



European Federation of Accountants and Auditors for SMEs

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
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Brussels, 4 March 2011

Dear Sir

Exposure Draft - IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to small and medium-sized entities (“SMEs”) both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, and tax and business advice) to SMEs.

EFAA appreciates the opportunity to comment on the Exposure Draft - IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence.

Discussion Questions

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

IES 7 outlines the objective of setting requirements for Continuing Professional Development (“CPD”) as being to ensure that member bodies:

- (a) Require CPD to be an integral component of a professional accountant’s continued membership;
- (b) Monitor and enforce a systematic process to ensure that their members meet the requirements of the standard; and
- (c) Assist individual professional accountants to develop and maintain their professional competence.

These requirements contribute to the profession’s objective of providing high-quality services to meet the needs of clients, employers and other stakeholders in the public interest.

Whilst we believe that the objectives have in the main been met we make the following observations:



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- ED IES 7 clearly stresses the importance and requirement for CPD to be carried out by requiring professional accountants to view CPD as an integral component of continued membership;
- Monitoring and Enforcement of CPD may be much more difficult to perform in practice and we question whether this can always be done in every jurisdiction. How can all member bodies enforce such standards? There are some jurisdictions in which the ability to enforce the standard is limited either because of member body resource constraints, or possibly because there are no provisions that will allow non-compliant professionals to be either disciplined or if required, expelled and thus denied the right to practice;
- Objective (b) is directed at the members of IFAC with the underlying presumption being that CPD is in the public interest. We believe that the wider public interest would be for the objectives to be directed at professional accountants in general, regardless of whether the member body is a member of IFAC. For completeness, we also note that an IFAC project is currently addressing the definition of the term “professional accountant” and wonder what effect, if any, this may have on IES 7; and
- IES 7 sets requirements for member bodies to assist professional accountants to develop their professional competence. We wonder whether this focus thus excludes those accountants working as professional accountants in business who may not be members of either an IFAC member body or a professional institute. In this instance it may be that the public interest is not furthered and we wonder whether the PAIB or the IFAC SMP Committee should increase its focus on developing CPD implementation tools and including this issue in its capacity building programmes.

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

We believe so.

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

We would suggest that the sentence (paragraph 7) starting “These requirements contribute to the profession’s objective of providing high-quality services to meet the needs of clients, employers, and other stakeholders in the public interest” could be made more precise. What is the rationale for defining client, employer and stakeholders? If we feel that one of the objectives of CPD is to improve the provision of services in the public interest then should we not also consider the owners, shareholders and perhaps investors? Investors, for example, play a central role in financial reporting and would undoubtedly be a beneficiary of any element of CPD that adds to an accountant’s professional competence.



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Comments on other matters

Explanatory paragraph A5 – examples of CPD

The issue of CPD is absolutely crucial to the development of the profession. Whilst we accept the examples of CPD are given in explanatory paragraph A5 we suggest that concentration on professional courses and other forms of learning that focus on day to day duties and services provided would improve the quality of professional development. In an SMP environment it is more relevant that professional staff are able to apply current legislation and accounting / tax convention than to participate in theoretical lectures and debate. We would also suggest that this point may be of particular importance to developing nations and hence to implementation on a wider scale. We are unclear as to whether the examples are given in order of importance but one suggestion would be to identify 2 types of examples: “Professional courses and on the job training” and “Other activities”. Whilst we accept that IES 7 is a principles based standard and these examples are given only as guidance we wonder if the implementation of this standard would be assisted, particularly in developing nations, if the more likely examples of CPD to be undertaken in such nations such as learning on the job were stated before the more academic examples.

Enforcement

How can member bodies enforce such standards? There are some jurisdictions in which the ability to enforce the standard is limited either because of resources, or possibly because there are no provisions that will allow non-compliant professionals to be either disciplined or if required, expelled and thus denied the right to practice.

Alternatively one could argue to some small degree that any CPD activity in certain jurisdictions (regardless of whether the activity would fulfil the IES 7 criteria for compliance) should be seen as a positive activity if the public interest is furthered. Again, this may be of particular relevance for developing nations.

SMP environment

One could argue that CPD is one of the most important areas of education and learning and of particular relevance for professional staff working in an SMP environment. To put this into context we must consider that when we are discussing SMPs we are also discussing a range of size in practices from the sole practitioner to a very large independent practice. Clearly there is much diversity in this range. The sole practitioner has limited resources at its disposal and does not have the ability to develop in-house training courses but is faced with a challenging environment where changing accounting and auditing standards must be understood and applied, at the same time as cementing its position as the trusted adviser for SMEs.

SMPs are not just accountants, auditors and tax advisers but provide (what we often refer to as) a holistic approach to their SME clients business needs. As such they have to have a wide range of skills to ensure that they can act as business advisers. In addition they also need to have skills that will enable them to



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maintain and develop business relationships, run their practice and act as SMEs themselves. To that end they are also businessmen and entrepreneurs in their own right.

The majority of the lifelong learning that SMPs do will be done “on the job”. Experience is in itself a general concept comprising knowledge of, skill in, or observation of some thing or some event gained through involvement in or exposure to that event. Workplace learning thus becomes paramount in an SMP environment. The success in implementation must therefore consider how the majority of members are able to perform CPD in a manner which adds to the value of their practice – as this is the key to the concept of the public interest. The public interest is only furthered when the SMP can service its SME clients to a high level of professional competence and due care. To do that it has to provide a vast range of services that SMEs demand which are normally outside the scope of accounting and auditing. These are unlikely to be learned in classrooms or at university but will inevitably be learned in an SMP after IPD.

The CPD that an SMP needs whilst including the expected technical elements (which can be learned to some degree in either a classroom, webinar, or by DVD in their own time) also includes the ability to communicate with clients and a range of third parties and stakeholders, the ability to run a professional practice and the ability to solve problems. None of these are likely to be learned in a classroom. Our conclusion is thus that the CPD examples of learning may be too theoretical and too technical and instead more emphasis could be placed on the ability to learn “on the job”. IFAC may wish to consider how a small practice / sole practitioner could obtain lifelong learning in a practical and pro-active manner arguably thus making IES 7 much easier to implement and adhere to.

I trust that you will find the above comments comprehensive but should you have any question on our comments, please do not hesitate to contact me.

Yours sincerely,

Federico Diomeda
Chief Executive Office