



13 September 2017

**Proposed International Education Standard 7, Continuing Professional
Development (Revised)
Response to Exposure Draft from
the Association of International Certified Professional Accountants**

The Association of International Certified Professional Accountants (Association) combines the strengths of the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA) to power opportunity, trust and prosperity for people, businesses and economies worldwide. It represents 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. With broad reach, rigor and resources, the Association advances the reputation, employability and quality of CPAs, CGMAs and accounting and finance professionals globally.

We appreciate the opportunity to comment on the Exposure Draft of the proposed International Education Standard™ (IES) 7, *Continuing Professional Development (Revised)* (ED), and commend the International Accounting Education Standards Board™ (IAESB) for its ongoing efforts to enhance education which increases the competence of the global accountancy profession and strengthens public trust.

With regard to this ED, we generally support some of the proposed changes. However, we do not believe the ED provides a sufficient understanding of how to

- achieve an output-based measurement approach,
- move from an input-based to an output-based measurement approach, or
- combine both the input and output measurement approaches.

We also have identified certain changes within the ED that we believe may have unintended consequences at odds with the IAESB's intent and objective in the revision to IES 7. We have included, in the Response to Questions for Commenters, certain proposed changes we believe warrant further consideration.

This following section of this letter includes our responses to the questions provided in the "Request for Specific Comments" section of the ED.



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

Yes, the objective is appropriate and clear. Reframing the objective as that of “IES 7” instead of “IFAC Member Body” provides a clear purpose for the standard. Further, we appreciate how explanatory paragraph A6 clearly explains why professional competence is necessary and appropriately identifies protecting the public interest as the primary goal. However in response to Question 3 below, we recommend IAESB consider proposed changes to the description of professional competence and lifelong learning in explanatory paragraphs A1-A2.

The Association does recommend a change to the “Scope of this Standard” section that precedes this Objective statement. We recommend IAESB consider a clarification to paragraph 5(h) to revise unstructured acquiring of knowledge to unstructured acquisition of knowledge and development of skills. This change will recognize that professional competence is not just the acquisition of knowledge, it is the demonstration of the application of knowledge, which can be obtained through unstructured activities such as on-the-job training, peer-to-peer learning, and mentoring and coaching.

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

CPD for All Professional Accountants. Paragraph 9 introduces the requirement that IFAC member bodies shall require all professional accountants to record CPD. The Association supports this requirement. However, explanatory paragraph A30 notes supplementary monitoring processes may involve requiring certain employers to track learning and development activities as part of their time recording systems. The Association believes the responsibility to record CPD rests with the professional accountant as it represents their professional competence development and may be burdensome for some employers, especially small businesses, to record within their systems especially in instances where unstructured, informal learning is accepted as CPD. It may also be possible that some accountants undertake their learning in their own time i.e. after work or they take a vacation day etc. CPD is personal – some accountants may be undertaking activity that is relevant to an anticipated career move. Therefore, this could not be discussed with current line managers or tracked on time sheets.

Measurement of CPD. The Association supports an output-based measurement approach that focuses on professional competence attained as



opposed to an input-based measurement approach that may or may not result in enhanced professional competence. However, we recognize there are significant steps necessary for IFAC member bodies to implement, measure, monitor, and enforce an output-based measurement approach and we appreciate the IAESB's recognition of this by continuing to allow an output-based, input-based, or combination of both approach to measurement. We hope that the IFAC member bodies will consider a combination of both approaches as a step to experiment and learn what best meets the needs of their local environment and the professional accountants in their jurisdiction in a move toward a completely output-based measurement approach over time.

Paragraph 12 notes IFAC member bodies shall establish an approach to measurement of professional accountants' CPD using the output-based approach, input-based approach, or both. Extant IES 7 stated the third measurement option as "combination approaches"; the ED states the third measurement option as "both". Explanatory paragraph A25 provides an example of how an IFAC member body may choose to use both the output-based and input-based approaches as follows, "For example, professional accountants would complete an educational program or course of study, followed by a written examination on the content. Only on successful completion of the examination would the professional accountants be awarded or credited with a number of learning hours for the overall learning activity that would be counted towards an input based requirement." The Association has several concerns about this requirement and associated explanatory paragraph including:

- It is not clear of the IAESB's intent in revisions to paragraph 12 to change "combination" to "both" when referring to the third measurement method.
- In the Explanatory Memorandum it appears the change from "combination" to "both" was to eliminate the need to have principles and requirements for the combination measurement approach, but it seems that would still be necessary for an approach that includes both input-based and output-based measurement.
- The example in explanatory paragraph A25 is a combination approach around a single learning event (e.g. a professional accountant completes a program and passes an examination on that program to receive input-based credit). Many input-based approaches already require completion of learning and demonstration through passing an examination and thus this example does not fully demonstrate the possibilities of a combination of an input-based and output-based approach.
- Additional examples should be included to encourage and facilitate IFAC member bodies in implementation of an output-based approach. For example, an IFAC member body may establish an approach by which the professional accountant records hours or equivalent learning units alongside a reflective



statement. Another example may include that an IFAC member body may establish an approach by which a portion of the overall CPD requirement is input-based and the other portion output-based.

Measurement of CPD: Output-Based Approach. We are concerned about changes to requirement paragraph 13 which states, “IFAC member bodies using an output-based approach shall require professional accountants to demonstrate the achievement of learning outcomes relevant to their role and professional responsibilities.” Prior to the changes within this ED, demonstration of the development and maintenance of appropriate professional competence was required. We understand from the Explanatory Memorandum included in this ED, IAESB was striving to clarify by focusing on the demonstration of learning outcomes, which are outputs of CPD learning and development activities; however, because learning outcomes are synonymous with structured learning activities this may not appropriately recognize the value of unstructured learning activities such as on-the-job training, peer-to-peer learning, and mentoring and coaching that play a critical role in competence development. We recommend IAESB clarify that learning outcomes may arise from both structured and unstructured learning experiences. We recommend learning outcomes be redefined as the measurable result that learners achieve upon completion of structured or unstructured learning activities. Absent such clarification, the inclusion of “learning outcomes” could actually be a hindrance to moving to an output-based measurement approach instead of an aid.

Measurement of CPD: Input-Based Approach. The Association supports IAESB’s removal, in paragraph 14, of a prescriptive minimum number of hours (or equivalent learning units) that is required or is required to be verifiable in a given timeframe because the number of hours spent on a learning activity does not equate to competence gained. We recognize some respondents may express concern regarding how IFAC member bodies may interpret and implement in their own input-based measurement approach; however, the Association supports an output-based approach that focuses on professional competence attained as opposed to an input-based approach that may or may not result in enhanced professional competence.

Monitoring and Enforcement of CPD: Verifiable Evidence. The Association supports the new requirement in paragraph 15 that IFAC member bodies shall specify the nature and extent of verifiable evidence that professional accountants are required to maintain for CPD that has been undertaken. This is an improvement from the extant IES 7 which provided only as explanatory material that IFAC member bodies may provide guidance on verifiable evidence.



Monitoring and Enforcement of CPD: Measuring, Monitoring, and Enforcement on a Regular Basis. The Association supports the new requirement in paragraph 17 that IFAC member bodies shall undertake processes for measuring, monitoring, and enforcement of CPD on a regular basis. We noticed the IAESB struck the following statement from the related explanatory material in paragraph A32: “Experience of some IFAC member bodies suggest that cycles of more than five years may not meet these expectations, while cycles of less than one year are likely to be overly burdensome on the IFAC member body and professional accountants.” A cycle less than 1 year could be overly burdensome to professional accountants and for the monitoring processes they are subject to and a cycle more than 5 years may not achieve IAESB’s desire that non-compliance of a professional accountant with his or her CPD be brought into compliance within a reasonable period (explanatory paragraph A34).

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

We ask IAESB to consider additional clarification within the explanatory material as described below that may result in changes to existing paragraphs or the addition of new paragraphs.

Scope of this Standard-Professional Competence. We recommend that IAESB consider additional clarifications to the definition of professional competence in explanatory paragraph A1. The inclusion, of the term “learning outcomes”, which is defined in the IAESB *Glossary of Terms* (2015) as “the content and the depth of knowledge, understanding, and application required for a specified competence area”, is a term commonly used in structured learning activities and does not adequately recognize that the majority of learning, or the attainment of professional competence, is achieved through unstructured activities such as on-the-job training, peer-to-peer learning, and mentoring and coaching that play a critical role in competence development. We have previously proposed learning outcomes be redefined, but we also recommend the definition of professional competence omit reference to learning outcomes and instead be defined as: “Professional competence is the ability to perform a role to a defined standard. Professional competence is one’s attainment and maintenance of a level of knowledge, skills, values, ethics, and attitudes that enables him or her, as a professional accountant, to render services with facility and acumen. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the ability to apply such knowledge in one’s role appropriately. Professional competence is underpinned by professional values, ethics, and attitudes, and includes a commitment to continuously acquire new skills and knowledge.



Scope of this Standard-Lifelong learning. We recommend the explanation of lifelong learning in explanatory paragraph A2, which currently references “technical competence” be restated as follows: “Lifelong learning represents the ongoing, voluntary, and self-motivated pursuit of professional competence and is critical if professional accountants are to meet public interest expectations.” We believe professional competence encompasses what IAESB defines as technical competence in the IAESB *Glossary of Terms* (2015) and that IAESB does not intend to exclude professional skills and professional values, ethics, and attitudes from the explanation of lifelong learning. We believe the use of both terms – professional and technical competence is confusing. We recognize this has implications to other IESs beyond IES 7, but we recommend consideration be given to professional competence being the overarching term and goal of CPD which embodies technical skills, non-technical skills, as well as the necessary values, ethics, and attitudes, which are currently referred to in the IESs with slightly different terminology (e.g. technical competence in IES 2 could be reframed as technical skills and professional skills in IES 3 could be reframed as non-technical skills).

Scope of this Standard-Increased Expectations of Professional Accountants. We appreciate the IAESB noting in explanatory paragraph A3 that professional accountants face increased expectations in an evolving world and specifically identifying technological advancements as a cause. Given the rapidly changing business world professional accountants operate in, we recommend IAESB maintain previous extant IES 7 considerations that because of such change “it may be appropriate for IFAC member bodies to periodically review their CPD policies and the application of this IES”.

CPD for All Professional Accountants-Effective Learning and Development. The Association agrees with explanatory paragraph A4 which notes undertaking CPD does not guarantee that all professional accountants will develop and maintain professional competence. Furthermore, we agree with the previous explanations as to why this is the case as included in extant IES 7 paragraph A2 which cited dependence upon the professional accountant’s commitment and capacity to learn. As such, we recommend revising explanatory paragraph A8, which currently states “Planned, relevant, and timely CPD leads to effective learning and development ...” to “Planned, relevant, and timely CPD facilitates effective learning and development...”

CPD for All Professional Accountants-Self-Appraisal. IAESB introduces the concept of self-appraisal (explanatory paragraphs A9, A17, and A20), but does not define it within IES 7 or the IAESB *Glossary of Terms* (2015). Because the IAESB cites in the Explanatory Memorandum (Page 9) that research indicates self-appraisal is critical to the success and efficacy of CPD, the Association recommends IAESB define the term to avoid confusion among IFAC member bodies in implementation of IES 7.



CPD for All Professional Accountants-Relevancy. The Association recommends IAESB keep IES 7 paragraph A12 extant language which allows IFAC member bodies to rely on the judgment of professional accountants as to the relevancy of CPD activities. The extant standard read, “Alternatively, they may choose to rely on the judgment of professional accountants to make decisions on the relevance of CPD activities.” We believe this is important to maintain within the standard because of the great diversity in roles the professional accountant has and will have as the world economy and the accountancy profession evolves.

Promotion of and Access to CPD-Examples of Learning and Development Activities. Requirements paragraph 5 and explanatory paragraph A17 refer to planned activities. While paragraph 5 recognizes unstructured acquisition, we believe it is important to understand that unstructured learning activities such as on-the-job training or coaching are often opportunistic and thus not planned or part of a predetermined planned program of CPD. In an attempt to understand the IAESB’s intent regarding planned activities, we considered the Explanatory Memorandum, which on Page 8 states “...self-development activities need to be planned” and on Page 9 states “...all forms of learning, formal and informal, and practical experience are valid learning and development activities when they are planned, relevant, and reflected upon.”

We seek clarification from IAESB as to its intent regarding the term “planned” to ensure that unstructured learning activities although they may not originally be established as part of a planned program of CPD are acceptable methods of learning and development activities that may be measured within an output-based measurement approach. If the IAESB is proposing that self-development activities that are not planned may not qualify as CPD, we strongly object as this would mean unplanned on-the-job training would not count as CPD despite understanding 70% of learning occurs on-the-job – unplanned, unstructured. Self-directed learning has been omitted from the list of examples of learning and development activities that may be undertaken as part of a planned program of CPD in explanatory paragraph A17. While we realize the list is not meant to be exhaustive, we are not clear of the intent of its removal from extant IES 7 and seek clarification on if IAESB intends a difference between self-directed learning and what is now included in IES 7 as “Reflecting on practical experiences and developing personal development plans through self-appraisal”. Unstructured, unplanned on-the-job training is invaluable to professional competence development and we do not support any intentional or unintentional changes to IES 7 that would cause IFAC member bodies to conclude that such activities would not be accepted as CPD.

Furthermore, we understand from the Explanatory Memorandum, IAESB was striving to identify a broader range of appropriate CPD learning and



development activities in this ED; however, beyond providing greater descriptions of the activities previously included in extant IES 7 paragraph A7, we do not believe the list was actually expanded to be broader. We do not have specific recommendations to add as we had not sought a broader list, but did want to raise to IAESB's attention for those respondents seeking a broader list.

Measurement of CPD-Determining an Approach. The Association appreciates the IAESB providing factors for IFAC member bodies to consider when determining a measurement approach (starting at explanatory paragraph A18); however, additional factors would be helpful including considering the shortcomings of an input-based approach including most importantly that it does not always measure development or maintenance of professional competence. We have provided a similar comment below for explanatory paragraph A22.

Measurement of CPD-Output-Based Approach. The Association has included comments related to the output-based approach, including requirements paragraph 13 and explanatory paragraphs A19-A21 in response to Question 4 as requested.

Measurement of CPD-Input-Based Approach. Extant IES 7 explanatory paragraph A16, which has been replaced by explanatory paragraph A22 contained insights on the limitations of an input-based approach, which we believe are still relevant and useful to include in efforts to move the accountancy profession to an output-based measurement approach, which more appropriately measures professional competence development. Accordingly, we recommend keeping the following extant language, "Input-based approaches have limitations; for example, they do not always measure the learning outcomes or competence developed. IFAC member bodies may partially overcome these limitations by communicating the underlying objectives of continuing improvement of professional competence and a commitment to lifelong learning."

Measurement of CPD-Input-Based Approach. Extant IES 7 explanatory paragraph A18, which has been replaced by explanatory paragraph A24 stated that extant IES 7 was based on the concept that IFAC member bodies expect a proportion of the learning activities that professional accountants undertake to be verifiable. It also stated "Some learning activities, for example on-the-job training, may be measurable, but may not be able to be verified. These activities also contribute to the development and maintenance of professional competence,..." We believe on-the-job training (as well as peer-to-peer learning and mentoring and coaching) is an important method of learning and development activity and believe it is important to note that while it may not always be verifiable, it does contribute to the development and maintenance of



professional competence. We are also unclear on IAESB's intent in striking reference to verifiable under the output-based approach explanatory material and leaving it only as a concept under the input-based approach explanatory material.

Monitoring and Enforcement of CPD-Verifiable Evidence. Explanatory paragraph A27 (d) includes, as an example of verifiable evidence, "Records of work performed (work logs) that have been verified against a competency map;" While we recognize extant IES 7 contained this explanatory material as well, we do believe that because of the ever-growing and diverse roles professional accountants serve today and tomorrow that there may not always be a competency map to verify work performed against. We ask IAESB to consider defining competency map, which is not currently defined in IES 7 or the IAESB *Glossary of Terms* (2015), to be broadly defined which may include job descriptions or even project descriptions of roles and responsibilities. We also recommend that recognition be made to the scenario when confidentiality requirements may prohibit the professional accountant from completely providing records of work performed and recognize that information may need to be withheld or redacted in those situations. In such situations, IFAC member bodies, may consider use of a competent source that is able to confirm the competence has been developed and maintained, which is included as language in extant IES 7 explanatory paragraph A14 as it related to reliability of verification in an output-based system.

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?

The Association does not believe the ED provides a sufficient understanding of how to

- achieve an output-based measurement approach,
- move from an input-based to an output-based measurement approach, or
- combine both the input and output measurement approaches.

We have also identified certain changes within the ED that we believe may have unintended consequences at odds with the IAESB's intent and objective in the revision to IES 7 and have noted those within these Responses to Questions for Commenters.

Measurement of CPD: Output-Based Approach. As discussed in Question 2, we are concerned about changes to requirement paragraph 13 which states, "IFAC member bodies using an output-based approach shall require



professional accountants to demonstrate the achievement of learning outcomes relevant to their role and professional responsibilities.” Prior to the changes within this ED, demonstration of the development and maintenance of appropriate professional competence was required. We understand from the Explanatory Memorandum included in this ED, IAESB was striving to clarify by focusing on the demonstration of learning outcomes, which are outputs of CPD learning and development activities; however, because learning outcomes are synonymous with structured learning activities this may not appropriately recognize the value of unstructured learning activities such as on-the-job training, peer-to-peer learning, and mentoring and coaching that play a critical role in competence development. We recommend IAESB clarify that learning outcomes may arise from both structured and unstructured learning experiences. We recommend learning outcomes be redefined as the measurable result that learners achieve upon completion of structured or unstructured learning activities. Absent such clarification, the inclusion of “learning outcomes” could actually be a hindrance to moving to an output-based measurement approach instead of an aid.

This concern extends to explanatory paragraphs A19-A21 as they also reference learning outcomes.

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?

Within the section, Response to Questions for Commenters, we have commented on several necessary clarifications in the context of answering Questions 1-4.

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)?

While we have noted several areas where there are potential opportunities for confusion among IFAC member bodies within this section, Response to Questions for Commenters, the most significant concern is that we do not believe IES 7 provides sufficient guidance yet to facilitate movement to an output-based measurement approach. The implementation guidance clarifies some issues of concern, but does not provide sufficient detail to assist IFAC member bodies in addressing the challenges of an output-based approach despite the understanding that it is a preferable approach over input-based. The Association asks IAESB to consider additional guidance regarding how IFAC member bodies can effectively and efficiently monitor under an output-



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based approach especially when volumes of professional accountants are high and roles held diverse. We believe there is significant desire among many IFAC member bodies to move to an output-based approach; however, the challenges with monitoring and enforcement are significant and IFAC member bodies could benefit from additional guidance or insight on what has worked or not in other areas.

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

We have commented on several areas within this section, Response to Questions for Commenters, where the Association believes additional clarifications or modifications are needed within the implementation guidance of IES 7.

We appreciate the opportunity to provide these comments to you and would be happy to discuss them with IAESB representatives.

Chief Executive- Management Accounting