Continuing Professional Education

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INTRODUCTION

1. This Guideline sets forth recommendations, indicated in boldface print, for the establishment and operation by member bodies of an effective program of continuing professional education (CPE) to maintain and improve the professional competence of accountants and to meet public expectations about the quality of their work. The “Discussion” sections represent elaboration and rationale for the recommendations.

2. The recommendations:
   • address the objectives of CPE; the subject areas that should be viewed as consistent with those objectives; and the extent of the CPE commitment appropriate for professional accountants in public practice, industry, commerce, education and the public service
   • establish the goal of mandatory CPE as a requirement of all member bodies on a worldwide basis
   • explain the necessity of appropriate disciplinary mechanisms to assure compliance with CPE requirements

3. This Guideline is a revision of International Education Guideline 2, which was issued in February 1982. Since then, the knowledge needed to function effectively as an accountant in public practice, industry, commerce, education and the public service has expanded and changed at a rapid rate. That trend is certain to continue.

4. For example, there have been significant changes in the environment in which the accountant must operate. These include changes in accounting and auditing standards, new legislation and regulation affecting the profession and the people and organizations it serves, increasingly complex tax systems and rules, and the on-going development and greater use of sophisticated financial instruments. These changes have been accompanied by the widespread use of new tools, such as personal computers and related electronic communications systems, the resources on the Internet, and the everyday use of quantitative methods.

5. Not only are accountants faced with increased knowledge requirements, but they and their professional associations are also faced with increased public expectations about the quality of financial statements and of independent audits. Related pressures for disclosure of more information and for greater use of forecasts have had an impact on management accountants and independent auditors alike. In addition, the need to be competitive in a worldwide economy has led to more attention being paid to the role and responsibilities of the management accountant in entities of all types. All of this places a special responsibility on accountants in education. Finally, there is an increasing interest around the world in the public accountability of the business and financial community and that of the governmental sector, and accountants in all occupations have important contributions to make to that process.

6. The changes made in this revision of IEG 2 are intended to keep the Federation’s recommendations in step with this changing environment, in which the individual member’s commitment to CPE has become even more important and the role of member bodies in promoting effective CPE has taken on a correspondingly greater significance.

7. The Federation recognizes that in recent years many member bodies have addressed some or all of the issues considered in this Guideline, and it also recognizes that some member bodies may find it very challenging to implement some of its recommendations. However, the Federation believes that it is important for all member bodies to reassess their CPE programs in the light of these recommendations and consider, where necessary, how to move towards their implementation. By acting on the recommendations in this Guideline, member bodies will help significantly in the furtherance of the broad objective of IFAC, which is “the development and enhancement of a coordinated worldwide accountancy profession with harmonized standards.”

8. In making that suggestion, the Federation has noted that the maintenance of career-long competence is already a requirement of the profession. (Paragraph 16 of the IFAC Code of Ethics for Professional Accountants indicates that a professional accountant has “a continuing duty to maintain knowledge and skill at a level required to ensure that a client or employer receives the advantage of competent professional service based on up-to-date developments in practice, legislation and
techniques.”) Also, it has concluded that the effectiveness of national CPE programs are and will continue to be a significant factor in any dialogues related to international reciprocity.

9. When working towards implementing the recommendations in this Guideline on CPE, a member body may find it useful to draw attention to its statements on ethics and to the IFAC Code of Ethics for Professional Accountants concerning the continuing duty to maintain professional competence, noting that an effective CPE program will help members comply with that existing obligation and thus help maintain public confidence in the profession.

OBJECTIVES OF A CPE PROGRAM

10. Member bodies should establish and operate or otherwise make available CPE programs that:
   a) maintain and improve the technical knowledge and professional skills possessed by their members;
   b) assist members of the profession to apply new techniques, to understand economic developments and evaluate their impact on their clients or employers and on their own work, and to meet changing responsibilities and expectations; and
   c) provide reasonable assurance to society at large that members of the profession have the technical knowledge and professional skills required to perform the services they undertake to provide.

Discussion

11. In many countries, the profession is granted the privilege of self-regulation and, in some cases, of reserved functions. These privileges are implicitly granted on the assumption that the organized profession in a country is best able to maintain and improve the professional competence of its members and the quality of the services they provide to clients and employers. Even in those countries where such privileges are not granted to the accounting profession, the profession must accept a similar responsibility. Indeed, meeting that responsibility is the raison d’être of any professional association of accountants.

12. In today’s changing and increasingly complex environment, accountants cannot possess the knowledge required to render professional services of a high quality if they do not recognize the need for, and obtain, continuing professional education (CPE) appropriate to their circumstances. Thus, to fulfill their responsibilities to their members and to the public, member bodies should strive to establish and operate an effective CPE program that assists their members in obtaining the CPE they need and provides reasonable assurance to the public that their members can and will perform their work with professional competence.

13. It is not suggested that CPE on its own provides assurance to society at large that all members will provide every professional service with high quality. Doing so involves more than maintaining and updating technical and general knowledge; it involves applying that knowledge with professional judgment and an objective attitude in the real-life situations found in today’s environment of socio-economic change. Also, there cannot be complete assurance that every person who participates in a CPE program will obtain the full benefits of that program, because of variances in individual commitment and capability. Nevertheless, it is certain that members who are not up-to-date with current technical and general knowledge applying to their work cannot provide professional services competently. Therefore, notwithstanding the inherent limitations of any CPE program, an effective program of continuing professional education can and should be an important element in preserving the standards of the profession and maintaining public confidence.

14. It is the professional duty of members of any profession not only to maintain professional competence, but also to strive continually to improve their competence. Thus, the objective of a program of CPE established by a member body should be focused on continual improvement, not on maintaining some minimum knowledge level. A CPE program that sets its objectives too low will be viewed with disdain by members who seek to provide the highest quality professional services and will be ineffective in motivating and enabling other members to improve the quality of their services.
15. Maintaining and improving technical knowledge (e.g., knowledge about accounting and auditing standards, taxation matters, budgetary control systems, computer techniques) is an important objective of a program of CPE. However, clients and employers expect accountants to perform their work not only effectively but efficiently, and they often expect accountants to be able to advise them as to the impact of changes in the economic and business environment. Even when that is not the case, accountants must be aware of these matters to perform their work competently. For example, changed circumstances or the desire to improve efficiency may call for the use of new techniques which involve new risks that must be recognized and addressed by the accountant. Similarly, changes in the economic and business environment may affect the judgments and estimates made by the accountant in the process of preparing financial statements as well as the nature, timing and extent of procedures applied by the auditor. For these reasons, a program of CPE established and operated by a member body should give appropriate consideration to educational needs that go beyond basic technical knowledge.

APPROPRIATE SUBJECT AREAS

16. CPE should contribute to the professional ability of the individual member and, therefore, acceptable CPE courses or activities should be relevant to the work of the member concerned. It is not necessary for member bodies to go beyond that general guideline by mandating specific topics for a program of CPE. It is reasonable to rely on members to select subject areas from the body of knowledge for accountants that are appropriate for them.

Discussion

17. Continuing professional education carries a cost to members in terms of both time and money. The vast majority of members, trained in accountancy and schooled in business matters, are not likely to select CPE activities whose costs are not outweighed or at least balanced by their benefits.

18. Moreover, given the diverse activities in which members of the accountancy profession engage, it would be difficult to define a common CPE curriculum that all members should be required to follow. Any attempt to do so would be likely to result in too rigid an approach and one which might serve as a disincentive to many members. A preferable approach for member bodies is to establish as a general rule that the subjects selected by members should be relevant to the work of the member concerned, and not merely useful in, for example, the personal or financial affairs of the member.

19. In considering whether a CPE course or activity is relevant to the work of a member, member bodies are encouraged to recognize the changing nature of the environment and not to inhibit participation in courses simply because they do not bear immediately upon the member’s daily work, e.g., programs dealing with social, economic and environmental trends likely to have a future impact upon the work environment of the accountancy profession.

MINIMUM INDIVIDUAL COMMITMENT TO CPE

20. Member bodies should establish reasonable norms for the extent of CPE that their members should obtain in the form of structured learning activities.

Discussion

21. “Structured learning activities” are measurable, verifiable activities that are designed to impart specific technical and general knowledge. Examples would include courses presented by educational institutions, member bodies or employers; individual study programs (correspondence courses, audiotape or videotape packages, computerized learning programs) that require some evidence of successful completion by the member; and participation as a speaker or attendee in conferences, briefing sessions or discussion groups.

22. The Federation suggests that each member who is active as an accounting professional should participate in a minimum of 30 hours per year, or a minimum of 90 hours in every three-year
period,\(^1\) of structured learning activity, whether compliance with that norm is voluntary or mandatory. (The recommended period of structured learning need not be taken in one block of time. It can also be made up by participation in a number of shorter programs throughout the period.) In making this recommendation, the Federation recognizes that the effectiveness of CPE is best measured in terms of what has been learned and has no intention to discourage efforts to establish other measurement criteria that can be broadly and cost-effectively applied within the accounting profession. However, it seems likely that hours will continue to be the measurement criterion that is commonly used and accepted for the near future.

23. Although the Federation’s recommendation is applicable to all active accounting professionals, a member body may reasonably conclude, based on an assessment of public expectations (which may focus on the independent auditor) and the circumstances in the country (e.g., the occupational classification of members, existing CPE requirements or guidance, and the availability of local educational facilities, qualified instructors, and appropriate instructional materials), that the norm should be applicable only to members in public practice or that it should be different for members working in industry, commerce, education and the public service. A member body that draws a distinction between members based upon their occupations should periodically review the continuing appropriateness of such a distinction in the light of future developments within the country and in the international accounting profession. Also, member bodies should consider what additional CPE, if any, should be obtained by members who decide to move into or return to public practice.

24. It is for each member body to determine what activities would qualify for recognition as structured learning. In that connection, member bodies should focus on the need for an activity to be measurable and verifiable, as well as the need to meet appropriate learning objectives. For example, acting as a lecturer, instructor or discussion leader on a structured course would normally meet these criteria (but repeat presentations of the course should not be considered for this purpose). Service as a member of a technical committee of a professional body or individual firm may be deemed to be a structured learning activity to the extent a specific portion of the meeting is formally designed to impart specific knowledge in preparation for committee debate or discussion. Writing technical articles, papers or books may also be deemed to be a structured learning activity, within reasonable limits, since the output is clearly verifiable. There may also be special circumstances under which member bodies permit the substitution of an intensive, measurable and verifiable “on the job” experience for structured learning, for a finite period of time. In general, however, one single, repetitive activity - for example, writing - should not comprise the entire extent of someone’s CPE activity.

25. Apart from participation in structured learning activities, there is a continuing need for members of the profession to keep abreast of a wide range of developments affecting their profession, clients and employers. This is done through unstructured learning activities, such as regularly reading professional journals and the financial and business press, discussing current developments with colleagues, accessing relevant data bases on the Internet and other activities.

26. Unstructured learning activities are important to every professional and the Federation recognizes that some member bodies may wish to emphasize their importance by covering them in the norms they adopt. However, the Federation believes that any norm for unstructured learning should be an addition to, not a substitute for, the norm set for structured learning. There are several reasons for this, and they are all related to the need to be able to provide reasonable assurance to the public that the objectives of the member body’s CPE program are being achieved. First, structured learning activities can be efficiently monitored and measured, while unstructured learning activities cannot. Second, structured learning activities are usually designed to achieve specific learning objectives, while unstructured learning activities are usually general and unplanned in nature. Third, structured learning activities usually depend on approved instructors and/or instructional materials, while unstructured learning activities depend on the individual accountant.

27. As they develop their programs of CPE, member bodies should keep under review the adequacy of

\(^1\) Spreading the CPE requirement over a three-year period permits greater flexibility in the application of the guidelines and enables members to adapt their CPE activities to their particular circumstances.
the minimum recommended period in relation to the needs of their members.

28. Some member bodies may find that adequate educational resources are not yet available to meet the needs of members wishing to observe the recommendations on CPE as outlined above. In these circumstances it may be necessary to adopt a program of CPE which is commensurate with immediately available resources and increases gradually to 30 hours per year (or 90 hours in every three-year period) over a reasonable period. Such a gradual but firm plan is preferred because it is likely to stimulate the development of necessary educational resources, while making a norm contingent on the development of those resources is likely only to delay implementation of the plan.

MANDATORY CPE AS A REQUIREMENT

29. Member bodies should require their members to comply with norms established for participation in structured learning activities.

Discussion

30. As is stated in paragraph 8, professional accountants have a continuing duty to maintain their professional competence. The importance attached to this duty by a professional body can best be demonstrated if the professional body requires its members to participate in a certain amount of structured learning activities. Such a requirement will be referred to in this guideline as “mandatory CPE”.

31. The case for mandatory CPE now is the same as it was when IEG 2 was first issued:
   - The profession must be seen to be taking practical steps to ensure that its members maintain their technical knowledge.
   - Reliance on competition and market forces is unacceptable since it is likely that detection of incompetence or inadequate service will take place only after the damage has been suffered.
   - This is the only way to ensure participation in CPE by accountants whose knowledge is badly out of date and who are unlikely to respond to a voluntary program.

32. Under a voluntary system of CPE, it is entirely at the discretion of each individual as to whether and to what extent he or she participates in structured learning. Such an approach avoids the administrative burden of a system of mandatory CPE. It acknowledges that many members of the profession, recognizing their professional duty and their own self-interest, participate diligently, regularly and voluntarily in CPE with a view to maintaining and improving their technical knowledge. However, it does not deal with those members of the profession who do not now obtain adequate CPE and whose participation in a voluntary program would be desultory, lacking in discipline and not seen as a professional priority. Moreover, a voluntary program is not effective in persuading society at large of the profession’s commitment to continuing professional education and professional competence.

33. Under a system of monitored voluntary CPE, members would have guidance, added motivation, and an agreed norm under which to plan and measure their participation in CPE. For its part, the individual member body would have a measure of the extent to which its members were observing its guidelines and adhering to the established norm. However, a system of monitored voluntary CPE is essentially an interim step that does not adequately achieve the objectives of a CPE program set forth in paragraph 10.

34. A system of mandatory CPE does not, in and of itself, pose administrative burdens substantially different from or greater than those necessitated by a system of monitored voluntary CPE. It does not require members eager to maintain and improve their professional competence to participate in structured learning activities to an extent greater than that which they would be likely to do voluntarily. At the same time, it deals effectively with the problem of the less committed member; it provides reasonable assurance to society at large that members of the profession have the technical knowledge and professional skills required to perform the services they undertake to provide; and it contributes to the Federations’ objective of “the development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest.”
35. In making this recommendation, the Federation recognizes that some member bodies do not, because of legal or other environmental constraints, presently have the ability to implement a system of mandatory CPE and/or enforce compliance with it. As noted in the Introduction, those member bodies are encouraged to consider how to move towards the implementation of the recommendations in this Guideline.

MONITORING CPE

36. In developing their programs of CPE, member bodies should adopt systems which will enable them to monitor effectively the extent to which members are observing their guidelines on CPE.

Discussion

37. A member body would need to set up its own system for monitoring participation by individual members in structured learning activities and for evaluating the quality of those activities. It is suggested that a member body consider setting up a board or committee under its control that would be charged with those responsibilities.

38. The monitoring of participation in structured learning activities can be done in a number of ways. One approach is to require the member to submit an annual report of CPE activities. Individual reports submitted by a representative sample of the members should be checked against attendance or completion documents provided to the member by the individual or entity responsible for the CPE course or activity. It would be desirable to require these annual reports to identify the specific structured learning activities in which the member has engaged, rather than to accept a simple representation as to compliance with the requirement. This allows the member body to skim the reports for overall reasonableness and facilitates checking reports to supporting information. Another approach to monitoring is one in which the individuals are required to maintain documentation on their CPE activities which the member body “audits” on a selective sampling basis.

39. Evaluating the quality of structured learning activities offered to members of the profession at large, and the CPE credit to be granted for participation, can be done by approving the providers of those programs or by approving individual programs. Approving program providers is often more efficient, and would focus on the procedures and controls instituted by the providers to insure that programs are prepared, reviewed and conducted by qualified individuals, that the learning objectives are appropriate for the intended participants and achievable within the time allotted for the program, and that the instructional materials, including case studies, are sufficiently comprehensive and properly designed. Whichever approach is taken, the member body should subsequently monitor offerings of actual programs on a test basis. Member bodies have a right to expect to be compensated by these providers for the costs incurred in making these evaluations.

40. Evaluating the quality of structured learning activities presented by accounting firms or other employers may be more difficult because the documentation of the program may be more informal because the program may be presented only once or a few times to a limited number of people. Evaluating the CPE content of other activities such as service on technical committees and writing articles (see paragraph 24) may pose different difficulties. When the approaches discussed in paragraph 39 do not appear relevant in situations like these, the member body would usually be able to make a reasonable evaluation by requesting copies of outlines and/or other available materials from the individual member claiming credit for participation.

41. The Federation recognizes that in establishing the norms and procedures for a system of mandatory CPE each member body will have regard to such matters as the occupational classification of its members, its existing CPE requirements or guidance, and the availability of local educational facilities, qualified instructors, and appropriate instructional materials.

RESPONDING TO NONCOMPLIANCE

42. Member bodies should establish appropriate mechanisms to respond to instances of noncompliance with CPE requirements. Such mechanisms should focus on bringing a member
into compliance, but should explicitly provide for disciplinary action when necessary.

**Discussion**

43. A system of mandatory CPE will operate effectively and in the public interest only if members who willfully fail to comply with the requirement are brought into compliance on a timely basis or, if they persist in willful noncompliance, promptly disciplined. Accordingly, the monitoring procedures adopted by a member body should require timely reporting by the members and should result in effective follow-up by the member body if noncompliance is not cured by the member within a reasonable established period.

44. The sanctions initially applied for noncompliance should focus on bringing the member into compliance within a reasonable period of time. However, in deciding on the amount of CPE that should be obtained by the member, care should be taken to strike a balance between an amount that is too small (e.g., a sanction that in substance amounts to permitting a member to defer obtaining the CPE he or she should have obtained in the first place) and one that is excessively punitive. Punitive sanctions should be determined by member bodies after consideration of legal and environmental conditions in their countries (in some countries they might include expulsion from membership and/or denial of the right to practice). They should be reserved for members who have made it clear through a pattern of noncompliance or through their response to the member body’s inquiries that they are likely to continue to disregard the importance of participation in structured learning activities and of compliance with the requirements of their member body.

45. Imposing sanctions on colleagues is not an action that should be taken lightly. However, a willful failure to maintain and improve one’s professional competence is a violation of a significant professional duty that justifies disciplinary action by a member body. Moreover, it is unfair to the majority of members who do and will continue to participate in required CPE programs at a cost in time and money to allow others who do not do so to escape any penalty.

**CONCLUSION**

46. This Guideline has set forth the recommendations for the establishment and operation by member bodies of an effective program of continuing professional education which will assist their members to maintain and improve their professional competence. It has recommended the goal of mandatory CPE, to be earned through participation in structured learning activities. It should be recognized, however, that each professional body will need to determine how best to accomplish this.

47. The accounting profession is a dynamic one, operating in an environment of change. Guidelines developed today are unlikely to meet the needs of tomorrow. It is for this reason that the Federation recommends that every member body should make formal arrangements to keep its CPE arrangements under regular review so as to ensure that they accord with the needs of the profession at any particular time.