

March 9, 2011

Mr. Mark Allison  
Chair  
International Accounting Education Standards Board  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
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USA

By electronic submission: [www.ifac.org](http://www.ifac.org)

Dear Mark,

**Re.: Exposure Draft Proposed Redrafted International Education Standard IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence**

We would like to thank you for the opportunity to provide the International Accounting Education Standards Board (IAESB) with our comments on the Exposure Draft "Proposed Redrafted International Education Standard IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence" (hereinafter referred to as "the Draft").

We support commencement of the clarity project for the International Education Standards (IESs) of the IAESB because it is important that the member bodies of IFAC have clarity as to what the purposes of the standards are through the expression of the objectives, what the requirements are with which member bodies must comply, and what represents additional good practice guidance (see our response to question 3 in Appendix 1) in the explanatory material beyond the specified requirements.

We have responded to the questions posed in the Explanatory Memorandum in Appendix 1 to this comment letter. Appendix 2 to this comment letter provides our detailed comments by paragraph.

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We would like to express our support overall on how the clarification of the original IES 7 was implemented in the Draft. However, we would like to make some observations that we hope would further improve the quality of the Draft.

Our review of the Draft tends to indicate that, with the exception of the wording of the objective, even though the substantive contents of the standard appear to be appropriate as a whole, the wording used in the Draft suggests that the drafting process may need to be done with greater care. The rather large number of comments by paragraph in Appendix 2 to this comment letter, some of which have an impact on the meaning of the requirements and explanatory material, suggests that more thought needs to be given to the wording used in the Draft.

For example, we would like to point out that some member bodies have members who are not professional accountants, and that some professional accountants in a particular jurisdiction may not be members of a member body. Since the objective and requirements are directed at IFAC member bodies, the requirements for member bodies can only relate to the professional accountant members of those member bodies, since the requirements are only relevant to professional accountants who are members of member bodies. We note that the wording in the draft sometimes uses the term “members” and other times “professional accountants”, even though these may be different.

In Appendix 2 we also note a number of sentences in the explanatory material whose wording implies the existence of additional requirements. The IAESB will need to consider whether such wording should be changed so that these sentences represent explanatory material, or whether additional requirements would be appropriate. We are also of the view that “recommendations” or “encouragements” have no place in guidance material because they blur the distinction between requirements and guidance.

We hope that our views will be helpful to the IAESB. If you have any questions relating to our comments in this letter, we would be pleased to be of further assistance.

Yours truly,



Manfred Hamannt  
Executive Director



Wolfgang P. Böhm  
Director International Affairs

## APPENDIX 1: Responses to Questions Posed in the Draft

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

The objective appears to be confusing statements of objectives with requirements. Indeed, each of the objectives are not distinguishable from a requirement. This is exacerbated by the final sentence, which refers to “these requirements”. The objective should be worded in relation to the entity for which the requirements apply (the member body), rather than in relation to the objective of the standard. For this reason, we suggest that the objective be amended to read:

“The objective of member bodies is to ensure that their professional accountant members develop and maintain the competencies subsequent to IPD through the CPD necessary to provide high quality services to meet the needs to clients, employers and other stakeholders in the public interest.”

Item (a) does not appear to be reflected in the requirements section: it is only alluded to in paragraph 15 in relation to sanctions. Is this a requirement as it stands? Likewise, item (b) seems to be covered by paragraph 15. Item (c) appears to be covered by paragraph 9. Are items (a) to (c) even necessary in the objective? Item (c) also appears ambiguous because it states that member bodies should ensure their members meet the requirements of “the standard”. Actually, member bodies should ensure that their members meet the member body’s CPD requirements – the member body is responsible for ensuring that its CPD requirements meet the requirements of the “standard”. On the whole, items (a) to (c) ought to be reflected in the requirements rather than in the objective.

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?*

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In our view, the criteria for determining the requirements of a Standard noted in footnote 1 to the Explanatory Memorandum are appropriate but for the reference to the “overall objective of the engagement”, which does not appear to be relevant for education standards. In our view, these words should be changed to “overall objective of the Standard”.

On the whole, we believe that the substantive content of the requirements indicate that the criteria, as amended above, have been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies. However, there are a number of sentences in the explanatory material whose wording implies the existence of additional requirements. The IAESB will need to consider whether such wording should be changed so that these sentences represent explanatory material, or whether additional requirements would be appropriate. We have noted these instances in Appendix 2 to this letter, which provides our comments by paragraph.

We would also like to point out that the wording the Draft was not chosen with enough care to ensure that the meaning of the requirements and guidance is clear in every case. We also have noted these instances in Appendix 2 to this letter, which provides our comments by paragraph.

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 are concerned with the use of the term “good practice” as defined in the Glossary for requirements with which member bodies are required to comply. In our view, requirements with which member bodies are required to comply are, as we noted in our comments to paragraph 1 in Appendix 2, “prescribed standards of practice”, which need to be “adequate”, but not necessary “good”. For this reason, we suggest that the Glossary distinguish between “prescribed standards of practice” that are stipulated in the IESs and that must be adequate, “good practice”, which is closer to the current definition of “best practice” in the Glossary (and for which examples may be given in the explanatory material), and “best practice”, which represents cutting edge developments in education and training for which there is convincing evidence of effectiveness.

We also note that the standard often speaks of “developing and maintaining competence”. Development is defined in the Glossary, but “maintenance” is not. We therefore believe that the IAESB ought to consider what

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the difference between development and maintenance is and define maintenance.

4. *Developing Nations*

We have no comments on this issue.

5. *Translations*

We have no comments on this issue at the present time.

## APPENDIX 2: Detailed Comments By Paragraph

### *Conforming Amendment to IAESB Glossary of Terms*

In our view the definition of IPD ought to be changed to read "...leading to the qualification as a professional accountant and their membership in a member body." We suggest this change because just someone performs the role of a professional accountant does not make them subject to member body IPD or CPD requirements – it is the qualification of an individual as a professional accountant that makes an individual subject to member body CPD requirements.

1. We note that the first sentence states that the IES prescribes "good" practice. If something is prescribed, it is no longer just "good practice": it is "prescribed practice". In this sense, the term "good practice" is a misnomer. We suggest that the words be changed to "... prescribes the standard of practice for member bodies ...".

Throughout the Draft, reference is made to either "develop and maintain" or to "maintain and develop" (see paragraph 8, which uses "maintenance and development"). The standard needs to be consistent in this respect. Since something needs to be developed before it can be maintained, we suggest using the phrase "develop and maintain" and variations thereof throughout the standard.

We suggest that the word "thereby" be inserted between the words "and" and "to (b)" because clients, employers and other stakeholders can only obtain an indication of the competence of professional accountants through the services that they receive.

2. We refer to our comment in 1 above on the use of the term "good" practice and therefore suggest that in (c) these words be changed to "prescribed standards of practice". The final phrase in (c) that begins with "including..." is ambiguous because it is unclear whether the development of appropriate measurement, etc., procedures, relates to the member body or members thereof, particularly since the phrase is referenced grammatically to members because these are mentioned last. Furthermore, the reference to only "development" suggests that these procedures, unlike other matters addressed in the standard, only need to be developed but not maintained.

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We believe that this is not what is meant and therefore suggest the phrase be changed to read "...including the development and maintenance by the member body of appropriate ....".

3. The word "continuous" in the last sentence should be replaced with "continual", since the word "continuous" implies a real time process without breaks, which is not what is meant here. We also suggest that the term "refined" in the last sentence be replaced with "augmented" because it is unclear what refinement means in this context.
5. The question arises whether the three approaches in (a) to (c) ought to be included in a definitions section and the definitions formalized, since some of the requirements are based on these terms.
6. It is unclear to us how effective dates of the IESs operate in relation to compliance of educational systems. Does the effective date signify the date in which an entire education system (including design, implementation, maintenance and monitoring) needs to be changed? How does the effective date relate to the flow-through of candidates? There should be some clarification of the meaning of effective dates for compliance purposes.
7. We refer to our response to Question 1.
8. For the reason noted in our comments to paragraph 3, the word "continuous" should be replaced with "continual".
9. For the reason noted in our comments to paragraph 3, the word "continuous" should be replaced with "continual". To align this requirement with that in paragraph 8, the sentence should close with the additional phrase: "...and maintenance of professional competence". Because some member bodies have members who are not professional accountants, and because not all professional accountants in a jurisdiction may be members of the member body, the word "accountants" should be replaced with "accountant" and be followed by the word "members".
10. Because some member bodies have members who are not professional accountants, and because not all professional accountants in a jurisdiction may be members of the member body, the requirement should read: "Member bodies shall require professional accountant members...". The use of the word "relevant" in the phrase "relevant and appropriate" is redundant: the words "relevant and" can be deleted. It is unclear to us why reference is made to both "work" and "professional responsibilities": Are

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there professional responsibilities in relation to competence that do not arise from work? This needs some clarification.

11. This paragraph speaks of “establishing” an approach, whereas paragraphs 12 to 14 speak of “implementing” an approach. Since the word “implementation” can be interpreted to exclude design and maintenance, we prefer the word “establish”. The word “preferred” is redundant because once it is established it is no longer just preferred. In line with our comments to paragraphs 9 and 10, the word “members” should be replaced with “professional accountant members”.
12. In line with our comments on paragraph 11, the word “implementing” ought to be replaced with “that have established”. The word “the” prior to “professional accountant” ought to be replaced with “each”. The word “relevant” should be replaced with “appropriate” in line with paragraph 10 and our comments thereto. The words “sufficient and reliable” should be replaced with “adequate” because it encompasses the concept of the amount of evidence and its nature (appropriateness, which would include reliability) but without suggesting one requires the nature and extent of evidence that one would obtain in an assurance engagement. Furthermore, the word “reliable” in this context does not align with the definition in the Glossary. In line with our comments on paragraphs 9 to 11, the term “professional accountant” should be replaced with “professional accountant member”.
13. In line with our comments on paragraph 11, the word “implementing” ought to be replaced with “that have established” and the word “the” prior to “professional accountant” be replaced with “each”. In line with our comments on paragraphs 9 to 12, the term “professional accountant” should be replaced with “professional accountant member”.
14. This paragraph mentions member bodies having to follow the “principle” of input and output systems when using a combined approach. However, no such “principle” is set forth in the standard: only the requirements in paragraphs 12 and 13. For this reason, the word “follow the principle” ought to be replaced with “comply with the requirements”.
15. This paragraph requires member bodies to establish a process to monitor whether professional accountants meet “the CPD requirement” and then to provide for sanctions for failure to meet “the requirements”. It is unclear to what “the CPD requirement” and “the requirements” are referring. Are these the CPD requirements of the member body or the CPD requirements of this standard? We believe the former to be the case and there-



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fore suggest that the words “the CPD requirement” and “the requirements” be replaced with the words “the member body’s CPD requirements” and “those requirements”, respectively. In line with our comments on paragraphs 9 to 13, the term “professional accountants” should be replaced with “professional accountant members”. Does the required system also require reporting? This appears to be suggested by the reference of “failure to report”. Does every such system require reporting? The requirement needs to be clear in this respect.

The following comments on the explanatory material only address matters in addition to those that would result from conforming amendments to that material due to our comments on the requirements.

- A1. To align the wording in A1 to paragraph 3, we suggest that the word “professional” be inserted prior to the use of the word “knowledge” where it is used. Likewise, the words “and maintenance” ought to be inserted after the word “development”. The words “making it appropriate” suggest a requirement: they should therefore be replaced with “and therefore it may be appropriate”.
- A5. This paragraph refers to “learning activities” for the first time. In other paragraphs, the standard refers to “CPD activities”. It is sometimes unclear in the standard whether one or the other term might be more appropriate. We suggest that the IAESB consult its Glossary to determine whether one or the other term would be more appropriate in context. In the fourth bullet, the and/or should be changed to “or”, since “or” is inclusive other than when using “either-or” and “and/or” is both ambiguous and improper English. The words “should not” in the last sentence are not appropriate for explanatory material. We think the sentence should be rephrased as follows to make it clearer and meet the clarity conventions: “Ordinarily, only the initial preparation time and the first time a single, repetitive activity is performed, for example teaching introductory accounting to different audiences, constitutes CPD.”
- A6. Is CPD applicable to all professional accountants, or just those who are members of the member body (see our comments on this issue in paragraphs 9 to 13). In (c), the first period should be replaced with a comma, the word “when” inserted prior to “professional accountants”. The word “Any” in the following sentence can be deleted, as it is superfluous. In (d), the word “by” should be inserted prior to the word “relying”, the word “the” thereafter deleted, and the term “professional accountant’s” thereafter changed to “professional accountants”.

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- A7. The words “are encouraged to” should be changed to “may” to be in line with clarity conventions.
- A8. The word “typical” should be inserted prior to the term “professional role(s)”, the word “of” inserted after the word “function(s)”, and then the words “typically have” deleted. This paragraph uses both the terms “CPD activities” and “learning activities”: we refer to our comments to paragraph A5.
- A9. The words “of financial statements” should be inserted between the words “audits” and “public companies”, since the subject matter (information) of the audit is not the company. To make the construction of the sentence parallel, the words “the provision of” should be inserted prior to “financial services” and the words “the provision of services” should be inserted prior to the word “where”. The word “may” at the end of the sentence is superfluous and can be deleted.
- A11. In line with the clarity conventions, the words “are encouraged to” should be replaced with “may”.
- A13. The word “could” should be replaced with “may”. It is unclear to us how the reference to government reviews of licensed banks in the last bullet point relates to assessments by regulators of competence.
- A14. The word “continuous” should be replaced with “continual” and the dash after “improvement” replaced with an “of”.
- A15. Again, it is unclear why in some cases “CPD activity” and in some cases “learning activity” is used.
- A16. If the last sentence is a statement of fact, then the words “would not be considered to form” should be replaced with “are not”.
- A17: The word “could” should be replaced with “may”.
- A18. In line with our comments on paragraph 14, the phrase “use the principles” in (a) should be changed to read “apply the requirements”. Since knowledge areas are input-related and competences output-related and only “professional knowledge is defined in the Glossary, the term “in particular professional knowledge areas” should be inserted after the word “units” and the words “knowledge areas” thereafter replaced with “competences”. Both the terms “learning units” and “learning activities” are used in this paragraph. If there is a difference, then that difference should be explained.

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- A19. The words “are also recommended” should be replaced with “may also”.  
The word “created” should be replaced with “documented”.
- A20. In line with our comments on paragraph 12 in relation to evidence, the word “sufficient” should be replaced with “adequate”. The word “CPD” should be inserted prior to the word “requirements”.
- A22. The word “could” should be replaced with “may”. The words “and/or” should be deleted for the reasons noted in our comments to A5 and only “or” used at the end of (b).
- A23. The word “could” should be replaced with “may”. In (b), the words “and/or” should be replaced with “or”.
- A24. The words “are encouraged to” should be replaced with “may” and the word “learning” replaced with “CPD”. It is unclear what is meant by “prescribed reporting requirements”, since none are mentioned in the requirements section of the standard: it is only alluded to in paragraph 15. Since the last sentence represents a statement of fact, the words “It should be noted, however, that” can be deleted and the word “would” replaced with “is”.
- A25. If the first sentence is a statement of fact, then the word “will” can be deleted and an “s” added to “operate”. The second sentence uses the words “would be”. Is this a requirement or not? The standard needs to be clear on this. A sentence thereafter uses the phrase “is an option to be considered”. Does this mean that if member bodies do not consider this option that they are therefore in noncompliance with the standard? Consequently, the words should be changed to read “is an option that may be considered”.
- A26. The beginning of the second sentence should be changed to read “Member bodies may need to consider striking a balance....”
- A27. The first sentence of this paragraph relates to A26 and should be moved there.
- A29. In this paragraph, the second sentence should be first and the first second.
- A30. The words “are encouraged to” should be replaced with “may”.