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March 4, 2011

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West
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Dear Sir or Madam

We appreciate this opportunity to comment on the Exposure Draft of the Proposed Redrafted International Education Standard 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence. We fully support the objectives of the IAESB's project to improve the clarity of its Standards, of which this Exposure Draft is a part, and we commend the IAESB in the work they have done on IES7 to date.

Comments on Exposure Draft:

Before responding to the specific questions raised in the Explanatory Memorandum to the Exposure Draft, we have some overall comments on the redrafted standard which we set out below.

Overall Comments

We note that this is the first exposure draft of a standard that has been redrafted since the new Framework for International Education Standards for Professional Accountants and the accompanying IAESB Drafting Conventions were published. It therefore offers respondents a first opportunity to see the impact of the application of the Framework and the new drafting conventions in practice. Some of our comments in this letter reflect this fact, and have implications for the Framework and the drafting conventions themselves. We recognize that the Framework and the drafting conventions were widely supported, however we also think it is important for the Board to reflect on what can be learned about their application from this first exposure, and to consider whether any further changes to the Framework or the drafting conventions are required.

We note that paragraph 1 of the redrafted standard states that it 'prescribes good practice for member bodies', however we believe that the language used elsewhere in the standard indicates that the standard is intended to be more binding on member bodies than just good practice. For example the wording used to set out the objectives in Paragraph 7 describes the objective of setting requirements for CPD is to 'ensure that member bodies' undertake certain actions. The Framework states that 'The IESs prescribe good practice in learning and development for professional accountants; they should be incorporated into

the educational requirements of IFAC member bodies'. While we agree that the standards represent good practice from the perspective of the professional accountant, when addressing the member body we believe it is important that the standard is positioned more authoritatively than good practice. We have therefore proposed specific alternative wording under 'Specific drafting points' below.

We note that, consistent with the Framework and the drafting conventions, the redrafted standard clearly states in paragraph 2 that it is addressed to the member bodies. In a number of areas, however, requirements of the standard clearly impact both member bodies and individual professional accountants, for example paragraph 10 and the associated guidance in paragraph A6 which establish that member bodies shall require all professional accountants to maintain appropriate CPD. We recognize there are significant difficulties for the IAESB in addressing standards to any parties other than its member bodies, however we do recommend that the IAESB carefully consider this challenge. One option would be to explicitly state in the section on the scope of the standard that it is the role of the member bodies to set appropriate standards for their members – the individual professional accountants.

Throughout the standard the term 'member bodies' is used to refer to IFAC member bodies and the terms 'members' and 'individual professional accountants' are used interchangeably to refer to individuals who have membership of IFAC member bodies. We believe use of the term 'member' may lead to confusion, particularly on translation, and so would recommend only referring to 'member bodies' and to 'individual professional accountants' consistently throughout the standard.

We also note that the standard refers in various places to 'verification' of CPD – firstly in paragraphs 12 and 13 and then extensively in the accompanying explanatory materials in paragraphs A12 through to A18. We are uncomfortable with the use of the term 'verify' as, within an audit context, verification would be taken to mean a process which provides 100% assurance, which is unlikely to occur in any sampling and testing process. We therefore recommend that the board consider alternative terminology such as 'substantiate', or 'test'.

We understand that the objective of this exercise in redrafting the standard is to improve the clarity of the current standard through the application of the IAESB's drafting conventions. It is therefore important that the proposed redrafted standard communicates a level of expectations and required compliance by member bodies that is consistent with the current standard. Given this objective, we note that one aspect of the approach to achieving clarity and consistency is to use terminology consistent with that used throughout the International Standards on Auditing (ISAs). Specifically this results in a change to the wording of requirements throughout the standard, moving from use of the term 'should' to 'shall'. We believe that this change may convey a higher expectation of member bodies than the current standard and, as such, the IAESB should listen carefully to the member bodies to whom the standard is addressed in order to determine if this is an appropriate change.

Specific Questions

With respect to the specific questions outlined in the Explanatory Memorandum to the Exposure Draft our comments are as follows:

Question 1: Is the objective to be achieved by a member body, stated in the proposed redrafted IES 7, appropriate?

Yes, we believe the objective is appropriate.

Question 2: Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?

Yes, we believe the criteria for requirements have been applied consistently and appropriately.

Question 3: Are there any terms within the proposed redrafted IES 7 which require further clarification? If so, please explain the nature of the deficiencies.

Yes.

The terms ‘structured education’, ‘practical experience’ and ‘training’ in Paragraph 4 should be explained, ‘Structured education’ and ‘training’ should be distinguished from one another – we are unclear on the difference between these activities. We also recommend referring to ‘learning’ rather than ‘training’, as this would be consistent with current best practice in learning and development.

‘Informal learning activities’ is also a term used in Paragraph 4. We note that the term ‘informal learning’ is now being widely used in learning and development circles to denote wide-ranging and broad activities, encompassing many more activities than those referenced in Paragraph 4. We would, therefore, recommend caution about trying to capture this concept with a limited number of example activities.

Specific drafting points

As noted above, we understand that this Exposure Draft forms part of the IAESB’s clarity project with the intention of improving clarity of the body of IESs. In our review of the Exposure Draft we have identified a number of areas which in our view currently lack clarity. We, therefore, also provide a number of specific comments on the exposure draft together with suggestions for changes to enhance the clarity of the final standard.

Paragraph	Existing Wording	Comments/Suggestions for change
1	<i>This International Educational Standard (IES) prescribes good practice for member bodies to ensure that individual professional accountants develop and maintain the professional competence necessary to (a) provide high quality services to clients, employers, and other stakeholders, and to (b) strengthen public trust in the profession.</i>	<p>We believe that this standard represents more than just good practice. This is supported by the wording used to set out the objectives in Paragraph 7 which describe the objective of setting requirements for CPD is to ‘ensure that member bodies’ undertake certain actions. We therefore recommend rewording as follows:</p> <p><i>This International Educational Standard (IES) prescribes standards that are expected to be met by member bodies to ensure that individual professional accountants develop and maintain the professional competence necessary to (a) provide high quality services to clients, employers, and other stakeholders, and to (b) strengthen public trust in the profession.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
2	<p><i>Although it is the responsibility of the individual professional accountant to maintain competence by undertaking relevant continuing professional development (CPD) activities, this standard is addressed to the member bodies, whose role it is to:</i></p> <ul style="list-style-type: none"> <i>(a) Foster a commitment to lifelong learning among professional accountants;</i> <i>(b) Facilitate access to CPD opportunities and resources for their members; and</i> <i>(c) Adopt good practice standards to help their members to develop and maintain the professional competence necessary to protect the public interest, including the development of appropriate measurement, monitoring, and compliance procedures.</i> 	<p>We note that the description of the role of the member body in relation to CPD here is repetitive of, but not entirely consistent with the objectives set out for member bodies in paragraph 7. We do not believe this repetition of information is necessary.</p> <p>We therefore recommend that paragraphs, 1, 2 and 7 be reviewed to ensure consistency, and to identify opportunities to condense or remove unnecessary repetition.</p>
2(c)	<p><i>Adopt good practice standards to help their members to develop and maintain the professional competence necessary to protect the public interest, including the development of appropriate measurement, monitoring, and compliance procedures.</i></p>	<p>As with paragraph 1 above we recommend removing the reference to good practice when referring to the standard, to avoid undermining the authority of the standard. We also recommend including reference to implementation of appropriate procedures, not just development.</p> <p>We therefore recommend that this be reworded as follows:</p> <p><i>Adopt standards to help their members to develop and maintain the professional competence necessary to protect the public interest, including the development and implementation of appropriate measurement, monitoring, and compliance procedures.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
3	<p><i>CPD is a continuation of the Initial Professional Development (IPD) process that led to qualification as a professional accountant. CPD is learning and development that takes place after IPD, and that maintains and develops competences to enable professional accountants to continue to perform their roles competently. CPD provides continuous development of the (a) professional knowledge, (b) professional skills, (c) professional values, ethics, and attitudes, and (d) competence achieved during IPD, refined appropriately for the professional activities and responsibilities of the individual.</i></p>	<p>We believe care should be taken not to suggest that learning alone maintains or develops competencies - individuals do this through learning and by other means. We also believe that it would be better to refer to CPD as providing ‘continuing’ rather than ‘continuous’ development.</p> <p>We therefore recommend this paragraph is reworded as follows:</p> <p><i>CPD is a continuation of the Initial Professional Development (IPD) process that led to qualification as a professional accountant. CPD is learning and development that takes place after IPD, that enables professional accountants to develop and maintain the competences needed to continue to perform their roles and responsibilities. CPD provides continuing development of the (a) professional knowledge, (b) professional skills, (c) professional values, ethics, and attitudes; and builds on the competence achieved in IPD, refined appropriately for the professional activities and responsibilities of the individual.</i></p>
5	<p><i>Measuring the attainment of CPD can be achieved by three different approaches:</i></p> <p><i>(a) Output-based approaches—by requiring professional accountants to demonstrate, by way of outcomes, that they develop and maintain professional competence;</i></p> <p><i>(b) Input-based approaches—by establishing a set amount of learning activity to develop and maintain competence; and</i></p> <p><i>(c) Combination approaches—by combining elements of the input- and output-based approaches, setting the amount of learning activity required, and demonstrating the outcomes achieved.</i></p>	<p>We believe that the level of detail provided on each of the approaches is too much for this Introduction section and should instead be included either in paragraph 11 or in the explanatory material paragraphs A12-A18.</p> <p>We therefore recommend this be reworded as follows:</p> <p><i>Measuring the attainment of CPD can be achieved by three different approaches; an outputs-based approach, an inputs-based approach or a combination approach. The standard sets out requirements for measuring the attainment of CPD under each of these approaches.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
7(b)	<i>Monitor and enforce a systematic process to ensure that their members meet the requirements of the standard;</i>	<p>Consistent with our point on paragraph 2(c) regarding development and implementation of processes we recommend this be reworded as follows:</p> <p><i>Develop, implement, monitor and enforce a systematic process to ensure that their members meet the requirements of the standard;</i></p>
7	<i>These requirements contribute to the profession's objective of providing high-quality services to meet the needs of clients, employers, and other stakeholders in the public interest.</i>	This sentence duplicates the content of paragraph 1, we therefore recommend either deletion of this sentence or moving it to explanatory material.
11	<i>Member bodies shall establish their preferred approach to measuring their members' CPD activity from the three models of output-based, input-based, or combination approaches.</i>	<p>We do not believe the term 'establish' is precise enough. We therefore recommend this be reworded as follows:</p> <p><i>Member bodies shall determine their preferred approach to measuring their members' CPD activity from the three models of output-based, input-based, or combination approaches.</i></p>
A2- 2 nd sentence	<i>This also requires ethical behavior, professional judgment, and an objective attitude.</i>	<p>We believe that appropriate supervision is an important factor in the provision of high-quality professional service. We therefore recommend this be reworded as follows:</p> <p><i>This also requires ethical behavior, professional judgment, an objective attitude and an appropriate level of supervision.</i></p>
A2 -5 th sentence	<i>However, CPD is an important means of ensuring that professional accountants are competent and up-to-date on the technical and general knowledge relevant to the professional services they provide.</i>	<p>We do not believe that CPD should be positioned as the only means of ensuring that professional accountants are competent and therefore recommend that this be reworded as follows:</p> <p><i>However, CPD plays an important part in enabling professional accountants to maintain and develop their competence and technical and general knowledge relevant to the professional services they provide.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
A3	<p><i>In meeting their responsibility to serve the public interest, member bodies may consider a variety of quality assurance processes, of which CPD is an important one. Others include quality assurance reviews of professional accountants' work, which may include CPD, and investigation and disciplinary regimes for misconduct.</i></p>	<p>We believe that this paragraph is confusing on the role of CPD in quality assurance processes. We therefore recommend that this be reworded as follows:</p> <p><i>A well established program of CPD that is measured, monitored and evaluated may form part of a member body's quality assurance processes. Other quality assurance processes may include quality assurance reviews of professional accountants' work (which may include a review of the CPD undertaken by the individual professional accountant), and investigation and disciplinary regimes for misconduct.</i></p>
A7	<p><i>In setting the requirement for CPD, member bodies are encouraged to consider what is relevant and appropriate for professional accountants in circumstances such as career breaks and retirement.</i></p>	<p>We note this is wording that remains unchanged from the current standard, however we believe it is important to clarify why situations of retirement may present an issue for CPD.</p> <p>We therefore recommend this be reworded as follows:</p> <p><i>In setting the requirement for CPD, member bodies are encouraged to consider what is relevant and appropriate for categories of members who can pose particular issues for CPD requirements, for example:</i></p> <ul style="list-style-type: none"> • <i>Individuals on career breaks</i> • <i>Individuals who have retired from full time practice, but who continue to use their professional accountant designation, and/or continue to do work in some capacity</i>

Paragraph	Existing Wording	Comments/Suggestions for change
A20	<p><i>Professional accountants are responsible for (a) retaining appropriate records and documents related to their CPD, such as those designed and provided by their member body, and (b) providing sufficient evidence to demonstrate their compliance with the requirements of the member body when requested to do so.</i></p>	<p>We believe this paragraph will be interpreted as introducing a requirement of individual professional accountants, to whom the standard is not specifically addressed.</p> <p>We recommend that the paragraph be deleted or be combined with paragraph A19 to reflect the responsibility of the member body to determine the evidence that professional accountants should maintain.</p>
A24 – 2 nd sentence	<p><i>It should be noted, however, that a monitoring cycle of longer than five years would unlikely meet the objectives of this IES.</i></p>	<p>We have a number of concerns about this sentence:</p> <ul style="list-style-type: none"> • ‘Monitoring cycles’ are not defined within the standard or the glossary – we presume this is the period over which the member body runs the ‘systematic process to monitor whether professional accountants are meeting the CPD requirement’ (paragraph 15). The term should be properly defined. • We are concerned that this sentence represents an implicit requirement on member bodies regarding the length of the monitoring cycle and, if this is the intent of the IAESB, it should be addressed in paragraph 15 in the requirements section of the standard, not in the explanatory materials. • If the requirement is moved to paragraph 15 then the explanatory materials should indicate what factors lead to the conclusion that a period of longer than 5 years is not appropriate. This guidance would be better positioned at the end of paragraph A22, than in paragraph A24. <p>The sentence would also be clearer as a positive recommendation, rather than as a double negative. We would therefore recommend rewording it as follows:</p> <p><i>Monitoring cycles would be expected to be for a period of less than 5 years.</i></p>

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We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please contact Jens Simonsen on +45 36103781.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jens L. Simonsen". The signature is written in a cursive style with a large, stylized initial "J".

Jens L Simonsen
Global Director Audit Services
Deloitte Touche Tohmatsu Limited

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