

Comments on Redrafted IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence

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By The Institute of Chartered Accountants of Pakistan



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Chartered Accountants
of Pakistan

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Dear Mr. McPeak

The Institute of Chartered Accountants of Pakistan appreciates International Accounting Education Standards Board for giving it the opportunity to submit its comments on “IES 7, Continuing Professional Development: A lifelong Learning and Continuing Development of Professional Competence”.

The following pages contain our comments for your kind consideration.

With best regards

Omair Jamal
Director Education and Training

Background

The current version of IES 7 was published in May 2004 and became effective on January 1, 2006. IES 7 prescribes that member bodies implement a continuing professional development (CPD) requirement as an integral component of a professional accountant's continued membership. Such a requirement contributes to the profession's objective of providing high quality services to meet the needs of the public (including clients and employers).

The IAESB has recently revised its Framework document which sets out the underlying concepts and principles for the IESs. The new Framework identifies general education, professional accounting education, practical experience and assessment as components of the learning and development of a professional accountant. Learning and development occurs throughout an individual's career and ensures the development and maintenance of competence required for performing the various roles of professional accountants.

As part of its project to improve the clarity of its standards, the IAESB has undertaken to redraft all of its IESs, including IES 7, in accordance with its new clarity drafting conventions. At its October 2009 meeting the IAESB agreed that all eight standards should be revised with the aim of:

- improving clarity;
- ensuring consistency with concepts of the revised Framework document; and
- clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the Standards by IFAC member bodies.

This approach responds to the desire for all IESs to be consistently drafted, and subject to a single statement of their authority and effect.

The drafting conventions used by the IAESB in redrafting IES 7 for exposure, and the authority and obligation attaching to those conventions, are established in the Appendix of the *Framework for International Education Standards for Professional Accountants*, approved by the IAESB in October 2009.

Effective Date

The current timetable envisages that all IESs will have been revised and redrafted, or redrafted only, by late 2012 and the IAESB has provisionally agreed that IES 7 will be effective for implementation for periods beginning on or after January 31, 2013. This date will depend on satisfactory progress being made, and will be amended to a later date should that prove necessary. The IAESB believes that it is in the interests of member bodies and other interested stakeholders who use the IESs that the standards should be released as soon as they are approved so as to facilitate their implementation.

Questions and Responses

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

Paragraph 7 that lays down the objective is reproduced as under:

The objective of setting requirement for CPD is 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 standards; 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.

Our response on the objective is as under:

(a) and (b) :

In our opinion, one cannot safely place these objectives within the mandate of standard setting body when it sets requirements for continuity of membership of professional accountants. The below extract from the Framework of IES further explains our point of view (paragraph 8 of the Framework):

Members of IFAC member bodies work in every sector of the economy and in many different areas of accountancy, including auditing, financial accounting, management accounting, and tax accounting. The IAESB establishes the learning and development principles for the education of professional accountants. The IAESB may also establish requirements for roles that are widely practiced or are of specific public interest internationally. The Audit Professional is an example of one such role.

IAESB under the framework mandated to establish the learning and development principles. The objective of establishing monitoring and enforcement system is slightly beyond the scope of IAESB.

Moreover, both the objectives aim to one outcome, that is, implementation of CPD requirement as an integral component of professional development process of professional accountants.

(c) :

The objective is appropriate as it supports the core purpose of IESs. However, under the newly introduced IAESB drafting convention, objectives are directly linked with the requirements, which are drafted using the term "shall". Consequently, objectives are supposed to end up with requirements prescriptive in nature. Whereas the

objective given at (c) is more of a recommendatory nature. Therefore, this may be included in explanatory material.

The closing line of the paragraph 7 talks about the objective of the profession. The text used is not the one laid down in the framework (Paragraph 2). The Board may consider using the same language as used in the framework.

Therefore, to bring clarity, which is a prime goal of redrafting process, we suggest the following text for paragraph 7:

Paragraph 7.

The objective of setting requirement for CPD is to ensure that member bodies incorporates CPD as an integral component of professional development of professional accountants who are committed to maintain membership of the member bodies.

The requirement contributes to the profession's objective to serve the financial and, in some circumstances, the non-financial information needs of a broad range of decision makers.

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?

The criteria given at the footnote are as under:

The LAESB has identified the following criteria for determining the requirements of a Standard:

- *The requirement is necessary to achieve the objective stated in the Standard;*
- *The requirement is expected to be applicable in virtually all situations to which the Standard is relevant;*
and
- *The objective stated in the Standard is unlikely to have been met by the requirements of other Standards.*

In determining the requirements of a Standard, the LAESB will consider whether the requirements are proportionate to the importance of the subject matter of the Standard in relation to the overall objective of the engagement.

The criteria, which are intended only to assist the LAESB in appropriately and consistently determining requirements, may be refined as further experience is gained.

Our paragraph-wise comments are under:

| Paragraph | Our comment |
|---|---|
| <p>Promotion of Lifelong Learning</p> <p>8. Member bodies shall promote the importance of, and a commitment to, continuous maintenance and development of professional competence.</p> | <p>Keeping in view the prescriptive nature of the objective under new drafting conventions, paragraphs 8 and 9 do not fall in the category of requirements, which are expected to be necessary, definite and capable of being benchmarked.</p> |
| <p>Access to CPD (Ref Para A4–A5)</p> <p>9. Member bodies shall facilitate access to CPD opportunities and resources to assist professional accountants in meeting their personal responsibility for continuous development.</p> | <p>Therefore, these paragraphs may be included in explanatory material.</p> <p>These requirements may not be that necessary in the situation where member body fully outsources the CPD activity to a competent third party.</p> <p>Moreover in the presence of mandatory CPD requirements the requirements given in paragraph 8 and 9 are not necessary to achieve the objective of IES 7.</p> |
| <p>Mandatory CPD for all Professional Accountants (Ref Para A6–A11)</p> <p>10. Member bodies shall require all professional accountants to develop and maintain competence relevant and appropriate to their work and professional responsibilities.</p> | <p>The requirement conforms to the core objective of IES 7.</p> |

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| <p>11. Member bodies shall establish their preferred approach to measuring their members' CPD activity from the three models of output-based, input-based, or combination approaches.</p> | <p>The word "preferred" conveys either of the two understanding: (a) that a member body shall offer all three models of measurement with a preference attached to one; or (b) member bodies shall select only one out of the three models.</p> <p>To achieve consistency in implementation, the text may be amended to convey the desired implementation.</p> |
| <p><i>Output-Based Approach</i> (Ref Para A12–A13)</p> <p>12. Member bodies implementing an output-based approach shall require the professional accountant to demonstrate the maintenance and development of relevant competence by periodically providing sufficient and reliable evidence that has been:</p> <ul style="list-style-type: none"> • Objectively verified by a competent source; and • Measured using a valid competence assessment method. | <p>The requirement is in accordance with the criteria set by IAESB and it is likely to achieve the objective more effectively than other measurement models. We suggest that IAESB should consider prescribing assessment cycle, say one year, to ensure consistency in implementation.</p> |
| <p><i>Input-Based Approach</i> (Ref Para A14–A17)</p> <p>13. Member bodies implementing an input-based approach shall require the professional accountant to:</p> <ul style="list-style-type: none"> • Complete at least 120 hours or equivalent learning units of relevant professional development activity in each rolling three-year period, of which 60 hours (or equivalent learning units) shall be verifiable; • Complete at least 20 hours (or equivalent learning units) of relevant professional development activity in each year; and • Measure learning activities to meet the above requirements. | <p>The last bullet point of paragraph 13 requires the professional accountant to measure learning activities to meet the requirements of 120 hours in three-year rolling period and 60 hours in each year. It is a vague requirement and needs explanation as to what measurement an individual professional would be doing. We could not link this requirement with the objective of IES 7.</p> |
| <p><i>Combination Approach</i> (Ref Para A18)</p> <p>14. Member bodies implementing a combination of input- and output-based approaches shall follow the principle of input and output systems, as applicable, set out in this IES.</p> | <p>The requirement is appropriate.</p> |

Monitoring and Enforcement (Ref Para A19–A30)

15. Member bodies shall establish a systematic process to monitor whether professional accountants meet the CPD requirement, and provide for appropriate sanctions for failure to meet the requirements, including failure to report on or to develop and maintain competence.

As already stated above while discussing the appropriateness of the objective set by IES 7, we would like to re-emphasize that IAESB may restrict its requirements up to the level of establishment of system of learning and professional development, which may include a reporting mechanism. IAESB may refer to its Term of Reference (March 2010) which focuses on:

- establishment of education standards that reflect good practices in the education, development, and assessment of professional accountants, and
- development of education benchmark.

In our opinion, requiring sanctions against the professional accountants for non compliance of requirement set out in IES 7 neither matches with the above Terms of Reference nor with the approach of other standards of IFAC. We may take example of Code of Ethics, which directly addresses to the individual professional accountant, but does not enter into the domain of monitoring and enforcement mechanism of member body. Moreover we do not see any requirement of sanctions in case of non compliance of other standards, as well.

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

Our comments are with reference to Paragraph 10, as reproduced below:

Member bodies shall require all professional accountants to develop and maintain competence relevant and appropriate to their work and professional responsibilities.

The requirement given above is the core requirement and it has two inter-related parts:

- (a) to develop and maintain competence relevant and appropriate
- (b) to the work and professional responsibilities of professional accountants.

In isolation, this requirement creates no confusion. The professional accountants are supposed to:

- judge what CPD activities are relevant and appropriate to their professional responsibilities and
- make efforts to take part in these activities.

It is also clear that accounting professionals will be given credit for CPD activities, but not for performance of their professional responsibilities. But when we refer to the explanatory material (A5 and A13), the contents, like the following, may require clarification.

(Paragraph A5)

- Participation and work on technical committees
- Developing and/or delivering a course or CPD session in an area related to professional responsibilities
- Participation as a speaker in conferences, briefing sessions, or discussion groups
- Workplace learning

(Paragraph A13)

- Work logs that have been objectively verified against a competency map

It is not clear whether professional accountants, whose fulltime professional responsibilities are working on technical committees, developing and delivering CPD courses, speaking on technical issues, are entitled to gain CPD credit on performing their professional duties. As per Paragraph 10, they shall be required to take part in CPD activities which are relevant to their work and they cannot claim CPD credits for performing their professional responsibilities. Similarly, the term “workplace learning” and “work log” may be clarified, as it should refer to learning and work log maintained during a CPD activity.

In view of above we suggest that explanatory material of Paragraph 10-11 should have the following clarification:

“Satisfactory performance of professional responsibilities by professional accountants may indicate maintenance of competence by them, but it does not absolve the professional accountants from completing minimum CPD requirement set out in this IES. Therefore, performance of professional responsibilities is not claimed as CPD activity.”