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**Re.: Exposure Draft: “Proposed International Education Standard IES™7
Continuing Professional Development (Revised)”**

Dear David,

We would like to thank you for the opportunity to provide our comments on the IAESB Exposure Draft: “Proposed International Education Standard IES 7, Continuing Professional Development (Revised).”

We address our general comments in this letter and provide our detailed comments in the Appendix to this letter, which contains our responses to the questions posed in the Exposure Draft.

General Comments

After having compared the proposed IES 7 to extant IES 7, we are not convinced that the nature and extent of changes justified a project to re-open IES 7. In addition, as we point out in our response to Question 2, we are concerned that in some respects the proposed standard weakens CPD requirements at an international level, and we ask ourselves whether this is necessary and appropriate.

That being said, with the exception of the matters we note in our responses to the questions posed in the Exposure Draft, the Standard appears to be appropriate.

We would like to emphasize our response to the first question posed in the exposure draft, in which we question whether it is appropriate for the IAESB to

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“sprinkle” the term “public interest” throughout the standard, and in particular in the objective. We do not believe this approach to be indicative of good standard setting and refer to our reasons in our response to question 1.

Yours truly,

Daniela Kelm
Executive Director

Wolfgang Böhm
Director Assurance Standards,
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Appendix: Specific Comments

Question 1: Is the Objective statement (see paragraph 8) of the proposed IES 7 (see Appendix 1) appropriate and clear?

We do not believe that the objective statement is appropriate and clear because we do not believe it to be appropriate to include the reference to “in the public interest” in an objective. In accordance with the “Objective” section of Appendix 2 of the Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants, the objective “assists an IFAC member body to understand the overall aim of the standard, and what needs to be accomplished, as well as to decide whether more needs to be done to achieve the objective”.

Although extant IES 7 had a reference to the public interest in its objective, extant IES 7 was issued prior to the issuance of the current Framework with its new role for objectives, and therefore the reference to the “public interest” in the objective requires reconsideration. The only other standard that makes reference to the public interest in its objective is IES 1, which was also issued prior to the issuance of the current Framework and therefore the objective in IES 1 also need to be reconsidered in this context.

We recognize the public interest context in which all IESs are written, but we do not believe that an objective referring to the public interest as a means of understanding what needs to be done, and in particular, whether more needs to be done, is enforceable in any jurisdiction of which we are aware. This is because laws, regulations and standards are written by legislators, regulators and standard setters (including the IAESB), respectively, in the public interest. There is a presumption in writing laws, regulations and standards, that when those subject to the laws, regulations and standards have complied with them, the public interest has been served because those complying with laws, regulations and standards cannot be expected to ascertain who the public is and what their interests are – that is the role of legislators, regulators and standard setters when writing laws, regulations and standards, respectively. For these reasons, we strongly recommend deleting the reference to “in the public interest” in the objective.

Overall, we do not believe that references should be made to the “public interest” in standards unless needed for context. In any case, such references

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should be made in a manner that is in line with the use of the term in the current IESBA Code (paragraph 100.1). This does not imply that we believe that no reference to the public interest could be made. The references to the public interest context in paragraph 7 and A35, for example, appear to be appropriate. On the other hand, the IAEB might wish to consider whether the reference to the public interest in paragraph A2 ought to be changed to “stakeholder expectations”, and whether the reference to the public interest in A18 is superfluous given the reference to “public expectations”. The same applies to paragraphs A32 and A33.

Question 2: Are the Requirements (see paragraphs 9-17) of the proposed IES 7 (see Appendix 1) appropriate and clear?

With the exception of the matters we address immediately below, we believe the requirements to be appropriate and clear. We will address the most important issue from our point of view first.

Measurement of CPD for an Input-Based Approach

We note that the requirement in relation to measuring CPD using input-based approaches in paragraph 14 of the proposed standard only refers to IFAC member bodies specifying an amount of learning and development activity without setting a minimum bar for such an amount. While this is certainly principles-based, we are not convinced that it is in the public interest to cease requiring a minimum level of activity for input-based approaches in the context of those jurisdictions where solely output-based approaches are likely not to be implementable due to the reference to input-based measures (e.g., hours of structured or verifiable CPD) in law, regulation or professional requirements of IFAC member bodies. Furthermore, although solely output-based approaches are contemplated in the standard, to cease requiring a minimum amount of activity for input-based approaches sends the wrong message about the importance of CPD to members of the profession. This is because the cost in terms of the likely amount of time expended by members of the profession to meet the learning outcomes is an important consideration when designing an output-based approach (whether designed by a member body or by a member) – that is the amount of CPD activity is always subject to cost-benefit considerations, even for output-based approaches. The amount of input-based activity specific in a standard is therefore an important underlying factor for consideration even when solely an output-based approach is applied.

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We recognize that there are different means for measuring CPD activity using an input-based approach. However, paragraph A22 of the proposed standard does clarify that the common factor among all input-based approaches is their measurement of CPD activity in terms of “hours or equivalent learning units”. A requirement specifying a minimum CPD activity could therefore refer to “hours or equivalent learning units” as extant IES 7 did. Furthermore, we regard it to be important that, if a minimum level of hours or equivalent learning units needs to be required for input-based approaches to CPD, then there needs to be an accompanying minimum requirement for some or all of the CPD to be supported by verifiable evidence.

We therefore recommend that the IAESB retain its current requirement in extant IES 7 for 120 hours or equivalent learning units in each rolling three-year period, of which 60 hours must be verifiable, and 20 hours or equivalent learning units in each year.

Other Issues in the Requirements

We note that the definition in the Glossary of Terms (and repeated in paragraph 2 of the proposed standard) of CPD is “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”. Given this definition, there are a number of paragraphs in the introduction and in the requirements that include redundant wording that refer to CPD and then add words about what CPD is. Such redundancy not only lengthens the standard unnecessarily, but also results in some logical issues in terms of what the sentences then actually mean. The paragraphs in the introduction and requirements where we have identified this problem include paragraphs 1, 5, 9, and 11. For example, paragraph 9 could be redrafted to simply state “IFAC member bodies shall require all professional accountants to undertake and record CPD.” The words “that develops and maintains professional competence relevant to their role and professional responsibilities” are actually already covered in the definition of CPD. There may be similar issues in the explanatory material and we therefore suggest that the IAESB review the wording therein (see for example, paragraph A6).

Questions 3: Are there any additional explanatory paragraphs needed to better explain the requirements of the proposed IES 7 (see Appendix 1)?

We believe that on the whole the explanatory material explains the requirements

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well and that therefore no additional explanatory paragraphs are required.

However, we have identified a number of paragraphs in which we have issues with the wording (other than those that we have identified in our responses to the other questions).

Paragraphs A12 and A31 refer to “risk”. This begs the question: “risk of what”? Further specification is needed here.

We do not understand the structure and meaning of paragraph A22 because the word “and” at the end of (b) suggests that the example means that all three are being suggested. If that is not is meant, then the “and” should be changed to “or”.

Paragraph A 30 (a) refers to “auditing a sample of professional accountants”. The term “audit” is restricted to reasonable assurance engagements on historical financial information in IAASB engagement standards, and the use of this term in this way would not be consistent with IES 8. We therefore suggest that the term “audit” be replaced with “Testing”.

Question 4: Do proposed revisions to the output-based approach requirement (see paragraph 13) and related explanatory material (see paragraphs A19-A21) improve understanding and your ability to apply an output-based measurement approach? If not, what suggestions do you have to improve clarity of the output-based approach?

We understand and would be able to apply an output-based measurement approach as described in the relevant requirements and related explanatory material.

Question 5: Are there any terms within the proposed IES 7 (see Appendix 1) which require further clarification? If so, please explain the nature of the deficiencies?

We do not believe there are any terms within the proposed IES 7 that require further clarification.

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Question 6: Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the requirements included in this proposed IES 7 (see Appendix 1)?

We do not expect significant impacts or implications for the IDW or for other organizations, such as the WPK in Germany, in implementing the requirements included in this proposed IES 7.

Question 7: What topics or subject areas should implementation guidance cover?

We believe that additional implementation guidance beyond that in the proposed explanatory material is not needed.