IAESB International Accounting Education Standards Board

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Committee: International Accounting Education Standards Board

Meeting Location: IFAC Headquarters, New York, USA

Meeting Date: November 2-4, 2016

SUBJECT: Review of IES 7, *Continuing Professional Development* - Issues Paper (11/16)

INTRODUCTION

1. The overall purpose of this paper is to assist the IAESB (Board) members in their discussion of issues related to the International Education Standard (IES) 7, *Continuing Professional Development* Project Proposal, including updated issues related to IES 7 and the Task Force's (TF) proposed recommendations.

2. This paper outlines:

    A. The project rationale supporting a review of the extant IES 7

    B. The scope of the project

    C. The project activities and consultations undertaken by the TF

    D. Significant issues identified and proposed recommendations contained in the IES Project Proposal

    E. Input requested from board members as to the significance and completeness of the identified issues and appropriateness of the TF's recommendations contained in the Project Proposal.

3. This agenda item contains the following materials:

Agenda Item 3-1	Review of IES 7, *Continuing Professional Development* – Issues Paper (11/16)
Agenda Item 3-2	Review of IES 7, *Continuing Professional Development* – IES 7 Project Proposal (11/16)
Agenda Item 3-3	Review of IES 7, Summary of IES 7 Outreach and Consultations (11/16)

BACKGROUND

A. Project rationale

4. As a result of its discussions at its April 2015 meeting the IAESB agreed that the following criteria would be used in determining whether or not to revise an extant IES:
    i. Is the extant IES fit for purpose?
    ii. Is the extant IES necessary?
    iii. Is the extant IES continuing to add value?
    iv. Are there sufficiently significant developments in professional education that risk making the standard obsolete?

5. The CAG Workgroup submitted a report to the IAESB Steering Committee for discussion at its July in-person meeting (2015). This report provided advice on: (i) matters arising from the IAESB Issues Paper, Criteria for New and Revised Standards (See Agenda Item 4-1 from the April 2016 Board

meeting); and (ii) future opportunities, gaps, issues, emerging trends that may impact the implementation of the current IESs and provide the basis for the possible development of new or revised standards. The report was well received by IAESB Steering Committee members and formed an important part of the discussion on emerging issues. Of particular interest by the Steering Committee were the areas of Continuing Professional Development and Competence-based Education.

6. Steering Committee members recognized that the input-based approach to measuring CPD appears inconsistent with the learning outcomes approach, whereby the input and combination approaches to Continuing Professional Development (CPD) measurement seem to be at odds with output-based measures and the learning outcomes approach promoted in the revised standards. In addition, there is growing use of CPD compliance as a mechanism for periodic recertification by a number of Professional Accounting Organizations (PAOs).

7. The IAESB Chair requested that the CAG develop the suggested areas of continuing professional development and competence-based education for further consideration by the IAESB at its November 2015 meeting.

8. At its September 2015 meeting, the IAESB CAG's discussion on these areas led to enhancing its report (See Agenda Item 2-2 from IAESB November 2015 Meeting) by identifying: some recent developments in CPD; the progress of other professions on CPD; and the need to recognize and integrate non-traditional learning methods such as "credit for life experiences" in education and assessment areas.

9. At its November 2015 Board meeting, the IAESB discussed the CAG's report and the related findings of the IES Usage Study Task Force and commissioned an IES 7 Task Force to undertake a number of research and consultation activities to further investigate the sufficiency of IES 7.

10. Additionally, in its December 2015 consultation paper on the IAESB's 2017-2021 Future Strategy and Priorities, the Board asked, "How can the requirements of IAESB IES 7, Continuing Professional Development (2014) support the learning outcomes approach of the other IESs, including IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)?" Twenty-one responses have been received (See summary of responses included in Appendix 2 of Agenda Item 2-1 of April 2016 meeting).

11. At its April 2016 Board meeting, the IAESB discussed the IES 7 TF's preliminary issues and recommendations (see Agenda Item 4-1 from the April 2016 Board meeting). The Board asked the TF to continue with its activities in progress and to bring forward an updated summary of issues and recommendations in a Project Proposal.

12. The IES 7 TF provided the IAESB Steering Committee with a Draft IES 7 Project Proposal at its July meeting. Included in that Project Proposal were updated issues and recommendations related to IES 7 based on additional TF activities completed through June 2016. The Steering Committee asked the TF to continue working on outstanding outreach activities and to bring the Project Proposal forward to the Board in November 2016 for review and approval.

13. The IES 7 TF presented the following Issue's Paper and Draft IES 7 Project Proposal to the IAESB CAG at its September 2016 meeting. The CAG was generally supportive of the issues, recommendations, and direction laid out for IES 7 in the Project Proposal (see Appendix 2 – Summary of September 2016 CAG meeting)

B. Project scope

14. It is in the public interest that professional accountants undertake CPD activities to maintain and develop their professional competence throughout their career and that the effectiveness of CPD activities undertaken is globally consistent. The TF has been charged with evaluating how the extant IES 7, including potential supplementary guidance, can be improved to support the public interest.

15. CPD activities are best assessed in relation to how they maintain and improve competence specific to

the role an individual professional accountant performs. However, there are significant challenges in identifying standard CPD learning outcomes:

- Qualified accountants perform a wide range of roles with varying degrees of specialism and complexity, in different entities (financial services companies, finance departments, accounting education etc.) and in different jurisdictions.
- Every entity will have different levels of specificity of role competences, and varying appraisal systems by which performance against these competences is assessed.
- Every professional accountant has a different base level of knowledge, skills and experience at any given point in time, against which they would assess their development needs.

16. The revised IESs 2-4 mandate competence areas, minimum levels of proficiency and learning outcomes for an entry level professional accountant and IES 8 mandates competence areas and minimum levels of proficiency of an audit engagement partner (AEP). This is possible because there is an agreement on the minimum competencies required of a newly qualified accountant. Further there is an ISA description of the responsibilities of the AEP role (ISA 220), and the AEP role is unique in its significance in serving the public interest.

17. By contrast, IES 7 does not mandate competence areas, minimum levels of proficiency nor learning outcomes for professional accountants. Under Explanatory material (paragraph A12), it suggests that "IFAC member bodies may choose to develop requirements or guidance on which CPD activities they consider relevant to the professional role(s) and function(s) professional accountants typically have. Alternatively, they may choose to rely on the judgment of professional accountants to make decisions on the relevance of CPD activities. They may also choose to set requirements in certain areas, and allow professional accountants the flexibility to choose relevant CPD activities in others."

18. In considering the scope of the Issues Paper presented in Agenda Item 4-1 from the April 2016 Board meeting, the TF had determined it was not practicable to identify standard competences, levels of proficiency and learning outcomes that would be both relevant and specific to all professional accountants. Accordingly, the TF scoped this out of the project's objectives but indicated it would remain alert to emerging issues and trends impacting the public interest and included for discussion the possibility of expanding learning outcomes related to professional values, ethics and attitudes.

19. The scope of this Issues Paper focuses on what the TF has learned from completing remaining project activities since the April 2016 Board meeting and how those completed activities impacted the TF's understanding of issues related to IES 7 and consequently the recommendations the TF has made in its Project Proposal.

C. Project activities

Completed activities for the April Board Meeting (2016)

20. Since the November 2015 Board meeting, the TF has undertaken a number of research and consultation activities to inform the project proposal, including seeking advice from the CAG during the April 2016 meeting.

21. 144 IFAC member bodies and the public were invited to respond to questions related to their experience of implementing IES 7 (See Appendix 1 for Survey Questions). The TF has received 47 responses from 43 member bodies (three submitted multiple responses) and one response from the public (see Agenda Item 4-2 of the April 2016 Board meeting for analysis of responses).

22. The TF has conducted focus group discussions with the 'Forum of Firms' and completed an analysis of their feedback (see Agenda Item 4-3 of the April 2016 Board meeting for analysis of comments).

23. The TF has reviewed the IAESB CAG Report to the IAESB (Agenda Item 2-2 from the November 2015 Board meeting).

24. The TF consulted with the IES Usage Study task force to include IES 7 relevant findings and issues from that effort.

25. The TF's preliminary findings and recommendations were discussed with the CAG at their meeting in April 2016 (i.e., two days prior to the Board meeting). The CAG's feedback was included as Agenda

Item 5-4 for the April meeting (NOTE: This was provided to the Board as an addendum to the IES 7 Issues Paper during the Board's April 2016 meeting).

Completed activities between the April Board Meeting and the end of August (2016)

26. Completed analysis of comments related to previously conducted focus group discussions with the IFAC SMP Committee, and the IFAC PAIB Committee.

27. The TF completed its review of examples of CPD principles, standards and guidance developed for other professions (actuaries, medics, pharmacists etc.) as well as U.S. professional accountants and accountancy CPE program sponsors, and CPD policies from IFAC member bodies using an output-based measurement approach.

28. The TF completed outstanding interviews with member bodies, regional organizations, the PIOB, IFAC committees, the Forum of Firms, and regulators. See Agenda Item 2-3 for a comprehensive list of IES 7 related outreach and consultation.

29. The TF analyzed results from all completed activities and developed a set of revised issues and recommendations for inclusion in a Project Proposal. The TF developed a Draft Project Proposal and shared it with the Steering Committee in July and CAG in September for comment.

DISCUSSION

D. Overview of significant issues identified including recommendations

30. Through its deliberation and analysis of feedback on IES 7, the TF identified two broad problems related to the extant IES 7 which were presented to the Board in April. Through completion of remaining activities, further analysis and deliberation, the TF still identifies these as the two broad problems related to the extant IES 7:

    a. Perceived inconsistency between the revised IESs 2 through 4 and 8 and the extant IES 7
    b. Inconsistent implementation of the requirements of the extant IES 7.

31. The TF further set out for the Board in April three significant issues and one significant opportunity related to the two problems noted above. Those issues and opportunity were outlined for discussion in Agenda Item 4-1 from the April 2016 Board meeting.

32. Through its completion of outstanding activities, further analysis and deliberation, the TF has identified four revised themes/issues in its Draft IES 7 Project Proposal:

    a. 3 of the 4 themes/issues are refined and reworded versions of the original three issues presented in April
    b. The 4th theme/issue identified in the Draft IES 7 Project Proposal is a new issue, and
    c. The TF determined that the significant opportunity identified in April ("To produce standard professional values, ethics and attitudes CPD learning outcomes applicable to all professional accounting roles") is not something that it would recommend the Board pursue further and is therefore not included in the Draft IES 7 Project Proposal.

33. The TF has laid out the significant issues, in the Draft IES 7 Project Proposal, for discussion below. The focus of the discussion below is on the activities the TF has completed since April and how the TF came to the conclusion to revise/reword or add each issue in the Draft Project Proposal.

34. Included in the discussion of each issue, are the TF's recommendations related to each issue and the TF's rationale for making those recommendations.

35. The presentation of the issues and recommendations for discussion in this Issues Paper is designed to support the CAG's review of the Draft IES 7 Project Proposal (See Agenda Item 3-2).

36. While the TF has laid out significant issues and an opportunity related to IES 7 in discussion below, the TF believed it was important to highlight for the CAG and the Board in April, feedback supporting that, as written, the extant IES 7 is fit for purpose, necessary, and adding value. In addition, the TF had also identified where IES 7 is consistent with IESs 5 and 8. The TF is not re-presenting that

feedback in this Issues Paper but still considers that feedback relevant to the thinking behind the issues and recommendations laid out for discussion below (see paragraphs 28a-n, in Agenda Item 4-1 from the April 2016 Board meeting).

Project Proposal Issue #1 – Clarification of CPD Activities:

IES 7 defines CPD and provides examples of CPD activities but the examples provided may not be complete or understood by all readers and users of IES 7 – specifically those activities that would be most associated with successfully implementing a learning outcomes approach.

Some CPD stakeholders have difficulty identifying and leveraging forms of learning that meet their audience needs and that would be beneficial if allowed in CPD programs. In addition, there is increasing acceptance that people can learn from many activities that are not widely included or recognized as valid CPD activities. One of the objectives in clarifying the requirements of IES 7 is so that professional accountants undertake CPD and member bodies promote, facilitate access to, measure and monitor CPD that is better aligned with learning outcomes. Clarifying the definition of CPD activities and providing guidance to help member bodies include various forms of learning and development as acceptable CPD activities will help member bodies progress their CPD programs towards learning outcomes.

37. This issue was presented to the Board in April as "Significant Issue #3":

    Lack of recognition and related guidance around non-traditional learning methods and how to measure these as CPD activities.

38. This issue was identified by the TF mostly as a result of activities completed through April 2016 and presented to the Board at paragraphs 68-75 in Agenda Item 4-1 from the April 2016 Board meeting.

39. After the conclusion of the April 2016 Board meeting the TF had the opportunity to further analyze feedback from the Forum of Firms, PAIB, SMPC and conduct further interviews with member bodies, regional organizations and regulators. The completion of this further analysis and discussion provided the TF with a more thorough understanding of this issue and the impact it is having on the implementation of IES 7 which led to the revision of this issue in the Draft Project Proposal.

40. The context and clarity the TF obtained through its further interviews, analysis and deliberation, revealed, in summary that:

    a. Some member bodies are actively looking at different forms of CPD and working on incorporating those into CPD policies in their jurisdictions
    b. Not all learning activities or learning and development experiences undertaken by professional accountants to maintain and further develop their competence are recognized as valid forms of CPD by member bodies, regulators, licensing bodies or some combination of all three in a given jurisdiction
    c. Member bodies and Practitioners described challenges in recognizing all forms of modern learning as valid forms of CPD
    d. CPD stakeholders (regulators, licensing bodies, government, employers) don't recognize all forms of learning as valid forms of CPD
    e. CPD research finds many CPD activities are not aligned with performance improvement process and business objectives
    f. One challenge noted is that it is not easy to quantify or objectively measure certain learning activities as CPD activities

41. The TF notes that the learning activities that are most often sacrificed or not recognized as worthy CPD activities are those activities that lend themselves most to a learning outcomes approach or those activities that are probably best measured using an output-based approach. This includes non-

verifiable forms of learning like reading, coaching and mentoring, and also learning from experience on-the-job.

SUMMARY ANALYSIS:

42. The feedback summarized signifies a divide between approaching CPD as a compliance exercise or as the pursuit of life-long learning. In so doing, it is also an inherent barrier to moving the discussion about CPD toward outputs. Member bodies have a desire to implement policies and programs they believe are compliant with standards like IES 7 and with what regulators and other authoritative bodies require in their jurisdictions.

43. Technology is changing the way people prefer to learn at work and thus impacting the view of what constitutes learning; examples include continuous learning on the internet that is on demand and in short bursts, learning through social teams and groups or curated resources for just-in-time learning. Whether the effectiveness of these should be measured differently from traditional formal learning is not currently addressed in the extant IES 7.

44. Most professional accountants' CPD will arise from on-the-job experiences. While non-formal learning activities are included in the IES 7 definition of CPD (paragraphs 4, 5, A7), IES 7 does not provide practical guidance on how to objectively measure learning activities that are not formal education events.

45. Given the range of understanding about what learning is and where it is headed, it is in the public interest that IES 7 provide guidance on the most relevant and significant, current and emerging CPD activities.

46. IES 7 requires IFAC member bodies to promote access to CPD and require mandatory CPD for professional accountants in their jurisdiction. The explanatory material surrounding these requirements in IES 7 could be expanded in an effort to have member bodies collaborate more with their professional accountants and other member bodies to work on making more relevant and valid forms of learning and development acceptable as CPD.

47. In addition, in those situations where a member body does not have exclusive authority to establish CPD policy or programs in their jurisdiction, explanatory material could be expanded to incorporate reference to SMO 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issues by the IAESB.* Similar to paragraph A6 in IES 8, explanatory language might include that the IFAC member body shall use their best endeavors, as described in SMO 2 to influence CPD stakeholders to accept a wider variety of learning and development activities as valid forms of CPD.

Task Force Recommendation for Project Proposal Issue #1:

48. The TF recommends that the Board follow the on-going work being performed by research institutions, think tanks, and thought leaders on CPD, including sending IAESB representation to CPD conferences when appropriate, to determine if thought leadership or other implementation guidance should be produced to support the adoption of a wider variety of learning and development activities as valid forms of CPD.

49. The TF recommends that the language in paragraph 5 (IES 7 Scope) be clarified to broaden the definition of learning and development activities that could be valid forms of CPD.

50. The TF recommends that the explanatory material in IES 7 be expanded to:

    a. Further encourage member bodies to work with their membership to identify and make available as CPD all valid forms of learning and development activities which may require adopting output based measures for some forms of CPD. The spirit of changes made to explanatory material, as it relates to the issue noted at paragraph 39b, would emphasize the important role member bodies play in encouraging professional accountants' commitment to life-long learning and making sure that providing access to CPD and requiring mandatory CPD is not overly focused on compliance. The tone of the explanatory material for this issue should encourage that the member body proactively collaborate with their membership about what forms of CPD are most helpful and useful to their membership so that the member body is well informed about those learning and development activities that should be allowable forms of CPD.

b. Incorporate language similar to paragraph A6 in IES 8 related to SMO 2 to encourage member bodies to use their best endeavors to influence CPD stakeholders to accept a wider variety of forms of learning and development activities as CPD.

Action Requested:

A. Do you agree this is a significant issue to address?

B. Do you agree with the proposed actions the TF has defined?

Project Proposal Issue #2 – CPD Program Framework:

IES 7 outlines what IFAC member bodies are required to do relative to the provision, measuring and monitoring of CPD and also requires that IFAC member bodies require their members to undertake mandatory CPD. However, IES 7 and its related implementation guidance does not provide a CPD framework to help professional accountants and member bodies undertake, implement and/or improve CPD programs.

CPD policies and regulations for certain other professions include CPD frameworks to help professionals, CPD providers, member bodies, and other stakeholders better understand good CPD practices.

While there is not a universal CPD schema or program framework, many industries include a CPD framework or cycle in their CPD policies, explanatory material or implementation guidance. These frameworks or cycles typically include the following elements:

a. Needs analysis (planning)
b. Action/activities
c. Evaluation
d. Reflection

51. This issue was not presented as a standalone issue to the Board in April but was identified as a theme and component of Significant Issue #1. The TF noted in its recommendations in April the possible inclusion of a CPD cycle in explanatory material and/or new implementation guidance similar to the five step cycle provided in the FIP Statement of Professional Standards CPD (Pharmaceuticals) shown below:

Continuing Professional Development Process

Five Step Cyclical Process
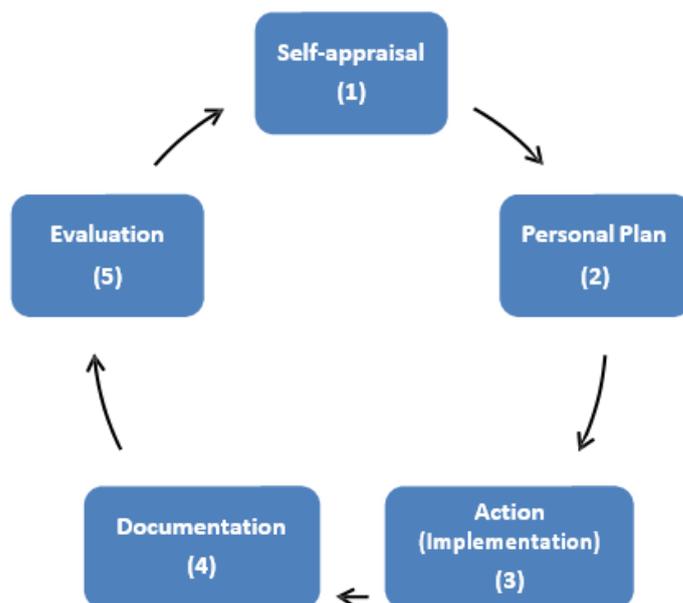
52. The Board asked the TF to conclude its research and analysis related to CPD policies and practices in other professions at the conclusion of the April Board meeting. Upon completing that further analysis and deliberating on the findings of that analysis the TF determined that this theme was significant enough to warrant being treated as a separate issue with its own set of recommendations.

53. In completing this further analysis, the TF leveraged the findings published by RMIT University and Victoria University in their CPD study: *A Framework of Best Practice of Continuing Professional Development for the Accounting Profession.* The TF noted that this research study analyzed the same CPD policies and programs across industries the TF had identified as worth studying. In addition, the research study included other CPD literature review and research activities which provided a more robust analysis than the TF would have achieved by only analyzing CPD policies and programs from specific industries.

54. While there is not a universal CPD schema or program framework, many industries include a CPD framework or cycle in their CPD policies, explanatory material, or implementation guidance. These frameworks were noted to share common elements, similar to the cycle the TF identified in April:

    a. Needs analysis (planning)

    b. Action/activities

    c. Evaluation

    d. Reflection

55. The study also noted that 'self-appraisal' is an increasingly common approach adopted in CPD programs which ensures a more flexible CPD approach and that the central theme running through all CPD frameworks studied is the importance of critical reflection on the entire CPD process.

56. As noted in discussion below for Issue #3, the TF identified that many member bodies are currently unsure of how to practically adopt an output based approach or how to move away from focusing on inputs in their CPD programs. While adding a CPD cycle or framework will not solve all of the challenges with an output-based approach identified by member bodies, the TF believes its incorporation would be beneficial in helping those overcome some apprehensions about moving in that direction.

57. Through its interview efforts, the TF identified a couple of member bodies who believe they have successfully implemented an output-based approach. The TF studied their policies, websites, and other information about their CPD practices and noted that they employ a similar CPD cycle of self-appraisal, action planning, action, and reflecting at the core of their approach.

58. The TF separated this as an issue also because of the emphasis this places on the role the individual learner or professional accountant plays in a successful CPD approach. The research study

emphasized that the individual's self-appraisal is critical to the success and efficacy of CPD. For that reason, the TF newly identified Issue #4 for discussion but recognizes that IES 7 may need more material or language directed at professional accountants directly to make meaningful improvements to CPD in the profession. The TF believes that a CPD framework or cycle like the one outlined above would be an important tool for individual professional accountants.

__Task Force Recommendation for Project Proposal Issue #2:__

59. The TF recommends that the Board Develop an easily understood CPD framework or cycle to help drive consistent implementation of relevant CPD globally and to serve as a tool to facilitate IFAC member bodies in moving their CPD programs from a current state model to improved future state models, as necessary.

Action Requested:

C. **Do you agree this is a significant issue to address?**

D. **Do you agree with the proposed actions the TF has defined?**

Project Proposal Issue #3 – Principles and Requirements of Measurement Approaches:

IES 7 allows IFAC member bodies to select from one of three approaches to measuring CPD. The output-based approach, and, therefore, the combination approach, are not consistently understood or applied in practice. In addition, IES 7 does not specify if one approach is preferable or better aligned with the public interest.

Input-Based Approach:
Of the three approaches the input-based approach is best understood and the most applied in practice. However, some stakeholders have questioned if it adequately serves the public interest as a stand-alone solution.

Output-Based Approach:
Various stakeholders and IFAC member bodies do not fully understand what is required to successfully implement an output-based approach. This may be a barrier for some willing to move away from an input-based approach. In addition, the TF noted inconsistency in how various IFAC member bodies defined their output-based approaches. The output-based approach requires "professional accountants to demonstrate, by way of outcomes, that they have developed and maintained professional competence." However, it is unclear if all purporting to use an output-based approach obtain evidence of demonstrated outcomes.

Combination Approach:
The TF received feedback from various stakeholders and IFAC member bodies that the combination approach was confusing and not well understood. In addition, the TF noted inconsistency in how various IFAC member bodies defined their combination approaches. It is not clear if example combination approaches are differentiated from input-based approaches in meaningful ways from a public interest perspective.

60. This issue was presented as two separate issues to the Board in April:

Significant Issue #1: Challenges associated with the input-based approach to measuring CPD, including that:

a. *The input-based approach to measuring CPD appears inconsistent with the learning outcomes approach promoted in the revised IESs*

b. *Inconsistent application of the input-based approach pursuant to the requirements of extant IES 7*

Significant Issue #2: Uncertainty and lack of clarity as to how to apply output-based measures

61. Completing additional outreach activities with regulators, the PIOB, IFAC, regional organizations and numerous member bodies offered the TF the opportunity to explore in detail through dialogue the challenges various stakeholders face with CPD measurement.

62. After further deliberation, the TF concluded that there were sufficient challenges and issues related to all three approaches to consider all of them together as one related measurement issue. For purposes of developing recommendations related to measurement, the TF also felt it made sense to combine feedback on all three approaches into one issue.

63. The following discussion outlines issues and recommendations for each of the three approaches, focusing on feedback and perspective the TF has gained since the April Board meeting:

Input-Based Approach Issues:

64. Based on feedback and outreach completed, there are divided views on whether the input-based approach should be retained in or removed from IES 7. Most recommended that it should be retained and a few recommended that it should be removed.

65. Practitioners, most member bodies, two of three regulators interviewed, most regional organizations, IFAC and CPD researchers have recommended or asked that the input-based approach be retained in IES 7 for a variety of reasons, including:

   a. Flexibility is needed in CPD practice for member bodies to practically comply with a CPD standard for professional accountants given the diverse and complex nature of the accounting profession in terms of both the roles that professional accountants play but also due to the diverse statutory and regulatory environment the profession operates in from jurisdiction to jurisdiction.

   b. IFAC estimates that less than 10% of member bodies have sole authority to implement the requirements specific to IES 7 in their jurisdiction.

   c. Several member bodies in developing economies are actively investing in the development of CPD programs and systems that will better help them comply with the requirements of the extant IES 7. This on-going investment is currently focused on input-based approaches. These member bodies are at various stages of adoption and implementation and have committed or are actively committing significant resources to these efforts. IFAC is currently supporting these developing nation member bodies. Eliminating the input-based approach would be particularly detrimental to member bodies in developing economies and their ability to comply with IES 7.

   d. Supporters of the input-based approach acknowledged that the approach may not be as preferable because the emphasis is on the learning activity and not the output of the activity. Many also believe this can be mitigated by adding controls and other design elements to input-based CPD programs that would elevate the efficacy of each learning activity.

66. A few member bodies and a few CPD stakeholders have recommended or asked that the input-based approach be removed from IES 7 because it does not promote quality relevant CPD and life-long learning that protects the public interest:

   a. Time spent, in the absence of some assessment of learning, does not indicate what was learned or can be applied.

   b. Many courses offered as CPD do not have controls to determine if participants attended for the entirety of the offering or if they were engaged during the offering.

   c. Some professional accountants attend courses or training strictly as a compliance exercise and make their CPD selections based on how easy it will be to get credit rather than whether that course or training is relevant to their role or competence.

Input-Based Approach Recommendations:

67. The TF has deliberated on both points of view, including feedback received from the Board, CAG and Steering Committee and recommends that the input-based approach be retained in IES 7 but that explanatory material related to the input-based approach be revised.

68. The changes to explanatory material related to the input-based approach would include:

   a. Establishing a continuum to illustrate to users of the input-based approach how they can add controls and instructional design elements relative to courses in their CPD systems so that CPD is awarded for time spent when certain criteria are met. Examples of criteria included in that continuum might include:

- Stipulating that a certain number of hours of learning must be verifiable.
- Clarifying what a verifiable CPD activity is and what constitutes appropriate evidence for purposes of verification.
- Depending on the professional accountants role, stipulating that a certain number of verifiable hours must be relevant to a particular field of study.
- Stipulating that only courses with learning objectives and/or knowledge assessments of those learning objectives will be worthy of CPD.
- Requiring professional accountants to submit a short reflection or a CPD diary as part of a CPD audit where the time spent on a learning activity is only CPD worthy if the professional accountant has reflected on how that activity contributed to their development.

b. Clarifying in explanatory material that member bodies should aspire to move their systems along the continuum, particularly for those professional accountants performing in roles that are more important to protecting the public interest.

> **Action Requested:**
>
> **E. Do you agree this is a significant issue to address?**
>
> **F. Do you agree with the proposed actions the TF has defined?**

Output-Based Approach Issues:

69. The TF determined through its outreach activities after April that member bodies are uncertain about what is required of them if they were to choose to adopt and implement an output based approach. This included feedback from some member bodies who believe they are deploying an output-based approach but indicated that they weren't sure if they were 100% compliant with what IES 7 required.

70. There exists a variety of interpretations of what must be done to comply fully with the output-based approach as set forth in extant IES 7. Several large member bodies from developed nations expressed concern that they believe those representing to be using an output-based approach were not in-fact compliant with the requirements of IES 7 and because of that uncertainty they were hesitant to consider moving in that direction.

71. The TF noted through its outreach activities that member bodies are conscious of being compliant with IES 7 and want to make sure they will be compliant when making decisions about their CPD programs and approaches to measurement. Lack of confidence that they can comply with the requirements of the output-based approach is a barrier to some adopting it.

72. Based on its outreach activities, the TF believes member bodies are interpreting the requirement at paragraph 6a, as explained at paragraphs A14 and A15, to mean one of two things:

Interpretation #1: The output-based approach, as written and explained, requires a member body to determine if a professional accountant is professionally competent. In order to do so, the member body must also identify a 'competent source' to verify the competence of the professional accountant. If both criteria are not present then the member body would not be compliant with IES 7 using the output-based approach.

73. This interpretation that the output-based approach is requiring member bodies to determine if a professional accountant is professionally competent comes from the inclusion of the terms "outcome" and "professional competence" in IES 7 paragraph 6a:

a. "Outcome" is not a defined term in the Framework's Glossary of Terms and there is not sufficient context provided in IES 7 paragraph 6a for member bodies to determine if its usage refers to a learning outcome (demonstrate you learned something relevant) or professional competence (demonstrate you do your job competently)

b. "Professional competence" is defined as, '*The ability to perform a role to a defined standard'* in the Framework's Glossary of Terms. Member bodies interpreting the approach this way are reading the output-based approach to mean they have to determine if their professional accountants are performing their roles to the proper standard.

74. This understanding is reinforced by ambiguous language included in the explanatory material at paragraphs A14 and A15:

    a. Paragraphs A14a and 14b reintroduce ambiguity again because they refer to "outcome or competence achieved" so member bodies are not sure if they are looking for learning outcomes or professional competence.

    b. Paragraph A14b is further challenging to member bodies because they are uncertain what constitutes a competent source. Questions posed during outreach included things like: "Is it the individual? A supervisor? What if the professional accountant is a sole practitioner or an expert in their field?"

    c. Paragraph A15 includes examples of evidence that relate to both learning outcomes and professional competence so member bodies do not find clarity.

75. The member bodies who interpret the output-based approach as described above, are not comfortable moving to an output based approach and some of them were critical of the use of the approach by others who appear to be stopping short of verifying professional competence.

76. Finally, for those interpreting the output-based approach this way, they see the requirement as practically impossible to achieve or comply with.

> ***Interpretation #2:*** *The output-based approach is not necessarily about verifying or determining that a professional accountant is professionally competent but rather it is about the professional accountant demonstrating that they are engaged, active, consciously planning and pursuing learning and development activities that are relevant to their development needs, and constantly reflecting on what they have done and need to do next to maintain and/or further develop their competence.*

77. This interpretation places emphasis on the individual professional accountant to reflect upon and describe the "outputs" of their experiences and how that shapes what they need to plan next in order to further develop. The emphasis is appropriately on what the professional accountant learned, how that learning was applied, and what that means to their plans for future development.

78. This interpretation is consistent with the CPD Frameworks/Cycles the TF studied under Issue #2 above. Member bodies using an output-based approach based on this interpretation require their professional accountants to submit an annual declaration that they are compliant with CPD policies and regulations. Professional accountants are also required to retain a "CPD record" and submit that record when subjected to CPD audit. The CPD record mirrors the CPD cycle outlined in Issue #2 in many ways. It requires the professional account to among other things:

    a. Describe their role and their personal development needs.

    b. Identify and plan for CPD that will help them maintain or develop their competence relative to their role or planned development needs.

    c. Complete those identified CPD activities.

    d. Describe the "output" of that CPD activity – what did you learn, how did you apply it, and how did it help you with your role or development need.

    e. Reflect on the totality of completed CPD activities and determine a new set of needs for the next CPD cycle.

79. Member bodies applying the output-based approach in this manner and the regulator in that jurisdiction acknowledged that this approach relies heavily on the individual professional accountant. Audits of the CPD records look at the robustness and relevance of what the professional accountant is doing relative to their role.

80. Those taking this approach indicated that they had difficulty determining if their approach was consistent with what IES 7 requires based on the reference, in paragraph 14b, to '[using] a competent source to confirm that the outcome or competence has been developed and maintained'. Those interviewed indicated this happens somewhat indirectly through member body and regulator visits to employers but does not consistently apply to all of the member bodies' membership. Those interviewed emphasized that their approach was more focused on the quality and rigor of the individual professional accountants' CPD record and history.

Output-Based Approach Recommendations:

81. The TF recommends that paragraphs 6a, A14 and A15 in IES 7 be revised to clarify the meaning of the output-based approach and that additional explanatory material be added as needed around learning outcomes and assessment activities.

82. The TF recommends that these revisions to IES 7 be made to align the requirements of the output-based approach with the 2nd interpretation outlined above. This approach would:

    a. Reinforce for those already applying this approach that they are compliant.

    b. Align the requirements of IES 7 with other industry and research supported CPD frameworks/cycles.

    c. Prevent the need to revise or add terms to the Framework's Glossary of Terms.

    d. Provide clarity and remove barriers for those interested in an output-based approach but who view their current interpretation of the requirement as impossible to comply with.

    e. Further emphasize that CPD is the responsibility of the professional accountant and that CPD is about the pursuit of life-long learning.

    f. Connect synergistically with the TF's other recommendations related to clarifying CPD activities, including a CPD framework or cycle that mirrors this output-based approach in explanatory material or implementation guidance, and further emphasizing in IES 7 that CPD is ultimately the responsibility of each professional accountant.

83. The TF acknowledges that in making this recommendation, and no other recommendations, IES 7 would lose reference to assessment of professional competence during CPD. The TF discussed this and recommends the combination approach be replaced with an aspirational level of measurement that may be achievable as technology and regulations change.

84. This aspirational approach would focus on measuring or assessing professional competence and describe in a principles based way how to measure and assess professional competence. The TF notes that some professions, like commercial airline pilots and some doctors, are required to demonstrate their professional competence through the completion of robust assessment activities at staged intervals during CPD. It is also conceivable that technologies will develop quickly that make it easier and more transparent to assess an individual's competence than exists today.

85. The TF recommends including the clarified output-based approach and the aspirational competence assessment approach to a CPD continuum included in explanatory material. As described above in the input-based approach discussion, this continuum would provide professional accountants, member bodies and other CPD stakeholders a clear picture of how CPD programs and approaches can be improved over time.

Action Requested:

G. Do you agree this is a significant issue to address?

H. Do you agree with the proposed actions the TF has defined?

Combination Approach Issues

86. The TF did not identify issues with the combination approach prior to the Board meeting in April. However, when completing interviews with member bodies and regulators the TF identified that member bodies are generally confused about what the combination approach is and requires. Member bodies described making it available to their membership by copying and pasting the language directly from IES 7 into their CPD policies and materials but when asked about it by their members they can't explain it.

87. For those member bodies indicating that they apply a combination approach it is unclear to the TF if they are compliant with the input-based approach or the output-based approach (interpreted either way as outlined above).

88. One regulator indicated that from their perspective, the combination approach in practice was the input-based approach because CPD audit and emphasis tended to focus more on the CPD activity rather than documentation around outputs.

Combination Approach Recommendations

89. The TF recommends that the combination approach in IES 7 be replaced with the CPD measurement continuum. This continuum would include the input-based approach and criteria for improving input-based approaches, the output-based approach, and an aspirational competence approach.

90. The TF recommends that explanatory material be added under a new header "Measurement". In addition to including the CPD measurement continuum, material should be added to clarify how a

member body may use more than one approach on the continuum for their membership. For example, one professional accountant may have CPD activity measured using the input-based approach while another professional accountant may have their CPD activity using a different approach.

91. The TF recommends adding this language to avoid situations where members are, in practice, being held accountable to an input measure but are combining output elements to their approach for the purpose of reducing the minimum number of CPD inputs that must be earned.

> **Action Requested:**
>
> G. Do you agree this is a significant issue to address?
>
> H. Do you agree with the proposed actions the TF has defined?

Project Proposal Issue #4 – IES 7 Target Audience:

IES 7 is addressed to IFAC member bodies but its requirements also apply directly to professional accountants.

Given that it is in the public interest that professional accountants undertake CPD to maintain and develop their professional competence throughout their career, we should investigate whether the requirements of IES 7 should also be addressed to professional accountants. The TF notes that other IFAC standard setting boards include individual professional accountants as part of their target audience in their standards.

92. The TF identified this as a new issue since the April 2016 Board meeting through its deliberations, discussion with the PIOB and regulators, review of CPD literature and policies in other professions, and in developing its recommendations related to a CPD Framework or cycle and clarifying the requirements related to the output-based approach.

93. Specifically, the TF noted that IES 7 makes only a passing reference at CPD being the responsibility of the professional accountant but that the majority of the TF's recommendations place further emphasis on the professional accountant taking ownership of their CPD.

94. In addition, IFAC estimates that less than 10% of member bodies, the current target audience of IES 7, have sole authority to implement the requirements specific to IES 7 in their jurisdiction.

95. The TF notes that other IFAC Standard Setting Boards issue standards targeted directly to professionals.

Task Force Recommendation for Project Proposal Issue #4:

96. The TF recommends that paragraph 2 in IES 7 be amended to direct the requirements of IES 7 to IFAC member bodies and to professional accountants.

97. The TF recommends that explanatory material be added that helps professional accountants understand their responsibility to maintain and further develop professional competence and the value of pursuing life-long learning. Similar to the recommendation made at paragraph 49a, this explanatory material would encourage professional accountants to collaborate with their member bodies more about the learning and development activities that would make for good CPD.

98. The TF acknowledges that making this recommendation has public interest impact and that all other IESs are targeted to IFAC member bodies. However, paragraph 3 of extant IES 7 already indicates that professional accountants have a responsibility to maintain and further develop professional competence. The spirit of changes made to IES 7 related to this issue would seek to make it easier for professional accountants to live up to that responsibility rather than add new requirements for them.

Action Requested:

I.   **Do you agree this is a significant issue to address?**

J.   **Do you agree with the proposed actions the TF has defined?**

PROPOSED WAY FORWARD

99. The Task force will consider the IAESB's suggestions in finalizing a "project proposal" for the Revision of IES 7.

APPENDIX 1: Survey Questions to IFAC Member Bodies

Q1:   **What is the name of your organization?**

Q2:   **My organization implements the International Education Standards™ (IES).**
          Options:
- Strongly Disagree
- Disagree
- Agree
- Strongly Agree

Q3:   **Describe the activities your organization undertakes to promote and assist the implementation of IES 7.**

Q4:   **In my opinion, the implementation of IES 7 improves the competence of professional accountants.**
        Options:
- Strongly Disagree
- Disagree
- Agree
- Strongly Agree

Q5:   **If you believe you are successful in implementing IES 7, please provide a few tangible examples of how you implement this standard.**

Q6:   **My organization meets or exceeds the requirements of IES 7.**
        Options:
- Strongly Disagree
- Disagree
- Agree
- Strongly Agree

Q7:   **Overall, I am satisfied with the IES 7.**
        Options:
- Strongly Disagree
- Disagree
- Agree
- Strongly Agree

Q8:   **Which requirements of IES 7 are most useful?**

Q9:   **What challenges do you have relative to the application of IES 7?**

Q10:   **What specific improvements to IES 7 would you recommend?**

Q11:   **Does your organization establish the continuous professional development (CPD) requirements applicable to your members? Choose one:**
- Yes: Describe the activities your organization undertakes to require the implementation of CPD? - Write In (Required)
- No: Which organization in your jurisdiction establishes the CPD requirements applicable to your member? - Write In (Required)

Q12:   **As defined by IES 7, which of the following approaches to measuring the attainment of CPD is used in your jurisdiction? *Select the one that applies*:**
- Output-based approach - requiring professional accountants to demonstrate, by way of outcomes, that they have developed and maintained professional competence
- Input-based approach - establishing an amount of learning activity for professional accountants to develop and maintain professional competence
- Combination approach - combining elements of the input- and output based approaches, setting the amount of required learning activity, and demonstrating outcomes achieved, whereby professional accountants develop and maintain professional competence

Q13:   **Should all three approaches for measuring the attainment of CPD (input, output and combination) continue to be available? Why or why not?**
- Yes - Write In (Required)
- No - Write In (Required)

Q14:   **Describe the activities your organization undertakes to monitor the compliance with CPD requirements.**

Q15:   **Who are the primary providers of CPD in your jurisdiction?**

APPENDIX 2: Summary of CAG Feedback

IES 7 Issues	Summary of CAG Feedback
Issue #1: Clarification of CPD Activities	• Cautioned against trying to include 'every example' or making edits a checklist of activities • Raised general questions about whether IAESB is pushing a revision of IES 7 too quickly and absent a post implementation review
Issue #2: CPD Program Framework	• General support for this • Emphasized that 'reflection' and 'documentation' are distinct concepts that should both be part of the cycle or framework • Recommended that IAESB ensure that whatever cycle/framework is included is one that can be globally adopted • Questioned if this could be connected to efforts related to ethics
Issue #3: Principles and Requirements of Measurement Approaches	• Encouraged TF to continue focusing on how the continuum and other guidance can encourage/incentivize member bodies and CPD providers to accept and make available output based measures • Still qualms about keeping but acceptance that the IAESB needs to retain the input-based approach
Issue #4: IES 7 Target Audience	• Mostly supportive of including professional accountants in the requirements of the standard • Acknowledged that CPD is a two way street and adding professional accountants might benefit dialogue in some jurisdictions • Raised concerns about how IFAC would be able to monitor compliance with a standard directed at professional accountants (one suggested solution was to have the member bodies be responsible for monitoring compliance) • Identified potential legal obstacle that IFAC CAP needs to address