taking into account input received from the IAESB's Consultative Advisory Group (CAG), the Public Interest Oversight Board (PIOB), and from other interested stakeholders seeking to improve the quality of professional accounting education.

The IAESB's vision is to increase public confidence in the accounting profession by setting and maintaining principles-based standards that codify good practice in accounting education. The Board serves the public interest by:

- Establishing a series of high-quality standards and other publications reflecting good practice in the education, development, and assessment of professional accountants;
- Promoting the adoption and implementation of the International Education Standards (IESs);
- Developing education benchmarks for measuring the implementation of the IESs;
- Periodically reviewing the need for further revisions to any of the IESs or for developing additional standards; and
- Advancing international debate on emerging issues relating to the education, development, and assessment of professional accountants.

The IAESB recognizes that time is needed to allow IFAC member bodies to implement fully the revised IESs before assessing whether the aims of the revised IESs are being achieved. The IAESB is therefore setting its future strategy and priorities for a five-year horizon. The IAESB also recognizes that professional accountants operate in an environment that is continuously changing. These changes are having an impact on the initial and continuing professional development needs of professional accountants and the demands placed on professional accountants globally.

In contemplating how best to respond to the changing accounting education environment and the need to protect the public interest, the IAESB envisages its priority activities as follows:

- Enhancing existing standards;
- Developing new standards to fill identified gaps in professional accounting education;
- Preparing material to support adoption and implementation of the IESs; and
- Facilitating thought leadership on relevant issues.

<b>Our Mandate</b>	The IAESB is an independent standard-setting body that serves the public interest by strengthening the worldwide accountancy profession through the development and enhancement of accounting education. Through its activities, the IAESB enhances education by developing and implementing IESs that increase the competence of the global accountancy profession, contributing to strengthened public trust.
<b>Our Focus</b>	<p>The IAESB’s objective is to serve the public interest by:</p> <ul style="list-style-type: none"> <li>• Establishing high-quality standards and other publications reflecting good practice in the education, development, and assessment of professional accountants;</li> <li>• Promoting the adoption and implementation of the IESs;</li> <li>• Developing education benchmarks for measuring the implementation of the IESs;</li> <li>• Periodically reviewing the need for further revisions to any of the IESs or for developing additional standards; and</li> <li>• Advancing international debate on emerging issues relating to the education, development, and assessment of professional accountants.</li> </ul>
<b>Our Commitment</b>	The IAESB is committed to the goal of developing and maintaining a set of international standards that are accepted worldwide. The IAESB’s objectives contribute to enhanced quality and consistency of practice throughout the world, and strengthened public confidence in the global accountancy profession.
<b>Our Standards</b>	<p>The IESs cover the essential elements of professional accountancy education, including:</p> <ul style="list-style-type: none"> <li>• Entry Requirements to Professional Accounting Education Program;</li> <li>• Professional Accounting Education Content;</li> <li>• Practical Experience;</li> <li>• Assessment; and</li> <li>• Continuing Professional Development.</li> </ul>
<b>Strategic Input</b>	The <a href="#">IAESB Consultative Advisory Group</a> (CAG) in its independent capacity provides valuable public interest input into the IAESB’s strategy, agenda, priorities, and technical issues. The CAG comprises 15 Member Organizations representing global regulators, business and international organizations, and users and preparers of financial statements. Interaction with the CAG is a key element of the IAESB’s due process.
<b>Oversight</b>	The IAESB sets its IESs following <a href="#">due process</a> , under the oversight of the <a href="#">Public Interest Oversight Board</a> .
<b>Structures and Processes</b>	The structures and processes that support the IAESB are facilitated by the <a href="#">International Federation of Accountants</a> .

## REQUEST FOR COMMENTS

The IAESB has developed and approved the Consultation paper, *Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities*, with the aim of informing the Board's deliberations on its future strategy and priorities. **Comments are requested by March 08, 2016.**

Respondents are asked to submit their comments electronically through the IAESB website, using the [Submit a Comment](#) link. Please submit comments in both a PDF *and* Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. Although IAESB prefers that comments are submitted via its website, comments can also be sent to David McPeak, IAESB Technical Manager at [davidmcpeak@iaesb.org](mailto:davidmcpeak@iaesb.org).

### Guide for Respondents

Comments are invited from all stakeholders interested in or affected by the quality and relevance of accounting education, as safeguarded through international standards. Feedback is especially encouraged from IFAC Member Bodies in all jurisdictions; stakeholders in public policy, regulatory, public accounting and other relevant communities; professional accountants in business, government and academia; and employers of professional accountants. Anyone offering comments should refer to specific sections, include the reasons for the comments and, where appropriate, make explicit suggestions for proposed changes to the proposed strategy and priorities. The IAESB would also like to hear from respondents who agree with the proposals of this consultation paper.

### Questions

1. What enhancements, if any, do you feel should be made to the existing International Education Standards (IESs)?
2. How can the IAESB align the requirements of IES 7, *Continuing Professional Development* (2014) to support the learning outcomes approach of the other IESs, including IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (Revised)?
3. What action, if any, should the IAESB take to improve professional competence related to the appropriate exercise of professional skepticism and professional judgment?
4. What new IESs, if any, do you suggest be developed to address emerging matters related to the education of aspiring professional accountants and professional accountants?
5. What other activities, if any, do you suggest the IAESB prioritize for the period 2017-2021 (for example, implementation support; guidance; communications; thought leadership publications)?

This publication may be downloaded free of charge from the IAESB website: [www.iaesb.org](http://www.iaesb.org). The approved text is published in the English language.

# MEETING FUTURE EXPECTATIONS OF PROFESSIONAL COMPETENCE: A CONSULTATION ON THE IAESB'S FUTURE STRATEGY AND PRIORITIES

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# **MEETING FUTURE EXPECTATIONS OF PROFESSIONAL COMPETENCE: A CONSULTATION ON THE IAESB'S FUTURE STRATEGY AND PRIORITIES**

1. This Consultation Paper sets out for public comment the vision of the IAESB for the next five years and the strategic priorities it believes need to be addressed in serving the public interest by establishing high quality accounting education standards that help drive professional competence.
2. Comments are invited from all stakeholders interested in or affected by the quality and relevance of accounting education, as safeguarded through the IESs. Feedback is especially encouraged from IFAC Member Bodies in all jurisdictions; stakeholders in public policy, regulatory, public accounting and other relevant communities; professional accountants in business, government and academia; and employers of professional accountants.
3. This feedback will inform the IAESB's finalization of its Strategy and Priorities for the period 2017 to 2021; as well as its detailed work program and organizational approach.

## **Trends in the Accounting Profession and Implications for Accounting Education**

4. Professional accountants operate in an environment that is continuously changing. Examples of significant changes or trends include:

### **Changing roles of professional accountants**

- Increasing depth and complexity of accounting issues;
- Growing range of accounting specializations, with distinct learning needs;
- Growing demands placed on professional accountants to be able to work in different jurisdictions and across national boundaries;

### **Changing policy and content**

- Increasing recognition by the audit profession of, and emphasis by audit regulators on, the need for auditors and audit firms to improve the quality of their work;
- Continuing importance of systemic risk in the accounting and auditing environment;
- Accelerating development of new forms of corporate reporting, including integrated reporting and their assurance;
- Growing recognition of the dynamic Information Technology (IT) environment, including the use of data;
- Growing adoption of accrual-based International Public Sector Accounting Standards;
- Expanding professional accountancy education capacity-building initiatives in the developing world;

### **Changing nature of accounting education**

- Increasing innovation in professional education learning and development;
- Evolving accounting education methodology such as the recognition of prior learning;
- Changing nature and format of workplace learning.

5. These changes or trends have implications for the IAESB and accounting education in terms of: (i) the scope and content of the newly revised education standards; and (ii) the changing nature of education, and hence of benchmarks and good practice to be followed in acquiring, developing, delivering, and assessing learning outcomes. These implications are considered below.
6. The IAESB has recently revised the IESs to incorporate a learning outcomes approach that recognizes the diversity of practice across IFAC Member Bodies and in different jurisdictions. IESs 1-6<sup>1</sup> cover IPD and focus on entry requirements, technical competence, professional skills, professional values, ethics and attitudes, practical experience and assessment of professional competence. IES 7<sup>2</sup> sets out the requirements to be met relating to CPD during a professional accountant's career; while, IES 8<sup>3</sup> establishes the professional competence that professional accountants develop and maintain through CPD when performing the role of an audit engagement partner.
7. The trends referenced above suggest that a stronger focus on CPD may be required to respond appropriately to those developments, recognizing that professional accountants will spend the majority of their professional careers in the CPD phase.
8. With respect to the changing nature of education, the trends underscore the importance of a structured approach to ensure that learning outcomes may be met regardless of the teaching and learning methods applied.

## **IAESB's Standard Setting Context**

9. The IAESB is an independent standard-setting body that serves the public interest by strengthening the worldwide accountancy profession through the development and enhancement of accounting education. Through its activities, the IAESB enhances education by developing IESs that increase the competence of the global accountancy profession, thereby contributing to strengthened public trust.
10. The IAESB believes that high quality and relevant IESs foster global convergence. This contributes to:
  - (a) professional accounting education that is of consistent high quality;
  - (b) enhanced professional competence of professional accountants; and
  - (c) greater capacity of professional accountants to fulfil the accounting and assurance requirements of roles in the private and public sectors.
11. With IESs 1-7 now in effect and the newly revised IES 8 becoming effective on July 1<sup>st</sup> 2016, the IAESB is currently developing implementation material and other guidance to support a deeper understanding of the revised IESs and their implications, and thereby assist their global adoption and implementation.

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<sup>1</sup> IES 1, Entry Requirements to Professional Accounting Education Programs (2014); IES 2, Initial Professional Development – Technical Competence (2015); IES 3, Initial Professional Development – Professional Skills (2015); IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes (2015); IES 5, Initial Professional Development – Practical Experience (2015); IES 6, Initial Professional Development – Assessment of Professional Competence (2015).

<sup>2</sup> IES 7, Continuing Professional Development (2014).

<sup>3</sup> IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised).



12. Looking ahead, the IAESB takes the view that any issues or gaps in the IESs should be rigorously assessed and appropriately addressed. These may exist as a result of changes in the environment or trends in accounting education. As organizations continually scan for emerging environmental changes and trends, so must the accountancy profession. As these trends are identified, accounting education must adapt to respond to their implications and maintain its relevance.
13. The IAESB recognizes that time is needed to allow IFAC Member Bodies to implement fully the revised IESs before undertaking a post-implementation review to assess whether their objectives are being achieved. The IAESB is therefore setting its future strategy and priorities for a five-year period. In setting its future strategy the IAESB will consider how best to prioritize its resources to standard setting activities, while ensuring that a proportionate amount of effort is focused on supporting the implementation of the IESs.

### **IAESB's Vision for the Next Five Years and Strategic Priorities**

14. The IAESB's vision is to increase public confidence in the accounting profession by setting and maintaining principles-based IESs that codify good practice in accounting education. Setting and maintaining principles-based IESs and codifying good practice are dynamic processes that respond to evolving needs and changing circumstances.
15. The focus of the IAESB is to serve the public interest by:
  - Establishing a series of high-quality standards and other publications reflecting good practice in the education, development, and assessment of professional accountants;
  - Promoting the adoption and implementation of the IESs;
  - Developing education benchmarks for measuring the implementation of the IESs;
  - Periodically reviewing the need for further revisions to any of the IESs or for developing additional standards; and
  - Advancing international debate on emerging issues relating to the education, development, and assessment of professional accountants.

### **IAESB's Strategic Priorities: Initial Considerations**

16. The IAESB is setting its strategic priorities to respond to the changing accounting education environment and the need to protect the public interest. It envisages considering the enhancement of the existing IESs; the development of new IESs to fill identified gaps in professional accounting education; the preparation of other material to support adoption and implementation of the IESs; and the provision of thought leadership on relevant and emerging issues in accounting education or learning and development activities. Specific IAESB activities will be prioritized following the results of stakeholder consultation and available IAESB resources, in a detailed work program to be published by the end of 2016.

### **Enhancing existing IESs**

17. IES 7 was redrafted, rather than revised, as part of the Clarity Project on the IESs. This involved a review of terminology and conformance with other IESs extant at the time, rather than the amendment of content enabled by a full revision. The IES 7 redraft was also completed before most of the IES revisions. The newly revised IESs focus on developing professional competence through an output and outcomes approach. The redrafted IES 7 does not align well with an output and outcomes

approach. The IAESB has therefore established a task force to consider how best to revise IES 7 to enable professional accountants, through CPD, to meet the professional competence expectations required in the public interest.

18. IESs 2, 3, 4, and 8 prescribe learning outcomes that assist professional accountants and engagement partners to demonstrate effective “professional skepticism” and “professional judgment.” The IAESB considers that these areas of professional competence are growing in importance for all professional accountants; this is supported by relevant accounting literature, research studies, and findings from regulators’ reports. The IAESB is evaluating what actions it should take to support the development, maintenance, and demonstration of professional skepticism and professional judgment for professional accountants. Potential actions include reviewing existing references to these competences in the IESs or expanding references to these topics in existing or new IESs.
19. Though most prominently dealt with in the *International Standards on Auditing*, professional skepticism is also addressed in the *International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants* (IESBA Code)<sup>4</sup> as well as the IESs. Accordingly, a joint Working Group has been formed with representatives from these three independent standard-setting boards<sup>5</sup> (SSBs) to make recommendations to each SSB whether there is standard-setting or related work that can be undertaken. The IAESB will continue to be guided in its approach to professional skepticism and professional judgment by the work of this joint Working Group, as well as the feedback on this consultation.
20. As accounting practices have developed, the dynamic impact of IT requires different competences among professional accountants. Additionally, the growing impact of aspects of IT such as data analytics, automated and tagged financial reporting, data security, and cloud-based accounting environments means that professional accountants are increasingly required to research, mine, and interpret such data, rather than just prepare it. These trends impact both the IPD and CPD phases of a professional accountant’s career, including the need for professional specialization in this area and guidance needs of their specific role. The IAESB proposes updating existing IESs to reflect this and to develop practical guidance for professional accountants.

### **Potential new IESs**

21. Initial work in preparing this consultation paper has identified potential areas of professional specialization for professional accountants for future development. This could take the form of additional CPD Standards that build on essential competence areas for professional accountants with related learning outcomes (similar to the revised IES 8 for the audit engagement partner). Any new IESs would also be supported by implementation guidance and thought leadership publications developed in partnership with leaders in the relevant field.

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<sup>4</sup> The IESBA Code explicitly mentions the term professional skepticism in a number of places including in the definition of “independence” – both independence of mind, and independence in appearance. There is also a perceived connection between professional skepticism and the fundamental principle of objectivity and integrity, though there is not an explicit reference.

<sup>5</sup> The three SSBs are: International Auditing and Assurance Standards Board; International Ethics Standards Board for Accountants; and International Accounting Education Standards Board.

### **Adoption and implementation support**

22. The existing IAESB work program is principally focused on supporting the implementation of the newly revised IESs. This work will continue as planned until the IAESB approves its next work program to implement its 2017-2021 Strategy and Priorities.
23. The IAESB will continue to consider the case for additional support to implement the newly revised IESs. For example, in the next work program implementation guidance may be needed for the assessment of learning outcomes achieved through practical experience; and how to assess reflective activities identified in IES 4. The IAESB will consider carefully whether it should develop any such additional implementation material itself, or look to others who may be better placed to develop and provide this content.

### **Advancing international debate**

24. The IAESB has recently prepared a thought leadership paper on entry requirements to professional accounting education programs. This has informed the guidance and implementation support material being developed for IES 1. The IAESB will consider the scope for additional contributions to the international dialogue and debate on professional accounting education, in line with its terms of reference. For example, the IAESB is considering the need for thought leadership on the importance of the accountancy educator and its centrality to these developments, and will review the need for additional thought leadership as innovation drives further change in accounting education.

## Questions

1. What enhancements, if any, do you feel should be made to the existing International Education Standards (IESs)?
2. How can the requirements of IAESB IES 7, *Continuing Professional Development* (2014) support the learning outcomes approach of the other IESs, including IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (Revised)?
3. What action, if any, should the IAESB take to improve professional competence related to the appropriate exercise of professional skepticism and professional judgment?
4. What new IESs, if any, do you suggest be developed to address emerging matters related to the education of aspiring professional accountants and professional accountants?
5. What other activities, if any, do you suggest the IAESB prioritize for the period 2017-2021 (for example, implementation support; guidance; communications; thought leadership publications)?

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