

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

A Response from the Chartered Institute of Public Finance and Accountancy

Thank you for the opportunity to comment on the IAESB consultation document 'Meeting Future Expectations of Professional Competence.' The relevant CIPFA staff and committees have now had the chance to consider the proposals and questions set out in the document and would like to submit the response contained in this paper for the consideration of the IAESB.

Firstly, however, CIPFA should like to place on record its continuing support for the work of the IAESB. This Board performs an extremely valuable function in setting, through its standards, what is effectively the oversight environment for not just PAOs, but everyone engaged in the initial and continuing professional development of professional accountants. This is particularly important in government and public sector finance, as more and more countries adopt International Public Sector Accounting Standards and pursue a wider financial management professionalization agenda.

Responses to Questions

- 1. What enhancements, if any, do you feel should be made to the existing International Education Standards (IESs)?**

Please see our response to question 2, below.

- 2. How can the IAESB align the requirements of IES7, *Continuing Professional Development (2014)* to support the learning outcomes approach of the other IESs, including IES8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)*?**

At one level, the early release of the redrafted IES7 in 2014, out of cycle with the suite of revised standards, has created a significant conformance gap in terminology and approach between IES7 and the other IESs as they are issued. One response to this anomaly would be to undertake a further redrafting of IES7. However, CIPFA believes that this would be insufficient to align IES7 fully with the other IESs. Therefore, we ask that a full revision process of IES7 be undertaken, not just to meet conformance requirements with the Framework and Glossary, but to produce a CPD standard that embraces the learning outcomes approach of the other IESs.

- 3. What action, if any, should the IAESB take to improve professional competence related to the appropriate exercise of professional skepticism and professional judgement?**

The revised IES8 effectively considers matters relating to professional skepticism and professional judgement in the context of the work of the audit professional. However, these competencies do not just inform the work of auditors but of all professional accountants, who have a duty to ensure effective, ethical and lawful financial management. CIPFA does not propose any further revisions to the new IESs to take account of this, but recommends that the IAESB considers how best to bear these matters in mind as it plans to develop thought leadership and other guidance materials for the implementation of the new IESs.

- 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?**

In general, the specific concerns of IES8 notwithstanding, CIPFA supports the generic approach contained within the IESs. However, specialisation amongst professional accountants is clearly growing (not least in management accounting, tax and financial services). Specialisms such as these are commonly developed after the completion of IPD and practical experience requirements. Therefore, there may be a case for the development of further specialist CPD IESs along the lines of IES8.

However, CIPFA does feel that government and public sector accounting and its relation to public financial management is currently underrepresented within the IESs, and has implications for IPD as well as CPD. As noted above, the introduction of IPSAS, and accruals accounting more widely across the government and public sector, has led to a significant acceleration of professionalization and the development of professional accountants in the sector. For example, asset management, revenue generation and its treatment and financial reporting differ markedly in public sector as compared to corporate accounting, and the field of public audit as a distinct area of practice and the development of a global approach by the International Organisations of Supreme Audit Institutions is gathering pace. There exists the opportunity for the IAESB to consider the development of a separate IES to address these issues and reflect the needs of aspiring professional accountants in the government and wider public sector.

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)?

Now that the process of revision of the extant IESs (hopefully to be joined by a fully revised IES7) is nearing completion, there is clearly much to do to enable and support the wider accounting education world to embrace and adopt them. CIPFA welcomes the recently prepared thought leadership paper for IES1 and would like to see a consistency to this approach, with a suite of similar papers produced for each of the IESs. However, thought leadership alone will not ensure the effective adoption of the new IESs. For this to happen consistently, PAOs around the world will require further practical advice and guidance in not only the benefits, but the process of implementation of the IESs. Clearly, this is a major undertaking, and for this reason CIPFA supports the proposal in the consultation paper that the assessment of learning outcomes through practical experience and reflective activities identifies in IES4 would be a valuable starting point. We would add to this, however, some consideration of the impact of the new IESs and in particular the learning outcomes approach on the role of the accounting educator. While the IESs cannot bind stakeholders other than the PAOs and are so quite properly addressed to them, the tertiary education sector is of critical importance in ensuring their adoption and relevance. CIPFA should therefore welcome the IAESBs early consideration of, and inclusion in its forward strategy and priorities, how best to enable this to take place.