



6 March 2016

Mr David McPeak
Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
545 Fifth Avenue
14th Floor New York, New York 10017
USA

Dear David,

ICAEW welcomes the opportunity to comment on the IAESB Consultation entitled "Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities".

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 146,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

If you would like to discuss this response in more detail, please do not hesitate to contact Jonathan Jones, Director of Policy and Strategy, Learning and Professional Development, on jonathan.jones@icaew.com or +44 (0) 1908 248 292.

Yours sincerely,

A handwritten signature in dark ink that reads 'Mark Protherough'.

Mark Protherough
Executive Director, Learning and Professional Development

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 accountancy education must evolve to meet those trends and remain relevant.
- 2 ICAEW is particularly focused on ensuring that the profession continues to serve the public interest. In this regard we, in principle, support global standards that can facilitate the raising of standards for professional competence. Clearly the quality of people in the profession is of critical importance and we believe that strengthened public confidence in the accountancy profession is of the highest priority.
- 3 ICAEW is a significant contributor to the IAESB in terms of both funding and expertise. Two ICAEW members serve on the IAESB as Forum of Firms representatives and we also support the Common Content representative on the IAESB Consultative Advisory Group. We are an acknowledged thought leader in the development of professional accountancy development and work closely with fellow professional bodies in major capital markets through the Global Accounting Alliance. We also contribute to the development of professional accountancy qualifications in emerging economies through our capacity building work around the world.
- 4 Leading professional accountancy bodies can continue to work with the IAESB in the public interest, however, we recommend that any further publications issued by the IAESB should only be issued where it is absolutely necessary and come in the form of principles-based guidance rather than educational requirements. We further suggest that the responsibilities and work of the IAESB may need to be redefined.

RESPONSES TO SPECIFIC QUESTIONS

1. **What enhancements, if any, do you feel should be made to the existing International Education Standards (IESs)?**
 - 5 Professional accountancy bodies are currently engaged in the adoption and implementation of the current suite of IESs. To make further enhancements at this stage when member bodies have not yet completed the process of implementation would be inadvisable.
 - 6 One potential change, which would remove some of the pressure on the professional accountancy organisations (PAOs) would be to re-position IES 8 as a guidance document for firms rather than an educational requirement for professional accountancy organisations. Individual professional accountants and their firms are and should be responsible for the detail of their CPD programmes – and the PAOs only for the general policy terms. In its current consultation on “A Focus on Professional Scepticism, Quality Control And Group Audits”, the IAASB is considering whether to revise (International Standard on Quality Control) ISQC 1. Therefore the matters covered in IES 8 could be addressed in the IAASB pronouncements, for example in the application material in ISQC 1.
 - 7 Furthermore, the existing IESs are (rightly) principles-based and, in this regard we are concerned that enhanced guidance for implementation risks countering this approach as the IESs could transition to rule-based education standards.

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)?

- 8 The IAESB may consider that the time is right to revise IES 7 in one respect alone, which is to require an outputs-based approach to CPD requirements from all professional accountancy organisations and to abolish the options of inputs-based and combination approaches. ICAEW moved to an outputs-based CPD approach in 2005 and so clearly we believe it is the best approach because of the focus on the effectiveness of learning and development activities rather than other proxy measures such as the time spent on activities or the nature of particular activities. ICAEW's CPD policy requires a member to reflect on their development needs, act by undertaking appropriate CPD activities, and assess the impact of those activities against their development objectives.
- 9 Nevertheless, requiring professional accountancy organisations to change their approach to CPD is a considerable imposition as it affects all professional accountants, the support offerings from the bodies themselves and the scale of administrative and assessment resources required. Any such move should therefore be very carefully considered and approached with sensitivity. ICAEW does not recommend any other changes to IES 7, nor further publications seeking to link IES 7 and the other IESs more directly.

3. What action, if any, should the IAESB take to improve professional competence related to the appropriate exercise of professional scepticism and professional judgment?

- 10 ICAEW agrees that "professional scepticism" and "professional judgement" are of essential importance for professional accountants. The IESs currently address these topics adequately and these are supported in-depth by the 2015 IESBA Code of Ethics for Professional Accountants.
- 11 ICAEW supports the joint working group between the IAASB, IESBA and IAESB. Professional scepticism is clearly covered by all three boards and we welcome efforts to ensure a coordinated and consistent approach. ICAEW will be responding to the IAASB consultation "a Focus On Professional Scepticism, Quality Control And Group Audits" as part of this collaborative approach.
- 12 The IAESB proposes to focus its future strategy on reviewing and expanding references to learning outcomes on the topics of professional scepticism and professional judgement (paragraph 8). We question whether further expansion or work is necessary in this area of the IESs. We also recommend that IAESB activity should be coordinated with the IAASB. Nothing should be taken forward until the IAASB has completed its consultation on "a Focus On Professional Scepticism, Quality Control And Group Audits" and progressed what it will be doing with regard to revised and new standards.
- 13 We have consistently taken the view that the onus should be on the requirements for firms, i.e. from the IAASB standards, to ensure that their audit teams and engagement partners have the necessary competencies. In practice this is seen in our implementation of IES 8 where we will require firms to ensure RIs have the IES 8 competencies and then our ICAEW Quality Assurance Department has a role in reviewing whether firms are achieving this.

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?

- 14 ICAEW agrees that professional accountants must increasingly adapt and develop their competencies as new challenges emerge. However external factors such as changes in technology and market forces will vary significantly according to jurisdiction, institutional settings, and the size of the professional accountancy organisation, and therefore developing a one size fits all global set of IESs or enhancing existing IESs in areas such as IT competence may not be attuned to the regional differences in which the profession operates.
- 15 ICAEW believes that the activities of the IAESB and the guidance issued, may serve as a useful resource and guidance for professional accountancy organisations in the initial stages of designing and implementing a learning outcomes approach for their members. It may therefore be more productive for the IESs and IAESB pronouncements aimed at supporting and mentoring such PAOs at a critical stage in strengthening their structures and processes, particularly those in emerging economies.
- 16 For this purpose, it may be more appropriate that the ambitions of the IAESB may be better placed under the auspices of the IFAC Professional Accountancy Organization Development Committee (PAODC) which has the mandate to promote and facilitate the establishment and strengthening of professional accountancy organizations in support of the public interest. IFAC committees are close to the daily challenges of PAOs and their members. Furthermore, it may be more economical and less resource intensive to retain this function under the umbrella of IFAC rather than a separate independent standard-setting body.

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)?

- 17 The IAESB should continue with its current work programme to support the implementation of the current suite of IESs. A period of stability during which no new IESs will be issued will allow all IFAC members the time needed to implement the revisions. The recently issued IAESB consultation proposing drafting and editing changes to the whole suite of the IESs when PAOs have yet to complete implementation does not provide such a period of stability.
- 18 ICAEW believes the Framework should be non-authoritative and should not set out mandatory requirements which IFAC members must meet.
- 19 Finally, ICAEW does not support the creation of new work streams or new requirements for professional accountancy organisations (PAOs). We believe the IAESB can and should work collaboratively with the PAOs on a care and maintenance basis.