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Mr. David McPeak
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International Accounting Education Standards Board
International Federation of Accountants
529 Fifth Avenue
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Re: Exposure Draft - Proposed International Education Standard 7, Continuing Professional Development (Revised) (IES 7)

Dear Mr. McPeak

BDO International Limited¹ (BDO) is pleased to have the opportunity to comment on the above Exposure Draft issued by the International Accounting Education Standards Board (IAESB). We set out below our responses to the IAESB's questions outlined in the Request for Comments section accompanying the Exposure Draft.

BDO Summary

As we have stated previously we support the revision of International Education Standard (IES) 7, particularly as this provides an opportunity for it to be aligned with the learning outcomes based approach employed within IESs 2-5² and IES 8³, however on review of the Exposure Draft we do not believe it goes far enough in a number of areas.

Consistent with our previous letters to you, and in particular our letter dated 8 March 2016 and titled *Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities*, we do not support a solely input-based approach to Continuing Professional Development (CPD). We appreciate that for the vast majority of IFAC member bodies there is evidence to suggest that the input-based approach remains their primary way of measuring CPD however we would have liked for this revised IES to drive further change within the accounting profession by encouraging IFAC member bodies to move in the direction of an output-based approach.

We acknowledge that the current Exposure Draft still permits an input-based and output-based approach to enable flexibility in CPD approaches to accommodate a wide range of academic, legal and regulatory differences, however we would encourage the IAESB through its provision of

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² IES 2, Initial Professional Development - *Technical Competence* (2015); IES 3, Initial Professional Development - *Professional Skills* (2015); IES 4, Initial Professional Development - *Professional Values, Ethics, and Attitudes* (2015); IES 5, Initial Professional Development - *Practical Experience* (2015).

³ IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (2016).

implementation guidance to provide additional materials, as set out below, to further encourage use of an output-based approach.

Responses to Specific Questions

1. Is the Objective statement of the proposed IES 7 appropriate and clear?

The revision of the objective makes it clear that CPD applies to professional accountants working in a range of organizations, commerce and roles. In particular:

- We support the emphasis this places on professional accountants as it provides a recognition that being a ‘professional’ places a requirement on each individual to develop and maintain their own professional competence in order to be able to perform their role.
- We note that the revised objective no longer refers to the IFAC member body. We are supportive of this change as it brings the proposed IES in line with the other IESs.
- We also support the continued focus on the concepts of ‘develop’ and ‘maintain’ which during a period of great social, commercial and technological change re-emphasizes the need for professional accountants to constantly build their skillset to respond to change.

However, when reviewing the associated explanatory material we identified the phrase *‘It...improves professional competence necessary to provide high quality services to...’*. While we note that this phrase is similar to that of the objective in the original IES 7, we found the wording used in paragraph A6 to be confusing as it seems to imply that the development and maintenance of professional competence increases the level of professional competence needed in order to provide high quality services as opposed to increasing the capacity of the professional accountant to provide high quality services. We recommend that it is changed to *‘...improves professional accountants’ professional competence which enables them to provide high quality services...’*

2. Are the Requirements of the proposed IES 7 appropriate and clear?

We believe the requirements of the proposed IES 7 are much clearer than the extant IES 7.

The ordering of the requirements is now more logical, from the initial requirements of who must undertake CPD through to ultimate monitoring and enforcement. This approach: (a) mirrors the various decisions that an IFAC member body would need to work through in order to successfully implement a CPD approach, and (b) reflects the language of the rest of the suite of IESs. Additionally, these new requirements have an increased focus on the professional accountant being responsible for their own professional competence and we are strongly supportive of this acknowledgement of personal responsibility and encouragement of individuals to develop a mind-set of lifelong learning.

The new requirement for the provision of CPD for all professional accountants (paragraph 9) is much more succinct than the extant paragraph 12 that it replaces, and is worded in a manner that reflects the wide range of activities that can contribute to an individual’s development. By recognizing that it is a combination of activities that develop and maintain the professional accountant’s competence, not only provides clarity but links to the overarching objective of the revised IES. We also welcome the acknowledgement that each professional accountant has different learning and development needs and support the inclusion of the example CPD framework which helps to highlight self-analysis, planning, activity and reflection stages.

We note that promotion and access to CPD has been combined into a single section. As often those activities are often interrelated, we are supportive of this change. We are also very

supportive of the increase number and variety of activities that could potentially be considered as types of CPD. We believe this is a significant step forward and recognizes that learning and development is not limited to a traditional classroom setting or formal training events, but increasingly occurs in less formal situations - for example in the workplace every day when individuals are applying a new technical requirement, working through a complex issue or reflecting on their own performance.

We also note the addition of a new section, *Measurement of CPD*, which deals directly with the possible approaches for measuring CPD and which are likely to comprise some of the more challenging parts of the IES for implementation by IFAC member bodies. Having a separate section provides a much clearer differentiation than in the extant IES, where measurement is included under the heading of *Mandatory CPD for all Professional Accountants* and is not given the prominence that it properly deserves.

In addition, we find the updated requirements related to measurement of CPD much clearer, especially with regard to the output-based approach. The removal of the description of the combination approach from the IES is also welcome as we found extant paragraph 16 unclear. We continue to be supportive of a measurement approach that utilizes both input-based and output-based approaches and are happy to note that paragraph 12 continues to allow for this. We believe that appropriate implementation guidance is going to be critical to how these approaches work in practice. In relation to the input-based approach, we note the removal of the 120 hours minimum of CPD per rolling three year period. We are supportive of this deletion as the requirement may become totemic and we are unaware of any educational basis for the specific benchmark used. We believe that IFAC member bodies should have the flexibility to determine their own benchmark measures for the input basis - taking into account the academic environment, entry and qualification processes to the accounting profession, and applicable legal and regulatory framework.

In relation to monitoring and enforcement, we are supportive of the expanded requirements which provide clearer guidance to IFAC member bodies on what is expected, in terms of evidence and regularity of the process. We also appreciate the increased explanatory material that has been provided with regards to what may constitute verifiable evidence, especially in regards to the output-based approach, which previously had little guidance.

Potential Improvements

Measurement of CPD

As mentioned in our introductory comments, we note that the IES retains a purely input-based approach for evaluating CPD. As we have stated in previous comment letters, we do not believe that a pure input-based approach is in line with the principles-based approach of the body of IES's and as noted in our letter responding to *Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities*, attendance at a learning event does not necessarily guarantee from a learning perspective that the attendee paid attention to the materials delivered or is able to apply the knowledge or skills in a workplace context. As such we do not believe that it is the most reliable measurement of CPD undertaken to develop and maintain professional competence.

In order to improve on the measurement perspective of the input-based approach we would encourage the IAESB to explore the potential usage of a CPD framework, such as the one introduced in the exposure draft, so that professional accountants are encouraged to be more involved in the determination, application and review of their CPD learning rather than the pure input-based (and potentially passive) approach permitted by this IES. An excellent way to share this measure could be through the provision of implementation guidance which address through example cases how IFAC member bodies have moved from a pure input-based approach to one which has more opportunities for review and reflection by the professional accountant.

We also noted the following items in the explanatory materials that we found to be confusing:

- In paragraph A21 we note that one of the factors considered when determining the achievement of learning outcomes by the professional accountant is the nature and extent of the CPD undertaken. We note that extent of CPD could also relate to an input measure such as time or volume and thus seems incompatible with determining whether the professional accountant is able to demonstrate the achievement of a learning outcome. We suggest that 'extent' be replaced with 'depth' in order to make this clearer.
- Paragraph A23 states that '*IFAC member bodies may choose other measures that will be understood by professional accountants*' and then goes on to give examples of hours or units, both of which were set out in paragraph A22(a). With the absence of any examples other than time or equivalent units then we believe that the first sentence of paragraph A23 is defunct and should be deleted so the paragraph includes only the examples.
- In relation to the use of both measurement approaches, paragraph A25 states that IFAC member bodies '*may choose to use both the output-based and the input-based approaches*'. We support having content on this particular issue - not least because it provides a potential opportunity for those IFAC member bodies currently using an input-based approach to consider adding to this through elements of an output-based approach. As currently written though, we believe this may be confusing to some as it may be interpreted as picking and choosing when to use each approach. By changing this sentence to read '*...may choose to use a combination of approaches which contain elements of output-based and input-based methods...*' we believe this issue may be resolved.

As we believe that the subject of measurement is a significant area concern for IFAC member bodies, and given the importance of encouraging greater use of a learning outcomes based approach to assessment, the IAESB should provide implementation guidance surrounding the measurement of CPD, however this is covered further under question 7.

Monitoring and Enforcement of CPD

We reviewed the requirements in paragraphs 15 - 17 and believe they are appropriate and clear.

In conjunction, we reviewed the explanatory materials and noted that paragraph A28 refers to verifiable evidence that could be used for verification of an input-based approach citing the example of course outlines and teaching materials. As this is being used to illustrate the relevancy of a topic for the professional accountant's role, we recommend that this is made clear in the explanatory material by adding '*...to verify the relevance of the topic*' to the end of the sentence.

Paragraph A30 discusses supplementary monitoring processes, one of which is to audit a sample of professional accountants to check compliance with the CPD requirements set. The use of the word supplementary, which we recognize is also included in the extant IES 7, may be interpreted as these processes being optional rather than an integral part of the overall monitoring process, which we believe they are. In order to remove this ambiguity we suggest that paragraph A30 read '*Periodic monitoring processes performed by the IFAC member body may involve...*'. This sentence structure is also more in line with that of the preceding paragraph which is directed toward the professional accountant.

3. Are there any additional explanatory paragraphs needed to better explain the requirements of the proposed IES 7?

In addition to the items noted in question 2 above, we note in the Significant Issues section of the Exposure Draft on page 6, the first bullet point explained how to move from an input-

based approach to an output-based approach as one of the main issues. This suggests both a preference on the part of the IAESB towards one of the two approaches and a desire for IFAC member bodies to be encouraged to move away from a solely input-based approach. Neither of these matters appear to be fully reflected either in the IES or in the explanatory materials that support it. We acknowledge that the IAESB has made improvements to this revised IES to support the clarity of the input-based and output-based approaches, eliminated the 'combination' approach which was not well understood and also removed the arbitrary hours targets that were included in the input-based approach section previously. We would strongly encourage the IAESB to create and share appropriate implementation guidance on how IFAC member bodies can move from an input-based to output-based approach of measurement. To help support this guidance it would be useful if the IAESB could highlight the value attached to the output-based method by making appropriate linkages to the IAESB's recent papers on a learning outcomes approach.

We note the inclusion of a CPD framework in paragraph A9 and find this to be a very valuable addition to the explanatory materials. Such a CPD framework requires the professional accountant to be an active participant throughout the CPD cycle and helps them as 'professionals' to draw a direct correlation between the activities of CPD and their workplace performance. As we currently read the Exposure Draft the framework positioning only seems to be relevant to use in an output-based approach, however for the reasons stated above, we believe that it has value no matter which measurement approach an IFAC member body chooses to adopt and that adoption of such a CPD framework should be promoted.

As such we recommend the following:

- Paragraph A15(a) - append '*...and promoting the use of a CPD framework*'.
 - Add a new paragraph under measurement of CPD (general) such as '*IFAC member bodies may provide guidance on the use of a CPD framework. Such a framework allows professional accountants to play an active role in their CPD and helps draw a direct correlation between CPD activities and performance in a role.*'
- 4. Do proposed revisions to the output-based approach requirement and related explanatory material improve your understanding and your ability to apply an output-based measurement approach? If not, what suggestions do you have to improve the clarity of the output-based approach?**

The revisions to the requirement and the explanatory materials do improve our understanding of the output-based approach. However, even with the revisions made to the requirement and related explanatory material it is still unclear how the output-based approach would look and operate in practice, given how IFAC member bodies have different approaches based on local regulations and other factors.

Having example-based implementation guidance could provide: (a) further clarity and (b) support to IFAC member bodies as they seek to modify their existing approaches to measurement. This may also encourage professional accountants to make a more direct linkage between the CPD they undertake and the practical application or demonstration of the learning in a work-based context, thereby increasing the perceived relevance and value of the activities in the eyes of the individual and their employer.

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

We do not believe that there are any additional terms that require further clarification however, in order to further support access and application of this revised IES, we encourage IFAC to consider the need for translation of the IESs (and implementation guidance materials) in order to:

- support IFAC member bodies; and
- prevent misapplication of requests in such a critical area for the profession.

6. Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the requirements included in the proposed IES 7?

As we noted earlier, we are highly supportive of the expansion of what is considered to be CPD activity as it is more reflective of how learning and development within a role actually occurs. However, for those organizations with employees who are members of IFAC member bodies that continue to use the input-based approach we foresee possible difficulties with tracking certain activities, for example on-the-job training, as it is unclear when the activity starts and ends or what it constitutes. We believe that the expanded CPD activities are valuable and that a large number of professional accountants have the potential to be positively affected by this change. As a result we would propose that implementation guidance on this matter would be of great value to stakeholders and suggest that it also illustrates how these issues do not only arise under the output-based approach.

7. What topics or subject areas should implementation guidance cover?

Based on our review of the proposed IES 7, we believe the following areas require implementation guidance:

CPD framework

As we have noted previously, we are very supportive of the inclusion of a CPD framework. As this is likely to be new to many IFAC member bodies we believe that implementation guidance on this topic would be very helpful. We would support the provision of:

- (a) various examples of such CPD frameworks currently in place, both in the accountancy profession and in other professions (as relevant), and
- (b) a diagram and additional thought leadership pieces to support IFAC member body consideration of a CPD framework approach to supporting their membership.

Quantifiable measurement of different activities under the input-based approach

We welcome the emphasis the IAESB has placed on the potential recognition of both formal and informal learning under the CPD term. We believe that this broadening of potential CPD content and approaches is important as it reflects how people learn through on-the-job training, practical experience and coaching. This does however give rise to some challenging questions about how these types of learning activities could be measured under the input-based approach. For example how would on-the-job learning be measured under an input-based approach? Would an hour of on-the-job learning be equivalent to an hour of reading a journal or attendance at a live technical webinar? We recognize that this is an area in which IFAC member bodies are likely to need more support. We also believe that it is important that outside of IES 7 the IAESB use thought leadership or the recently launched Personal Perspectives to help broaden the debate about acceptable types of CPD - perhaps providing an opportunity for the IAESB to share viewpoints from professional accountants operating in commerce, the public sector, accounting firms and other parts of the profession.

Determination of appropriate de minimis CPD by IFAC member bodies

We note that both the output-based approach and the input-based approach have no learning outcomes or learning and development activity specified in the Exposure Draft, however paragraph 9 requires that the CPD be sufficient to develop and maintain the professional accountant's professional competence and as such this statement implies a minimum CPD requirement that IFAC member bodies will need to communicate to their members and with which they will need to comply. While it is clear that 1 hour of CPD a year is likely to be insufficient it is not clear (a) what amount would be, (b) how an IFAC member body would begin to determine that, or (c) how IFAC would evaluate whether they believe the IFAC member body has complied with the requirement.

We understand that a principles-based approach to standards-setting may require IFAC member bodies to consider what is appropriate for their jurisdiction and this may vary between countries, roles and so on, however this does raise an interesting challenge as it means that IFAC member bodies have no point of reference, other than prior metrics, with which to determine what an appropriate amount of CPD is. We believe implementation guidance on this matter will be very helpful as would encouraging IFAC member bodies to move towards the output-based CPD approach, perhaps by the use of a CPD framework, to ensure that what is being learnt is sufficient and relevant to the each professional accountant's role.

Verifiable evidence

While the explanatory materials include examples of verifiable evidence, it would be useful for IFAC member bodies and other stakeholders to see good practice examples of verifiable evidence. For example, as noted previously, paragraph A28 notes that course outlines and teaching materials may be used to verify the input method, however it is not clear if that is to verify relevance of content or is acceptable on its own as evidence of undertaking CPD and whether that would be better evidence than a record of attendance.

Moving from input-based approach to output-based approach

As we noted in question 3, the Significant Issues section of the Exposure Draft discussed understanding how to move from an input-based approach to an output-based approach as a key issue. We believe that this is a critical area for the IAESB to consider as it provides an opportunity for CPD to establish a more relevant link to each professional accountant's role (i.e. the demonstration of the achievement of learning outcomes ideally in a practical context). We recognize that encouraging IFAC member bodies to move towards an output-based approach, particularly when many of them do not have sole authority over CPD or accounting regulations in their jurisdictions, is a longer-term aspiration. To help achieve this change we believe that implementation guidance on how IFAC member bodies can start to implement alternative approaches to CPD measurement will be very important.

Combination of input-based and output-based approaches

We note that the proposed IES continues to allow the use of a measurement approach that combines the input-based and output-based methods of measurement, of which we are supportive as it:

- (a) allows IFAC member bodies to begin the transition from a purely input-based approach toward an output-based approach, and
- (b) encourages each professional accountant to draw a direct correlation between the CPD activities they undertake and their day to day work as a professional accountant.

We believe that stakeholders would find it helpful to see different examples of what is and is not acceptable in this regard and how they fall along the spectrum with pure input and output-based approaches at either end.

8. How can the IAESB align the requirements of IES 7, Continuing Professional Development (2014) to support the learning outcomes approach for the other IESs, including IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)?

As noted in previous responses to the IAESB, we remain supportive of a revision of IES 7. In addition, subject to our comments outlined above, we support the main changes that have been proposed by the IAESB in relation to this particular IES.

The IAESB correctly identified the importance of professional competence as being core to the success of learning and development at the IPD stage of an aspiring professional accountant's career as evidenced by the demonstration of learning outcomes. Our view remains that the input-based approach, which is still a permitted measurement approach

for CPD in this proposed IES 7, increasingly appears to be a less effective measurement of learning and is not well aligned to the requirements approach adopted by the Initial Professional Development content-based IESs⁴.

One of the limitations of the input-based approach is that it does not directly measure the learning outcomes or professional competence developed through CPD, instead focusing on the number of hours a professional accountant has spent undertaking CPD as a proxy for learning and therefore we would ask that the IAESB continue to emphasize this approach to demonstrating the achievement of learning outcomes as part of the CPD phase of an individual's career and lifelong learning

In order to support the learning outcomes approach of the other IESs, we believe that IES 7 implementation guidance should emphasize the importance of moving from a pure input-based approach to CPD through use of a CPD framework or other examples of how IFAC member bodies have achieved this. In that regard, we see the benefits of the IAESB highlighting through ongoing implementation guidance and thought leadership pieces how an output-based approach or a combination of input-based and output-based has the potential to provide more relevant and applicable CPD learning to boost the professional competence of professional accountants.

We appreciate the opportunity to comment on the Exposure Draft, which has proven to be an extensive piece of work by the IAESB. We hope that our comments and suggestions will be helpful to you in your deliberations and completion of this revised IES.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,
BDO International Limited

Chris Smith
Global Head of Audit and Accounting

⁴ IES 2, Initial Professional Development - Technical Competence (2015); IES 3, Initial Professional Development - Professional Skills (2015); IES 4, Initial Professional Development - Professional Values, Ethics, and Attitudes (2015)