



ICAEW welcomes the opportunity to comment on the IAESB's Exposure Draft *Proposed International Education Standard IES 7: Continuing Professional Development (Revised)*. [link](#).

This response of 1 September 2017 has been prepared on behalf of ICAEW by the Learning & Professional Development department.

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ICAEW REP 94/17: Response to IAESB's Exposure Draft *Proposed International Education Standard IES 7: Continuing Professional Development (Revised)*

Introduction:

- 1 ICAEW supports the establishment of high quality standards in accountancy, and recognises that the profession is undergoing significant changes such as the globalisation of business and evolution in technology and as such competency requirements must evolve to meet those trends and remain relevant to stakeholders' needs.
- 2 ICAEW is particularly concerned to ensure that the profession continues to serve the public interest. In this regard we support appropriate global standards that can facilitate the raising of standards for professional competence. Clearly the competence of professional accountants is of critical importance and we believe that strengthened public confidence in the accountancy profession is of the highest priority.
- 3 As such the ICAEW has continuously supported the development and strengthening of IES 7 since its inception over a decade ago. We remain committed to the output-based approach to CPD (in force at ICAEW since 2005). We see a focus on outputs as being grounded on the effectiveness of learning and development activity while offering members the flexibility to select the amount and type of CPD that best supports their needs.
- 4 The 2014 revisions to IES 7 brought the standard to a position of maturity such that any further changes now have to be carefully weighed, both in terms of necessity and unintended consequences. ICAEW welcomes some of the enhancements to IES 7 that IAESB is now proposing but we are also concerned by some of the changes. Our main point is the challenges that may be created by the proposed removal of minimum input measures in paragraph 14. We set out our views more fully below.
- 5 IAESB showed with IES 8 that it could publish helpful webinars and other support materials which could assist PAOs and their members understand and implement the IES. Some of the IAESB's questions below refer to whether requirements or terminology could be clarified. While an essential aspect to this is textual clarity in the wording of the standard itself, an important area which should not be neglected is the publication of support materials.

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

- 6 Yes. ICAEW believes that the objective of the IES "for professional accountants to develop and maintain the professional competence necessary, in the public interest, to perform their roles, and to meet the needs of clients, employers, and other stakeholders" is appropriate.
- 7 It is of great importance to the accountancy profession and the needs of the clients that professional competence is regularly reviewed, analysed, and interrogated in order to ensure that the standards of competence are aligned with the needs of the stakeholders and also the needs of the rapidly changing business landscape.
- 8 It is therefore welcome that IAESB states that regardless of the CPD approach, whether input-based, output-based, or a mixed approach, the professional competence of the accountant is the aim.
- 9 We also view the Objective here as more clearly expressed than in the current standard.

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

- 10 Not always. The requirements set out in paragraph 9-17 vary in their appropriateness.
- 11 Our main point, explained more fully below, is the wording of paragraph 14. We think it may present challenges and difficulties if IAESB moves away from setting minimum time requirements for input policies and leaves it to each PAO to mandate whatever CPD amounts they deem fit.
- 12 We welcome the introduction in paragraph 13 of the reference to the achievement of relevant learning outcomes as we judge this to be an appropriate support to the focus on professional competence in paragraph 9.
- 13 We think both paragraph 13 and paragraph 14 would be improved by including a reference to professional competence. While this is highlighted in paragraph 9, it is important to emphasise that any approach to CPD, whether input or output or mixed, must have the goal of professional competence.

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

- 14 Yes, it would be beneficial to clarify certain aspects of the proposed requirements with additional explanatory paragraphs.
- 15 Our central concern with the Exposure Draft's proposals is the removal of the minimum 'time spent' requirements for the input-based approach and the confusion this could cause. It is significant that it is proposed to leave it to individual IFAC member bodies to each determine the minimum amount of CPD that their members must complete.
- 16 ICAEW is generally not an advocate of prescribing amounts of 'CPD hours' or 'CPD points'. We moved away from inputs in 2005 having previously operated an input-based system for 25 years. However, where an input system is used, we do think it greatly aids clarity for stakeholders if there are specified minimums, or at least guidance. The explanatory paragraphs for the input-based approach should at least provide clearer guidance on what amounts of annual CPD the IAESB envisages as appropriate.
- 17 There could also be more in the standard outlining the role that IT and systems can play in promoting and administering CPD compliance. Too often the underpinning administrative issues of CPD systems are not fully addressed following the publication of top-level requirements. Without investment in the right systems any PAO will be severely compromised in its ability to introduce and run an effective approach to CPD.

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?

- 18 Yes, to a degree. The proposed revisions may in fact prove more helpful in guiding PAOs that have yet to introduce an output-based approach or are in the early stage of implementation of their CPD policy. Specifically, the introduction of frameworks, such as the learning cycle described in A9 (a) – (d), is important as these provide a clear structure for promoting the effectiveness of CPD activity.
- 19 IAESB could usefully provide more guidance on the challenges of the output-based approach. For instance, that professional accountants need to judge for themselves the amount and type

of CPD that they need and the factors they should weigh; they cannot declare compliance by dedicating a certain amount of time to learning and development each year. Under the output approach, PAOs must invest significant resources in qualified staff to review CPD records as the focus is on evidencing relevant outcomes from learning.

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?

20 Yes, as noted above, paragraph 13 ('achievement of learning outcomes') and paragraph 14 ('a specified amount of learning and development') could be strengthened by referring to professional competence and by expanding upon meaning in the explanatory material section.

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)?

- 21 Yes, some. We do not anticipate any direct impact on ICAEW's own approach to CPD as the Exposure Draft makes refinements to the outputs-based approach with which we can work.
- 22 Where we do see some challenges arising is from IAESB removing the minimum hours (or other input) requirement for PAOs using this approach to CPD. There could be some unintended consequences here.
- 23 It could make it much more difficult for stakeholders (whether they be other PAOs, employers, regulators or clients) to compare and contrast professional development requirements in force at individual bodies.
- 24 Currently, if a PAO declares that its CPD policy is "inputs-based and compliant with IES 7" it is clear how much learning and development individual members of that body will be undertaking. There is a shared benchmark.
- 25 Under the proposals here, there would be a lack of transparency over the CPD requirements parties have been subject to. Stakeholders could in future struggle to make CPD assessments and could struggle to agree equivalence. The consequences of this could be quite far-reaching. Professional bodies, ICAEW included, could find it harder to agree and apply international partnership and credit agreements.
- 26 There is the associated risk of significant transitional problems as the threshold at individual bodies changes from 120 hours over three years to something potentially very different, whether much higher or lower. This could be particularly challenging where an inter-PAO agreement has been signed on the basis of one approach to CPD being in force which is now being revised. And individual professional accountants could reduce, perhaps significantly, the amount of CPD they complete each year without this being detected or questioned.

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

- 27 Implementation guidance could usefully cover: how a PAO should explain CPD requirements to professional accountants to promote compliance; how IT can assist in the administration of CPD systems; and how a PAO running an inputs-based approach can set meaningful and transparent CPD benchmarks for its members.
- 28 As IAESB's approach to IES 8 showed, webinars can be a very useful way of providing implementation guidance and may be preferable on efficiency and cost grounds to guidance booklets.

Further questions on ICAEW's response may be directed to Jonathan Jones, Director, Policy and Strategy on jonathan.jones@icaew.com