

29 September 2017

David McPeak  
Principal  
International Accounting Educational Standards Board  
International Federation of Accountants  
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Dear Sir

## **COMMENTS ON THE PROPOSED INTERNATIONAL EDUCATION STANDARD (IES) 7, CONTINUED PROFESSIONAL DEVELOPMENT (REVISED)**

This comment letter has been prepared by the Independent Regulatory Board for Auditors (IRBA) of South Africa. The IRBA is a statutory body charged with the regulation of the auditing profession in South Africa in terms of the Auditing Profession Act, Act 26 of 2005. In carrying out its duty, the IRBA prescribes the education, training and initial and continuing professional development requirements for registration as a Registered Auditor (RA), and accredits professional bodies to conduct certain programmes relating to education, training and professional development.

### **GENERAL COMMENTS**

1. The IRBA welcomes the opportunity to comment on the proposed standard on CPD. Given that the aim of CPD is to ensure that professional accountants maintain and develop their competence in order to strengthen public trust in the profession, we commend the International Accounting Education Standards Board (IAESB) on re-drafting the extant IES 7 standard and for highlighting the role of professional accountants in the protection of the public interest. From a public interest perspective, we support any improvement in the standards that assists IFAC member bodies in achieving the ultimate outcome of initial and continuing professional accounting education and the development of professional accountants through standards which are fit for purpose.
2. We note that the proposed standard contains many requirements for IFAC member bodies, similar to the Statements of Member Obligations with which the member bodies have to comply. It might be helpful if the standard could clarify that, while the member body has certain obligations, the responsibility for continuous professional development also rests with the professional accountant.

### **RESPONSES TO SPECIFIC QUESTIONS**

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

The change in the objective paragraph from the previous standard has been noted. The objective is now more concise and places emphasis on the overarching purpose which is the competence of

professional accountants. However, as the standard is addressed first and foremost to IFAC member bodies there should be an expansion on the role of the IFAC member bodies in achieving the objective. This expansion can be done through the explanatory material paragraph A6. Furthermore, with reference to point 2 above, and in addition to relating the objective to the member body, there should also be a link back to the objective at the level of the professional accountant.

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

The requirements are appropriate, clear and principle-based. Based on the reading of the proposed standard, it is clear that the Board has steered away from being prescriptive. For example, the current standard prescribes the number of hours that professional accountants ought to complete in a given cycle if they are on an input-based approach. The proposed standard is leaving it to the IFAC member bodies to determine their own requirements. This allows IFAC member bodies in different jurisdictions to set requirements that are more relevant and appropriate for their jurisdictions. However, while the requirements have steered away from requiring measurement based on hours, the explanatory material still refers specifically to hours as an input measure, and while this measure should only serve as an example, it might drive the same behavior which the board had hoped to change. The proposed standard does not give sufficient direction or guidance to member bodies that have opted to use the input-based approach, as it still refers to units which must be determined by the member body (which could, again, be hours).

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

While we appreciate the Board's approach to the requirements being principle-based, we find the requirements insufficient to provide member bodies and professional accountants with what needs to be done to comply with any of the approaches. The requirements also do not appear to adequately address all the issues raised in consultations with stakeholders, for example, improving the implementation of an input-based measurement approach; how to demonstrate the achievement of learning outcomes in an output-based approach and understanding how to effectively use both the input and output-based measurement approaches. The standard does not elaborate on the differences between the previous combination approach and using 'both approaches'. This may be particularly important for those member bodies seeking to improve the input-based approach by incorporating elements of the output-based approach in their current input-based approach.

We are particularly concerned that, while the proposed standard refers to 'monitoring and enforcement' of CPD, the current requirements will not provide an adequate basis for such monitoring and enforcement, specifically for the output-based approach.

As a regulator of the audit profession in South Africa, we have been using an input-based approach and are currently reviewing our CPD policy. The standard does not give us adequate guidance on how an output-based system could be effectively implemented. Any future guidance material that will be prepared by the Board to supplement IES 7 should include examples of how an output-based approach has been successfully implemented by IFAC member bodies who have adopted this approach. Also of particular interest to us as a Regulator would be the monitoring and enforcement of CPD activities under the output-based approach. The Board should consider more guidance on the monitoring and enforcement of an output-based measurement 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?**

No. Please refer to the comments given above. It would be helpful if more guidance is provided on how to 'demonstrate the achievement of 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?**

Although the meaning of the term 'Relevant' comes out in the body of the standard, it may be helpful to define 'Relevant CPD Activities'. This definition would further strengthen the 'role specific' nature of CPD.

**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)?**

Yes, there will be additional costs that IFAC member bodies migrating from an input-based approach to an output-based approach would incur. Some of these costs may include: research that would need to be performed to implement an output-based system; recording and monitoring relevant CPD activities; appointing and/or training suitably qualified staff to conduct the monitoring; and raising awareness to the profession of the change to the output-based approach.

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

Expanding on significant issues identified during the consultation process is discussed at the beginning of the paper with examples. As mentioned above, there should be more guidance on:

- Input-based approach – for IFAC member bodies already on the input-based approach and those that do not desire to move towards an output-based approach, what are the improvements that can be made to this approach by incorporating elements from an output-based approach;
- Output-based approach - additional guidance with practical examples can be provided to explain how adoption of an output based approach may be implemented by IFAC members. The implementation guidance in this regard must focus on the application of the framework as detailed in paragraph A9;
- Guidance and practical examples on how monitoring and enforcement can be effectively performed where an output-based approach or both approaches are used.

Please do not hesitate to contact us should you wish to obtain further clarification on our comments.

Yours Faithfully

**The Independent Regulatory Board for Auditors (IRBA)**  
(Sent by email)