

8 March 2016

Mr David McPeak  
Senior Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington Street West, 4th Floor  
Toronto, Ontario  
M5V 3H2  
Canada

Dear David,

**Consultation Paper (December 2015)  
Meeting Future Expectations of Professional Competence: A Consultation on the  
IAESB's Future Strategy and Priorities**

The Institute of Singapore Chartered Accountants appreciates the opportunity to comment on the Consultation Paper: Meeting Future Expectations of Professional Competence (A Consultation on the IAESB's Future Strategy and Priorities).

IAESB's effort in its continuous review of the full suite of IESs for their relevance to the accounting profession is highly commendable. In general, we agree with the proposed strategic priorities in the next 5 years. However, for purpose of alignment to the IESs and allowing flexibility in adoption, we suggest that IAESB continue to adopt a principles-based approach in such revisions / additions.

Our comments on the exposure draft are set out in the attachment. If you require any clarification on the comments, please contact Lee Zhen Ni, Manager of Examinations & Qualification, at [zhenni.lee@isca.org.sg](mailto:zhenni.lee@isca.org.sg) or +65 6597 5690.

Yours faithfully,



GOH PUAY CHEH  
Chief Operating Officer  
Institute of Singapore Chartered Accountants

## General Comments

We would like to commend IAESB's efforts in its continuous review of the full suite of IESs for their relevance to the accounting profession which has been evolving. In general, we agree to the proposed strategic priorities of IAESB in: Enhancing existing IESs, potential new IESs, adoption and implementation support and advancing international debate. In addition, we agree with IAESB that the proposed activities to achieve these strategic priorities be prioritised over a 5 year period (2017 to 2021).

However, we would like to highlight the importance of the principles-based approach of the IESs in such proposed revisions / additions as suggested in our comments below, to allow flexibility to member bodies in their adoption and implementation.

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

We are in full support of the principles-based approach which has enhanced clarity and consistency in the existing IESs, and allowed high flexibility for member bodies to develop professional accounting and continuing professional development programs that meet the diverse local and stakeholder needs, while maintaining focus on the core competence areas that all professional and aspiring accountants need to acquire.

As IAESB has shared in the Consultation Paper, one of its strategic priorities includes the enhancements to existing IESs. Please see our comments on the actions proposed by IAESB to address this strategic priority below:

- **Paragraph 17:** *"...The IAESB has therefore established a task force to consider how best to revise IES 7<sup>1</sup> to enable professional accountants, through CPD, to meet the professional competence expectations required in the public interest."*

As shared in the Consultation Paper, the redrafted IES 7 does not align well with the output and outcomes approach (which is the focus of other newly revised IESs in development of professional competence). In addition, we agree with IAESB's perspective that there should be a "stronger focus on Continuing Professional Development (CPD)" in the suite of IESs considering that "professional accountants will spend the majority of their professional careers in the CPD phase." It is therefore necessary to review IES 7 such that there is a more cohesive linkage between IPD and CPD. We also suggest that IAESB consider the inclusion of CPD guidelines aimed at individual sets of competences, for specific job roles at different levels and different specialisations.

In the local context, the Singapore government has rolled out an initiative that brings together employers, unions, education and training providers, trade associations and the government, to project future skills needs and set out a systematic plan to develop those skills in the local workforce. One of the objectives of the initiative is to articulate and

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<sup>1</sup> IES 7: Continuing Professional Development (Redrafted)

develop clear career progression pathways that will set out the key competencies and skills needed to progress at each stage of the individual's career. These progression pathways will be closely integrated with education, training and development, to ensure greater fluidity between learning and working as the individual progresses in his or her career.

For details of suggestions on how IAESB can align the requirements of IES 7 to support the learning outcomes approach of other IESs, please refer to our comments for Question 2.

- **Paragraph 18:** *"...The IAESB is evaluating what actions it should take to support the development, maintenance, and demonstration of professional skepticism and professional judgment for professional accountants. Potential actions include reviewing existing references to these competences in the IESs or expanding references to these topics in existing or new IESs."*
- **Paragraph 19:** *"...a joint Working Group has been formed with representatives from these three independent standard-setting boards<sup>2</sup> (SSBs) to make recommendations to each SSB whether there is standard-setting or related work that can be undertaken. The IAESB will continue to be guided in its approach to professional skepticism and professional judgment by the work of this joint Working Group, as well as the feedback on this consultation."*

We commend IAESB's efforts in its participation in the joint Working Group for a holistic approach towards addressing the growing importance of the competence areas of professional skepticism and professional judgment. IAESB may consider including appropriate references from other applicable standards to IES 4, IPD- Professional Values, Ethics and Attitudes (2015), so as to increase awareness for the legal / moral obligations for professional accountants. However, to ensure clarity, we do not suggest the duplication of these standards in the revised IESs.

For details of suggestions on actions that IAESB can take to improve professional competence related to the appropriate exercise of professional skepticism and professional judgment, please refer to our comments for Question 3.

- **Paragraph 20:** "As accounting practices have developed, the dynamic impact of IT requires different competences among professional accountants. Additionally, the growing impact of aspects of IT such as data analytics, automated and tagged financial reporting, data security, and cloud-based accounting environments means that professional accountants are increasingly required to research, mine, and interpret such data, rather than just prepare it... The IAESB proposes updating existing IESs to reflect this and to develop practical guidance for professional accountants."

We agree that the current competence statements relating to aspects of IT could be enhanced to reflect the prevalent use of new information technology tools to complement existing accounting software for transactions recording, financial statements preparation and consolidation, for increased value, productivity and data security to businesses.

<sup>2</sup> The three independent SSBs are: International Auditing and Assurance Standards Board; International Ethics Standards Board for Accountants; and International Accounting Education Standards Board.

However, practical guidance issued by IAESB will be very useful for member bodies to develop relevant CPD courses to address the evolving role of professional accountants due to new information technology tools.

**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)?**

To align the requirements of IES 7 in support of the learning outcomes approach of the other IESs, IAESB can include the expected competences and level of proficiency to enable professional accountants to continue to develop and benchmark themselves professionally based on their roles.

We appreciate that the IES 7 has provided IFAC member bodies flexibility in establishing their preferred approach to measuring the CPD activity of professional accountants and the Institute has adopted the input-based approach in measuring the CPD of our members. With regard to the output-based approach, we suggest that IAESB allow member bodies to exercise judgment in evaluation of their respective membership bodies for the applicability of the approach. More details on implementation and monitoring mechanism would be helpful for member bodies and the employers of professional accountants, especially the smaller setups, who are considering the adoption of this approach.

As reflective activities (e.g. record of learning, reflective record, or personal development portfolio) are commonly used in CPD courses, we would also like IAESB to provide further clarification and guidance in IES 7 on:

- The documentation required
- How it could be used and assessed to close identified competency gaps.

Please also refer to our comments in Question 1.

**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?**

With reference to the IAASB definitions included in IES 4:

Defined Term	Definition in IAASB <i>Glossary of Terms</i>
Professional Skepticism	An <b>attitude</b> that includes a questioning mind, being <b>alert to conditions which may include possible misstatement</b> due to error or fraud, and a critical assessment of evidence.
Professional Judgment	The <b>application of relevant training, knowledge and experience</b> , within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.

Professional competence related to the appropriate exercise of professional scepticism and professional judgment involves the attitude of the professional accountant with relevant training, knowledge and experience. As such, we suggest that IAESB provide practical guidance and compilation of literature (e.g. red flags in past fraud cases), which act as resources for professional accountants to critically think through issues and different considerations before arriving at conclusions.

We do not recommend extensive expansion of references to these topics in existing or new IESs, as the revisions could be too prescriptive in nature, which will be contrary to the nature of professional scepticism and professional judgment.

Please also refer to our comments in Question 1.

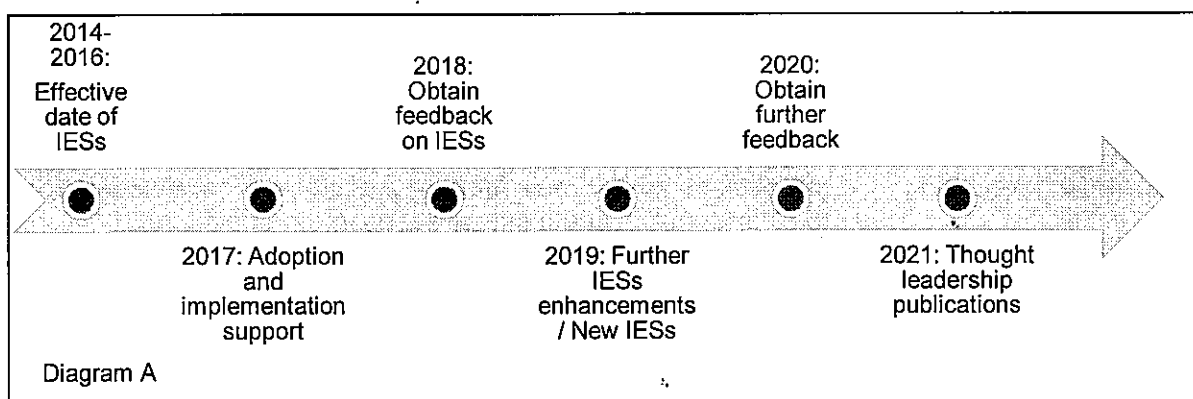
**Question 4: What new IESs, if any, do you suggest the IAESB prioritize for the period 2017-2021 (for example, implementation support; guidance; communications; thought leadership publications)?**

We agree with the IAESB that there could be new IESs (or included as enhancements to existing IESs) to provide CPD guidelines that build on essential competence areas for professional accountants undertaking jobs in different specialisations such as external and internal audit, financial or corporate reporting and business valuation.

Other than the above, we suggest that IAESB consider providing IPD guidelines on the calibration of the levels of proficiency and learning outcomes approach for accounting education programs pitched at different levels. The current prescribed levels of proficiency and learning outcomes approach are developed with senior levels of the profession or fully qualified professional accountants in mind. As mentioned in IES 1, IAESB recognises that there are different pathways through professional accounting education programs and “that completion of a full, professional qualification is just one of a range of exit points from a professional accounting education program.”

Please also refer to our comments in Question 1.

**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)?**



Based on IAESB's proposed strategic priorities and activities, we suggest a phased approach in implementation as depicted in Diagram A.

In the initial phase, we suggest that IAESB focus its resources in providing member bodies with guidance materials documenting necessary adoption and implementation support. We also propose that a feedback mechanism be made available for member bodies to share their development or implementation issues, including any difficulties encountered in complying with the revised standards, to facilitate the transformation of their professional accounting education that meets the objectives of the IESs. Subsequently, IAESB could continue to further enhance existing IESs / create new IESs based on such feedback. Once the IESs have been implemented successfully by member bodies, IAESB could consider other initiatives such as "advancing international dialogue and debate on professional accounting education".

Submitted by:

Examinations and Qualification Department

Institute of Singapore Chartered Accountants

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