

3 March 2016

Mr David McPeak
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International Federation of Accountants
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Dear David,

EAA welcomes the opportunity to comment on the Consultation Paper *Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities*.

The European Accounting Association (EAA) links together the Europe-wide community of accounting scholars and researchers, to provide a platform for a wide dissemination of European accounting studies, and to foster and improve research and teaching skills in order to ensure the development and the promotion of accounting.

The suggestions reported below cover the general aspects perceived as more relevant by the respondents, considering that IESs have recently been part of a revision process and, now, also the wording of the standard is under review. As the EAA is an association of accounting academics, our attention was especially focused on the educational aspects on which we think we can give a contribution on the basis of our experience on the field.

We hope that all above can help IAESB in its continuous effort to enhance accounting education, increasing globally the competence of the profession and thus contributing to strengthen the public trust.

Respectfully submitted,

European Accounting Association

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Question 1: What enhancements, if any, do you feel should be made to the existing International Education Standards (IESs)?

Reading through the existing IESs, here you can find some suggestions.

IES1: Entry Requirement to Professional Accounting Education Program. This standard discusses the fair educational entry requirements to professional accounting education programs in order to ‘protect the public interest through the setting and maintenance of high-quality standards’. The standard could reinforce the relevance and the importance of education, especially for people willing to start a career as professional accountants. Education and, in particular, university education, provides students not only with technical skills but also with the appropriate mindframe, the necessary critical thinking and the proper ethical background to make rational accounting judgments. Especially the last qualities can hardly be provided only by the experience from the field. They are essential and, for sure, not less important than practical technical skills. In conclusion, entry requirements that would exclude the possibility to join the accounting profession without a proper education background, in our opinion, would enhance the role of accountants in serving the public interest.

IES2: Initial Professional Development (IPD) – Technical Competence. This standard lists the technical competences and their levels that accountants are expected to demonstrate at the end of their IPD. The requirement of an ‘intermediate’ level required for ‘Financial accounting and Reporting’ and ‘Audit and Assurance’ may not be sufficient. Indeed, also junior accountants should demonstrate an ‘advanced’ level for those competence areas, especially looking at how Table A of IES2 defines the ‘advanced’ level. Professional accountants, at all levels, make decisions about the appropriateness of accounting for transactions, select accounting/audit evidence and assess that evidence: thus an intermediate level, as defined by the table A mentioned above, seems to be too low for performing a proper job and, once again, serving the public interest.

IES3: Initial Professional Development (IPD) – Professional skills. This standard lists the personal skills and their levels that accountants are expected to demonstrate at the end of their IPD. The level for ‘Interpersonal and Communication’ could be set as ‘advanced’ since the end of the initial IPD. Especially in an accounting context that continuously evolves and becomes more and more complex, in many cases a proper job can only be done by teams rather than individuals. Thus, an advanced level of communication, teamworking and active listening is essential at all stages of an accounting career.

IES4: Initial Professional Development (IPD) – Professional values, ethics and attitude. This standard lists the professional values, ethics and attitude and their levels that accountants are expected to demonstrate at the end of their IPD. We do not think that is appropriate to prescribe a level lower than advanced for the following competence areas: ‘Ethical principles’ and ‘commitment to the public interest’. At the very root of well-known business scandals that damaged the reputation of the accounting profession worldwide there was the lack of an ethical dimension rather than technical weaknesses. For protecting accountants’ reputation and the public trust in the profession, accountants should have and demonstrate advanced levels of ethical standards and

commitment to the public interest at all stages of their career. The role that education can play in regard of this has been already illustrated in the comments related to IES1: please make reference to them.

Other points related to the other IESs have been highlighted in replying to the next questions.

Question 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)?

A real learning outcome approach would require an output-based model to measure professional accountants' CPD activities. This implies an expensive (who bears monitoring costs?) and continuous monitoring system (who audits the ones who control professionals?) for a profession where the confidentiality is of utmost importance. A viable path to reinforce IESs' focus on learning outcome approach seems to be the removal of the option included in the current version of IES 7 that allows IFAC member bodies to measure professional accountants' CPD activity only on the basis of input-based approaches. In this way IFAC member bodies can opt for the other two systems (i.e. output-based or combination approach). In the case of the combination approach, the actual disposition (included in the current version of IES 7) that prescribes how learning activities can be measured, should be reinforced explaining what kind of measurements are considered in line with the aim of IES 7. For example, in some settings, IFAC member bodies decide whether or not considering the attendance to a specific seminar as relevant activity for CPD simply examining the list of the topics that will be held during a seminar and the CVs of the people that will speak. Is it sufficient? If yes, what are the minimum requisites for the characteristics of the speakers? Especially in settings where the measure of professional accountants' CPD activities relies primarily on this kind of activities, an alternative strategy may require that at the end of the seminar attendees should prove that they have actually learned e.g. filling in a short questionnaire.

Moreover, following modification to IES 8, IES 7 should recognize that IFAC member bodies share their responsibility not only with professionals, but also that professional firms and regulators are part of the system of quality control for continuing professional development.

Finally, the role of academia as long as the ones of other education providers could be emphasized in IES 7. At the moment, IES 7 does not put sufficient emphasis on the role that education providers and academia can have in the continuing development of practitioners (i.e. engagement partners). For example, engagement partners could establish constant relations with the academia where they can both contribute to the education of perspective accountants through the delivery of seminars/lectures and also by developing their own knowledge further by receiving updates about their technical skills as well as being up-to-dated about the evolution of the role of accountants and accounting, the social aspect associated to this profession and the relevance of accounting and audit quality for several stakeholders.

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

Some of the accounting scandals that have been observed over the last decades might have highlighted issues for some auditors to remain independent and resist to client pressure during particular circumstances.

Reinforcing topics related to engagement partners' negotiation skills would then become relevant. It would be relevant that engagement partners would have strong "customer service orientation" but it should not be at the expense of their independence and skepticism. The provision of an auditing service, even if it is paid for by a company, should be carried out in the public interest, being the audit report the only document in a financial statement prepared by an external part, different from the company. This peculiarity makes such a report very important for all company's stakeholders thus engagement partners should never lose their professional skepticism and professional judgment. In protecting public interest, IAESB could reinforce the emphasis on topics related to engagement partners' negotiation skills, due to their delicate position: they do not have only a client (the firm) but they must satisfy the expectations of several other "clients", i.e. all the several stakeholders of a company.

Question 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?

Data analytic skills as long as IT and computer skills are also of utmost importance for accounting activity. Recently there has been a lively debate on the importance of "Big Data" to the future of business and accounting. The challenge facing accounting profession is how to analyze huge data sets in a manner that extracts value-added insights. This requires integrating critical thinking and data analytic skills into typical accounting topics. On the one side, Big Data is an opportunity to have deeper insights into the determinants of companies' performance. On the other side, dealing with Big Data requires a change in mindset for accountants since they need to feel comfortable in making use of it, as they are accustomed to have structured and verifiable data thus different from what big data actually are.

It is worth noticing that, according to a recent survey (<https://www.aacu.org/leap/public-opinion-research/2015-survey-results>), even American Millennials (those between the ages of 16 and 34), who are commonly defined as 'digital natives', are not sufficiently expert in technology according to their bosses. Moreover, American Institutes for Research (AIR) analysis, based on data from the 2012 Programme for the International Assessment of Adult Competencies (PIAAC), conducted by the Organization of Economic Cooperation and Development found that 91 percent of Millennials consider a lack of computer skills irrelevant to their job prospects.

For aspiring professional accountants, this trend and the abovementioned evidence suggest the introduction of courses at the IPD (Initial Professional Development) stage where these issues are risen. Dealing with such issues at a Continuing Professional Development (CPD) stage could be more problematic especially when professionals did not receive any training on data analytic skills during their IPD and have important positions

being at an advanced stage of their professional carrier. However, it is something that the accounting profession must face thus specific initiatives about that should be considered.

Question 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)?

As documented by previous research (Crawford, L., Helliard, C., Monk, E., Veneziani, M., 2014. International Accounting Education Standards Board: Organisational legitimacy within the field of professional accountancy education, *Accounting Forum*, 38(1), 67-89), the current public acknowledgement of IESs is limited and they have been also not properly applied from some of the IFAC members. In this framework, the priority seem to make stakeholders interested in the accounting education and aware that IAESB has prepared a lot of effective materials useful for accounting education, including toolkits and interpretation guides. A careful design communication policy may be helpful. This may also sensitivize directly the educators involved at different stages in the education of future or actual professionals. Obtaining a CPA qualification is, in fact, the results of a long path, that in different jurisdictions embroil differentiated actors. In addition, course instructors may have very differentiated backgrounds, ranging from people with significant professional experience to high-quality researchers with virtual no practical experience in the accountancy field. An effective communication strategy may help course instructors to invest time in being familiar and keeping up-to-date with IAESB's activity and its material. Moreover, since the learning experience crucially depends on educators, also guidance about how someone is expected to be prepared to provide appropriate educational/learning experiences may be useful.