

September 19th, 2017

Senior Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
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Dear Mr. McPeak

We appreciate this opportunity to comment on the Exposure Draft of the Proposed International Education Standard IES 7 *Continuing Professional Development (Revised)*, (“IES 7”). We fully support the International Accounting Education Standards Board (“the Board”) in its project to revisit and revise IES 7, and we commend the Board for the work done on the project to date, including the extensive research and consultation activities undertaken as part of the preparation of this draft. The principles included in this standard form the foundation for other important standards, notably, IES 8 *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* and accordingly, warrant particular attention by the Board.

Key Comments

Impact of proposed revisions on consistency of CPD practice and measurement across jurisdictions

We believe the proposed revised standard allows for increased flexibility in framing CPD for professional accountants. This being said, as a multinational network, that flexibility presents certain challenges to maintaining consistency across the jurisdictions in which we operate.

We note that the requirement in paragraph 14 of the proposed standard regarding the measurement of CPD using input-based approaches refers to IFAC member bodies specifying “an amount” of learning and development activity. No minimum or reference amount for such activity is proposed, and the previously stated 120-hour minimum over a 3-year period has been removed from the requirements.

While this is certainly principles-based, we are not convinced that it is in the public interest to cease requiring a minimum level of activity for input-based approaches. Indeed, certain jurisdictions may encounter significant challenges in implementing purely output-based approaches as a result of local legislation requiring input-based measures, namely hours of structured or verifiable CPD.

In our view, ceasing to require a minimum amount of activity for input-based approaches sends the wrong message to the profession. Even under an output-based approach an important consideration will be the overall investment made to achieve the learning outcomes and as a result there will always be cost-benefit considerations in planning a program of CPD. The current universal 120-hour ‘yardstick’ measure provides a vital signal of the importance of a significant investment in CPD for professional accountants, whatever the measurement approach adopted. Removing this yardstick could be seen as an indication to those responsible for the CPD of professional accountants, that they can or should reduce their investment, which is unlikely to be in the interests of the profession.

Furthermore, global audit networks such as ourselves have a strategic imperative to drive consistency in the quality of audits conducted across the whole network, and the continuing professional development of audit practitioners is one important contributor in achieving that. Whilst recognising there are inherent limitations in an input-based approach to the measurement of CPD, a clear and consistent learning-hours measure is still an important strategic tool in the setting, monitoring and measurement of learning requirements for a complex, multi-jurisdictional organisation like ours. In the absence of an hours requirement set by the IES, we expect there would still be a need to articulate a specific minimum requirement for our organisation and would likely retain the existing 120-hour requirement which is already defined in our internal policy.

As a result, albeit the clarifications proposed relating to the output-based approach are helpful, we believe that the removal of the quantitative “bright lines” included in extant IES 7, i.e. the 120 hour or equivalent learning units in each rolling three-year period requirement, is unhelpful given the global context within which we operate and will adversely affect consistency in application. We note that paragraph A22 of the proposed standard does clarify that the common factor among all input-based approaches is their measurement of CPD activity in terms of “hours or equivalent learning units”. Accordingly, a requirement specifying a minimum amount of CPD activity could refer to “hours or equivalent learning units” as extant IES 7 does.

Specific Questions

With respect to the specific questions outlined in the Explanatory Memorandum to the Exposure Draft our comments are as follows:

Question 1: Is the Objective statement (see paragraph 8) of the proposed IES 7 (see Appendix 1) appropriate and clear?

The “Objective” section of Appendix 2 “IAESB Drafting Conventions” of the 2015 revision of the Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants (“IES Framework”) states that the objective of an IES “*assists an IFAC member body to understand the overall aim of the standard, and what needs to be accomplished, as well as to decide whether more needs to be done to achieve the objective*”.

In this instance we note that the “Objective” of the proposed revised standard is directed at the professional accountant. While we understand that the ultimate aim of the Board, and for the profession more widely, is for professional accountants to develop and maintain the required level of professional competence, the purpose and focus of this standard is to set expectations and requirements for IFAC member bodies to implement, measure, monitor and enforce in order to

achieve this. We therefore recommend the Board reconsiders the formulation of the Objective statement and revises it such that it addresses the Objective as it relates to the role and responsibilities of IFAC member bodies.

In addition, while we recognize the public interest context in which all IESs are written, we do not believe that the reference to the “public interest” in the Objective of the proposed revised standard, as a means of understanding what needs to be done, is necessary. We note that, although extant IES 7 includes a reference to the public interest in its Objective, extant IES 7 was issued prior to the IES Framework and therefore the reference to the “public interest” in the proposed Objective for IES 7 requires reconsideration. The only other standard that makes reference to the public interest in its objective is IES 1, which was also issued prior to the current Framework, and therefore the objective in IES 1 should also be reconsidered.

This does not imply that we believe that no reference to the public interest should be made or that it is not relevant. Indeed, the references to the public interest in paragraphs 7 and A35 are appropriate. We do however believe the Board’s overarching public interest objective is well understood and clearly articulated through the Board’s Framework, such that it is clear that each of the IESs addresses public interest concerns, and this does not require reiteration in the Objective statement of individual standards.

Question 2: Are the Requirements (see paragraphs 9-17) of the proposed IES 7 (see Appendix 1) appropriate and clear?

Please refer to our comments “*Impact of proposed revisions on consistency of CPD practice and measurement across jurisdictions*” under “Key Comments” above.

Question 3: Are there any additional explanatory paragraphs needed to better explain the requirements of the proposed IES 7 (see Appendix 1)?

Please refer to our comments under “Specific drafting points” below.

Question 4: Do proposed revisions to the output-based approach requirement (see paragraph 13) and related explanatory material (see paragraphs A19-A21) improve understanding and your ability to apply an output-based measurement approach? If not, what suggestions do you have to improve clarity of the output-based approach?

We support the specific linkage of the output-based approach to the demonstration of achievement of learning outcomes. This is consistent with the approach taken in the IPD standards, and removes some of the possible ambiguity created by the broader concept of demonstration of appropriate professional competence set out in extant IES 7.

Please also refer to our comments relating to the removal of the 120-hour yardstick for measuring CPD under “*Impact of proposed revisions on consistency of CPD practice and measurement across jurisdictions*” under “Key Comments” above.

Regarding the proposed guidance on the measurement of an output-based approach, examples relating to the structure of self-developed individual learning plans and self-assessment of those

plans, including the review and/or approval of those assessments by senior learning management within an audit firm, would be helpful.

Question 5: Are there any terms within the proposed IES 7 (see Appendix 1) which require further clarification? If so, please explain the nature of the deficiencies?

Please refer to our comment regarding the use of the term “CPD Framework” in the “Specific drafting points” section below.

Question 6: Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the requirements included in this proposed IES 7 (see Appendix 1)?

Please refer to our comments “*Impact of proposed revisions on consistency of CPD practice and measurement across jurisdictions*” under “Key Comments” above.

Question 7: What topics or subject areas should implementation guidance cover?

As indicated in our response to Question 4 above, guidance on the implementation of self-developed learning plans and their assessment would be helpful.

Specific drafting points

In addition to our responses to the specific questions in the Explanatory Memorandum, we would like to provide comments on the proposed wording of the exposure draft, including suggestions for changes aimed at enhancing the clarity of the final standard.

Paragraph	Topic of the paragraph	Comments/Suggestions for change
Paragraph A1	<i>Scope of this Standard</i>	This paragraph provides further detail on the notion of professional competence beyond the definition in the IAESB Glossary. The end of the paragraph refers to “... <i>which were achieved during IPD.</i> ” This makes it sound like achievement of the outcomes is an end point, rather than conveying the need for ongoing and progressive development based on different roles and responsibilities. We therefore recommend that this wording be removed.

Paragraph	Topic of the paragraph	Comments/Suggestions for change
Paragraphs A2, A18, A32 and A33	<i>Scope of this Standard</i>	The Board may wish to consider whether the reference to the public interest in paragraph A2 ought to be changed to “stakeholder expectations”, and whether the reference to the public interest in A18 is superfluous given the reference to “public expectations”. The same applies to paragraphs A32 and A33.
Paragraph A6	<i>Objective</i>	<p>The opening of this paragraph states: “<i>Ensuring that professional accountants develop and maintain the professional competence...</i>”. We do not believe it is appropriate to use the word “ensuring”.</p> <p>Please also refer to our comments above regarding the focus of the Objective paragraph which A6 supports. We recommend redrafting A6 in line with any changes made to the Objective.</p>
Paragraph A10	<i>CPD for All Professional Accountants</i>	<p>The opening of this paragraph states: “<i>In addition to CPD frameworks,...</i>” and then presents examples of other tools that IFAC member bodies may provide. Given that the definition of CPD Framework makes reference to “in support of CPD” and to the structure, guidance and concepts to support the learning and development, our view is that competency maps and learning plan templates would form part of the overall CPD framework, rather than be positioned as additional tools.</p> <p>We therefore recommend that reference to “In addition to CPD frameworks” is either removed or replaced with “As part of the CPD framework” instead.</p>

Paragraph	Topic of the paragraph	Comments/Suggestions for change
Paragraphs A 11 and A12	<i>CPD for All Professional Accountants</i>	<p>We believe that the nature of paragraphs A11 and A12 is more akin to implementation guidance than to explanatory material, i.e. the material highlights, but does not require, further actions an IFAC member body could undertake to support professional accountants and implement CPD, and does not provide further explanation of the requirements set out in paragraph 9. Accordingly, we would suggest that these paragraphs be removed and incorporated into any implementation guidance the Board may develop subsequent to the finalization of the revised standard.</p>
Paragraph A15	<i>Promotion of and Access to CPD</i>	<p>We believe it may be relevant to add a 4th bullet point (“d”) that recognizes the value of close cooperation and communication between IFAC member bodies and local regulators who may have established specific national CPD requirements based on local and/or regional regulatory requirements which need to be taken into consideration in addition to the requirements of the IESs.</p>
Paragraph A17	<i>Promotion of and Access to CPD</i>	<p>This paragraph provides examples of learning and development activities, which do not specifically relate to the promotion of and access to CPD.</p> <p>We believe the paragraph should be maintained but would be better placed as supporting the requirement in paragraph 9.</p>

Paragraph	Topic of the paragraph	Comments/Suggestions for change
Paragraph A22	<i>Measurement of CPD</i>	<p>The end of bullet point (a) refers to “<i>of which a portion could be verifiable</i>”. This does not seem to connect with the rest of this paragraph and there is nothing further in the Measurement of CPD section relating to this. We assume this is intended to link to the <i>Monitoring and Enforcement of CPD</i> section, however question whether it is needed here.</p> <p>The end of bullet point (c) refers to “<i>to meet such requirements</i>”. This can be misconstrued based on the lead in sentence of this paragraph. We would recommend removing this wording.</p>
Paragraph A28	<i>Monitoring and Enforcement of CPD</i>	<p>Bullet point (c) relating to examples of evidence use for verification purposes makes specific reference to “<i>independent confirmation</i>”. We note however that bullet point (b) could also be from an independent source and thus question whether overlap exists between these bullet points or whether they are intended to be mutually exclusive.</p>
Paragraph A29	<i>Monitoring and Enforcement of CPD</i>	<p>We recommend that the wording of bullet point (a) be slightly modified to read as follows: “<i>Submitting a declaration as to whether they meet their professional obligation to maintain the necessary knowledge and skills to competently perform their role</i>”.</p>

Paragraph	Topic of the paragraph	Comments/Suggestions for change
IAESB Glossary of Terms	<i>CPD framework</i>	<p>The current definition of “CPD Framework” stands as follows: <i>“In support of Continuing Professional Development, increased structure, further guidance, or explanation of concepts to support the learning and development of professional accountants.”</i></p> <p>We recommend simplifying by removing the qualifiers “increased structure” and “further guidance” so that that definition reads: <i>“In support of Continuing Professional Development, structure, guidance, or explanation of concepts to support the learning and development of professional accountants.”</i></p> <p>Furthermore, we question why a term that is not used in the requirements of the standard (“CPD Framework” appears only in the Explanatory Material), is included in the Glossary. Specifically, certain jurisdictions do not transpose the Explanatory Material, as its application is not mandatory / it does not form an integral part of the standard, into local law or regulations. As a result, national requirements will not include any reference to concepts addressed exclusively in the Explanatory Material. Given the importance of the concept of a “CPD Framework”, the Board may wish to consider incorporating this term directly in the requirements of the revised standard.</p>

Please do not hesitate to contact us for clarification of any of points we have made.

Very truly yours,



Chris Powell

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