

Mr David McPeak
IAESB Principal
International Accounting Education Standards Board
529 Fifth Avenue
6th Floor
New York
NY 10017
USA

13 September 2017

Dear Mr McPeak

Exposure Draft, Continuing Professional Development (Revised) 2017 – Request for comments

The Financial Reporting Council (FRC) welcomes the IAESB's project to revise [International Education Standard \(IES\) 7, Continuing Professional Development](#) and the opportunity to comment on this exposure draft.

The FRC is the UK's independent regulator responsible for promoting transparency and integrity in business. As part of this role we provide independent statutory oversight of the regulation of auditors by the Recognised Supervisory Bodies (RSBs). The RSBs are ICAEW, ICAS, ICAI and ACCA. We also oversee, on a non-statutory basis the way in which the RSBs and two further professional bodies (CIMA and CIPFA) regulate their members outside of audit work.

In June 2016 the UK implemented the EU's Audit Regulation and Directive (ARD) which has fundamentally changed the relationship between the FRC and the RSBs. Ultimate responsibility for statutory audit regulation has moved from the RSBs under FRC oversight to the FRC itself as competent authority for statutory audit regulation in the UK. The RSBs now carry out their regulatory functions (Regulatory Tasks) under legally binding delegation agreements with the FRC. The conditions for performance of these Delegated Tasks have been agreed with each of the bodies in respect of their members for 1) Registration 2) Audit Monitoring 3) Enforcement and 4) Continuing Professional Development (CPD).

The Delegation Agreements include the condition that each RSB's CPD requirements should include compliance with IES7 and IES8. If the RSB's requirements depart from these standards (insofar as they relate to Statutory Audit) then it must explain the reasons to the FRC. This condition provides evidence of the importance that the FRC places on professional competence as a factor in improving the quality of audit in the UK. Each RSB as part of its audit monitoring visits considers whether a firm and its staff working in audit have undertaken sufficient CPD to meet that RSB's CPD requirements. The FRC monitors how effectively the RSBs collate the key themes from their audit monitoring activities and how they use this to feed back into their publications and training activities for audit firms and audit personnel. The FRC also evaluates how the RSBs have assessed whether a lack of appropriate CPD has contributed to any deficiencies in audit work carried out by its members.

As competent authority for audit in the UK we welcome the project to clarify and improve IES 7 and the changes made have our support. We have some comments and suggestions on specific detailed points in the Standard and Explanatory Material. We have arranged our comments so far as possible around the questions in the Guide for Respondents and they are set out below:

Question 1.

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

Yes, the FRC supports the proposed objective statement.

Question 2.

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

Paragraph 10 includes a typo. We think this paragraph should read “IFAC member bodies shall promote the importance of, and a commitment to, CPD as well as to the development and maintenance of professional competence.”

Paragraph 12 permits bodies to use both output-based and input-based approaches together to measure CPD. We believe that it would be helpful to explain further, possibly in paragraph A25 of the explanatory material how the use of both measurement approaches differs (if it differs at all) from the combination approach in the current IES 7.

Paragraph 13: Given the importance of selecting appropriate learning outcomes for measurement of CPD we suggest that this paragraph is amended to say “IFAC member bodies using an output-based approach shall require professional accountants to identify learning outcomes relevant to their role and professional responsibilities and to demonstrate their achievement.”

Question 3.

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

Paragraph A4: we suggest that the point made in the second sentence of this paragraph would be strengthened by the replacement of “enabling” with “requiring”.

Paragraph A6: we suggest that it would be more accurate to say that a body’s CPD regime “maintains” rather than “promotes” the credibility of the accountancy profession”.

Paragraph A13: Given that IES 8 is framed largely in terms of the competencies that an engagement partner requires we would welcome some additional discussion in the Explanatory Material about how audit engagement partners can demonstrate that they have met IES 8 requirements based on the measures available to users of an input-based approach.

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?

Yes, we consider that the revisions are helpful and improve understanding. We suggest that it may also be helpful to cross-reference paragraphs A19 and A22 about the demonstration and measurement of CPD to paragraphs A27 and A28 which include examples of types of verifiable evidence available to professional accountants.

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?

In the IAESB Glossary of Terms:

CPD Framework: we suggest that the definition includes a reference to monitoring and enforcement so that it states: "In support of Continuing Professional Development, increased structure, further guidance or explanation of concepts to support the learning and development of professional accountants and the monitoring and enforcement of those who do not comply."

Lifelong Learning: we suggest that the definition is expanded to make clear that this activity continues throughout a professional accountant's career: "The ongoing, voluntary and self-motivated pursuit of technical competence, professional skills and professional values, ethics and attitudes throughout a professional accountant's working life."

In the Explanatory Material:

At paragraph A28 item (c): it would be helpful if there was further discussion of the meaning of "independent confirmation" in the context of verification of CPD activity. For example, is a declaration of compliance provided by a professional accountant's work colleague or line manager a sufficiently independent confirmation?

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)?

We anticipate no major impact on the RSBs in implementing the requirements of the proposed IES 7. The FRC will reflect any changes arising from the revision of IES 7 in the Delegation Agreements with the RSBs.

Question 7.

What topics or subject areas should implementation guidance cover?

Further guidance on the relationship between IES 7 and IES 8 would be helpful in our view. Please also see our response to question 3 above in respect of paragraph A13.

Please let me know if you would like to discuss any of the above comments.

Yours sincerely,



Dawn Dickson

Director of Professional Oversight
Audit and Actuarial Regulation Division
Financial Reporting Council
Email: d.dickson@frc.org.uk
Tel: +44(0)2074922365