

**Basis for Conclusions**  
**Prepared by the Staff of the IAESB**  
*July 2012*

*International Education Standard (IES) 7*

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# Continuing Professional Development (Redrafted)

**IAESB**

International Accounting  
Education  
Standards Board

This document was prepared by the Staff of the International Accounting Education Standards Board (IAESB).

The IAESB develops education standards, guidance, and information papers on pre-qualification education, training of professional accountants, and continuing professional education and development.

The objective of the IAESB is to serve the public interest by setting high-quality education standards for professional accountants and by facilitating the convergence of international and national education standards.

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## **BASIS FOR CONCLUSIONS**

### **International Education Standard 7 – Continuing Professional Development (Redrafted)**

The Basis for Conclusions document for International Education Standard (IES) 7 has been prepared by the Staff of the International Accounting Education Standards Board (IAESB). It relates to, but does not form part of IES 7, Continuing Professional Development (Redrafted).

#### **BACKGROUND**

1. In October 2009 the IAESB approved a project to redraft IES 7. The IAESB agreed that IES 7 should be redrafted 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.

IES 7 prescribes the continuing professional development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the profession. More specifically, IES 7 is addressed to IFAC member bodies. In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the CPD of professional accountants.
2. The IAESB has agreed a new structure to improve clarity of its standards, which will improve their readability and provide an appropriate level of explanation to ensure that interested stakeholders understand and apply the standards properly. The new structure includes 4 major sections: Introduction, Objectives, Requirements, and Explanatory Material. These sections place greater emphasis on the obligations and requirements on an IFAC member body in the learning and development of a professional accountant. In addition, the IAESB has also made amendments to the language of its Standards to improve the understanding of the requirements that IFAC member bodies undertake when implementing the Standards.
3. The IAESB issued an exposure draft of IES 7 ["ED-IES 7"] on December 10, 2010, with a deadline for response of March 8, 2011. The IAESB received 41 comment letters from a variety of respondents, including IFAC member bodies, regional organizations, public accounting firms, regulators, accounting organizations, academics, and individuals. In addition the IAESB Consultative Advisory Group (CAG) commented on both the development of the Exposure Draft (ED) of the redrafted IES 7 and the comment analysis of the ED respondents at their 2010 and 2011 meetings, respectively. As a result of these comments, the IAESB has implemented a number of changes to finalize

the text of the redrafted IES 7. The following summarizes the more significant issues raised by respondents, and how the IAESB addressed them.

## ISSUES RAISED DURING EXPOSURE PERIOD

4. Respondents raised a range of issues related to:
- Title;
  - Scope;
  - Objective paragraph;
  - Requirements; and
  - Explanatory material and terminology.

Changes made to ED-IES 7 since the exposure period, are now discussed in turn below.

### Title

5. The title of ED-IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*, was amended to the following, IES 7, *Continuing Professional Development (Redrafted)*. The IAESB made this editorial amendment to reflect the focus of IES 7 on only CPD and to ensure consistency with the content of the *Framework for International Education Standards for Professional Accountants [“Framework (2009)”]*. The IAESB views CPD as the learning and development that takes place after Initial Professional Development (IPD), and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. In addition to education, practical experience, and training, CPD also includes learning and development activities, such as (1) coaching and mentoring, (2) networking, (3) observation, feedback, and reflection, and (4) self-directed and unstructured gaining of knowledge.

### Scope

6. Paragraphs 1 to 5 of the ED-IES 7 set out the scope of the standard by: (1) stating the purpose; (2) identifying the audience; (3) introducing and linking concepts of IPD and CPD; and (4) introducing approaches to measure the attainment of CPD. In general, respondents were very supportive of the content of the scope paragraphs. A few respondents indicated that paragraphs 1 and 3 of the ED-IES 7 required further clarity. Specifically, it was suggested that paragraph 1 of the ED-IES 7 should prescribe CPD for professional accountants and clearly identify the intended audience. These respondents indicated that paragraph 3 of the ED-IES 7 needed to address CPD not only for professional accountants in existing roles, but also for professional accountants moving to new roles. It was also suggested that the definition of CPD be reviewed for consistency with that provided in the *Framework (2009)*.

7. In response, the IAESB clarified the scope by: (1) eliminating the reference to good practice, (2) identifying member bodies and other relevant stakeholders who would benefit from the standard; (3) clarifying the role of member body; (4) addressing CPD to existing and new roles of professional accountants; (5) ensuring that the definition of CPD is consistent with that of the Framework (2009) document; and (6) setting out relevant sources for the definitions and explanations of key terms. As a result the following editorial amendments were made:
- Paragraph 1 of the redrafted IES 7 has eliminated the focus of prescribing good practice for IFAC member bodies, and now prescribes CPD required for professional accountants to develop and maintain professional competence.
  - Paragraph 2 of the redrafted IES 7 has been included as a new paragraph to address the concern of identifying the audience. This paragraph indicates that IES 7 is addressed to IFAC member bodies and explains their responsibility. The paragraph also identifies other stakeholders for which the standard will be helpful.
  - Bullet (c) of Paragraph 3 of the redrafted IES 7 clarifies the IFAC member bodies' role by indicating that they must adopt the prescribed requirements relating to the development and implementation of appropriate measurement, monitoring, and compliance procedures, to help professional accountants develop and maintain the professional competence.
  - Paragraph 4 of the redrafted IES 7 introduces the concept of Initial Professional Development and extends the scope of continuing professional development to situations when the professional accountants take on new roles during their careers that require new competences. The definition of CPD was amended to ensure consistency with the definition provided in the Framework (2009).
  - Paragraph 7 of the redrafted IES 7 is included as a new paragraph to identify the *Framework (2009)* and the *IAESB Glossary of Terms* as sources for the definitions and explanations of key terms. .
8. Minor editorial improvements were made to paragraphs 1 to 5 of ED-IES 7 to improve the clarity and consistency of the Standard. These editorial improvements do not affect the content of the existing paragraphs.

### **Objective Paragraph**

9. Paragraph 7 of the ED-IES 7 states the objective of the standard's requirements. The majority of respondents indicated that the objective paragraph was appropriate. Several respondents, however, indicated that to be consistent with the Framework (2009) document IFAC member bodies should be held responsible to meet the objective and the format of the objective paragraph should be amended. Some of these respondents also indicated that the objective paragraph should be consistent in format with the objective paragraphs of the other standards. These respondents also pointed out that

the activities of monitoring and enforcement appeared in the requirements of the standard and did not need to be repeated in the objective paragraph.

10. In response, the IAESB decided to improve the clarity by amending the objective paragraph to indicate that the objective is directed to IFAC member bodies. The targeting of IFAC member bodies as the primary audience is what is being used in the revised IESs 4 and 6. The IAESB agreed that the objective paragraph of ED-IES 7 did not state an obligation for a member body and the content of the objective of ED-IES 7 was repeated in the Requirements section. As a result the IAESB clarified the objective paragraph by stating the member body's obligation with consideration of professional accountants, the public interest, and the needs of clients, employers, and other stakeholders. In addition, bullets (a) to (c) of paragraph 7 of ED-IES 7 were deleted because they are covered by requirement paragraphs 10, 11, 12, and 17 of the redrafted IES 7.

### Requirements

11. Paragraphs 8 to 15 of the ED-IES 7 set out the requirements of the standard in terms of: (1) promotion of lifelong learning; (2) access to CPD; (3) mandatory CPD for all professional accountants; and, (4) monitoring and enforcement. Most respondents were supportive of the proposed redrafted requirements. A few respondents suggested that the bullets of requirement paragraph 13 of the ED-IES 7 be moved to the Explanatory Material section on the basis that these were not principles. Other respondents requested that additional guidance be provided through information papers or staff-assisted guidance. One respondent indicated that paragraph 10 of the ED-IES 7 should be reworded to be an unambiguous statement that reflects mandatory CPD is for all professional accountants. This respondent also indicated that this requirement should not repeat objectives met by the requirements of other standards, such as the *International Ethics Standards Board for Accountants (IESBA) Code of Ethics*.
12. In response, the IAESB agreed with respondents' comments on providing further guidance through information papers or practice statements and recommended that this type of guidance be discussed when developing the next IAESB Strategy and Work Plan. The IAESB also noted the request for improved clarity on mandatory CPD and the possible repetition of this requirement with the *IESBA Code of Ethics*. The IAESB has responded to this request by amending the requirement in Paragraph 10 of the ED-IES 7 to focus on the need to undertake CPD activities to contribute to the development and maintenance of professional competence rather than on the development and maintenance of competence of the professional accountant which is the subject of the *IESBA Code of Ethics*.
13. The IAESB has decided after a full deliberation of the issues not to move the bullets of requirement paragraph 15 of the redrafted IES 7 to the Explanatory Material section. The

IAESB acknowledges that the input-based approach continues to be used by IFAC member bodies and regulators because of its ease in monitoring and verification. This approach is consistent with the view expressed in Paragraph 30 of the Framework (2009). It should be noted that the Framework (2009) identifies the inherent compromise between validity, reliability, and cost effectiveness, and recognizes that a mix of input, process, and output measures is often adopted.

14. Minor editorial improvements were made to paragraphs 10 to 15 of ED-IES 7 to improve the clarity and consistency of the Standard. These improvements do not affect the content of the existing paragraphs 10 to 15.

### **Explanatory Material and Terminology**

15. The Explanatory Material section provides further explanation or interpretation of introduction, objective, and requirements sections of IES 7. The IAESB received the following requests for further explanation on paragraphs within the Explanatory Material section or on terminology used within IES 7: (1) explanation of the responsibility of the IFAC member body for the CPD of professional accountants; (2) explanation of the term, lifelong learning; (3) examples of the promotion of CPD; (4) explanation on providing access to CPD; (5) examples of special circumstances for CPD; (6) explanation of verifiable hours when used for the input-based approach; (7) explanation of the monitoring process on a cyclical basis; and (8) explanation of procedures used when non-compliance occurs.
16. In response the IAESB addressed these requests to improve the clarity of the Explanatory Material section and terminology being used in IES 7, as follows:

- Explanation of the responsibility of the IFAC member body for the CPD of professional accountants

Paragraph A3 of ED-IES 7 was modified to clarify the responsibility of the IFAC member body by placing emphasis on the member body's quality assurance processes which may include establishing a program of CPD that includes measurement, monitoring, and evaluation.

- Explanation of the term, lifelong learning

A new paragraph A4 was included in the redrafted IES 7 to describe lifelong learning in terms of learning and development activity and places emphasis on its relevance, irrespective of whether professional accountants are involved in accounting fields or other areas.

- Examples on the promotion of CPD

A new paragraph A5 was included in the redrafted IES 7 to provide examples of activities that may contribute to an IFAC member body's promotion of continuing development and maintenance of professional competence:

- Explanation on providing access to CPD

Two existing paragraphs, A10 and A11 of ED-IES 7, were repositioned as paragraphs A8 and A9 in the redrafted IES 7 to clarify the IFAC member body's responsibility in providing CPD access. Paragraphs A8 and A9 provide (1) examples of tools that can be used to plan CPD and (2) guidance to professional accountants to discuss their needs for CPD with employers, colleagues, and IFAC member bodies for help in identifying learning or competence gaps.

- Examples of special circumstances for CPD

Paragraph A7 of ED-IES 7 has been amended to clarify what are examples of special circumstances in which member bodies need to consider what relevant and appropriate CPD requirements are. The examples cover individuals on career breaks and individual who have retired from full time practice, but continue to work in some capacity.

- Explanation of verifiable hours when used for the input-based approach

A new paragraph A19 was included in the redrafted IES 7 to support IFAC member bodies in providing guidance to professional accountants on what proportion of the 20 hours minimum annual requirement should be verifiable. This paragraph includes factors that should be considered when providing such guidance.

- Explanation of the monitoring process on a cyclical basis

A new paragraph A26 was included in the redrafted IES 7 to support IFAC member bodies in developing a set of monitoring processes on a cyclical basis. The paragraph provides explanation on the duration of cyclical monitoring process and provides benchmarks to describe the duration of a cycle.

- Explanation of procedures used when non-compliance occurs.

Paragraph A27 of ED-IES 7 has been amended to support IFAC member bodies by providing guidance on situations involving non-compliant professional accountants on CPD requirements. The guidance clarifies when the expulsion or denial of the right to practice is appropriate and provides insight on the consequences of publicizing names who willfully fail to comply with CPD requirements.

**Basis of Conclusions- IES 7, Continuing Professional Development (Redrafted)**

17. Minor editorial improvements were made to paragraphs A1 to A30 of ED-IES 7 to improve the clarity and consistency of the Standard. These editorial improvements do not affect the content of the existing paragraphs A1 to A30.

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