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Dear Mr McPeak,

Exposure Draft IES 7, *Continuing Professional Development (Revised)*

KnowledgEquity welcomes the opportunity to comment on the Exposure Draft (ED). KnowledgEquity is a registered training organisation (RTO) in Australia that provides training and consulting services in accounting and business management. We offer face-to-face continuing professional development (CPD) courses for our corporate and government clients. We have also developed an online CPD library, which contains courses and webinars across a range of performance and stewardship topics. Our subscription model enables professional accountants to satisfy their professional membership education and learning requirements which is currently aligned to the extant IES 7.

We commend the IAESB for taking the initiative to revise this standard with the view to serve the public interest and based on the extensive research conducted. When finalising the proposals contained in this exposure draft, we encourage the IAESB to seek out specific comments and input from educational organisations and providers of CPD.

We support the objective of the ED, and the proposals as a useful starting point. We also broadly support the principles-based approach to the standard. Against this backdrop of support, we are concerned that the proposals do not go far enough to heighten the importance of CPD or change the perception of lifelong learning as being 'critical' to the profession and its public interest expectations. We are also concerned that the choice of measurement models would result in inconsistent quality of education by professional accountants across different member bodies, especially for those within the same country or jurisdiction. Our comments to specific questions raised in the ED are set out in Appendix 1.

KnowledgEquity appreciates the opportunity to respond and trust that you find our comments useful.

Yours sincerely

A handwritten signature in blue ink, appearing to read "R Clowes".

Russell Clowes
Director
KnowledgEquity

Appendix 1: Responses to specific matters for comment

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

Yes, we believe that the objective statement is clear and appropriate in respect of its ultimate goal.

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

Yes, the requirements of paragraphs 9-17 are appropriate and clear. KnowledgeEquity also agrees that the approach of these requirements remain primarily principles-based.

However, we are concerned about the unintended consequences related to the ability of a member body to choose the measurement approach it would use. Throughout the exposure draft, emphasis is placed on the need for professional accountants to identify their own learning and development needs. Specifically, the CPD framework covered in paragraph A9 emphasises the role that individual professional accountants will play in planning, undertaking and reflecting upon CPD.

We believe that the ability of member bodies to choose one measurement approach over another would directly affect and/or influence the ability of individual accountants to choose and develop their own CPD activities related to their roles. That is, the measurement choice permitted to member bodies may directly limit, or be perceived to limit, the choices of valid learning and development activities that individual accountants can choose from, especially for member bodies that adopt the input-based approach in isolation.

With the primary objective of ensuring professional accountants develop and maintain the necessary professional competence to perform their roles and meet stakeholder needs, there doesn't seem to be any direct relationship from this objective to the input-based approach described in paragraph 14. While undertaking a specified time period of learning and development activity can improve performance or competence, there is no basis upon which to measure or validate that performance or competence. Accordingly, we believe that an output-based approach is far superior to an input-based approach. Over the years, professional accountants have perceived CPD activities to be a 'tick-the-box' exercise and attending training without necessarily learning anything in order to simply comply with CPD requirements.

To change this perception, member bodies should adopt a more output-based measurement model for verifiable CPD evidence, as a minimum. In this way, both measurement models would be used by all member bodies, but for verifiable evidence that learning has taken place, there must be measurement in the form of an assessment, evaluation or demonstration, as per the output-based approach.

We are also concerned about the inconsistent quality of CPD activities that would be undertaken across different member bodies. Generally, those that adopt an output-based measurement model will achieve higher quality CPD activities undertaken by its members in comparison to member bodies that adopt only the input-based approach. This will consequently also place an unfair cost and compliance burden on professional accountants belonging to different member bodies – especially when those member bodies service the same country or jurisdiction.

Suggestion: We recommend that member bodies be required to adopt both an input-based and an output-based measurement model. Therefore, the ability for an IFAC member to solely establish an input-based

approach (as described in paragraph 12) should be removed and we recommend a strong move towards the output-based approach only in future. Further to this, where the input-based approach is used in combination with the output-based, only certain types of CPD activity (e.g. providing on-the-job training or mentoring), should be allowed to use the input-based approach in isolation. Other learning and development activities (e.g. educational programs and training events) should be required to have an element of output-based approach in measuring the CPD undertaken.

Verifiable evidence required by member bodies in respect of paragraph 15 should be limited to only an output-based measurement approach as this would confirm the achievement of learning objectives, aid in changing the perception of CPD activities by professional accountants and promote consistency across member bodies.

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

Explanatory paragraph A4 reads as a measure to placate the public to show that the profession has a system in place. But, it also acknowledges that the system is not sufficient. Meeting the CPD requirements should guarantee (or at least aspire to such) that professional accountants are able to perform at the required level.

Suggestion: The CPD requirements should be worded in the positive form, and structured such that undertaking CPD leads to the provision of high-quality professional service. If a professional accountant is found to not be providing such high-quality professional services, then the CPD undertaken (if any) has not been sufficient and the professional accountant has not met their obligations in maintaining their professional accountant status (or alternatively, the relevant IFAC member has not ensured the CPD was sufficient in the circumstances).

Explanatory paragraphs A5, and A9 to A12, should be key features of the quality assurance processes and CPD frameworks for IFAC member bodies. While we appreciate that this is part of the explanatory material (rather than the requirements), and that the standard is principles-based, the wording here is very soft in espousing what an IFAC member bodies' quality assurance processes and CPD frameworks should entail, especially with the instances of the word 'may'. Use of the word 'may' limits the effectiveness of this standard in truly seeking to uplift the competence of professional accountants, noting that IFAC members are the drivers of this.

Suggestion: We recommend removing the word 'may' as the examples provided should be prevalent in IFAC member bodies' quality assurance processes and CPD frameworks.

As a primary driver of IES 7 is to protect the public interest, and therefore the ongoing public image of professional accountants, IFAC member bodies should be provided with more structure on the requirements for the systematic monitoring processes and supplementary monitoring processes. The systematic monitoring process does not currently specify the timeframe for periodic declarations or provision of evidence by professional accountants (e.g. yearly). Further, supplementary monitoring processes refer to auditing samples, which can lead to a minimalist, cost-focussed approach to the monitoring function.

Suggestion: The proposed IES 7 should take the opportunity to press harder on the obligations of IFAC member bodies to prevent rogue professional accountants from operating and better ensuring the credibility of the profession. It should specify the timeframe for systematic monitoring as well as the extent/reach of supplementary monitoring processes to provide greater confidence in the profession.

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, the current requirements and application guidance are clear but the output-based approach is effectively limited to demonstrating the achievement of learning outcomes.

Suggestion: Consideration should be given to how these learning objectives should be crafted, to ensure they are not just relevant to professional accountants' roles, but directly meet the competence required for the relevant roles.

We also recommend that paragraph A20 be expanded to include 'educational organisations' or 'providers of CPD' as a possible source of establishing learning outcomes, as these entities are heavily involved in the industry (across business and public practice), are typically run by subject matter experts in the field, and have a vested interest in the ongoing development of professional accountants and the accounting profession itself.

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?

Explanatory paragraph A2 describes lifelong learning. However, there is a disconnect between lifelong learning being 'critical' to the profession and its public interest expectations, and also being a 'voluntary' and 'self-motivated' pursuit. We appreciate that this description of lifelong learning is aspirational, but on the continuum of attitudes towards CPD by professional accountants, only a small percentage share this vision or belief of lifelong learning.

Suggestion: Consideration needs to be made as to whether an item of such critical nature should not necessarily be voluntary and self-motivated, but an expectation or requirement of attaining and maintaining professional accountant accreditation.

IES 7, para. 10 contains a minor grammatical error. It currently states: '...a commitment to, CPD as well to the as development...'.

Suggestion: This should be changed as follows: '...a commitment to, CPD as well as to the development...'.

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)?

No, in respect of the current state of the exposure draft, we do not anticipate a material impact for KnowledgeEquity or for the member bodies in Australia. While this sounds positive, it is more likely a negative in the sense that member bodies will continue to use their current measurement models and in so doing, the opportunity and influence that this exposure draft should have on promoting the importance of CPD and lifelong learning may be lost.

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

None identified.