



Tel: +1 212 885 8000  
Fax: +1 212 697 5076  
@: bdo@bdointernational.com  
www.bdointernational.com

BDO International Limited  
Contact:  
135 West 50th Street  
New York, NY 10020  
United States of America

8 March, 2016

Mr. David McPeak  
Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
529 Fifth Avenue  
New York, NY 10017

E-mail: davidmcpeak@iaesb.org

***Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy & Priorities***

Dear Sir,

BDO is pleased to have the opportunity to comment on the above consultation paper 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 consultation paper. In broad terms we welcome the approach adopted by the IAESB of focusing on the identification of trends in the accounting profession in order to determine the implications for accounting education.

**Responses to Specific Questions**

**1. What enhancements, if any, do you feel should be made to the existing International Education Standards (IESs)?**

*Overall*

We agree with the IAESB's assessment, as mentioned in paragraph 20 of the consultation paper, that as accounting practices continue to develop, especially with regard to information technology and its varying aspects, there is a need for increased competency within a range of areas.

We support a focus on the skills needed to work in an IT-oriented environment, including the ability to interpret data produced by IT systems. For all aspiring and professional accountants involved in the financial reporting supply chain, there needs to be a baseline level of professional competence when using IT as part of their regular responsibilities.

In our view, the learning outcomes should be reflective of the practicalities faced by aspiring and professional accountants in the workplace and made as future proof as possible. Given the fast-paced nature of how business is changing, how the accounting profession is evolving (across all service lines and roles), and the fact that standard-setting necessitates appropriate due process, we would suggest that further moves by the IAESB to providing just-in-time implementation support or items of a thought-leadership nature will be especially helpful to advance international debate, while also potentially identifying future areas for inclusion in the IESs.

### *IES 5, Initial Professional Development - Practical Experience*

Paragraph 17 requires that “practical experience of aspiring professional accountants be conducted under the direction of a practical experience supervisor”. Although “practical experience supervisor” is defined in the *Glossary of Terms* (April 2015), the definition is limited and does not indicate the specific learning and development or professional competence needed to be considered for such a role. This guidance is very important from a public interest perspective and ties in to the need for aspiring professional accountants to have the necessary mentoring, performance reviews and on the job training in order to be able to perform their role, to develop new skills, and ultimately to become a professional accountant operating in the public interest.

### *Continuing Professional Development (CPD)*

Of the 8 existing IESs, 1 relates to entry requirements, 5 relate to Initial Professional Development (IPD) and 2 relate to CPD. Given that professional accountants spend the majority of their professional careers in the CPD phase, we would welcome additional IESs in this area. For example, the IESs related to CPD frequently refer to a “specialist”; however, the IESs contain limited guidance on what constitutes a “specialist”. We believe that an additional IES that addresses what the learning and development requirements are in order to be considered a specialist and how a professional accountant would maintain such status would be helpful to the profession and also support the public interest by ensuring a base level of knowledge for those holding themselves out as such.

In addition, we note that IES 7 - *Continuing Professional Development (redrafted)* allows for 3 different options in regards to the achievement of CPD: an input based approach, an output based approach and a combined approach. This appears to be inconsistent with the revised IESs, which focus on aspiring and professional accountants demonstrating the achievement of the learning outcomes.

We would therefore be supportive of the IAESB’s intention to revise IES 7 to be consistent with the remainder of the suite of IESs.

### *All Revised IESs*

Following the extensive IES revision project which the IAESB conducted from 2010 to 2015, and now that IES 8 (revised) becomes effective from July 1, 2016, we would encourage the IAESB to perform a post-implementation review of the revised IESs in order to determine potential:

- gaps or issues in existing revised IESs that may require additional implementation support, updated learning outcomes, new IESs, or other guidance and
- sources of good practice from existing IFAC member bodies that could be shared with other IFAC member bodies to help support implementation.

In determining any potential new IESs we would strongly urge the IAESB to adopt an evidence-based approach to this process. As part of its information gathering, the IAESB should consider having discussions with regulatory groups (e.g., IFIAR, as well as further outreach activities with IFAC member bodies and regional bodies (e.g., FEE, CAPA etc.).

2. 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 all our previous responses to the IAESB, we are supportive of a revision of IES 7. The input-based approach outlined in IES 7 is not well aligned with the requirements of

IES 8 (revised), which focuses on demonstration of the achievement of the learning outcomes for those professional accountants performing the role of an Engagement Partner. The existing IES 7 also does not build upon on the IPD IESs (2-4) with their focus on a learning outcomes approach.

As noted in IES 7, 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. Problems may arise under this approach where:

- although an individual may be physically present at a learning event, he or she were not engaged in the learning and, as such, the learning outcomes were not achieved,
- the CPD completed may not be relevant to an individual's role, or
- the content was pitched at an inappropriate level of complexity and detail for the individual's role.

In order to be consistent with the other revised IESs, we believe that IES 7 should not allow for a solely input-based approach to CPD; in that regard, we see the benefits of the combined approach and an output based approach.

We also suggest that during the revision of IES 7 the IAESB consider how appropriate CPD can be identified, monitored and measured during this new technological age. The IAESB will need to be careful not to focus solely on process (i.e. output versus input methods) but also to recognize the variety of forms of CPD available to professional accountants.

Professional accountants complete learning and development to develop and maintain their professional competence using a variety of means (formal learning, on the job learning, mentoring, webinars, use of videos and online technology). Any revised IES 7 should allow for:

- flexibility to address different IFAC member body jurisdictions and regulatory requirements and
- an emphasis that CPD is not solely formal learning (using the metric of hours spent in a classroom) to determine competency.

The IAESB has 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. We have been supportive of this approach and 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.

**3. What action, if any, should the IAESB take to improve professional competence related to the appropriate exercise of professional skepticism and professional judgment?**

Professional skepticism and professional judgment are skills that underpin the profession and in our view they are of paramount importance. However, accounting firms often receive comments from regulators noting that audit findings are a result of a lack of application of professional skepticism. Given the importance of these skills across all roles undertaken by professional accountants, we believe that the task of reviewing the application of professional skepticism and professional judgment should not fall solely to the IAESB, but should also include input from the various IFAC standard-setting boards. On that basis we support the work currently being undertaken by the Joint Working Group on professional skepticism and we ask as part of the work of this group that learning and development methods as well as benchmarks be fully considered.

While the IESs address the exercise of professional skepticism and professional judgment in IES 2, IES 3, IES 4 and IES 8, in our view the IAESB could do more to facilitate the implementation of these learning outcomes through the provision of guidance or implementation support. In addition, IES 7 does not provide specific guidance on the types of CPD that would be most effective with regards to these matters.

Areas of guidance and implementation support that the IAESB should consider in respect of these learning outcomes include:

- The types of CPD that could be most effective to enable the demonstration of appropriate professional skepticism and professional judgment
- How IFAC member bodies or providers of learning and development content can provide materials for learning that enable an individual to demonstrate achievement of the learning outcomes on professional judgment and professional skepticism
- How IFAC member bodies can identify, monitor and measure the learning associated with achievement of the learning outcomes on professional judgment and professional skepticism
- Whether there should be more focus on the communication, interviewing and critical thinking skills already identified in the existing suite of IPD IESs and in particular how the learning outcomes could be developed to enable application of professional skepticism and professional judgment
- Whether IES 5 on practical experience should have specific learning outcomes or guidance in respect of using a professional judgment framework as part of day to day workplace activity or through the mentoring process adopted by the practical experience supervisor
- Consideration by the IAESB of the comparable professional judgment and professional skepticism learning outcomes for those performing non-audit roles within the financial reporting supply chain (e.g., preparers of financial statements, advisors, tax practitioners)

The formats of guidance provided by the IAESB may include the release of practical guidance and examples on this topic, thought leadership, and potential collaboration with, or support of, scholars and researchers. As research on this topic continues to evolve, the standard-setting boards of IFAC should ensure that this remains at the forefront of the profession's collective consciousness and we would ask that the IAESB work with the IAASB following their Invitation to Comment on Enhancing Audit Quality to identify specific areas of support that would be beneficial from a learning and development perspective.

**4. What new IESs, if any, do you suggest be developed to address emerging matters related to the education of aspiring professional accountants and professional accountants?**

In addition to the items outlined below, please refer also to our response for Question 2.

The consultation paper identifies a need to take into account the dynamic impact of IT and different competences required of aspiring and professional accountants. We agree with identification of such gap and, as we noted earlier, believe it is as important that aspiring and professional accountants have not only the requisite IT skills to be able to understand the financial reporting supply chain, but also to have the necessary skills to be able to successfully use IT as part of their own activities.

While the consultation paper proposes updating the existing IESs for this area, we do not believe that this is sufficient. While updating the IPD standards for skills related to IT

matters will enable a base level of knowledge, and IES 8 would specify the learning outcomes that engagement partners should achieve, this leaves a larger number of professional accountants performing a wide range of roles where no requirements are provided. In our view IT skills needed to perform in an IT environment should be covered by their own IES to highlight their importance and be given sufficient prominence as part of the curricula for aspiring professional accountants. We believe that IT skills learning outcomes should also be considered and aligned to the revision of IES 7.

While perhaps not an emerging matter, we believe the IAESB should give consideration to whether professional skepticism and professional judgment should have a separate IES or whether it is best served by being included in the revised IES 7.

**5. What other activities, if any, do you suggest the IAESB prioritize for the period 2017-2021 (For example, implementation support; guidance; communications; thought leadership publications)?**

We noted earlier that the IAESB should continue to consider how best to provide implementation support and guidance to IFAC member bodies and other stakeholders. Other areas for further consideration include:

- Providing implementation support or guidance to IFAC member bodies who do not have direct influence on the learning and development provided to aspiring professional accountants or professional accountants. This support could include examples of how to influence key stakeholders to enable IFAC member bodies to use their best endeavors as outlined in the statement of membership obligations.
- Use of thought-leadership activities to enable the IAESB and the wider profession to share innovative techniques and topics in the learning and development of aspiring and professional accountants.

\*\*\*\*\*

We would also support continuing efforts to improve the availability of translations in respect of exposure drafts, consultation papers and final pronouncements.

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

Yours sincerely,  
BDO International Limited

Wayne Kolins  
Global Head of Audit and Accounting