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Centre for Financial Reporting Reform

WORLD BANK GROUP

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IMPLEMENTATION GUIDE

CONTINUING PROFESSIONAL DEVELOPMENT
PROGRAMS FOR ACCOUNTANTS

CONTENTS

ACKNOWLEDGEMENTS

ACRONYMS

ACCA	Association of Chartered Certified Accountants
CAPA	Confederation of Asian and Pacific Accountants
CPA Australia	Certified Practising Accountants of Australia
CPA Canada	Chartered Professional Accountants of Canada
CPA Ireland	Institute of Certified Public Accountants in Ireland
CPD	Continuing Professional Development
IAESB	International Accounting Education Standards Board™
ICAEW	Institute of Chartered Accountants in England and Wales
ICAS	Institute of Chartered Accountants of Scotland
IESs	IAESB's International Education Standards
IESBA	International Ethics Standards Board for Accountants®
IESBA Code	International Code of Ethics for Professional Accountants™ (including International Independence Standards™)
IFAC	International Federation of Accountants®
IPD	Initial Professional Development
KSAs	CAPA's Key Success Areas
PAO	Professional Accountancy Organization
PD	Professional Development
SAICA	South African Institute of Chartered Accountants
SME	Subject-Matter Expert
SMO	Statement of Member Obligations

CONTEXT FOR THIS GUIDE

Professional competence as a key ethical responsibility

Protecting the public interest is at the heart of every professional accountancy organization's (PAOs) mandate. Fundamental to this mandate is the need to ensure that practicing members of the profession – whether in the role of auditor, accountant, or otherwise – maintain professional competence, in order to serve their clients and employers effectively and with sufficient expertise. Professional competence is so essential to the profession that the International Ethics Standards Board for Accountants® (IESBA) includes it as one of the profession's core ethical principles. The 2018 *International Code of Ethics for Professional Accountants™* (*including International Independence Standards™*) defines professional competence as attaining and maintaining "professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation."[1]

Maintaining professional competence requires that professionals commit to lifelong learning and to staying current on relevant technical and professional standards, as well as developments and trends in the business environment. Continuing professional development (CPD) "enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment."[2]

The profession's key source of standards and guidance on CPD is International Education Standard 7 (IES 7) maintained by the International Accounting Education Standards Board (IAESB). The latest revision of IES 7 describes CPD as "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. CPD includes learning and development activities that are relevant to the roles of professional accountants, such as: (a) education, (b) training, (c) practical experience, (d) mentoring and coaching, (e) networking, (f) observation, feedback, and reflective activities, and (g) self-development activities."[3]

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[1] International Ethics Standards Board for Accountants, *International Code of Ethics for Professional Accountants™* (*including International Independence Standards™*), New York: IFAC, 2018, para 110.1 A1 ["*IESBA Code*"]. Available online <http://www.ethicsboard.org/revised-and-restructured-code-ethics>. Note that free registration is required.

[2] *Ibid* at para 113.1 A2

[3] International Accounting Education Standards Board, International Education Standard 7, Continuing Professional Development (Revised), New York: IFAC, 2018, at para 2 ["IES 7 (2020)"]. Available online <http://www.ifac.org/publications-resources/ies-7-continuing-professional-development-revised>. Note that free registration is required.

Responsibility for maintaining competence

Maintaining competence is the responsibility of each professional accountant, and the specific actions needed to do so will vary by individual. As overseers and/or regulators of the profession, PAOs have an obligation to promote and support professional members in maintaining competence, developing additional competence, and enhancing the consistency of competence across their memberships. In fulfilling this obligation, they often collaborate with other organizations that provide relevant, effective, and engaging learning experiences for members. These stakeholders typically include:

- universities and other academic institutions;

- commercial training organizations or tuition providers;

- firms and companies with established internal training departments;

- individual subject matter experts who are skilled in both their field of expertise and in developing and delivering quality learning materials for professionals; and

- government departments and regulatory agencies, especially in countries where the PAO does not have direct responsibility, or only shared responsibility over matters related to CPD of professional accountants.

Objectives and features of this Guide

This Guide aims to support the endeavors of PAOs, and the stakeholders they collaborate with, including groupings of PAOs or regional organizations, as well as subject matter experts in implementing and maintaining CPD systems that are:

- compliant with international standards and best practices;

- sustainable in the local context and environment; and

- robust in their support of members as they strive to maintain and enhance their competence.

The Guide follows a logical progression, first exploring the fundamental concepts of professional competence and the ethical and educational requirements for CPD programs to support that competence. The Guide then discusses the high-level strategic decisions that need to be made at the governing level of the PAO, and the factors that need to be considered in setting strategy, structures, and policies. Once these fundamentals have been established, the Guide then follows a systematic path of putting the pieces in place to support the strategy. Practical guidance is given on:

- the administrative aspects related to implementing, monitoring, and enforcing CPD programs, and

- content development to help create actual learning materials that are engaging and comprehensive.

STANDARDS

STRATEGY

POLICIES

CONTENT

ADMINISTRATION
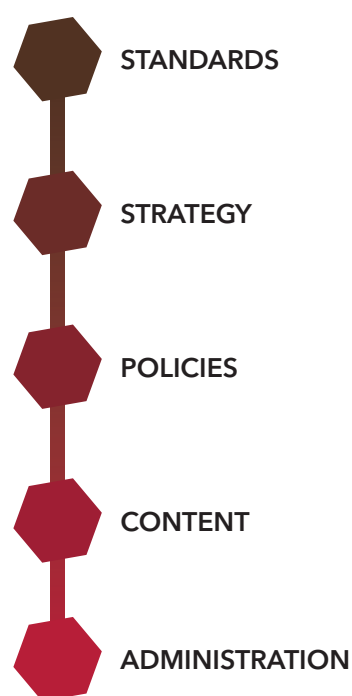
This guide is relevant to all PAOs, however PAOs may need to adapt the recommendations to their level of maturity and resources available, as pointed out in different sections of the guide. The guide is also based on standards and practices at the time of its writing. The World Bank will use the guide to support regional and national programs involving CPD practices and endeavor to produce updated versions over time, incorporating feedback received from PAOs, clients, and other stakeholders.

To support practical application of the guidance provided, the following features are included:

- **Key questions** that will be covered by each part are reviewed at the beginning of each part. These questions are denoted using a question mark icon.

KEY QUESTIONS

- **Key terms** used in the guide are selected to conform with international standards, to promote consistency in language throughout the CPD community. These terms are highlighted using a pencil icon.

KEY TERMS

- **Important resources** for research and future reference are denoted using a book icon. Links to these resources are included for ease of use.

IMPORTANT RESOURCES

- **Important tips** and guidance notes are highlighted using a lightbulb icon. These tips emphasize the key points to be considered when designing, implementing, and maintaining an effective CPD system.

IMPORTANT TIPS

FOREWORD

"Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional, and business developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment[4]".

While most of us learn "on the job" every day, for professional accountants that alone is not sufficient to ensure that we demonstrably achieve the high level of professional competence and ethics expected to maintain public trust. This is especially important when the credibility of the whole profession can be undermined by any accounting error or oversight, sometimes with devastating consequences in the form of major corporate scandals.

The requirement to maintain competence throughout a career is a key feature which distinguishes a profession from an occupation. Lifelong learning not only helps accountants to meet our ethical requirements, it also supports the growth of our career and self-fulfillment as individuals. As professional accountants we are well aware that in our constantly changing world it is vital to embrace new learning, for example, of new standards, techniques, and technologies. In addition to supporting the performance of our core job responsibilities, this helps us to adapt as we develop in our careers, whether by changing employers, moving into specialized or managerial roles, or creating our own business venture.

A clearly defined professional development framework, adapted to the local regulatory environment and to individual specializations and career aspirations, helps ensure we all achieve an appropriate minimum level. Clearly, this is an area where "one size does not fit all" – either for individual accountants or for those responsible for overseeing continuing professional development standards.

This Guide on Continuing Professional Development seeks to assist professional accountancy organizations, government agencies, and other regulators involved with this critical responsibility in setting, implementing, and enforcing appropriate requirements. We hope it provides useful guidance that will help support our collective competence and image as members of the accounting profession.

Ed Olowo-Okere
Global Director
Governance Global Practice
The World Bank

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[4] International Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, Subsection 113 – Professional Competence and Due Care 113.1 A2

PART 1

Fundamentals of Professional Competence and International Requirements for Continuing Professional Development Programs
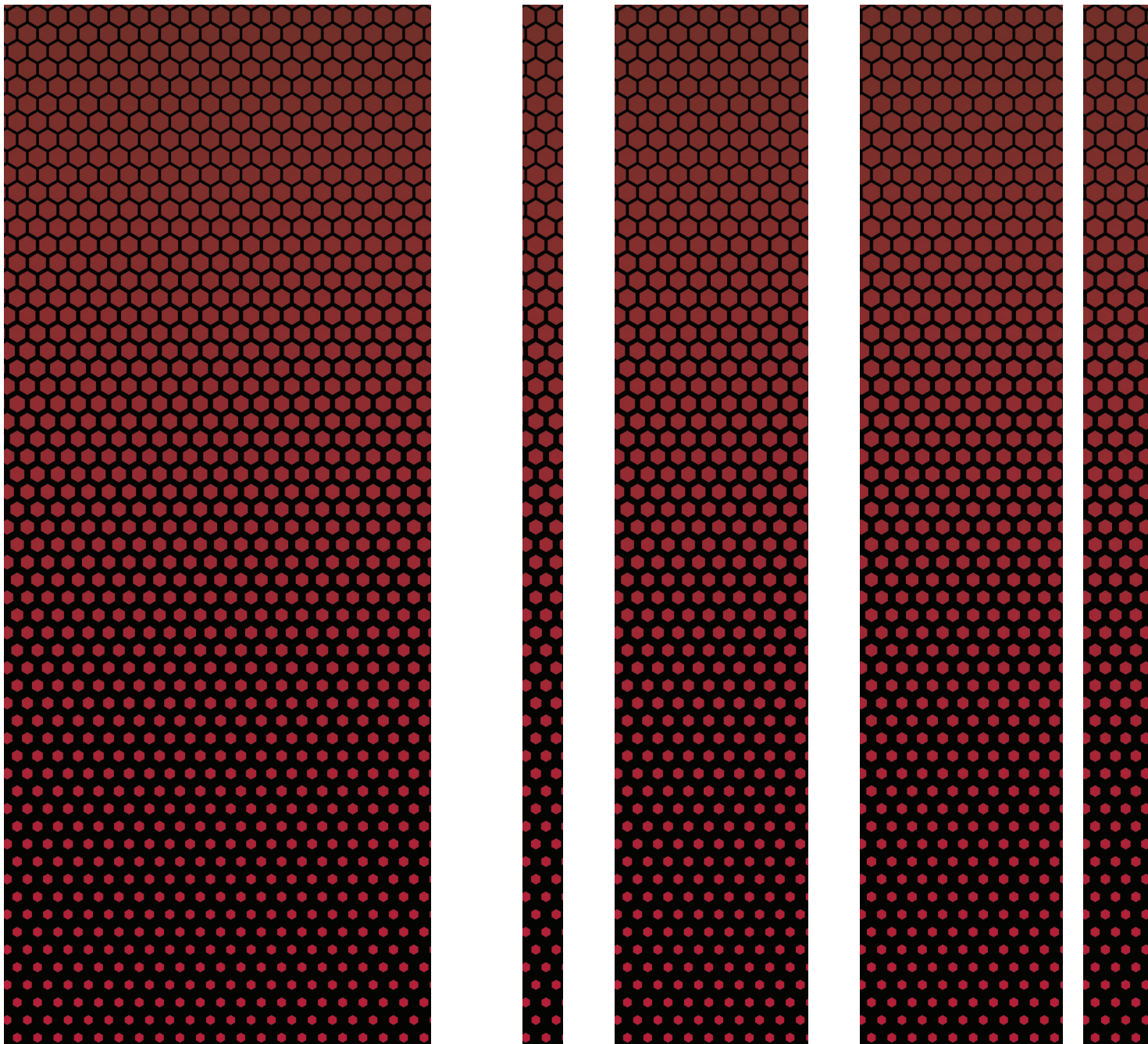
Highlights of Part 1

Part 1 explores the foundational question of why CPD is essential to the profession and what the established global requirements are. Part 1 covers:

- Professional competence as a key ethical obligation for professional accountants, in accordance with the *International Code of Ethics for Professional Accountants™*.

- An overview of the requirements for PAOs under IES 7 of the IAESB.

- The link between competency frameworks and CPD.

Key questions addressed in Part 1

- Why is CPD necessary?

- What are the international requirements for CPD?

- How does CPD relate to a Competency Framework?

1.1

Professional competence as an ethical obligation

1.1.1

What is professional competence?

When it comes to international standards for the accounting profession, the world looks to the International Federation of Accountants® (IFAC) and its independent standard setting boards for guidance and leadership. The IAESB defines **Professional Competence** as follows:

> *The ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.[5]*

In other words, competence is based on one's ability to perform tasks, not simply on having the underlying textbook knowledge. For example, think of what a gymnast does. Can you explain to someone else how a gymnast performs a back-flip? Probably you answered "yes" to this question. But could you actually DO a back-flip? Most of us cannot – we may have knowledge, but not the competence.

In a professional context, competence is based on one's ability to perform the role of a professional. As the IAESB definition indicates, this requires having the foundational knowledge *and* being able to apply and integrate that knowledge in a manner that demonstrates professional judgment and values. It is the application and integration of professional skills, values, ethics, and attitudes that distinguishes a professional accountant from an accounting technician.

1.1.2

Attaining and maintaining professional competence

Attaining professional competence begins when an individual starts pursuing a professional accounting designation. Competence is expected to be developed throughout their university and professional studies, as well as during the required work experience and training program. The IESs refer to the development of competence occurring before professional certification as IPD, and the IESs define the minimum levels of competence expected prior to qualifying as a professional. IPD standards are specified in the IESs 1 through 6.

Once a professional accountant becomes designated, competence is maintained and enhanced – deeper and/or broader than the minimum expectations for certification – through CPD. *IES 7 – Continuing Professional Development™* specifies requirements related to CPD. The most current version is effective January 1, 2020, and is referred to as IES 7, Continuing Professional Development (2020).[6]

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[5] International Accounting Education Standards Board, IAESB 2019 , Handbook of International Education Pronouncements, New York,: IFAC, 2019, at paragraph 18 ["IAESB IESs"]. Available online: https://www.ifac.org/system/files/publications/files/Handbook-of-International-Education-Standards-2019.pdf

[6] Ibid at page 174

1.1.3

Professional competence is grounded in ethical requirements

The IESBA develops and maintains the *International Code of Ethics for Professional Accountants™ (Including International Independence Requirements™)*. The *IESBA Code* is founded on five fundamental principles, one of which is professional competence and due care. The meaning of this principle is explained as follows:

A professional accountant shall comply with the principle of professional competence and due care, which requires an accountant to:

- *Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation;*

- *Act diligently and in accordance with applicable technical and professional standards;[7] and*

- *Take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.[8]*

Within the *IESBA Code*, a direct tie is made between competence and completing CPD:

Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.[9]

This paragraph emphasizes that competence requires *capability* and not just knowledge. Because the business world is constantly changing, knowledge becomes dated very quickly, so updating technical knowledge is essential. Recall from Part 1.1.1 that professional competence also includes integrating and applying professional skills, values, ethics and attitudes. These are sometimes referred to as **soft skills, non-technical skills, or enabling competencies.**

1.1.4

Looking beyond obligations

The international requirements in the IESs and in the *IESBA Code* present a strong case for CPD (and support the PAO in meeting its obligations under the IFAC Statements of Member Obligations (SMO)), but there are other compelling reasons why PAOs, regulators, and those with oversight of professional accountants should be motivated to ensure that robust CPD programs are in place for professional accountants in their jurisdiction. For example:

- CPD programs help PAOs meet their mandate of protecting the public, by raising the levels of technical and professional skills, values, ethics,

and attitudes of professional accountants for which the organization is responsible.

- Requiring CPD signals to the public – particularly clients and employers of professional accountants – that the profession recognizes the importance of professional competence and is regulating accountants appropriately. This promotes public confidence in the profession.

- Increased competence of professional accountants strengthens financial reporting and the audit function and provides more reliable and useful information to the investing public.

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[7] *IESBA Code, supra* note 1 at para R113.1.

[8] *Ibid* at para 113.2

[9] *Ibid* at para 113.1 A2.

- Trading partners expect that a jurisdiction's accounting profession will be sufficiently mature before they are comfortable investing. Having a well-functioning CPD system is a sign of this maturity.
- Compliance with good international practice supports comparability and recognition with other PAOs and other organizations.

- CPD standards are required for statutory auditors under the European Union (EU) Audit Directive.

Evaluating the benefits of CPD programs is a useful exercise within every PAO, to expand commitment to CPD beyond a mere compliance exercise.

1.1.5

What if a PAO doesn't have sole authority to require CPD?

Although IFAC expects every PAO to maintain a strong CPD system and program, an interesting situation arises for a PAO if it does not have sufficient regulatory authority to make autonomous decisions with respect to CPD policies and requirements. In some jurisdictions, for example, the responsibility and authority for requiring CPD may be split between the PAO and the government or may fall to an independent regulator. In its SMO, IFAC distinguishes three levels of responsibility a PAO may have over CPD:

- Direct Responsibility: The PAO is required to implement the requirements of IES7.

- No Responsibility: The PAO is required to encourage and assist those responsible for CPD requirements.
- Shared Responsibility: The PAO is required to implement those requirements of IES 7 for which they have direct responsibility. The PAO is to encourage and assist the relevant authorities in areas they do not.

PAOs with no or shared responsibilities would still be expected to use their best efforts to achieve compliance with the international standards.

1.2

IES 7 of the IAESB: Requirements for PAOs

1.2.1

International Education Standards™ of the IAESB

As mentioned previously, IES 7 (2020) contains the requirements for professional accountants and PAOs with respect to CPD. Before focusing on IES 7 (2020),

it is beneficial to review the full range of IESs and their scope, to provide context[10].

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[10] *IAESB IESs, supra* note 4.

IES 1: Entry Requirements to Professional Accounting Education Programs

IES 2, 3, 4: IPD - Technical Competence, Professional Skills, and Professional Values, Ethics, and Attitudes

IES 5: IPD - Practical Experience

IES 6: IPD - Assessment of Professional Competence

IES 7: Continuing Professional Development

IES 8: Professional Competence for Engagement Partners Responsible for Audits of Financial Statements

IESs 1 to 6 relate to IPD, whereas IES 7 (2020) addresses CPD. IES 8 also relates to CPD insofar as CPD is the foundation for engagement partners to achieve and maintain the specific competence required by the standard.

The IESs apply specifically to IFAC member bodies, as IFAC's SMO 2 requires compliance with the IESs. The IESs are still relevant, even if an organization is not an IFAC member because they serve as a benchmark for best practice.

1.2.2

Objective of IES 7 (2020)

After extensive consultation in 2015 and 2016, the IAESB revised IES 7 by:

- Clarifying or amending the requirements, and

- Developing implementation support materials

The revised IES 7 is effective as of January 1, 2020.

> *"The revision of IES 7 aims to improve the consistency, quality, and relevance of CPD undertaken by professional accountants. This serves the public interest by improving the quality of professional accounting education, and enhancing the professional competence of the accountancy profession."[11]*

The objective of IES 7 (2020) is:

> *"to establish that professional accountants undertake relevant CPD to develop and maintain professional competence necessary to perform their role as a professional accountant."[12]*

IES 7 (2020) provides a logical flow to the CPD requirements. Requirements are categorized into four sections:

- CPD for professional accountants (para 9)

- Promotion of and access to CPD (paras 10 & 11)

- Measurement of CPD (paras 12 to 14)

- Monitoring and enforcement of CPD (paras 15 & 16)

In the following discussion of the revised standard, references to the relevant paragraphs of IES 7 (2020) are provided in the margin. Brief notes are also provided as to key changes from the prior version of the standard (IES 7 of 2014).

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[11] *Exposure Draft - Proposed International Education Standard IESTM 7: Continuing Professional Development (Revised),* New York: IAESB, 2017, at 4-5.
[12] *IES 7 (2020), supra* note *3*

1.2.3

Scope and objective

IES 7 (2020) prescribes "the 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."

Aspiring professional accountants develop competence through IPD while studying and training to become professional accountants. Once qualified, undertaking CPD activities helps refine a professional accountant's competence in the context of the activities and responsibilities they take on as they further their career. A wide variety of relevant activities include:

- education and training;
- practical experience;
- mentoring, coaching, and networking;
- observation, feedback, and reflective activities; and
- self-development activities.

In addition to refining a professional accountant's foundational competence, CPD is also a primary means by which they develop new competencies that support them as they take on new roles.

The role of the PAO

Professional accountants are individually responsible for maintaining competence by completing CPD activities, but IES 7 (2020) is addressed to PAOs, rather than individuals, because the PAOs have obligations to monitor and ensure compliance, and are responsible for supporting, facilitating, and overseeing the competence of members. Having a solid CPD program in place that is measured, monitored, and evaluated can be an important part of a PAO's quality assurance program.

The role of an IFAC member body is to:

a. Adopt prescribed requirements relating to the development and implementation of appropriate measurement, monitoring, and compliance procedures,

b. Promote the importance of, and a commitment to, lifelong learning, and

c. Facilitate access to CPD opportunities and resources.

Each of these elements is expanded on and spelled out in detail within the standard, as discussed next.

1.2.4

Overview of IES 7 (2020)

IES 7 (2020) states:

"IFAC member bodies shall require professional accountants to undertake and record relevant CPD that develops and maintains professional competence necessary to perform their role as a professional accountant."

Given the emphasis on the importance of CPD, it is no surprise that IES 7 (2020) mandates IFAC member bodies to require all professional accountants to undertake relevant and appropriate CPD.

The standard justifies the need for CPD regardless of the role, industry sector, or size of organization worked in. All professional accountants have an obligation of due care which requires underlying competence, and all are subject to public accountability and maintaining public trust. The standard also recognizes, however, that different CPD requirements may be appropriate for members who are on career breaks, such as on parental leave or on a leave due to illness. Similarly, members who are retired but are still using their designation in some capacity may qualify for reduced CPD requirements, commensurate with their reduced roles.

In addition, the PAO might find it appropriate to put in place specific or additional requirements related to defined competence areas or roles. This could be used, for example, for specialist roles (such as tax) or to highlight areas most relevant to protection of the public interest (such as professional ethics).

PAOs often also provide tools to support members in planning and tracking their CPD activities. These could include resources such as a Competency Framework, learning plan templates, and tools to evaluate current competence levels or to provide guidance on areas of focus that correspond to various roles within the profession.

> **What changed from the prior version?**
>
> This requirement has been brought to the beginning of the standard, and wording has been clarified from that in IES 7 (2014). Although there is no longer a direct reference to CPD being "mandatory" for all professional accountants, the revised standard makes it clear that the expectation hasn't changed – CPD is expected to be a requirement regardless of industry or organization size.

1.2.5

Promotion of and access to CPD

IES 7 (2020) states:

> *"IFAC member bodies shall:*
>
> - *Promote the importance of, and a commitment to, CPD and the development and maintenance of professional competence.*
>
> - *Facilitate access to CPD opportunities and resources to assist professional accountants in meeting their personal responsibility to undertake CPD that develops and maintains professional competence."*

The explanatory material to the standard explains several ways that PAOs can promote CPD, such as by regularly communicating the value of CPD, encouraging the use of a CPD framework, promoting the variety of CPD opportunities available to professional accountants, and working with employers or regulators to promote awareness and emphasize the importance of CPD as part of a professional accountant's performance management.

Some PAOs develop and manage CPD programs that directly provide members with CPD opportunities. In other jurisdictions, PAOs may not have the means to provide CPD directly, but rather facilitate access to programs offered by other organizations, such as private training providers, universities, or firms and other employers with in-house training programs.

CPD may be gained through planned, structured methods, such as:

- Courses, conferences, seminars (in-person or virtual);
- Practical experience and on-the-job training;
- Participating on technical committees;
- Developing and/or delivering learning materials;
- Writing research papers, articles, and textbooks;
- Professional re-examination.

Such activities are often organized by the PAO, firms, employers, third-party providers, or universities. These are also the activities most commonly associated with CPD, but there are other learning and development activities that can be relevant to a professional accountant's career, such as:

- Coaching or mentoring;
- Being coached or mentored;
- Networking;
- Reflecting on practical experience and developing PD plans by self-assessing learning needs;
- Receiving feedback from colleagues and supervisors;
- Undertaking self-directed and unstructured research and study.

These less-structured activities may be coordinated through the PAO or other organizations, but are often initiated as needed by the professional accountant.

> **What changed from the prior version?**
>
> These two requirements (to promote and facilitate access to CPD) have been pulled under one heading, and the focus on "development of" competence has been added (rather than just "maintenance of" competence).

1.2.6

Measurement of CPD

Measurement of CPD includes evaluating evidence that supports the achievement of learning outcomes or the completion of a specified amount of learning and development activities. Activities can relate to technical competence, professional skills, and/or professional values, ethics, and attitudes.

IES 7 (2020) states:

> *"IFAC member bodies shall establish an approach to measurement of professional accountants' CPD using the output-based approach, input-based approach, or both."*

In determining which approach(es) to use, the PAO may consider public interest considerations as well as the learning and development needs of professional accountants in the jurisdiction, given the range of roles that professional accountants perform.

The standard stipulates that member bodies require professional accountants to develop and maintain professional competence, but the way competence is to be demonstrated differs, depending on the approach used:

Table 1. Different ways to demonstrate competence

Approach	How professional competence is to be demonstrated	Ref. Para
Output-based	By achieving learning outcomes relevant to performing their role as a professional accountant (measurement focus is on what professional accountants achieved from having undertaken learning and development activities). Learning outcomes establish the content and the depth of knowledge, understanding, and application required for a specified competence area.	13, A21, A22
Input-based	By completing a specified amount of learning and development activity relevant to performing their role as a professional accountant (measures CPD in terms of hours or equivalent learning units). Professional accountants are required to complete a specified amount of relevant learning activities per year or over a rolling period of time; limits may be stipulated on specific activities undertaken more than once.	14, A24, A26

Output-based approaches

Output-based approaches are focused not on "What activities have been undertaken?" but rather, "What are the results of those activities?". Output-based approaches have the significant advantage of more directly measuring competence, but they are harder to assess reliably, as competence achieved is a more subjective measure than hours of CPD attended.

Input-based approaches

Input-based approaches gained their popularity because of the relative administrative ease in measuring and monitoring the learning activities completed. These systems typically set requirements based on hours, but other equivalent units can be used. Some PAOs, for instance, count each 50-minute block as a "unit," while others round up seminar times to the nearest hour, allowing for networking breaks. Although input-based methods remain very common, they have the potential downside of reflecting "form over substance", as they do not directly assess the actual development or maintenance of competence that results from the activities undertaken.

When using an input-based approach, it is essential that the underlying objectives be kept in mind. In other words, members need to be reminded that the objective of CPD is not to sit in seminars for a certain number of hours, but rather to maintain and/or gain competence. Focusing only on completed hours runs the risk of adopting a checkbox mentality – collecting hours based on what is easiest or least expensive to achieve compliance with the requirements, as opposed to planning and reflecting on what is most effective and relevant for their professional career.

Using both approaches

Combining elements from input- and output-based approaches allows a PAO to incorporate some of the benefits of output-based models, but reduces the administrative burden through some input-based components. For example, if a PAO is looking to move towards an output-based approach, they may start by requiring members to plan their CPD based on the outcomes/competencies they want to achieve, and self-assess their achievement through reflective activities . This incorporates some elements of an output-based approach, while still retaining the input-based element of measuring and verifying CPD through completed hours or equivalent units. As another example, a PAO may follow an input-based approach, but allow non-compliant members to provide evidence that they have developed and maintained competence through an output-based approach.

What changed from the prior version?

Recall that IES 7 (2014) includes a "combination approach" in addition to the input- and output-based approaches. The revised standard removes the combination approach as a separate and distinct method, and clarifies that either or both approaches can be used.

Within the output-based approach, the revised standard focuses on the demonstration of "achievement of learning outcomes" rather than achievement of "competence" in general. PAOs were challenged to measure overall competence on the basis of CPD; this clarifies that it is specific, relevant learning outcomes for the activities that are being measured against.

With respect to using an input-based approach, the revised standard removes the requirement for PAOs to stipulate 120 hours of CPD activities over a three-year rolling period, with 60 of the hours being verifiable. There is also no longer a 20-hour minimum annual requirement. The specific number of hours has been replaced with the more general requirement for "a specified amount". Some stakeholders disagreed with removing the specific requirement from the input-based standard, even though this is more in line with a principles-based approach. To address their concern, there is a new guidance paragraph that describes the "120/60" approach as common:

> *"A25. IFAC member bodies using an input-based approach expect professional accountants to develop and maintain professional competence, through the undertaking of a specified amount of CPD. For example, an IFAC member body may set a requirement of at least 120 hours (or equivalent learning units) of relevant CPD in each rolling three-year period, of which 60 hours (or equivalent learning units) would be verifiable; and a minimum of 20 hours (or equivalent learning units) of relevant professional development activity in each year."*

1.2.7

Monitoring and enforcement of CPD

Once a PAO has determined its requirements and measurement approach, IES 7 mandates that:

> *"IFAC member bodies shall:*
>
> - *specify the nature and extent of verifiable evidence that professional accountants are required to maintain for CPD that has been undertaken.*
>
> - *establish a systematic process to (a) monitor whether professional accountants meet the IFAC member body's CPD requirements, and (b) provide appropriate sanctions for failure to meet those requirements."*

Verifiable evidence is "objective, and capable of being proven and retained." PAOs often have requirements or guidance for members' retention and provision of evidence with respect to types of evidence deemed acceptable and retention terms.

Ideas for verifying CPD under each approach are listed in **Table 2**.

Some learning activities can be measured but not easily verified, such as on-the-job training, coaching, and mentoring. These activities can still contribute to learning and development, and can be evidenced and documented.

Table 2. Different ways to demonstrate competence

Output-based	Input-based
Examination results	Course outlines and teaching materials
Specialist or other qualifications	Storyboards (for virtual training)
Assessments of the acquisition of technical competence, professional skills, professional values, ethics, and attitudes for specified learning outcomes	Meeting agenda objectives and meeting minutes that verify the relevance of the content
Records of work performed that have been verified against a competency map	Confirmation that a learning and development activity has been completed (including number of hours or equivalent learning units) by a provider, instructor, employer, mentor, or tutor
Objective assessments of performance or behavior against a competency map	
Published material	

A systematic monitoring process may include:

- Requiring periodic member declarations of compliance;
- Reviewing and assessing member CPD learning plans;
- Auditing CPD records and supporting records (can be risk-based, sampled, cyclical, etc.);
- Working with regulators and employers that assist in monitoring compliance;
- Reporting publicly the extent to which members comply.

If cycles are used for monitoring, experience suggests that cycles of between one and five years may meet the public interest and the expectations of stakeholders such as regulators.

IES 7 (2020) recognizes that the public is best served by bringing non-compliant members into compliance on a timely basis. It is therefore important that PAOs devote adequate resources to compliance programs. This may include having a board or committee of members that oversees CPD.

While encouraging compliance is essential, sanctioning non-compliance is also necessary to ensure that the CPD requirements are taken seriously by members. PAOs should aim to specify sanctions that strongly motivate compliance without being excessively punitive. Willful disregard on the part of a member may justify disciplinary action; depending on the legal authority, the appropriate disciplinary action for willfully failing to comply with CPD requirements may include expulsion from membership.

What changed from the prior version?

Paragraph 15 is a new requirement. As in IES 7 (2014), guidance with respect to types of verifiable evidence under each approach are provided in paragraphs A31 and A32.

1.2.8

CPD framework

IES 7 (2020) contemplates PAOs providing their members with a CPD Framework, which represents a process for members to follow in planning and completing their CPD. A sample CPD Framework, based on the guidance in paragraph A10, would look something like **Figure 2**.

Performing self-assessment activities can help members identify gaps in their professional development and determine learning outcomes that are relevant to them. Based on the desired learning outcomes, the member can then prepare an individual CPD plan. Throughout the CPD cycle, they complete and record learning and development activities. As activities are completed, the member should undertake reflective activity on completed learning and development activities and evaluate the extent to which expected outcomes have been achieved. This will allow them to revise their learning and development plan accordingly.

We'll revisit this sample CPD Framework in Part 3.2.2, when we discuss guidance and tools to support compliance.
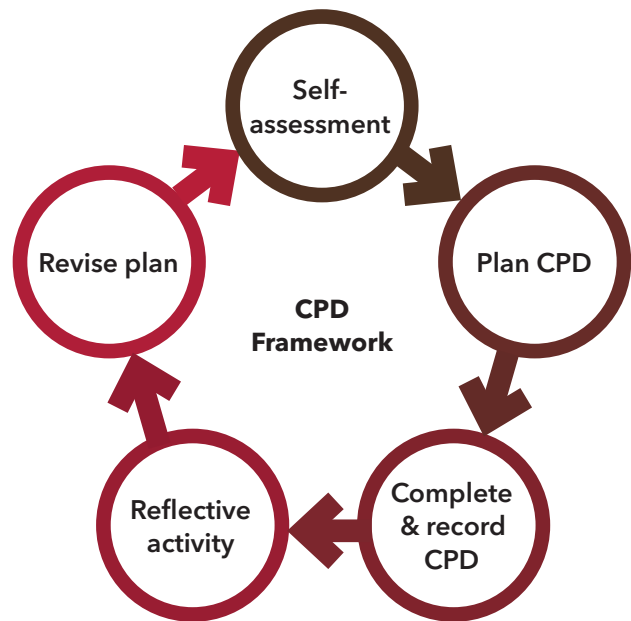
Figure 2. Sample CPD Framework

1.2.9

Implementation support materials

The IAESB has developed and made available a set of support materials that provide guidance on the new standard, to increase consistency of understanding, adoption, and implementation of the principles and requirements of IES 7 (2020). These materials are beneficial to both developing and well-developed organizations during initial implementation and ongoing maintenance and monitoring of CPD systems compliant with the standard. These resources are available at: https://www.ifac.org/publications-resources/ies-7-continuing-professional-development-revised.

A summary of the available implementation support materials is available at https://www.ifac.org/system/files/publications/files/IAESB-IES-7-Implementation-Support-Materials-Overview.pdf.

In addition, the IAESB has made available a short roundtable video discussion highlighting changes and their implications; see https://www.youtube.com/watch?v=FJP5F90HLcg.

1.3

IES 8 – Professional Competence for Engagement Partners Responsible for Audits of Financial Statements[13]

In Part 1.2.4 of this Guide, it was noted that there may be a need to implement specific CPD requirements for professional accountants in roles deemed to require specialized competence and/or for roles that are higher risk in terms of public protection. Arguably, this includes the role of an audit engagement partner, and *IES 8* provides the supporting rationale for this assessment.

IES 8 states that

> *IFAC member bodies shall require professional accountants performing the role of an Engagement Partner to:*

> • *…develop and maintain professional competence that is demonstrated by the achievement of learning outcomes including, but not limited to, those listed in Table A.*

> • *…undertake CPD that develops and maintains the professional competence required for this role.*

The **Engagement Partner** responsible for audits of financial statements is "the partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal, or regulatory body."

The learning outcomes specified in Table A of the Standard relate to:

- technical competence (including the key technical areas of Audit and Financial accounting & reporting, as well as broader business areas such as IT, Governance, Finance, Tax, Law, etc.);

- professional skills; and

- professional values, ethics, and attitudes.

Although these learning outcomes cover the same domains as those in IESs 2 to 4, they go beyond what is required during pre-qualification. See Part 3.3.1 for more detailed guidance on the learning outcomes required by Engagement Partners.

1.4

CPD and Competency Frameworks

As previously discussed, the underlying reason and importance of CPD is to maintain and enhance professional competence. Measuring and tracking the competence of professional accountants is facilitated by having a local Competency Framework. The competencies required of a professional accountant are used to define and establish the valid scope of CPD learning outcomes.

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[13] *IES 8* is available as part of the *"IAESB IESs", supra* note 4.

1.4.1

What is a Competency Framework?

A **Competency Framework** (sometimes also called a Competency Map) describes the expected competence of a PAO's members. An organization's Competency Framework includes the domains (or subject areas); the competency statements comprising each domain and their related levels of proficiency; and the knowledge topics that underlie each competency statement. This Framework can then be used to map the education, examination, practical experience, and CPD requirements of the PAO, and to design and explain the linkages between elements in a program of professional studies as well as the ongoing competence expectations.

Technical Areas	Enabling Areas
Financial reporting	Professional and ethical behavior
Strategy and Governance	Problem-solving and decision-making
Management accounting	Communication
Audit and assurance	Self-management
Finance	Teamwork and leadership
Taxation	

Other domain breakout options are equally valid, provided they cover the full scope of what is expected of professional accountants in the jurisdiction.

Within each domain, a number of sub-domains are used to classify the competency statements, and each competency statement is assigned a proficiency level to indicate whether the competency is expected at an introductory or advanced level, or somewhere between the two.

Figure 3. Competency Framework elements
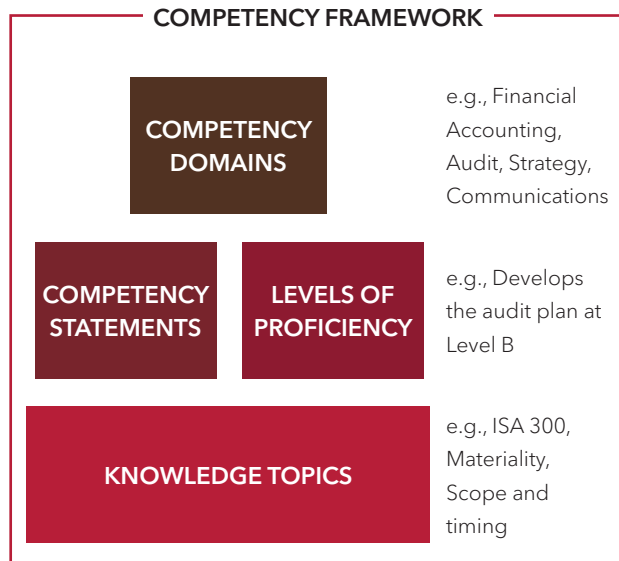
For completeness, competency domains that provide structure for the Framework should represent the full scope of the technical and non-technical (enabling) areas expected of all professional accountants. CPA Canada, for example, uses the following domains in its Competency Map[14]:

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[14] CPA Canada, *The Chartered Professional Accountant Competency Map: Understanding the Competencies a Candidate Must Demonstrate to Become a CPA* (2019), online: CPA Canada <https://www.cpacanada.ca/en/become-a-cpa/pathways-to-becoming-a-cpa/national-education-resources/the-cpa-competency-map>.

For example, an excerpt from **CPA Canada's Competency Map**[15] includes the following competency statements in the domains of Financial Reporting (a technical domain) and Professional and Ethical Behaviour (a non-technical, or enabling, domain):

1. FINANCIAL REPORTING — domain

1.2 Accounting Policies and Transactions — sub-domain

1.2.1 Develops or evaluates appropriate accounting policies and procedures (A) — competency statement / proficiency level

1.2.2 Evaluates treatment for routine transactions (A)

1.2.3 Evaluates treatment for non-routine transactions (B)

1.2.4 Analyzes treatment for complex events or transactions (C)

…

1. PROFESSIONAL AND ETHICAL BEHAVIOUR

1.1 Uses an ethical reasoning process.

1.1.1 Identifies situations involving existing or potential ethical issues.

1.1.2 Clarifies and uses appropriate professional values for choosing or recommending an ethical course of action.

1.1.3 Reports ethical issues to higher levels of management, legal or regulatory authorities, or others when appropriate.

…

Note that in the CPA Canada Competency Map, there are no proficiency levels for enabling competency statements as these are all expected to be demonstrated at a mastery level.

1.4.2

How PAOs use Competency Frameworks to support CPD

Competency Frameworks are primarily used for developing a PAO's certification program, but they are instrumental for CPD as well. **A Competency Framework distinguishes the boundaries of what is relevant learning for CPD because the Framework covers the full scope of professional competence.** In other words, if a member is unsure whether a particular learning activity is relevant to their professional development, they can refer to the Competency Framework. If they can map the learning activity to the Competency Framework, they can show that the activity reflects relevant learning. The Framework can also help members plan their CPD activities by providing learning outcomes and minimum proficiency levels for members to use in performing a self-appraisal and gap analysis. From a monitoring perspective, mapping learning activities and outcomes against the Framework increases the verifiability of evidence.

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[15] *Ibid* at 12 and 22.

1.4.3

If a Competency Framework has not been established

For a comprehensive discussion of developing and using **Competency Frameworks, please see Competency-based Accounting Education, Training & Certification: Implementation Guide[16]**, published by the World Bank Centre for Financial Reporting Reform.

If your organization doesn't have a Competency Framework, consider using the learning outcomes in IES 2, 3, and 4 (and IES 8 for Engagement Partners). These learning outcomes provide the basic scope of expected competence for technical competence areas, as well as professional skills, values, ethics, and attitudes.

Remember, however, that the proficiency levels in IESs 2 to 4 are assigned to competence areas and are established as minimums at the completion of IPD. For CPD purposes, you may want to consider adjusting proficiency levels upward as appropriate in your context. Some organizations will also increase the levels based on where their members are working. For example, an audit chamber may set higher proficiency levels for assurance and financial reporting.

See Part 3.3.1 for an example of using the IESs to design the scope of CPD offerings.

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[16] Alfred Borgonovo, Brian Friedrich, & Michael Wells, *Competency-Based Accounting Education, Training & Certification*, Washington: The World Bank, 2018. [*"CBAETC Guide"*]. Available online <https://openknowledge.worldbank.org/handle/10986/31701>.

PART 2

CPD Strategy, Structure, and Policies
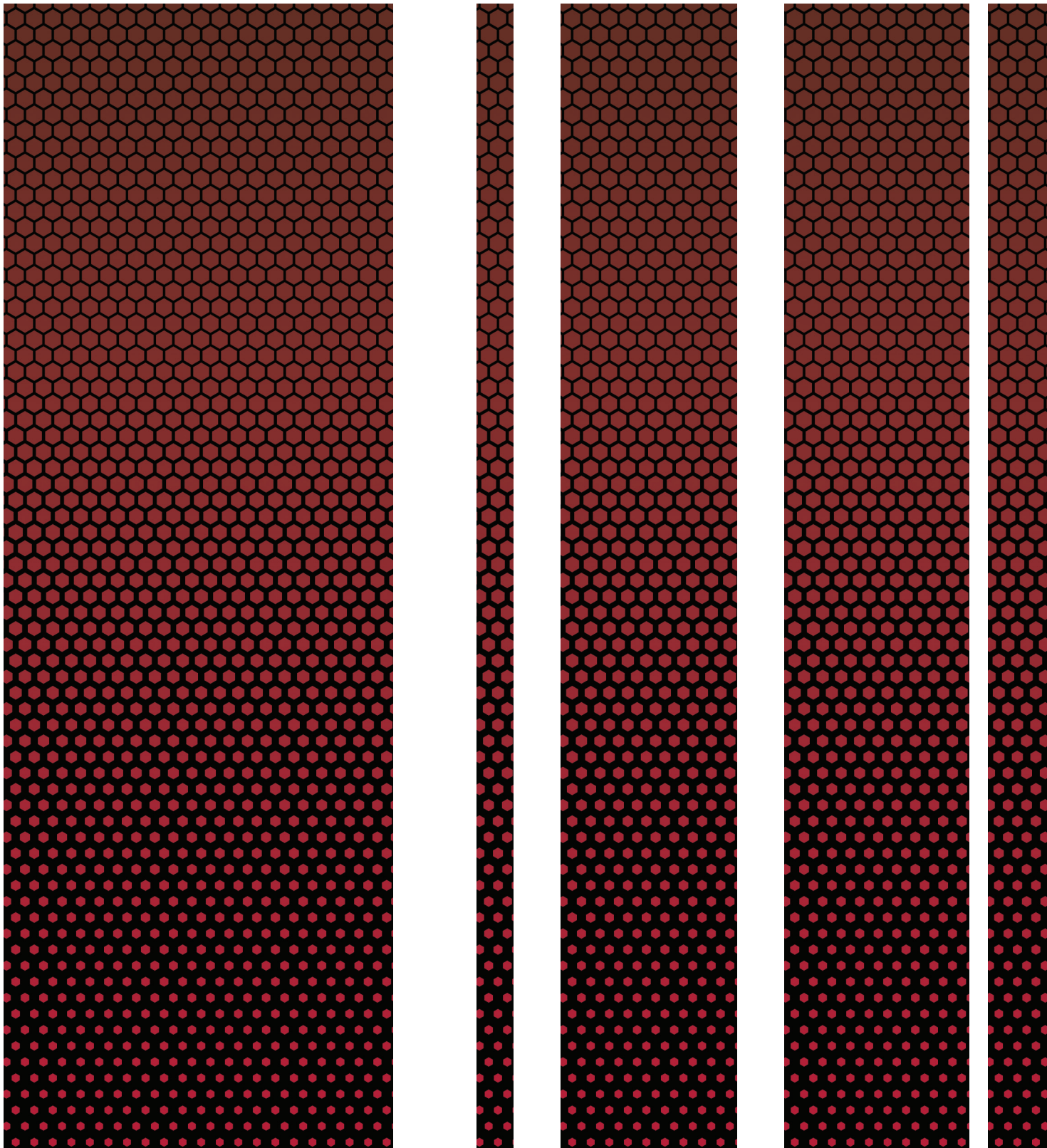
Highlights of Part 2

An effective CPD program is one that is designed not only to meet international standards and best practice, but just as importantly, to be sustainable in the local environment. Part 2 covers:

- Performing an environmental analysis to understand the regulatory environment operated within, and the resulting impacts on program scope and collaborative partnerships required;

- Performing strategic planning with respect to CPD, based on obligations and opportunities;

- Designing PAO governance structures and mechanisms to establish, promote, and support CPD policies;

- Setting CPD requirements and policies in compliance with international standards, best practice, and organizational strategy;

- Customizing requirements based on current strengths and weaknesses of member competence as evidenced by a training-needs analysis or gap analysis;

- Considering whether different or additional requirements should apply to specialist roles (such as auditors, tax advisors, etc.);

- Determining the extent of flexibility in learning activities to offer members;

- Choosing between input-based, output-based, or combined approaches to measuring CPD;

- Establishing accountability policies for CPD reporting and enforcement (high-level only at this point, details will be covered in Part 3).

Key questions addressed in Part 2

- What strategic decisions need to be made to set up a CPD program?

- What factors impact CPD strategy?

- What considerations are there for organizational structure in relation to a CPD program?

2.1

Strategic decision-making for CPD programs

With respect to strategy and structure decisions, the main focus of this Guide is PAOs and the decisions they need to make to design and implement their CPD programs. **However, the ideas also apply to firms or other organizations setting up an in-house training program that will provide education and training for professional accountants.** In addition, in some jurisdictions, universities may provide training to professors and other educators using a CPD program. As you read the guidance provided, consider how it can be applied within your own organization.

The strategic decision-making process in this area can be described as follows:

Figure 4. Context for strategic decision-making

Figure 5. Strategic decision-making process

1. **Determine authority & obligations** (see 2.1.1)

2. **Define roles for oversight & accountability** (see 2.1.2)

3. **Determine strategy** (see 2.1.3)

2.1.1

Determine authority and obligations

When developing and implementing a CPD program, an organization needs to fully understand the regulatory environment in which it operates and the resulting impact on the program scope and collaborative partnerships required. Accordingly, your first step should be to assess the organization's regulatory environment, by determining:

- the organization's obligations for CPD;
- its authority to implement and enforce CPD policies;
- if there are identified gaps in authority or scope, the cooperative agreements or partnerships needed to fill those gaps; and

- whether a decision by a committee, the Board, or a vote of the membership is required to introduce or amend CPD requirements.

All of the strategic decisions tie back to the answers to two key questions:

- **"What *can* we do?"**(opportunities); and
- **"What *must* we do?"** (obligations).

As previously discussed (Part 1.1.5), in some jurisdictions, the responsibility and authority for requiring CPD may be split between the PAO and another organization, such as a government body.

PAOs without sole authority are still expected to use best efforts to comply with IES 7 (2020), but if authority is shared, there will be a need for more collaboration to achieve best practice and meet the standard. Ultimately, because maintaining professional competence is such a fundamental part of protecting the public interest, some sort of CPD requirement is an obvious necessity. The logistics of which group actually has the authority to implement the requirement is what may differ between jurisdictions, but it is in everyone's interest to ensure that adequate requirements are in place and are being effectively monitored and enforced.

Partnerships and cooperative agreements can provide the means of implementing effective CPD programs under shared authority. Establishing such relationships is also beneficial where there are significant resource constraints (which may, for example, lead to a PAO partnering with one of more universities to develop and deliver its CPD curriculum) or simply for efficiency and consistency (which may, for example, result in one or more national or regional PAOs cooperating with one another on establishing standards and managing the CPD program).

2.1.2

Define roles for oversight and accountability

CPD is a core responsibility of a PAO. Depending on the governing statutes and regulations for the PAO that relate to its funding, CPD can also be an important potential source of revenue to offset costs and fund additional initiatives. Because of the extent of responsibility and opportunity associated with CPD, it is important to make sure that CPD strategy is embedded in the organization's governance mechanisms.

Before attempting to determine CPD strategy, the organization should ensure that its governance structure will support CPD-related strategic planning and program implementation. A PAO should both clarify the roles played by its Board, staff, and committees, as well as understand how other stakeholders (such as other organizations or government ministries) are involved in setting, implementing, monitoring, and enforcing CPD policy. A complete assessment of the governance and operational structure of the PAO may be required in some cases.

2.1.3

Determine strategy

Strategic planning depends heavily on including the right team throughout the planning process. **The PAO will likely want to include representation from:**

- **its Board (or equivalent oversight body);**
- **senior management;**
- **key volunteers who may be (or may become) committee members;**
- **recognized educators and trainers;**
- **employers.**

Before embarking on this important initiative, it will be essential to ensure the resources are available to see it to its conclusion. The PAO should estimate the financial and human resources required. The capacity of educators, administrators, and work supervisors to be included in the project should also be considered.

There are a number of strategic decisions to be made with respect to CPD. Some key decisions are provided in the section below, along with some of the main factors that should be considered when working through the decisions.

Once the original CPD strategic plan has been agreed upon, periodic sessions should be used to adjust the plan to better meet obligations and take advantage of opportunities.

Also, regular consultations with members are critical to prepare them for the introduction of or changes to CPD requirements. These consultations can also provide valuable feedback on addressing the perceived burden the new CPD requirements could create for the members, and help educate members (and the broader community) on their usefulness and importance for the profession as well as the public.

Key strategic decisions and decision factors

I. Standards and requirements to comply with

Identify the standards the organization _must_ comply with and the ones it may comply with _voluntarily_ based on the opportunities that are provided as a result.

For example:

- IES 7 (2020) – minimal compliance or go beyond?
- IES 8 – minimal compliance or go beyond?
- Other standards? (e.g., EU Audit Directive)
- Internal requirements? (e.g., Firm and university policies for education and training of professional members)

Important factors for consideration:

- Standards that are currently mandatory;
- Standards that are foreseen as becoming mandatory in the future;
- Current and/or desired IFAC membership status;
- Extent to which market recognition is needed for legitimacy/reputation;
- Pressure and/or opportunity for global partnerships/collaboration.

II. Measurement approach and basic requirements

Decide on the CPD approach to use and the fundamental requirements to place on members.

For example:

- Input-based, output-based, or a combination of both approaches? (refer to Part 1.2.6 for strengths and weaknesses of the approaches)
- What specific requirements will be introduced? How many hours/units (if choosing an input-based approach)? What are the member's obligations for demonstrating achieved learning outcomes (if choosing an output-based approach)?
- What, if any, exemptions will be permitted from the CPD requirements? (e.g., retirement, family leave)

Important factors for consideration:

- Decision re: input vs. output-based will drive minimum requirements (e.g., input-based could require a minimum of 120 hours over 3 years…).
- Current competence of members (actual and perceived); lower competence may warrant higher requirements.
- Categories of membership and areas of employment. Accountants employed in public practice, government, small and medium businesses, and academia have different needs and opportunities in the area of CPD.
- Current commitment level of members to maintaining competence.
- Familiarity of members with CPD concepts (it is more difficult to understand and evaluate compliance with an output-based approach if members are unfamiliar with concepts and have difficulty demonstrating outcomes).
- Ability of organization to facilitate an output-based approach by assessing competence directly (e.g., through periodic testing of members, practice review results, etc.).

Note: If the organization has developed a Competency Framework and is implementing competency-based education and training, performing a gap analysis is a central part of that process, which will also inform the needs for CPD.[17]

III. Additional requirements stipulated

Determine the extent to which requirements will be extended beyond what is included in IES 7 (2020).

For example:

- Will there be mandatory competency areas that must be part of each professional accountant's CPD? (e.g., ethics, auditing, tax)

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[17] See, for example, Stage 2 in _ibid_.

- Should there be additional requirements for "specialist" roles? (e.g., for auditors, tax advisors, engagement partners)

Important factors for consideration:

- Competence gaps based on research (e.g., gap or training needs analysis), member input, discipline cases; if weaknesses have been noted in specific competency domains, requirements should address this.
- Public perception (e.g., does organization need to be seen as more committed to ethics?).
- Decisions regarding IES 8 compliance and expectations to be placed on engagement partners.
- Relative "power" of the organization versus members – will there be resistance from members, and how will it be managed?

In mature PAOs, members are often highly resistant to additional requirements that they find onerous – such as periodic reassessment. On the other hand, most members support requirements that are reasonable and are clearly in the public interest. For example, a PAO may receive little pushback when implementing a mandatory ethics requirement, as long as the requirement is not unreasonable, and the PAO can communicate the benefits and value.

IV. Role of PAO/Organization

Determine positioning on the spectrum from "direct CPD provider" to "CPD access facilitator."

For example:

- What, if any, CPD will be provided directly to members by the organization rather than by a third party?
- To what extent does the organization facilitate access to CPD provided by other organizations?
- What stakeholders should be partnered with to facilitate compliance with standards and requirements?
- Is CPD a "profit centre" to offset other organizational costs and/or fuel professional growth and innovation, or is the department expected to break even?
- Is providing CPD a free service for members, a subsidized service, or do members bear the full cost?

See Part 3.3.3 for more detail on partnering and options for developing/facilitating access.

Important factors for consideration:

- Members' perception of CPD – a valuable activity or just rules to be complied with? (i.e., are members willing to pay for quality CPD to maintain competence and advance their careers?)
- Are there other reputable sources of CPD training available? (if not, the PAO will have more obligation)
- Can the quality of CPD provided by other organizations be evaluated and controlled by the PAO?
- Is there a market from non-members? (if so, this can subsidize member costs and/or generate additional revenue for the PAO)
- If CPD is permitted and intended to be a "profit centre," are there also low-cost or free options available for members to reduce the cost burden for those with financial constraints?

V. Flexibility allowed

Establish the level of structure imposed with respect to the allowable learning activity content, format, and source.

For example:

- Will specific content areas be prescribed or are members generally allowed to determine relevance?
- Are only formal seminars permitted or do other learning activities qualify (e.g., acting as mentor/mentee, new job responsibilities, volunteer committee work etc.)?
- Will CPD completed through other organizations qualify or is only PAO-provided CPD allowed?
- Will in-house training programs delivered by employers (sometimes referred to by PAOs as "approved employers") be recognized and supported?

See Part 3.3.2 for guidance on determining allowable options for CPD formats.

Important factors for consideration:

- Decision made regarding input, output, or combination approach (e.g., acting as mentor/mentee, new job responsibilities, etc. are easier to include in output and combination models);
- Extent to which organization needs to control supply (based on quality concerns or finances);
- Internal capacity to develop and deliver courses;
- Additional perceived benefits from using partners (building relationships and capacity in other areas) compared with internal development (and the added control over messaging to members).

Note regarding finances and maturity of organization – if the PAO is relatively new to CPD, they may only be able to make CPD offerings financially viable if they control the CPD program entirely and don't offer much flexibility. Once the program is more established, more flexibility may be possible.

VI. Accountability

Mechanisms for reporting, monitoring, and enforcing compliance.

For example:

- How will learning activities be reported to the organization (paper-based or online)?
- How much detail will be required to be reported (for verifiable and non-verifiable)?
- How will compliance be monitored (auditing sample of members or activities)?
- Who will perform the audits: staff, board/committee members, volunteer members?

- What process will be established for pursuing non-compliance (e.g., administrative or full ethics process)?
- What sanctions will be enforced for non-compliance (requirement to improve conduct, fines, suspension or expulsion from membership or public practice)?

See Parts 3.4 and 3.5 for more detail on monitoring and enforcement.

Important factors for consideration:

- Organizational resources available to develop and support online/flexible reporting (e.g., web development, help desk);
- Audit sample type and size needed based on expected or known risks;
- Legal requirements for disciplinary processes;
- Authority for issuing sanctions.

2.2

Organizational maturity as a consideration for CPD strategy

2.2.1

What is meant by "maturity" of a PAO?

When undertaking strategic planning with respect to CPD, many of the considerations that impact decision-making are tied to the **organization's "maturity."** Maturity of a PAO reflects more than just how long it has been in existence, and encompasses characteristics such as:

- Recognition accorded by government (e.g., level of authority granted);
- Autonomy;
- Financial stability;
- Robustness of existing systems;

- Board and staff expertise and experience;
- Availability of human resources;
- Public perception and level of trust.

More mature organizations generally have more authority to impose CPD requirements on their members, and at the same time have the means to develop and maintain a robust CPD system. In addition, they have a greater level of legitimacy and respect to encourage member buy-in and ultimately enforce compliance.

2.2.2

Measuring PAO maturity

The Confederation of Asian and Pacific Accountants (CAPA) has developed a *Maturity Model*[18] to help PAOs measure and monitor their maturity level. The model provides a support tool that allows PAOs to take a systematic approach to organizational development, and go at their own pace. The model provides a holistic framework with a user-friendly interface, that PAOs can interpret within their own context and scale to suit their needs.

The CAPA model includes sixteen Key Success Areas (KSAs) across four broad characteristics: sustainability, relevance, professionalism, and member value. See **Table 3**.

CPD is a KSA included in the Member Value characteristic. CAPA has also developed a series of guidance documents that focus on specific KSAs: *The Maturity Model in Action – Continuing Professional Development*[19].

The CAPA model includes 5 levels of maturity, described in general as ranging from no practices to best practices.

For each of the 16 KSAs, the levels of maturity are described for a number of aspects called "attributes." The attributes related to CPD are presented in **Table 4**.

Figure 6. CAPA Model Level of Maturity

1. AD HOC OR NO PRACTICES
2. INFORMAL PRACTICES
3. GOOD PRACTICES
4. STRONG PRACTICES
5. BEST PRACTICES

Table 3. CAPA Model Key Success Areas[20]

Characteristic	Key Success Areas	Description
SUSTAINABILITY	Legal & Market Recognition	An acknowledged reason to exist
	Governance	Oversight, direction, and control arrangements
	Funding & Business Model	A strategy and plans for long-term viability
	Infrastructure & Management	Appropriate systems, processes, and people
RELEVANCE	Membership	Criteria for admission and levels of membership
	Member Involvement	Member needs and views understood
	Standards*	International technical standards adopted and implemented
	Public Interest	Generates benefits for all society

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[18] Confederation of Asian and Pacific Accountants, *Maturity Model for the Development of Professional Accountancy Organisations*, Kuala Lumpur: CAPA, 2017 [*"CAPA Maturity Model"*]. Available online <http://www.capa.com.my/pao-development/maturity-model/>.

[19] Confederation of Asian and Pacific Accountants, *The Maturity Model in Action: Continuing Professional Development*, Kuala Lumpur: CAPA Guidance Series for the Development of Professional Accountancy Organizations, 2017, at 6 [*"CAPA MMA"*]. Available online <http://www.capa.com.my/maturity-model-guidance-series-cpd/>.

[20] *CAPA Maturity Model,* supra note 16 at 10.

Table 3. CAPA Model Key Success Areas

Characteristic	Key Success Areas	Description
PROFESSIONALISM	Ethics*	Established standards of conduct for professionals
	Quality Assurance*	Standards for delivering services to the public
	Investigation & Discipline*	Maintains standards of membership
	Professional Qualification*	Established required-competency benchmark
MEMBER VALUE	Continuing Professional Development*	Supports member competency
	Member Services	Responds to member needs: provides value
	International Relationships	Internationally connected and continually improving
	Advocacy & Influence	Recognized voice on topics of relevance

* These KSAs link to IFAC's SMOs

In the review of attributes and examination of how the maturity levels are described, the ties to the requirements of IES 7 (2020) should be apparent. For example, more mature organizations are better able to promote and support the importance of CPD and have more robust systems for monitoring and enforcement. They tend to offer more options for members, such as online courses, and have approved trainers that have been vetted by the PAO. They have a dedicated CPD staff, making them less reliant on volunteers. All-in-all, developing to a higher maturity level provides a positive impact on a PAO, including in the area of CPD.

Table 4. CAPA Model Attributes for CPD[21]

Aspect	Policy	Staffing and oversight	Programs and delivery	SMO compliance
1	No CPD system	Volunteer-led and sponsored	Limited and ad hoc training courses Volunteer trainers	Not active
2	CPD is voluntary	Limited staff focus	Informal planning and delivery of training program Program influenced by supply and not demand Training materials accessed from other PAOs Quality of training inconsistent and not measured Courses generally provided for free or nominal amount	Considering how to address the requirements of SMO 2

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[21] *CAPA MMA, supra* note 17 at 7.

Table 4. CAPA Model Attributes for CPD

As-pect	Policy	Staffing and oversight	Programs and delivery	SMO compliance
3	CPD policy established Policy not monitored Active promotion of CPD and its importance	Specific staff focus	Reasonable training program established Links established with universities and other training suppliers Some regular, competent presenters identified Course fees generally charged	Has a defined plan to address the requirements of SMO 2
4	Policy monitored	Dedicated staff established CPD committee involvement	Comprehensive training program Pool of competent trainers identified	Executing and implementing the requirements of SMO 2
5	Policy monitored and non-compliance addressed via investigation and discipline	Comprehensive reporting to board or council	Dynamic program: topics regularly evaluated and prioritised Trainer accreditation requirements implemented Online CPD to support extensive program Learning outcomes verified and measured	Ongoing commitment to continuous improvement in addressing requirements of SMO 2

2.3

Developing policies

Revisiting the strategic decision-making process from Part 2.1, once your organization has settled on its strategy with respect to CPD, the next step is to set policies that align with and support the strategy.

1 **Determine authority & obligations** (see 2.1.1)

2 **Define roles for oversight & accountability** (see 2.1.2)

3 **Determine strategy** (see 2.1.3)

4 **Set policies to align with strategy** (see 2.3)

If a typical governance structure is being followed, management will develop policies with oversight and approval, as needed, from the Board. **Policies ultimately need to align with the strategic decisions made, but if a PAO is implementing a CPD program for the first time, short- and long-term strategies may differ and iterations may be required to get to the desired end point.** For example, the organization may have decided that in the long-term a robust set of internally-developed resources will be provided, but that the starting point will be to provide these through partnering or outsourcing. In this situation, policies would also need to reflect these short- and long- term goals, with a plan to move forward.

Policies need to be set for all of the key strategic decisions. Examples of policies based on the key strategic decisions from Part 2.1.3 are presented in the section below.

When choosing policies, it is important that they are balanced. Policies must be sufficiently rigorous and detailed to effectively ensure that member competence is appropriately developed or maintained, while also being operationally efficient and sustainable. For example, in an effort to be rigourous and reflect the importance of CPD, it may be decided that all CPD shortfalls by members will be referred to the full ethics investigation and discipline process. From a practical perspective, however, it may be prudent to provide first-time or minor offenders with a warning and a short grace period during which they can correct the shortfall to avoid overwhelming the ethics and discipline team. At the same time, of course, this would not be a member-facing policy such that it encourages non-compliance.

The "Take your Medicine" problem

PAOs are obligated to establish and enforce CPD requirements, but members may not see the benefit or importance of CPD. To overcome this, the PAO should educate members and provide as much value as possible, but recognize that the profession's and organization's overriding obligation is to ensure members act in the public interest. This means that members' self-interest is a secondary concern to the interest of the public.

For example, imagine that the PAO's Board decided that students are required to complete a mandatory ethics and professionalism course within the year before they are granted full membership. Some students may resent having to complete what may be seen as an additional requirement, particularly if students in other jurisdictions don't have similar requirements. The PAO will, of course, hope that the new course is well-received and well-rated by candidates. But even if not they must enforce its completion in line with the PAO's obligation to ensure that candidates receive the training deemed to be important for them as new professionals.

Examples of CPD baseline policies to align with PAO strategy

I. Compliance with standards and requirements

Policies regarding:

- Means of monitoring compliance with standards the PAO must (or has chosen to) comply with;
- Reporting PAO compliance – both internally to Board and externally to oversight bodies.

II. Measurement approach and basic requirements

For input-based, policies regarding:

- What constitutes "verifiable" PD;
- How to classify study time outside of the classroom for university and other courses;
- How hours are allotted for preparing and presenting educational sessions (new and repeat sessions);
- Maximum hours/units allowable for activities such as Board or committee service, or significant changes to a role at work.

For output-based, policies regarding:

- Planning and tracking processes expected of members;
- Activities recognized/not recognized as supporting learning outcomes.

Regardless of approach, policies regarding:

- Criteria that triggers commencement of CPD requirements as a member (e.g., on date of designation or beginning of next calendar year);
- Allowable reductions/exemptions permitted for retired members, those on retirement family leave, etc.;
- Criteria for appropriate supporting evidence of completion and how long this must be maintained.

III. Stipulate additional requirements

Policies regarding:

- Criteria that trigger additional requirements (e.g., within first year of membership, entering public accounting, on becoming a partner in an audit firm);

- Amount and time period for content-related requirements (e.g., 4 hours of mandatory ethics-related content in each 3-year rolling cycle, 3-hour taxation update each year).

IV. Role of PAO/Organization ("direct CPD provider" or "CPD access facilitator")

If the PAO is to be a direct CPD provider, policies regarding:

- Fee structure for offerings;

- Criteria for selecting course topics;

- Criteria for hiring and remunerating course developers;

- Criteria for hiring and remunerating presenters and facilitators;

- Venues selection;

- Attendance tracking (sign-in/sign-out/random time during course);

- Assessment of learning outcomes (e.g., quizzes, participation requirements);

- Feedback and review and continuation of course and facilitators.

If the PAO is to be a CPD access facilitator, policies regarding:

- Criteria for approving training organizations;

- Criteria for approving course content;

- What constitutes satisfactory evidence of completion (attendance, successfully passing an evaluation);

- Feedback and review and continuation of training organizations and allowable courses.

See Part 3.3.3 for more detail on setting these policies.

V. Flexibility allowed (allowable learning activity content, format, and source)

Policies regarding:

- Criteria for acceptable activities not offered by the PAO (external providers, mobile and online courses, self-study);

- Evidence required to support activities (certificate of completion from approved training provider, detailed personal log of time spent and/or learning outcomes achieved, how learning is applicable to the member's work environment).

VI. Accountability (reporting, monitoring, and enforcement)

Policies regarding:

- Member reporting schedule, format, and detail required;

- How long evidence of completion must be retained by the member;

- Audit approach (e.g., sampling %, risk factors leading to automatic audit);

- Classification of a breach as an administrative or full disciplinary matter (e.g., first-time offense results in requirement to improve conduct and a small fine, whereas repeat offenders trigger more formal disciplinary process with potential for more significant consequences);

- Range of sanctions for non-compliance (including for insufficient CPD, as well as for filing late or failing to report);

- Allowable remediation activities and required time frame;

- Reporting member compliance (both internally to Board and externally to members, oversight bodies, the public).

Also see Parts 3.4 and 3.5 for more detail on monitoring and enforcement.

2.4

Considerations for organizational structure

Once policies have been established, the PAO should revisit its governance and operational structures to ensure that the strategic decisions and resulting policies are well-supported by the organizational structure, that roles are sufficiently defined, and that there are enough resources available for implementation.

Based on the strategic decisions and policies established, the PAO should:

- Ensure there are clear definitions of Board, committee, and staff roles for this area;

- Consider if any changes are needed to the Board's mandate;

- Determine if an existing committee can accommodate additional responsibility into its mandate or if a new committee is needed, and ensure the committee is adequately resourced;

- Formalize cross-department linkages as needed (e.g., education, ethics and discipline, member services);

- Formalize the frequency and expectations for reporting to the Board as well as to external stakeholders.

Overall, the PAO's governance system must support the CPD program as it does other programs. Because CPD needs to be tied into compliance, discipline, and enforcement, it should have committee and/or Board oversight. Careful attention must also be paid to ensuring that the full operational cycle for CPD (as presented in Part 3) is being adequately resourced.

1 **Determine authority & obligations** (see 2.1.1)

2 **Define roles for oversight & accountability** (see 2.1.2)

3 **Determine strategy** (see 2.1.3)

4 **Set policies to align with strategy** (see 2.3)

5 **Adjust governance and operational structure** (see 2.4)

Figure 8. Strategic decision-making process expanded

PART 3

Administration, monitoring, and enforcement
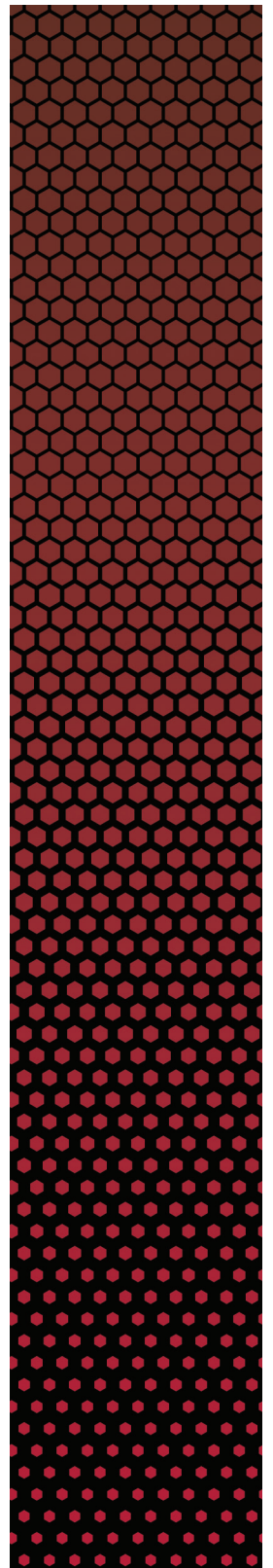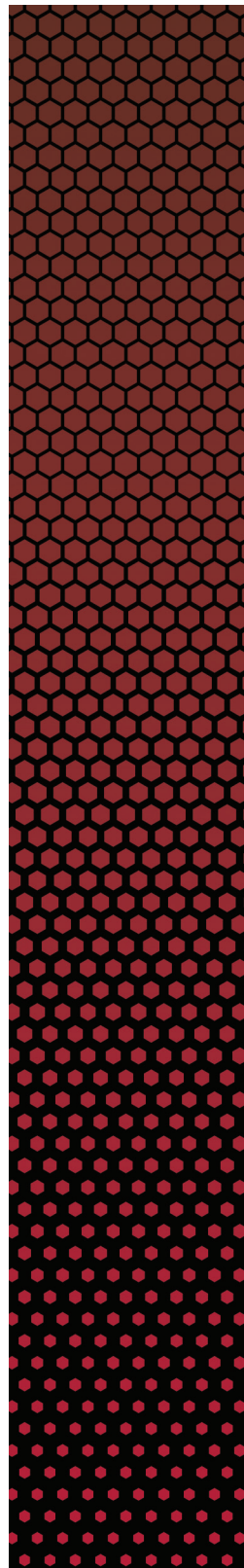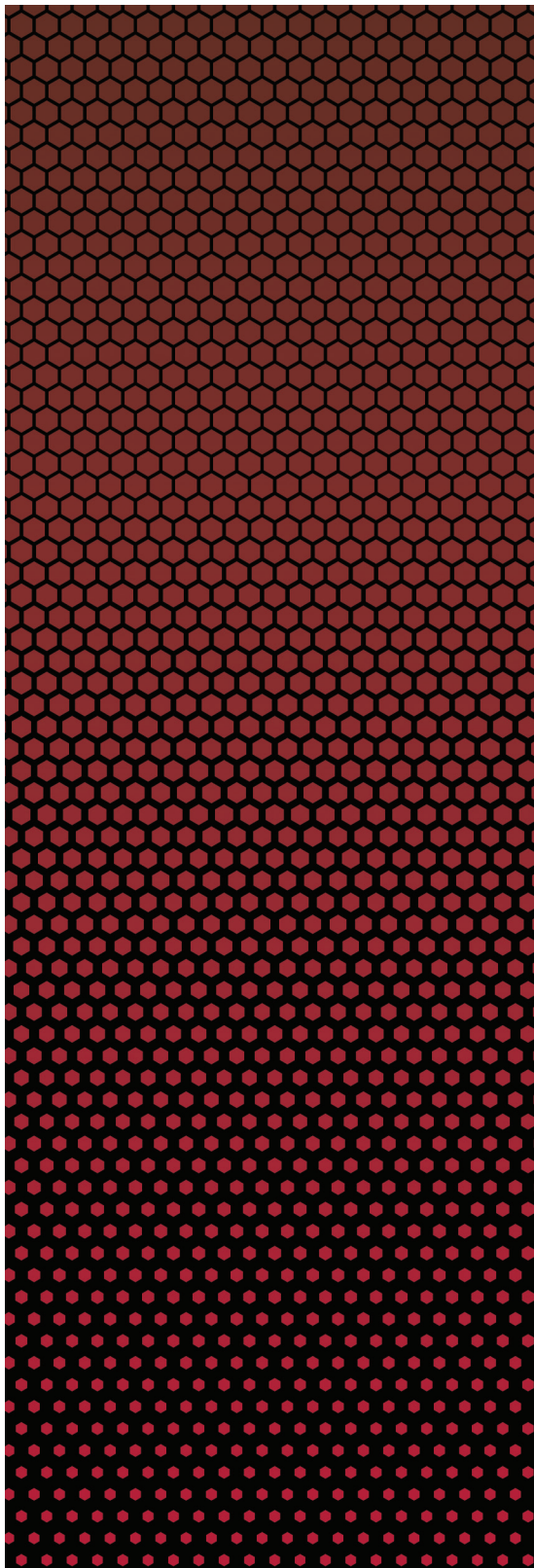
Highlights of Part 3

With CPD as a mandatory requirement for all professional accountants, CPD programs must be relevant and practical for members who are subject to the requirements. Moreover, ongoing monitoring and enforcement mechanisms are essential.

Part 3 explores the administrative systems and processes supporting the CPD function, including:

- Communications with members (regarding requirements, offerings, etc.).
- PAO support of the CPD Framework (e.g., support in assessing skills gaps, for reflective activity, and for recording CPD learning activities, etc.).
- Planning and developing a CPD catalogue of offerings .
- Development options:
  - "In-house" development and delivery of CPD by a PAO.
  - Outsourcing to subject-matter experts.
  - Accrediting CPD providers.
  - Partnering with external providers, such as universities and commercial training enterprises.
- Managing course delivery (contracting facilitators, arranging venues and services, managing registrations, printing materials, etc.).
- Evaluation and continuous improvement.
- Assessing verifiability of activities.
- Member CPD tracking and reporting systems (member-based vs. PAO-based, paper-based vs. online, etc.).
- Monitoring different approaches to CPD measurement (input-based and output-based).
- Verifying and auditing member reports.
- Enforcement, remediation, and disciplinary sanctions.

Key questions addressed in Part 3

- How to administer and operationalize the CPD program?
- How to ensure sufficient, appropriate course offerings are available for members?
- How to determine the range of formats to offer and accept?
- How to monitor and enforce program compliance among professional members?

3.1

The operational cycle for CPD

Administering and maintaining the CPD program involves many roles and/or departments:

- CPD administration (registration, venue coordination, attendance tracking)
- Communications (with members and the public)
- IT systems and support
- Member services
- Investigations, ethics, and discipline

- Practice or firm inspection or peer review
- Facilitating partnerships or approvals of third party providers

Remember that a mature organization has a dedicated CPD department, but other departments or staff will be involved as well.

The operational cycle for a CPD program is depicted in **Figure 9**. The remainder of this Part will walk through the activities in the cycle.

Figure 9. Operational cycle for a CPD program
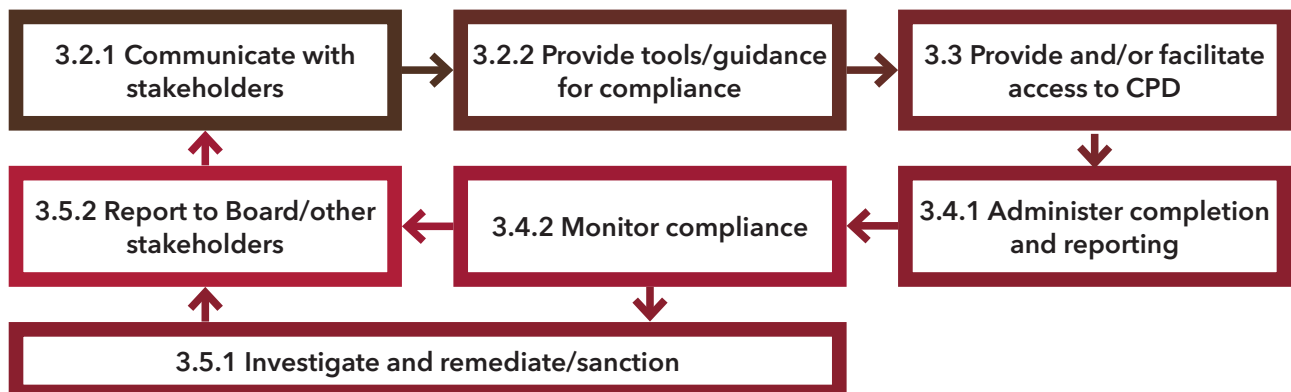
3.2

Communication, guidance, and tools

3.2.1

Communication with members and other stakeholders

Effective implementation of a CPD program requires clear and consistent communication to members and other stakeholders. Communication to members must:

- Clearly explain the requirements and expectations of the CPD program.

- Provide rationale and basis for decisions and changes.
- Explain timelines and transitional allowances (if any).
- Provide information on opportunities, options, and support.

- Explain monitoring and sanctioning processes.
- Encourage questions and feedback, and be responsive.

With communications, there is a need to balance the desire to get information out quickly to let members and other stakeholders know well in advance about changes that are being introduced, while also being careful not to release too many details and lock in to a course of action before all of the related logistics have been set.

Effective communication makes use of frequent messaging in a variety of formats. Depending on the specific information being conveyed, it may be most appropriate to communicate through the website, blogs, email, physical mailing, announcements at events, and so on.

Recall that IES 7 (2020) requires IFAC member bodies to "promote the importance of, and a commitment to, CPD and maintenance of professional competence."[22] These messages can be included in your communications by, for example:

- stating and illustrating the organization's commitment to competence and protecting the public interest;
- emphasizing the value – beyond compliance – of CPD for members and those they serve;
- promoting the variety of CPD opportunities available to members to meet their obligations; and
- emphasizing the importance of CPD to employers and providing guidance on tying CPD to employee performance.

Messages should be consistent with strategic decisions and with other communications. For example, it would be counterproductive to promote to firms the benefits of providing in-house CPD if the PAO only accepts its own CPD offerings. To maximize the effectiveness of communications, PAOs should also tailor communications for different stakeholders, such as members, employers, regulators, and so on. Communications should focus on the benefits, responsibilities, and opportunities from the perspective of the specific audience. Samples of key messages to stakeholder groups are provided in the section below.

Key messages to stakeholders

Members
- How CPD benefits members through career enhancement and personal development;
- The PAO's commitment to CPD;
- Requirements for members;
- Opportunities and options for compliance;
- Consequences of non-compliance;
- Encouragement to plan and keep record updated;
- Where to get more information and/or provide comments.

Firms/employers
- How member competence benefits firms;
- How firms can help members comply;
- Benefits for firms in providing in-house CPD (cost savings, greater relevance);
- Additional benefits for firms who join the employer accreditation program (if offered by the PAO);
- Where to get more information and/or provide comments;
- Opportunities for collaboration to support future skills needs.

Other CPD partners
- Opportunities for partnering;
- Benefits to partners;
- Criteria for partnering or being accredited;
- Where to get more information and/or provide comments.

Government/regulators
- The PAO's compliance with any statutory requirements around CPD;
- Commitment to acting in the public interest;
- Importance of member competence;
- How CPD system maintains member competence;
- Accountability mechanisms;
- Results of program as available (member compliance rates, etc.).

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[22] *IES 7 (2020), supra* note 11 at para 10.

The public

- The PAO's commitment to the public interest;
- Importance of member competence in protecting the public;
- How having a CPD system maintains member competence;

- Benefits of hiring a professional accountant over a non-designated individual;
- Where to get more information and/or provide comments.

3.2.2

Guidance and tools to support compliance

Recall from Part 1.2.7 that IES 7 (2020) encourages the use of a CPD Framework as a key resource for members as they plan and complete their CPD. CPD Frameworks currently in use by PAOs include:

- **Institute of Chartered Accountants in England and Wales (ICAEW):** The *Reflect, Act, Impact, Declare* approach provides a framework for members to systematically plan, complete, and reflect on their CPD activities.[23]

- **Institute of Chartered Accountants of Scotland (ICAS):** The *Professional Development Process* guides members though four steps to: 1. Define current and future roles; 2. Decide on training and development needs; 3. Identify CPD activities; and 4. Reflect and record activities on the CPD Record.[24]

- **South African Institute of Chartered Accountants (SAICA):** SAICA allows members to choose an input-based or output-based approach. Members who choose the output-based model follow an annual cycle of *Reflect/plan; Learning action; Evaluation; Declare.*[25]

Think back to the Sample CPD Framework provided in the proposed revisions to IES 7 (2020).

Without adequate tools and guidance from the PAO, members may have difficulty planning for and meeting their CPD requirements in a way that meaningfully enhances their professional development. For example, guidance to members should contemplate that members may change career tracks. In doing so,
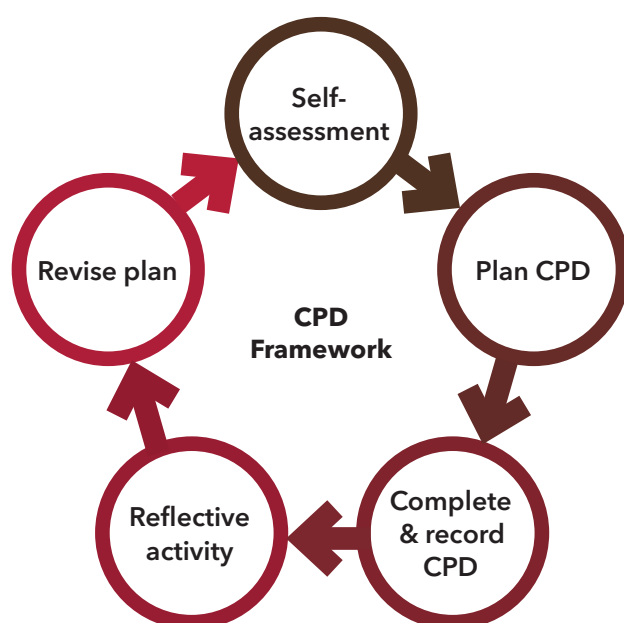
Figure 10. Sample CPD Framework from IES 7 (2020)

they may have to revisit areas of competence that they may not have utilized since certification, and there may also be new competence requirements that they need to address through their learning plan in order to meet the expectations of a new role.

The Framework itself is one of the tools that is useful for members in planning and evaluating their CPD. Walking through the CPD process from a member's perspective (using the Framework) is a good method for thinking about the other tools and guidance that members need. There follows a list of sample tools and guidance that PAOs should consider providing, referenced to the CPD Framework.

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23 Institute of Chartered Accountants in England and Wales, "Our Guide To CPD", online: ICAEW <https://www.icaew.com/en/membership/cpd/what-is-cpd/our-guide-to-cpd>.

24 Institute of Chartered Accountants of Scotland, "ICAS CPD Requirements", online: ICAS <https://www.icas.com/regulation/icas-cpd-requirements> ["*ICAS CPD Requirements*"].

25 South African Institute of Chartered Accountants, *Revised CPD Policy* (2013), online: SAICA <https://www.saica.co.za/Portals/0/Members/CPD/CPD%20Revised%20policy%20brochure.pdf>.

Self-assessment tools/guidance such as:

- Tools for assessment of market-driven future skills needs and current skills gaps.
- Summaries of expected competencies or learning outcomes, with proficiency levels.
- Examples of how competence could be demonstrated in different contexts.
- Surveys/questionnaires for self-reflection.

CPD planning tools/guidance such as:

- FAQs on requirements and acceptable options for compliance
- Schedules of course offerings
- Course descriptions including "Who should attend" and pre-requisite knowledge

- "Sets" of courses that complement each other and the order they should be completed in

Recording tools/guidance such as:

- Templates to record CPD activities, including all pertinent information that would be needed if audited for compliance
- Online tracking system with easy demonstration
- Clear information on the amount and type of verifiable evidence required to support CPD

Reflecting and revising tools/guidance such as:

- Follow-up columns on the self-assessment form or CPD record to reflect on effectiveness
- Space on self-assessment form or CPD record to adjust CPD plan

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Example of tools for self-assessment and CPD planning: CPA Australia

CPA Australia's *My Capability Plan* provides a tool for CPA members to determine their levels of capability within the four core knowledge areas: technical, business, leading self, and leading others. Based on the results of the self-assessment, the tool provides recommendations for CPD courses and other resources to move from the current level of capability to a higher level.[26]

Example of tools for recording CPD: CPA Ontario

CPA Ontario's *CPD Requirements* brochure provides clear information on the amount and type of verifiable evidence required to support CPD[27]:

Verifiable CPD Activity	Qualifying Number of Hours	Acceptable Documentation
CONTINUING EDUCATION Participation in a course, webinar, conference, or seminar; Enrolment in a formal education program leading to a degree, diploma, certificate, re-certification or designation.	Hours spent attending the course, webinar, conference, or seminar; Hours spent preparing or studying for the course, conference, seminar, or exam (to a maximum of 5 hours preparation time for each hour of participation).	**Any one** of the following: • Certificate of completion or official transcript. • Confirmation of participation by provider or employer (e.g. registration confirmation). • Attendance record (e.g. sign-in sheet). • Copy of course payment/ invoice.
INSTRUCTION/SPEAKING Teaching a course or session in an area relevant to your professional role. Participation as a speaker in a con-ference, briefing session or discus-sion group.	Hours spent preparing for the course/session (to a maximum of 5 hours for every hour of teaching time)	• Copy of course or presentation material from the session including date and speaker details • A log of preparation hours (by date)

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[26] CPA Australia, "My Capability Plan", online: CPA Australia <https://mycapabilityplan.cpaaustralia.com.au/Introduction.html>.

[27] Chartered Professional Accountants of Ontario, *A Simple Guide to CPD Requirements* (2018), online: CPA Ontario <https://media.cpaontario.ca/cpa-members/pdfs/CPD-Requirements-Guide.pdf> ["*CPA Ontario CPD Guide*"].

3.3

Providing and/or facilitating access to CPD

3.3.1

Determining the scope and breadth of course offerings

What topics are relevant for CPD?

In order for learning activities to contribute to professional development, the topic of the activity must be relevant to the profession. This includes the technical areas related to the professional accountant's current employment, as well as areas that may be chosen to pursue career advancement or a change in role. It also includes the fundamental professional skills, values, ethics, and attitudes that are expected of all professional accountants.

When a PAO sets its policies for CPD, one of the questions that will need to be answered is what scope of topic areas will be considered relevant and appropriate for CPD? There are two main ways to answer this question. Recall from Part 1.4 that:

1. **A PAO's Competency Framework sets the boundaries for what is acceptable and relevant for professional development in terms of both technical competencies and the enabling domains of professional skills, values, ethics, and attitudes.**

2. **If a PAO does not have a Competency Framework the Learning Outcomes in IESs 2, 3, and 4 (and IES 8 for Engagement Partners) can be used to help define scope. The IESs**

are available on the IAESB website, as part of the Handbook of International Education Pronouncements.[30] These Learning Outcomes provide the basic scope for technical competency areas as well as professional skills, values, ethics, and attitudes. Proficiency levels are set for IPD rather than CPD, so if proficiency levels are referred to, they should be adjusted for members, as appropriate.

Based on the domains in the IESs, an appropriate scope of topics that would be deemed relevant for CPD should include:

- **Technical competence areas (see IES 2)**
  - a. Financial accounting and reporting
  - b. Management accounting
  - c. Finance and financial management
  - d. Taxation
  - e. Audit and assurance
  - f. Governance, risk management, and internal control

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[28] *ICAS CPD Requirements, supra* note 22.

[29] Institute of Chartered Accountants of Scotland, "International Education Standard 8", online: ICAS <https://www.icas.com/regulation/international-education-standard-8>.

[30] *IAESB Handbook of International Education Pronouncements (2019), supra* note 5

g. Business laws and regulations

h. Information and communications technologies

i. Business and organizational environment

j. Economics

k. Business strategy and management

- **Professional skills (see IES 3)**

  a. Intellectual, such as research; analysis; integration; critical thinking; dealing with unstructured problems.

  b. Interpersonal and communication, such as collaboration; concise and clear written and oral communication; cultural awareness; active listening; effective interviewing and negotiating.

  c. Personal, such as commitment to lifelong learning; open-mindedness; time management; high personal standards of performance; anticipating challenges.

  d. Organizational, such as quality review of self and others; adherence to established practices; leadership, motivation, and delegation.

- **Professional values, ethics, attitudes (see IES 4)**

  a. Professional skepticism and professional judgment, such as applying a questioning mind; reducing bias.

  b. Ethical principles, such as identifying ethical threats; evaluating ethical consequences of alternatives; applying the fundamental principles (per *IESBA Code*[31]: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior).

  c. Commitment to the public interest, such as explaining the role of professional ethics with respect to social responsibility, business, and governance; analyzing the interrelationship between laws, ethics, and the public interest; analyzing consequences of unethical behaviour to the individual, the profession, and the public.

For Audit Engagement Partners, IES 8 provides additional learning outcomes that a PAO can incorporate into its CPD program. Learning outcomes are specified in each of the areas (Technical,

Professional skills, and Professional Values, Ethics and Attitudes) that relate specifically to audit engagement partners. These go beyond, and add context to, the learning outcomes in IES 2, 3 and 4. Examples of learning outcomes for engagement partners include:

- **Technical competencies (see IES 8)**

  a. **Audit:** Lead risk identification and assessment; evaluate response to risk of material misstatement; evaluate audit performance in accordance with standards, laws, and regulations; develop appropriate audit opinion.

  b. **Financial accounting and reporting:** Evaluate financial statements; recognition, measurement, presentation, and disclosure; judgments and estimates, fair presentation.

  c. **Governance and risk management:** Evaluate governance structures and risk assessment processes as part of overall audit strategy.

  d. **Business environment:** Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments.

  e. **Taxation:** Evaluate procedures to address risk of material misstatement with respect to tax amounts.

  f. **Information technology:** Evaluate IT environment and controls.

  g. **Business laws and regulations:** Evaluate non-compliance with laws and regulations to determine impact on audit and audit opinion.

  h. **Finance and financial management:** Evaluate sources of financing, financial instruments; evaluate cash flows, budgets, forecasts, and working capital requirements.

- **Professional skills (see IES 8)**

  i. **Interpersonal & communication:** Effectively communicate and consult with team, management, etc.

  j. **Personal:** Act as role model, mentor, and coach.

  k. **Organizational:** Evaluate team objectivity and competence; engagement project management and team management.

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[31] *IESBA Code, supra* note 1 at para 110.1 A1.

- **Professional values, ethics, attitudes (see IES 8)**

  l. **Commitment to the public interest:** Promote audit quality in the public interest.

  m. **Professional skepticism/judgment:** Apply professional skepticism and professional judgment in planning and performing audit and developing opinion.

  n. **Ethical principles:** Apply ethical principles in the audit context; promote compliance with the principles amongst the audit team.

What course offerings should a PAO focus on?

When considering the breadth of offerings that a PAO should develop and offer to members (or facilitate access to through partnerships) there are a number of considerations. Most PAOs have limited resources for course development, so it is important to prioritize appropriately and ensure that members have access to the most beneficial courses.

Priorities should include:

- Essential technical domains - especially with respect to new and emerging standards and business trends.

- Areas where competence issues have more commonly been noted in the past - through studies, gap analyses, practice reviews and inspections, and disciplinary investigations.

- Professional skills, values, ethics, and attitudes – these are deemed to be the most essential competencies for professional accountants in terms of their ability to protect the public (see Part 5 for ideas on how to incorporate these competencies in CPD courses).

- Topics that reflect areas of increasing importance for the profession and its stakeholders (such as emerging issues in technology and regulation, areas where risk or opportunities are increasing, etc.)

- Topics in high demand by members – members should be encouraged to self-assess their areas of weakness; surveys can help determine areas of high demand.

> **PAOs need to balance member requests and PAO oversight**
>
> Whereas accommodating member demand for specific CPD topics is important, recognize that members will focus on what *they* think is of greatest value. They will often concentrate on the knowledge they need to make money. It is up to the PAO to educate members on the benefits of balancing technical and enabling competencies. Educating members on the appropriate balance of CPD is part of the PAO's obligation under IES 7 to promote a commitment to lifelong learning, focusing on the public interest.

3.3.2

Options for CPD formats

Variety and verifiability in learning activities

In addition to determining the scope of topic areas to deem relevant for CPD, PAOs must also decide what formats of learning activities to accept. Recall from Part 1.2.5 that IES 7 (2020) provides guidance on many different types of learning activities, including in-person courses and seminars, online webinars and mobile learning products, re-examination, developing educational materials, coaching and mentoring, on the job experience and self-directed research, among others. **Diversity in training recognizes that different people learn and develop in different ways, and that a variety of learning styles should be supported.** Recall also that the CAPA *Maturity Model* found that mature organizations tend to include online options for PD. These allow PD to be completed remotely, and also often at whatever time members choose, thereby increasing flexibility. In the new 'agile' workforce, just-in-time mobile learning is becoming increasingly needed and expected by members. Online PD includes both synchronous options (such as webinars) and asynchronous models (such as audio-only mobile learning or video-based courses).

IES 7 (2020) provides guidance regarding the importance of verifying learning outcomes for the activities undertaken. The challenge for PAOs is to allow members to learn and develop in as many ways as possible, while also ensuring that professional development is objectively verified.

For courses, seminars, and other in-person events, attendance sheets and course materials provide evidence for attendees. For articles, publications, and presentations prepared by members, the deliverables produced provide verification of the activity and learning outcomes, although some PAOs may put a limit on the maximum time that can be claimed for research and preparation. In addition, most PAOs allow CPD to be claimed only for new research and presentations where learning and development is occurring, rather than for repeated sessions or publications. Peer reviews of research and other academic publications can also provide verification of the learning outcomes achieved.

The results of formal reviews completed as part of the PAO's quality assurance and oversight roles can also be used to show the effectiveness of learning activities. For example, the results of practice reviews can support the achievement of learning outcomes. For engagement partners, internal and external quality reviews can help demonstrate that IES 8 learning outcomes are being achieved and maintained.

Assessments that occur as part of certification or re-certification are a very effective method of verifying learning outcomes. These are typical for professional accountants who pursue further education or specialist qualifications, but much less common in terms of the PAO periodically testing or re-certifying members. In some jurisdictions, however, periodic re-evaluation of member competence is a regulatory requirement that can pose challenging for a PAO to implement. One area where assessments have become common, however, is the use of multiple-choice tests at the end of online and mobile learning activities, where passing a quiz is required in order to download a completion certificate to verify the CPD activity.

In a workplace setting, results of engagement reviews and annual (or more frequent) performance reviews from supervisors provide evidence of professional development from on-the-job training and experience. Similarly, surveys or other feedback from customers and clients can contribute to verifiability. If a PAO intends to accept workplace activities as contributing to CPD, the PAO should provide guidance to employers to help them design performance review systems that are verifiable from the PAO's perspective. This does not need to be complex – most performance reviews are fairly well structured and documented already, but for CPD purposes they would also need to be tied to learning outcomes (e.g., the PAO's Competency Framework) and signed off by a qualified supervisor.

As an illustration, ACCA allows members to complete CPD through an "approved employer route", where an employer's learning and development program is reviewed by ACCA to see if it provides sufficient verifiable learning and development to meet annual CPD requirements[32]. If the employer's program is approved, the member keeps evidence of participation in the program, and makes a CPD declaration to ACCA each year certifying that their CPD requirements have been met through this route.

If a member of a PAO is also a member of another PAO that is an IFAC member body, there is an opportunity to recognize compliance with CPD requirements by way of the member meeting the other PAO's requirements. For example, ACCA also offers an "IFAC body route"[33]. If an ACCA member is also a full member of another professional accountancy body, ACCA accepts the member's compliance with the other PAO's program, as long as the other professional body is a member of IFAC and the other body's CPD policy complies with IES 7 (2020).

How the measurement approach impacts acceptable activities

The formats of CPD activities that a PAO accepts will depend to some extent on the measurement approach being used. If an output-based approach (or combination of approaches) is being followed, it may be possible to allow greater flexibility in the type of learning activities that are recognized, as it is up to the member to demonstrate how the activity contributed to their PD. Thus, output-based systems typically allow any combination of structured seminars, on-the-job training, research and writing, coaching and mentoring, and so on.

If an input-based approach is used, there is a need to specifically define what activities are verifiable. Verifiable activities require objective evidence of completion, therefore most PAOs following this approach will limit the activities deemed verifiable

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[32] Association of Chartered Certified Accountants (ACCA), "CPD i-Guide", online: ACCA <http://cpdiguide.accaglobal.com/Approved_employers>.

[33] ACCA, "CPD Routes", online: ACCA <http://www.accaglobal.com/ca/en/member/cpd/routes.html>.

and require specific evidence to support the activities claimed. For example, CPA British Columbia (which follows an input-based approach) provides the following guidance to members with respect to verifiable PD[34]:

Verifiable Qualifying Hours refers to learning activities for which there is satisfactory evidence to objectively verify participation in the learning activity.

Examples of verifiable CPD:

- *Attendance, as a participant or lecturer, at courses, conferences, seminars, workshops, presentations, technical committees, or discussion groups;*

- *Research that results in publications or presentations;*

- *Structured employer-based in-house training sessions;*

- *Programs of study that involve the successful completion of an examination or certification in the current CPD reporting year;*

- *Computer-based learning activities that involve the successful completion of an examination or certification;*

- *Professional re-examination or formal testing.*

Verifiable CPD documentation should:

- *Describe the learning activity;*

- *Identify the provider of the activity, where applicable;*

- *Connect the member to the activity;*

- *Identify when the activity took place; and*

- *Provide a basis for concluding that the number of reported hours is reasonable.*

CPA Ireland (also using an input-based approach) recognizes the typical range of verifiable activities, but also explicitly allows members to claim a limited number of "structured" (verifiable) CPD hours based on activities for which learning outcomes are more difficult to objectively measure. CPA Ireland allows up to 15 hours in a three-year period for each of the following categories[35]:

- Service on technical committees/panels – with evidence of a definite output and that the committee member contributed original research or other work;

- Occupational or industry change - major change in type of employment or major changes in job responsibilities that require significant development of new skills;

- Responsibility for major corporate changes - mergers, takeovers, debt/equity issues, major financial re-organizations, research and installation of computer software systems/applications.

In contrast, ICAS, which follows an output-based approach, does not restrict what activities can be used to support professional development. It tells members that[36]:

The ICAS CPD model places the onus on each member to decide what their professional development needs are and how to address them through a variety of CPD activities. Members are asked to focus on the outcome of CPD activities, as opposed to the time spent on them.

Under the CPD scheme there is no requirement to achieve a certain number of hours or points - the important feature is that consideration is given to the requirements of the position and that learning addresses this.

This development framework allows the individual member to be the best judge of how much CPD they need and which activities are most beneficial in meeting their learning and development needs. CPD should be proportionate and relevant to a member's role.

ICAS recognises that there may be periods where CPD activity fluctuates and some years will require more development than others. CPD activity can, for example, include work-based learning; undertaking new projects at work, on-line reading, researching a particular issue relating to a client or a role, and focused discussions with colleagues or other professional advisers.

These examples illustrate the differences between input- and output-based systems. Note that ICAS recognizes learning activities such as reading and discussions on par with other more formal activities such as seminar participation. Input-based systems, on the other hand, would consider reading and discussions as non-verifiable.

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[34] Chartered Professional Accountants of British Columbia (CPA BC), "Verifiable vs. Unverifiable CPD Learning Activities", online: CPA BC <https://www.bccpa.ca/regulatory/continuing-professional-development-cpd/cpd-requirements/#verifiable>.

[35] The Institute of Certified Public Accountants in Ireland (CPA Ireland), "CPD Information", online: CPA Ireland <http://www.cpaireland.ie/cpd/cpd-information>.

[36] *ICAS CPD Requirements, supra* note 22.

The bottom line on formats and variety of learning activities accepted

PAOs should allow as broad a range of learning activities as possible, recognizing and supporting member needs and preferences for learning styles. For newer programs, however, it may be prudent to limit the formats initially to ensure adequate control over the verifiability of completion and learning outcomes. PAOs should recognize the opportunity to use a variety of methods to verify learning, including those that are more objective (such as hours spent in sessions, test scores, or performance reviews) and those that are more subjective (such as planning CPD needs and self-assessment of learning outcomes achieved). Ultimately, the range of formats offered will need to balance PAO control with member flexibility, and will depend on the strategic decisions made with respect to CPD.

3.3.3

Facilitating access to CPD: development and delivery options

PAO Role: Direct provider or Access facilitator?

Recall that under IES 7 (2020), PAOs are obligated to facilitate access to CPD opportunities and resources. Part 2.1.3 discussed the strategic decision regarding where to position the organization on the spectrum of "direct provider of CPD" to "access facilitator to CPD"? This spectrum can be represented as follows:

If the PAO develops and delivers its own content, the PAO has greater control over quality and suitability, and has a means of direct messaging to members. To ensure they are providing relevant and high quality CPD learning activities that support the development and maintenance of professional competence, PAOs should develop an accreditation system of CPD providers. Including instructional designers and education specialists can help ensure that learning styles are addressed appropriately. In addition, practitioners should be included in the development and review of learning materials to ensure relevance.

The downside is that developing a full catalogue of CPD courses is expensive and requires a great deal of expertise, both with respect to developing content and administering sessions. A learning management system (LMS) may be required as part of the infrastructure to support the learning program. Pricing and functionality of these systems can vary widely. Assuming responsibility for developing and delivering a CPD program independently brings a significant amount of responsibility and risk to the PAO.

Figure 11. Spectrum of PAO role

If a PAO chooses to be a direct provider:

- Staff or contractors develop course content.
- The PAO owns the content and arranges classes/sessions.
- Delivery could be through in-class sessions, online platforms, mobile offerings, etc.
- Staff or contractors hired by the PAO teach or facilitate the classes/sessions.
- The PAO receives any fees charged and is responsible for all costs.

If a PAO chooses to be an access facilitator:

- The PAO "partners" with external providers, such as universities, commercial training providers, or firms.
- The "partnership" may be formally-agreed on, or the PAO may simply endorse certain organizations' course offerings.
- The material is generally prepared, delivered, and owned by the partner organization.
- Members claim learning activities as approved CPD.

- Profits may belong to the partner organization entirely, or may be shared (e.g., PAO may receive a commission on the seminar fees of each participant that they send to the external provider).
- There is greater opportunity for collaboration, depending on the agreement.

The need for a broad range of high-quality learning activities provides a strong business case for partnering with other organizations that provide training in relevant topic areas. Formats need to allow for learning outcomes to be verified in a manner that aligns with the PAO's measurement approach and evidence requirements. To this end, third-party courses that can be mapped to the PAO's Competency Framework or Learning Outcomes should be considered for acceptance by the PAO.

Firms can be an important source of partnering with PAOs. Larger firms often provide in-house training for their professional accountants, and the PAO can recognize these as contributing to professional development. Firms are in a particularly suitable position to help their engagement partners address IES 8 learning outcomes. Where possible, PAOs should consider opportunities to collaborate with firms and provide input on the internal training that can be most relevant from a PD perspective. For example, firms should be encouraged to consider the importance of helping professional staff develop in both the technical and professional sides of competence.

Using external partnerships allows the opportunity to leverage high-quality and well-resourced programs without additional cost or risk. In this way, the PAO can gain access to a much broader set of expertise and a greater range of course offerings. But when partnering with another organization for CPD content, the PAO has less direct control over quality and suitability of that content, so criteria need to be established to review and approve third-party courses before endorsing them.

Options within and along the spectrum

A PAO is not limited to choosing a strategy from only one end of the spectrum. In the middle, there is the option to facilitate access to learning activities that are developed and owned by an independent Subject-Matter Expert (SME). In this outsourcing model:

- The SME develops, owns, and delivers the content.

- The PAO manages the logistics (e.g., session registration, venue, meals, distribution of course materials, online platform hosting, etc.).

In addition, some PAOs combine elements of all three roles. For example, in Canada the PAO has decided to maintain control over courses that fall within the core, technical competency areas of accounting, auditing, and taxation. For these topics, CPA Canada produces its own courses, often using contracted SMEs. CPA Canada retains ownership of the content and has strict quality control processes to ensure currency and consistency.

For other competency areas, however, the national and regional CPA bodies use a combination of approaches to ensure members have access to a comprehensive set of CPD resources. Some courses are developed by contracted SMEs and owned by CPA Canada or a provincial body, while others are owned by the SME who is then hired to deliver sessions at conferences or other professional development events. Additionally, other PD products that are owned and delivered by independent training providers may be endorsed by the PAO.

As an illustration, CPA British Columbia (CPABC, a provincial PAO in Canada with more than 35,000 members) offers in excess of 1,000 sessions annually in its PD catalogue, offering a mix of formats:

- Half-day and full-day in-person seminars;
- Industry-specific mini-conferences;
- Multi-day conferences;
- Certificate programs (executive leadership, strategic management);
- Live webinars;
- On-demand webinar replays;
- Interactive on-line courses.

Some content is owned by CPABC, whereas other courses are owned by SMEs. CPABC also partners with independent training providers, such as K2E Canada Inc. (for technology-related online courses) and ProDio Audio Learning Inc. (for mobile learning offerings). These offerings are endorsed by CPABC and the PAO advertises and sells the products under revenue-sharing agreements. In all, CPABC has more than 100 approved CPD facilitators. This comprehensive approach underscores CPABC's commitment to supporting and enabling members to meet their CPD obligations, and to maintain and expand their competence in the public interest.

Logistics and tasks when facilitating CPD

Development and delivery standards

Regardless of whether CPD is developed in-house or facilitated with partners, standards are needed to ensure that:

- Materials are designed to develop appropriate learning outcomes.
- Materials reflect an adequate proficiency level for the audience.
- Sessions will be engaging (see Part 4 for tips on creating engaging CPD sessions).
- Sessions will result in learning, not just entertainment or marketing the presenter's business.

PAOs may choose to formally map CPD sessions to learning outcomes or their Competency Framework, or it may be a less formal process. For an example of a comprehensive set of development standards for CPD accreditation, see *The Statement on Standards for Continuing Professional Education (CPE) Programs* published jointly by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA)[37]. These standards include the following requirements:

- Programs must be based on learning outcomes;
- Experience/pre-requisites must be specified;
- Materials must be current and technically accurate;
- Developers and reviewers must be qualified;
- In-class sessions must have sufficient elements of engagement;
- Online courses must provide evidence of completion.

Contracting developers and presenters

Part of quality control over CPD requires that facilitators be:

- Experienced in instructional design (e.g., an education specialist);
- Chosen based on their ability to facilitate learning outcomes (i.e., effective teachers);
- SMEs in the area being taught;

- Trained as necessary to act as appropriate spokespersons/ambassadors for the profession and the organization;
- Objectively evaluated based on participant feedback and (where possible) first-hand observation.

Accrediting trainers based on verifying their expertise was tied to maturity in the CAPA model, and is important to ensure quality. When hiring or contracting SMEs to develop and/or present CPD content, it is important that the SMEs chosen be properly vetted, trained, and supported. This extends to situations where the PAO is collaborating with a third-party provider and is able to review the experts being used in the program.

When contracting SMEs, the PAO should:

- Verify the SME's expertise by checking references.
- Review prior feedback received on the SME's sessions, as available.
- Ensure the contract covers essentials clauses, reflecting the level of risk being undertaken by each party and addressing appropriate course quality:
  - o The specific deliverables, including formats expected;
  - o Development deadlines agreed to (interim and final);
  - o Any penalties for missed deadlines;
  - o Specific performance - no subcontracting without permission;
  - o Material must be original (or permissions secured);
  - o Fees, expense reimbursement policies;
  - o Copyright – who owns what?
  - o Exclusivity arrangements;
  - o Confidentiality requirements;
  - o What happens if a scheduled session is cancelled due to a lack of registrations (notice to be given, fees – if any – to be paid);
  - o Requirement for the SME to stay current and in good standing (if developer/presenter is a professional accountant).

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[37] American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA), *The Statement on Standards for Continuing Professional Education (CPE) Programs* (2016), online: NASBA <https://www.nasbaregistry.org/__media/Documents/Others/Statement_on_Standards_for_CPE_Programs-2016.pdf>.

Planning and hosting upcoming session offerings

When arranging the logistics of running CPD sessions (by hosting seminars and conferences, or coordinating access to online courses, etc.) there are a few considerations that should be kept in mind:

- Sessions should be scheduled based on the "professional calendar" (e.g., sessions that will be popular with public practitioners should be offered outside of their busiest season).

- Concentrate on offering sessions during periods when members are most interested and focused (members are typically deadline-driven and think about their CPD most when the CPD year-end or reporting deadline is getting close).

- Registration should be facilitated in advance to determine demand. This can most efficiently be done using an online system, or alternatively through phone support.

- Clear and fair policies should be set for cancellations/refunds.

- For in-person sessions, negotiate with venues for favourable rates, and coordinate services to meet presenter and member needs and expectations (e.g., audio-visual equipment, meals/beverage service respecting dietary restrictions, parking, room rates for out-of-town participants, etc.).

- Consider holding in-person sessions in a variety of geographic locations, to increase convenience for members (e.g., choose a few major centres that can provide sufficient demand to make each viable).

- For online sessions, coordination with IT support is essential to ensure that members are able to participate easily and get technical help when needed.

All of these considerations require sufficient staffing and resources to ensure they run smoothly for members. Administrative staff who manage the processes before and during sessions need to be properly trained and given sufficient authority to take action and correct issues that arise.

Continuous improvement

Participant feedback should be used to evaluate topics, content, facilitator effectiveness, and event organization and management. Participant feedback should be collected, compiled, and shared with presenters.

Based on the participant feedback received, the PAO should:

- Review and evaluate individual seminars.

- Review and evaluate presenters and facilitators.

- Review and evaluate venues for suitability.

- Review topics for continued relevance and currency.

- Refresh technical areas based on standards changes.

- Refresh business topics based on trends and interests.

- Refresh sessions on professional skills, values, ethics, and attitudes to provide variety.

- Ensure sufficient choice for mandatory elements.

Participants should be encouraged to provide honest feedback, and negative comments should be carefully considered. However, there are a few caveats when reviewing feedback received from participants:

- Be careful not to give too much weight to any one review, and consider sample sizes when evaluating – avoid the knee-jerk reaction to a single or a small minority of vocal responses.

- First hand observation is important to ensure that members are not reacting negatively to a strict, but fair facilitator or reacting positively to one who is entertaining but doesn't teach them anything.

- If the leadership believes a topic is important and implements a mandatory topic requirement, some members may find the requirement burdensome and react negatively (remember the "take your medicine" problem presented in Part 2.3).

3.4

Monitoring and supporting member reporting and compliance

3.4.1

Administering CPD completion and reporting

As members complete their CPD learning activities, they will need support from the PAO. To avoid making this strictly a compliance task, it is important for the PAO to support the professional accountant to take responsibility for completing and recording CPD learning activities. Administratively, the PAO will provide guidance and tools to allow members to effectively and efficiently keep track of their learning activities in a format that will satisfy the PAO's evidence requirements. As discussed in Part 3.2.2, this may include templates to record activities (paper-based or online), guidance on the evidence to be retained, and some information on the PAO's monitoring and CPD auditing process.

The decision to use paper-based or online tracking and reporting will normally depend on the size of the membership and the resources of the organization. Online reporting is initially more costly for the PAO and requires attention to system reliability, security,

and privacy, but it also allows for automation of many monitoring and review processes. Online systems also tend to result in more standardized reporting, as categories of activities can be defined, and information can be collected using specified fields for completeness of reporting. If an online system is introduced, there should be clear instructions for use and sample entries available for members to refer to as guidance.

In addition to general administrative assistance, PAO staff will be called on to respond to compliance queries and assist with questions about CPD recording and reporting. Training on existing policies will be needed to ensure that members receive clear and consistent answers to their queries. Ongoing communication with members as they complete CPD should remind them of the benefits of self-assessing their learning needs on an ongoing basis and using a gap analysis to plan future CPD activities.

3.4.2

Monitoring compliance

The specific activities by a PAO to monitor member compliance depend on the requirements and policies set. Members who are required to report CPD can be categorized as shown in **Figure 12**.

When the CPD reporting deadline arrives, some percentage of the membership will miss the deadline, despite many organizations sending a "reminder to report" message prior to the deadline to increase compliance. Organizations will often then address late reporters through an administrative process and send additional reminders and follow-up correspondence,

perhaps with a notice of administrative fees attached. If a member still fails to file their annual CPD report, they would now be considered a non-reporter, and the appropriate investigation/disciplinary processes should begin, in accordance with the policies set (see Part 3.5).

Most PAOs do not ask members to submit evidence with their CPD report, but instead require them to maintain documentary evidence to support their CPD report in case of audit.

Figure 12. Categories of reporting members
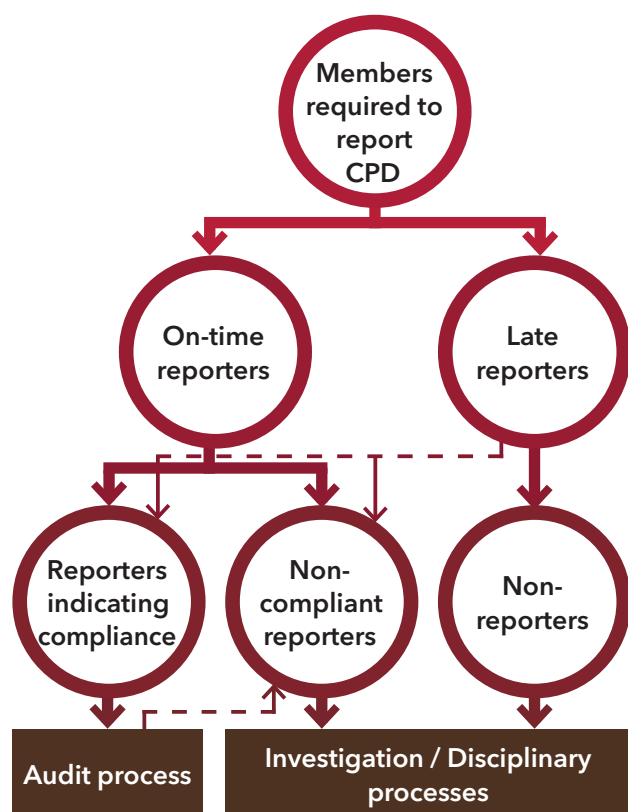
Verifying compliance can be done manually or, if using electronic reporting, by generating an exception report to identify non-compliant reporters. From the set of reports that indicate compliance with the PAO's requirements, a sample of members are selected for audit, and are asked to supply evidence of their reported CPD activities.

There are a number of factors the PAO should consider with respect to monitoring compliance:

- What audit sample size is needed to be reliable?
- Is risk-based sampling done? If yes:
  - Which roles involve higher risk?
  - Which roles have the greatest responsibility to the public?
  - Which patterns of behaviour suggest a higher priority for sampling (e.g., previous non-compliance, other ethics breaches in the past)?
- Is monitoring annual or cyclical? If cyclical:
  - What cycle is reasonable?
  - What cycle would be expected by regulators, public, etc.?

- What approach to CPD is being followed:
  - **Input-based:** Check compliance with hours requirements (or equivalent) during the year and over the cyclical period, as applicable.
  - **Output-based:** Assess the CPD learning plan, the sufficiency of activities undertaken, and the reasonableness of conclusions with respect to effectiveness in achieving learning outcomes.

The audit process evaluates the records and supporting evidence against CPD requirements. Supporting evidence could include:

- Course outlines and materials.
- Confirmation of participation by instructor, employer, or administrator.
- Official certificate of completion.
- Results of exams or other assessments.
- Peer review or publication of written works.
- Course materials developed and delivered.
- Achievement of a specialist designation.
- Review of work logs verified against competencies.
- Independent practice inspections/review by regulators.

The audit process will typically identify additional non-compliant reporters who would also be subject to whatever investigation/disciplinary processes and sanctions have been deemed appropriate by the PAO (see Part 3.5).

3.5

Investigating, remediating, and sanctioning non-compliance, and reporting results

3.5.1

Investigating, remediating, and sanctioning

As mentioned previously, many PAOs address some CPD matters administratively, such as levying standard fees for late filing of CPD reports or for first-time shortfalls in learning activities that are subsequently remedied. Responding to relatively minor infractions through administrative processes may be appropriate, but in general, failure to comply with CPD requirements is a serious matter that should be seen as the purview of a PAO's ethics and discipline processes. **The first goal is remediation –bringing the non-compliant member back into compliance as quickly as possible, in the interest of protecting the public. In some situations, a remediation or education approach is the focus of the PAO's actions, whereas in other situations, a more punitive approach is warranted.**

As an example of a focus on remediation, CPA Ontario provides the following guidance to non-compliant members[38]:

> *What if I'm unable to meet the requirements?*
>
> 1. *If you did not complete the minimum annual CPD requirements…you will need to complete the online Plan of Action…which sets out the steps you will take to complete the CPD requirements. This Plan…must provide sufficient detail, including names and providers of any planned learning activities, as well as hours and end dates.*
>
> 2. *Within 120 days of filing the above Plan, you must complete your required CPD and … attest to the CPD completion. If the Plan is incomplete or the learning activities set out in the Plan are not met within 120 days, your membership may be suspended. You may only submit one Plan of Action during a triennial period.*

Appropriate sanctions

If the PAO's ethics investigation and discipline processes find that a member is non-compliant with the CPD requirements, appropriate discipline may include the following mix of remediation and punitive sanctions:

- Requirement to promptly make up the shortfall
- Requirement to take prescribed courses
- Reprimand placed in a member's file
- Public naming of the non-compliant member
- Fine
- Limit on practicing rights
- Suspension
- Expulsion/cancellation of membership

Sanctions should be balanced:
- Too light: encourages non-compliance
- Too heavy: excessively punitive

Factors to consider when determining appropriate sanctions for non-compliance with CPD requirements include:

- The PAO's legal authority to sanction its professional members.
- Whether the non-compliance is related to a failure to maintain competence or failure to report CPD activities.
- Mitigating circumstances (illness, etc.).
- Pattern of behaviour (repeated breaches).
- Willful disregard of the CPD requirements.

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[38] *CPA Ontario CPD Guide, supra* note 27.

A failure to maintain competence is generally considered as more serious than failing to report activities. Some organizations using an input-based approach may allow non-compliant members to provide justification of how they maintained competence using an output-based approach as a means of reducing sanctions. **Nevertheless, given the importance of member competence, wilful disregard of CPD requirements – including the requirement to report learning activities – should be seen as a serious ethics breach and sanctioned accordingly.**

Liaising with quality assurance processes

PAOs should ensure coordination between their CPD monitoring and enforcement system and their quality assurance processes. For example, practice inspections/peer reviews can include a review of CPD compliance in conjunction with ISQC 1 where appropriate. More broadly inspection results may indicate competence gaps of firm members. When there are identified competency failings, there should be an ability to impose additional CPD requirements. Specific practice/peer review results that indicate failings in competence should result in increased CPD as remedial action. More broadly, general practice inspection/peer review results should inform CPD policies (e.g., common weaknesses could lead to more emphasis in offerings or requirements).

3.5.2

Reporting of results

At the end of the CPD operational cycle (see **Figure 9**), the results of the CPD process should be reported to the Board, and potentially to other stakeholders such as the membership, regulators, and the public. This requires that the PAO compile and evaluate the relevant statistics.

Results that are valuable to be reported to the Board and/or committees include:

- Metrics on CPD offered/facilitated (number of sessions, hours of content, attendance rates).
- Metrics on attendance at sessions covering identified areas of general skill gaps or deficiencies in members.
- Summary of participant feedback and any notable patterns.
- Financial impact on the organization (departmental revenue and expenses).
- Results of monitoring (sampling method, compliance %).
- Disciplinary cases and results (per normal ethics reporting to Board/committee).

Public reporting goes back to the communication messaging guidelines in Part 3.2.1 – it shows that the organization is taking CPD and member competence seriously and holds itself accountable to the public.

For example, CPABC issues an annual *Regulatory Report to the Public*. An excerpt from the 2017-18 report[39] follows:

Continuing Professional Development (CPD)

Active members are required to self-report compliance with CPD. Action is taken against members who do not comply with the requirements. This action can result in suspension or cancellation of membership.

97% comply by deadline

CPABC audits a minimum of **1%** of CPD required reporters annually. Members who do not comply with the CPD audit process risk being referred to the CPABC investigation and discipline processes, where they could have their membership suspended or cancelled for non-compliance.

During the year ended March 31, 2018

➜ **142** members had their memberships suspended for CPD non-compliance

➜ **26** of the suspended members had their memberships cancelled.

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[39] CPA BC, *2017-2018 Regulatory Report to the Public: Upholding the Highest Standards*, online: CPA BC <https://www.bccpa.ca/news-events-publications/publications/regulatory-report-to-the-public/> at 3.

PART 4

Developing and delivering engaging and effective CPD
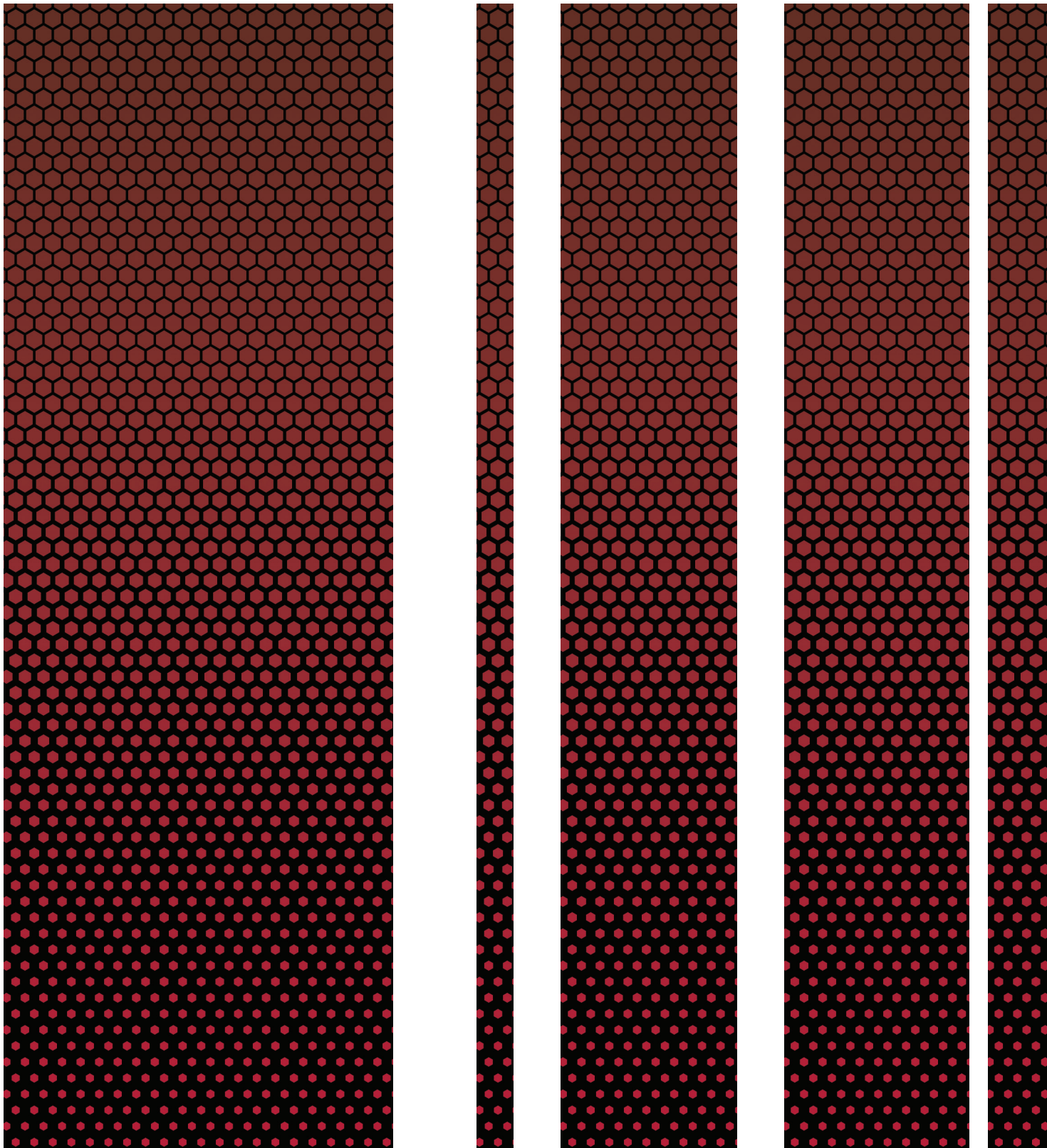
Highlights of Part 4

Developing competence in facilitating CPD sessions with adult learners requires insight into the specific needs and characteristics of adults as a participant group. Part 4 addresses the following themes to help CPD developers, presenters and facilitators become more effective teachers:

- General good practice in facilitation of engaging CPD sessions.

- Differences between young adult students and professionals with respect to learning expectations.

- How to motivate and support adult learners.

- Tips and techniques for effective instruction and facilitation with mature adult learners.

Key questions addressed in Part 4

- How to ensure that CPD activities are specifically developed and delivered to engage a professional audience?

- How to develop sustainable learning outcomes?

A note on terminology

Throughout this Guide you may have noticed the use of the terms "presenter" and "facilitator" with respect to CPD sessions. These words are often used interchangeably, but there is a subtle difference. Some CPD sessions (and some classes in general) primarily involve a one-way delivery of content, where a SME *presents* material without significant interaction with attendees. *Facilitating* a CPD session or class, on the other hand, requires that a significant portion of the session be interactive and include engaging learning activities that require active participation from attendees. Participants complete activities, usually in collaboration with their colleagues, and the session facilitator's role is to guide the learning, ensure active participation, and debrief key messages. This part of the Guide focuses on how to develop and deliver material through engaging, facilitated sessions.

4.1

Elements of an engaging course

4.1.1

The importance of participant engagement

Engaged participants are:

- interested in learning.
- interested in the subject matter.
- committed to actively participating in learning.
- willing to put in the effort.

Engagement is essential because:

- competence requires that the knowledge learned is applied and retained.

- knowledge learned is better retained through active participation.
- if participants don't retain the new skills, CPD is a waste of time.
- one-way delivery is limited in effectiveness.

Engagement requires that participants' interest is maintained throughout the session. This requires **active learning**, where participants are required to think, analyze, research, and/or discuss ideas during the session. This is also referred to as "learner-centred" education.

4.1.2

Achieving engagement

To maximize engagement and effectiveness of CPD sessions, it is important to recognize that the member's experience before, during, and after the session are interconnected. Each of these factors plays in to a member's overall experience and will impact how well they retain and are able to apply their new skills.

This concept applies to any kind of course format – in-class, online, etc. Different formats have different limitations that need to be worked within, but it is important that overall engagement be maximized to the extent possible within the context of each format used.

Throughout the process, there are a number of steps that should be followed to help achieve engagement. These steps are outlined in **Table 5**.

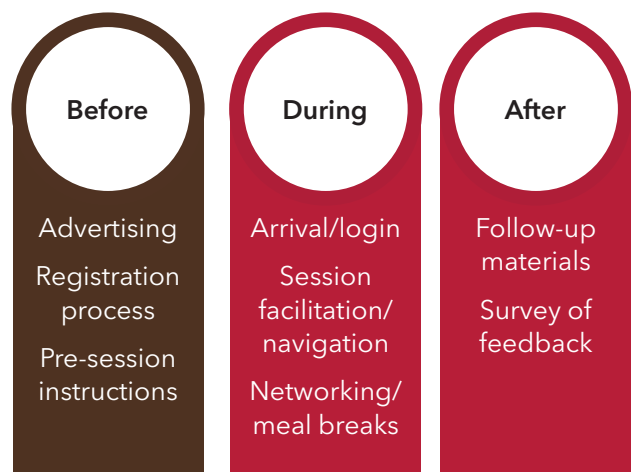| Before	During	After
Advertising	Arrival/login	Follow-up materials
Registration process	Session facilitation/ navigation	Survey of feedback
Pre-session instructions	Networking/ meal breaks	

Figure 13. Before, during, after…

Table 5. Steps to create engagement

1 ATTRACT THE RIGHT PEOPLE AND SET EXPECTATIONS

Engagement depends on having participants in the course who:	To achieve this:
are interested in the content area.	ensure the advertisement/communications are descriptive enough, including the type of activities involved.
have sufficient prerequisite knowledge.	do a pre-test if specific prerequisite knowledge is essential (self-assessed or graded for admission).
understand what will be expected of them.	lay out expectations at the beginning of the session, and state any key assumptions up-front.
are engaged, participation must have a meaningful result and a lack of participation must have consequences.	explain the "reward" and how to earn it (e.g., certificate on passing quiz; competence that can be applied on-the-job).

2 CONTROL THE ENVIRONMENT

In order to engage, people need to:	To achieve this:
be comfortable (but not so comfortable that they become complacent).	- ensure the room is big enough to accommodate the group without crowding (facilitator should be able to walk between tables to guide discussions); - use round tables for discussions and collaborative activities; - control the temperature (cool) and lighting (bright); - provide water, tea/coffee, snacks.
avoid distractions.	- assign seating so friends are separated (this reduces the side conversations, keeps people on task, and allows for more interchange of new ideas); - ask participants to put away mobile phones, etc.; - make expectations clear regarding participation and focus; - ensure regular breaks so participants can check in with the office/emails, network with colleagues, etc.; - start and end the session on time – if participants are playing by the rules, so should the facilitator;
have a sense of team or community.	- use icebreakers; - use name tents so participants (and the facilitator) can call each other by name; - consider competitive elements to motivate teamwork and participation.
feel safe and valued when speaking up.	- set ground rules if needed; - set an example as facilitator (positive reinforcement); - address issues promptly if they arise; - use anonymous polling for sensitive questions (especially where supervisors and subordinates are attending the same session).

3 INCLUDE EFFECTIVE LEARNING ACTIVITIES

Effective learning requires:	To achieve this:
relevant content.	• map activities to a Competency Framework or set of learning outcomes; • ensure content is current; • refer to original sources where possible when developing course materials;
enough context/background information to serve as a foundation.	use introductory slides to present new material and provide sufficient background.
activities that challenge without being overwhelming.	• set activities at the right level for the group; • use a variety of activities to match different learning styles and interests; • have the teams be as diverse as possible to help each other learn, especially when the group is mixed and from different backgrounds.
supportive facilitation to keep momentum.	• circulate throughout the room and listen in to discussions – support and re-focus discussions as needed; • don't interject too quickly – the learning will be more lasting if participants figure things out for themselves to some extent.
consistent debriefing to re-iterate key points.	debrief key points at the end of each activity.

4 FORWARD-LOOKING WRAP-UP

Sustainability of learning requires:	To achieve this:
wrap-up that cements the learning outcomes.	assess learning outcomes through testing or self-assessment.
rewards for successful completion.	• provide certificates for successful completion or just recognition; • consider small rewards, such as PAO-branded giveaways.
plans for real-world application.	set aside time at end for reflecting on future real-world application.
resources for future reference.	provide resources/links for future reference (at same time or as follow-up); participants should be equipped to go forward, and should have ongoing resources to refer to in the future.

4.1.3

When your "students" are professionals

Effectively facilitating a CPD session where participants are mature professionals is, in many ways, different than teaching a classroom of undergraduate students. Some of the key differences are discussed below, along with some tips for facilitating professionals:

Facilitators and participants are colleagues

In a typical education setting, the person at the front of the room is seen as the authority in the room and has the power to determine the "success" of those in the room (such as passing or failing a university student). **In a CPD setting, however, the facilitator should be respected as an expert, but does not have any power or authority over the group. This is why setting expectations and stating assumptions up front (step 1) are important.**

Professionals may not expect to be forced to actively participate

Perhaps based on past experience, some professionals will expect that in a CPD session, they will be able to pay more attention to their emails than the topic being facilitated in the room. To motivate active engagement, it is important that participation has meaningful results and that the lack thereof has consequences. Results could be something formal, such as earning a certificate, or could be informal, such as the direct value of the learning itself and the resulting impact on the professional's practice or profitability, and so on. **If there is no result for active participation and no consequence for poor participation, it is easier for attendees to be less active participants.**

Professionals face distractions from other obligations

If participants are distracted by events outside of the session, this negatively impacts the learning that can be achieved in the room. But with distractions, there's a balancing act needed. When teaching university students, you may be able to "demand" attention (even if you won't be popular for doing so). With professionals, however, they have responsibilities outside of the session, and emergencies happen. Regardless of how important the CPD topic is to them, their office obligations will often be perceived as a priority. If session materials are being used electronically rather than in printed form, the temptation for participants to check email or otherwise be distracted might be even greater.

To deal with this issue, it is important to set expectations up front. Ask participants to ensure their devices are silenced, and remind them that professional courtesy dictates that they be attentive and actively participate in the room and with their colleagues. If applicable, set parameters around what's appropriate in a 'paperless' course offering. Allow for regular breaks and make them long enough for participants to check email, network, get a drink, and use the facilities as needed. When these expectations are set appropriately, most professionals will ignore routine issues going on in their office, and will leave the room if an emergency arises, to avoid disrupting their colleagues as well.

Distractions also occur when participants work together and/or know each other well and engage in side conversations during the session that are unrelated to the material at hand. **Consider assigning seats so that participants work with people they don't know and thereby stay more focused on the session.**

Professional conversations must be cautious of confidentiality requirements, and can be "chilled" by career politics

It is important to address issues that are meaningful and challenging to the profession. Sometimes, however, these conversations can encroach on confidential information or can be sensitive to discuss. This can be particularly challenging when professionals in the room are at mixed levels of authority. Newer professionals may be hesitant to voice experiences or raise concerns that they believe their "superiors" may not approve of or agree with. Imagine, for example, that you are facilitating a session on ethics in the workplace and you want to ask the group the extent to which they've witnessed misconduct in their own organization. In this kind of situation, many participants will be hesitant to volunteer information in public.

For participants to be able to safely express their ideas, experiences, and opinions, anonymous polling systems can be extremely beneficial. Anonymous polling allows for a more accurate picture of participant responses, and can allow for discussions on sensitive issues without identifying individual opinions or beliefs. In addition, it is important for the facilitator to be mindful of any political tension in the room, while at the same time making expectations clear. As another example, if you're facilitating a session on diversity and inclusion, you need to ensure

participants understand that a lack of tolerance of other viewpoints will not be accepted in the room, and also serve as a role model in expressing opinions professionally and respectfully.

Professionals have high expectations

With most CPD sessions, the professional (or their employer) has paid a fee to attend, and they expect a certain level of quality. It is important to live up to those expectations and show that you value their time and money. Plan in advance and be well prepared, but also recognize that not every detail can be controlled. The venue will sometimes make mistakes; participants will have things going on in life and work that may distract them; technology will sometimes fail, etc. **The facilitator should aim to control what they can and be prepared to respond and adapt quickly when the unexpected occurs.**

4.2

Presentation methods and types of participant activities

Developing and delivering engaging CPD requires that facilitators use a variety of presentation methods and activities to appeal to different learning styles and maintain participants' attention and focus. The longer a session is, the more activities should be varied to avoid fatigue – both for the facilitator and for participants.

Wherever possible, participants should be engaged in activities where they collaborate with colleagues and "learn by doing." Some foundational knowledge should be provided for most material to ensure that everyone has a starting point they can draw on. **The more instructional material being presented, the greater the variety of different presentation methods that should be used.**

To present materials, facilitators can combine:

- Traditional "lecture style."
- Videos or audio from other sources.
- Diagrams and visual aids.
- Demonstrations (tools, software, etc.).
- Stories, scenarios, case studies, and current events.
- Guest speakers.
- Using multiple facilitators.

Adding in video and audio from other sources may not work well when working with simultaneous translation, but can be effective when everyone speaks the same language. In a multilingual environment, multimedia with very simple content or fairly universal visuals can be used and/or a translated transcript of the audio provided.

In terms of participant activities, there are a wide variety that can be used, examples of which are listed in **Table 6**.

Activities should be chosen that suit the material and vary the activities during the session. **Don't be afraid to push people somewhat out of their comfort zone (for example, by getting them to present to the group, role play, etc.), but make sure that participants are set up to succeed:**

- **Give warning about more challenging activities to help people prepare;**
- **Be clear on the expectations;**
- **Give support and guidance to keep people on track;**
- **Show confidence in their abilities.**

Ultimately, developing session materials that vary in presentation style and include a mix of participant activities makes the facilitator role more rewarding and interesting, and makes the learning from these sessions more meaningful and lasting for participants.

Table 6. Activity types

Activity type	Notes on using the activity
Focused discussions	• Pose a question and have participants discuss • Can include web research if needed • Debrief as a group
Case or scenario discussions	• Provide a case or a scenario (real or fictitious) • Include discussion questions for participants to work through (and guide them to be systematic in approach) • Debrief as a group
Multiple choice questions	• Can use a dedicated system or online tools (or simply a show of hands) • May allow anonymous responses for sensitive questions • May count for points (whether assessment or competition), or just for interest • Can require research (such as in standards or online) • Can use **poll/re-poll method** to help the group teach themselves (1. poll the question and show the responses; 2. without indicating the correct answer, have the group discuss and try to convince one another of their answer; 3. re-poll. If you have between 30% and 70% correct the first time, this should produce significantly better results on the re-poll and lead to interesting discussion) • Place the emphasis on the discussion and rationale, rather than on the answer
Team presentations	• Have participants present their ideas to the group • Structured (using screen or flipcharts) or informal from their table • Better to do later in the session, once participants are more comfortable in the setting and with the topic and their colleagues • Other participants should ask questions, and offer comments/feedback • Useful to build competence in areas such as communication, group decision-making, leadership, governance, etc.
Role playing	• Have participants take assigned roles • Act out a scenario or situation • Debrief and ask others for how else it could be handled • Better to do later in the session, once participants are more comfortable in the setting and with the topic and their colleagues • Useful to build competence in areas such as communication, group decision-making, leadership, governance, etc.
Debates	• Have participants take sides on an issue • Allow preparation, then have each side support their position and challenge the other position • Balance speaking time and ensure adequate debrief of the merits of each side • Good for controversial issues with no clear "answer"
Out-of-seat exercises (get people up and moving around the room)	• Ask a question and have participants write their ideas or answers on flipcharts or stick their responses to the wall with sticky notes (or tape them up) • Rotate between stations (e.g., put a number of questions on flipcharts and have teams move from question to question, adding ideas or responses to the list) • Physical activities (building a human pyramid, performing a skit, writing and even singing a song)

Sample CPD Resources from World Bank CFRR

The CFRR held a **multi-day training workshop for Accrediting CPD Trainers of Accountants and Auditors** in Serbia as part of the STAR-CFR project[40]. The sessions included a wide variety of interactive learning activities to engage participants. The slide decks available on the CFRR website are intended to accompany this Guide. A comprehensive evaluation of CPD practices at the Chamber of Auditors of Serbia is included in the Appendix.

In addition, the CFRR has implemented the **EU-REPARIS Audit Training-of-Trainers Program**, which brings together small and medium practitioners and PAO educators from Europe and Asia to engage in a peer-to-peer learning and knowledge exchange process. Many resources (including case studies) which can be used for CPD programs were developed through this program and can be download from the CFRR website[41].

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[40] World Bank CFRR, *Training-of-Trainers Program: Accrediting CPD Trainers of Accountants and Auditors in Serbia* (May 2018), online: World Bank Group <http://www.worldbank.org/cfrr>.
[41] World Bank CFRR, *EU-REPARIS: Audit Training of Trainers*, online: World Bank Group <http://www.worldbank.org/cfrr>.

PART 5

Including Ethics and Professionalism in the CPD Program
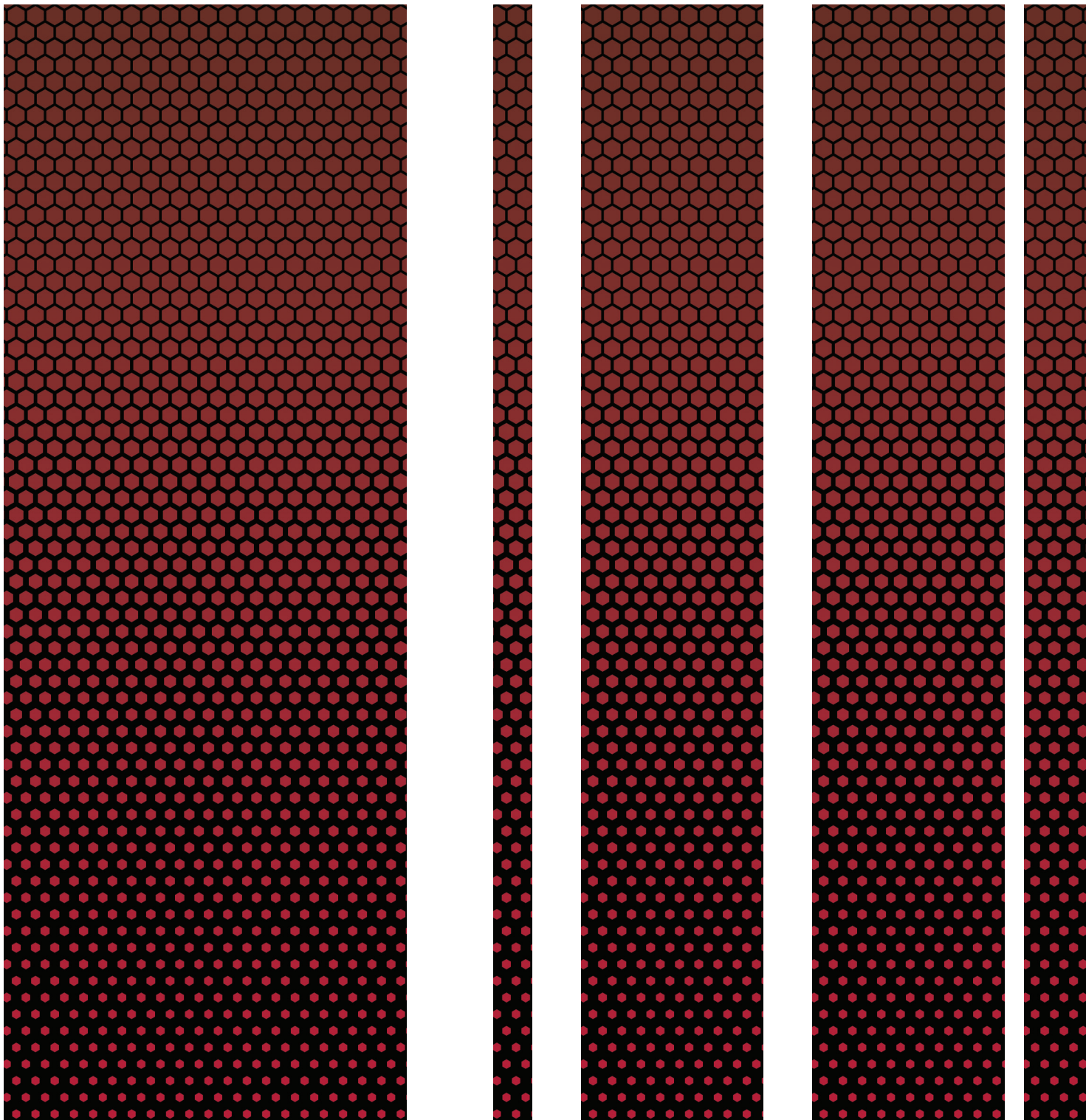
Highlights of Part 5

Professional competence includes technical domains as well as professional skills, values, attitudes, and ethics. An organization's CPD program must address both the technical and enabling competency areas. This part provides participants with tools to ensure CPD programs contribute to maintaining and developing the professionalism of accountants and auditors, particularly with respect to ethical attitudes and behaviours.

- Part 5 examines ways to ensure sufficient coverage of enabling competencies in a CPD program, including:
- Considering the inclusion of a mandatory requirement for ethics and professionalism content in a CPD program.
- Ensuring adequate coverage of enabling competencies in the catalogue of CPD offerings.
- Structuring sessions to integrate professional skills development, such as professional judgment and skepticism, teamwork, and communications.

Key questions addressed in Part 5

- How do enabling competencies fit into a CPD program?
- What are some effective ways of engaging members in ethics and professionalism topics?

5.1

Importance of ethics and professionalism in CPD programs

As previously stated, the purpose of a CPD program is to help protect the public by ensuring that professional accountants remain competent. When it comes to public trust, perception is a big part of reality, so it is important that the public both see and understand the CPD requirements, and know that professional accountants are responsible for meeting them.

It is essential that professionals have well-rounded competence, including being able to demonstrate ethical decision-making and overall professionalism. Remember that technical competence alone only creates a technician, not a professional.

Recall also (as discussed in Part 3.3.1) studies of employers, clients, educators etc., often find that the professional skills, values, ethics, and attitudes are deemed (by employers, in particular) to be the most essential competencies for professional accountants. This means ensuring that these competencies are sufficiently covered and represented in CPD offerings. Provincial CPA bodies in Canada, for example, require members to complete at least 4 hours of verifiable business ethics-related CPD content during each three-year rolling cycle.

Incorporating ethics and professionalism in CPD programs

Lecture-style materials can inform, but generally do not develop these enabling competencies. Facilitators need to engage participants in discussions and lead interactive activities to build competence in a meaningful way.

It is important that facilitators understand that some of these skills may be developed using examples not related to accounting. Critical thinking, for example, can be developed using any material. This provides opportunities to approach the training in a unique way and get participants to think from a different perspective. It also adds the benefit of focusing on the enabling skill, rather than a technical skill. For example, using a case study to get participants to practice critical analysis, using an accounting case may lead them to focus on the correct accounting treatment, rather than the process of critically analyzing information. When using non-accounting related materials, it is especially important to debrief the relevant learning so that participants understand how the skills relate to their professionalism – otherwise participants may miss the key points and messages. As explained in Part 3.3.1, ethics and professionalism for professional accountants are addressed in *IES 3 Professional skills*, and *IES 4 Professional values, ethics, and attitudes*.[42] We'll look at each of these in turn next.

5.2

Professional skills

Recall from Part 3.3.1 that the learning outcomes provided in IES 3 can be useful in determining the range of professional skills that should be included in CPD. **Table 7** provides ideas for including these enabling competencies in learning activities, using the competence areas of professional skills from IES 3.

Activities can combine technical and enabling competencies, for example by having participants research new accounting or auditing standards and presenting their research to the class.

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[42] IES 3 and IES 4 are available as part of the "IAESB IESs", supra note 5

Table 7. Including professional skills in CPD activities

Competence area[43]	Examples of how to include
Intellectual skills such as: • Research • Analysis • Integration • Critical thinking • Dealing with unstructured problems	• Activities involving web research or researching accounting, auditing, or tax standards • Scenarios or case studies • Activities requiring logical reasoning and critical thinking
Interpersonal and communication skills such as: • Cooperation • Concise, clear, and persuasive written and oral communication • Cultural awareness • Effective listening • Interviewing • Negotiating	• Discussions at tables • Have individuals/teams report back to the full group • Have participants interview each other • Role play • Discussions about sensitive or contentious issues • Have participants present their ideas
Personal skills such as: • Commitment to lifelong learning • Open-mindedness • Time management • Setting high personal standards of performance • Anticipating challenges	• Have participants explore CPD options and develop an output-based CPD plan (using a template) • Hold sessions on time management/project management • Informal (unverifiable) activities like coaching, mentoring, and performance review feedback discussions
Organizational skills such as: • Quality review of self and others • Adherence to established practices • Leadership, motivation, and delegation • Application of tools and technology	• Have participants evaluate each others' responses • Appoint roles among tables to require leadership and delegation • Hold sessions on applying technology (Excel, audit software, accounting software, etc.)

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[43] IES 3 is available as part of the "IAESB IESs", supra note 5

Professional values, ethics, and attitudes

Professional values, ethics, and attitudes are supported by the learning outcomes provided in IES 4. Once again, these learning outcomes can be useful in determining the range of professional skills that should be included in CPD (refer to Part 3.3.1 for more detail). **Table 8** provides ideas for including these enabling competencies into sessions, using the competence areas of professional values, ethics, and attitudes from IES 4:

Table 8. Including professional values, ethics, and attitudes in CPD activities

Competence area[44]	Examples of how to include
Professional skepticism and professional judgment	- Use case studies with grey areas of what the correct action would be - Have participants evaluate explanations critically - Contrast the difference between being skeptical and accusatory - Discuss the types of unconscious bias we all have, and ways to overcome those biases to avoid being misled - Include **IESBA's work in the area of professional skepticism and professional judgment**[45] and have participants discuss the issues
Ethical principles	- Provide training on the code of professional conduct (using the *IESBA Code*[46] or a national equivalent) - Using case studies or scenarios, have participants determine the relevant rules and principles at issue and whether and how these were breached - Have participants explain the fundamental principles in layman's terms - Provide and discuss extracts from real ethical cases in the profession or in a related profession
Commitment to the public interest	- Use case studies - Review recent news stories where there were ethics failings - Hold sessions on corporate social responsibility, triple-bottom-line accounting, etc. - Evaluate exposure drafts of new standards or laws - Have participants discuss what they think appropriate sanctions would be for examples of breaches of the code

The IESBA Code

When developing and facilitating CPD materials that aim to enhance professional values, ethics, and attitudes, the **IESBA Code**[47] is a key resource. Regardless of whether there exists a national code of conduct, the *IESBA Code* provides standards and guidance that are robust and relevant in any context. The *IESBA Code* has been restructured in recent years and is now clearer and easier to use, with extensive guidance that facilitators can use to raise discussions and analyze issues.

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[44] IES 4 is available as part of the "IAESB IESs", supra note 5

[45] IESBA, "Professional Skepticism Long-Term", online: IESBA <https://www.ethicsboard.org/projects/professional-skepticism-long-term-0>.

[46] *IESBA Code, supra* note 1.

[47] *IESBA Code, supra* note 1.

An example that addresses all 3 categories of professional values, ethics, and attitudes

This is another example from CPA BC's *Gateway to Membership* training course for new members[48]. During the session, participants are given the following background information, slightly adapted, and are asked to discuss the scenario in the context of the ethical principles:

Background:

In January 2018, six U.S. CPAs faced criminal and Securities Exchange Commission (SEC) charges for using information from the Public Company Accountability Oversight Board to benefit their firm. Research this story.

Discuss:

- *How do the IESBA Code's Fundamental Principles apply in the context of the behavior alleged in this story?*
- *What would the public expect of CPAs in this situation?*

This activity combines:

- Using professional judgment to evaluate behaviors
- Explaining the ethical principles in terms of what the public would expect
- Discussing the impact on the public interest and the profession

It also includes:

- Web research (intellectual skills)
- Reporting to the class (interpersonal and communication skills)

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[48] *CPABC Gateway, supra* note 39.

CONCLUDING COMMENTS

We hope this Guide has provided valuable direction in implementing and maintaining CPD systems that meet the international standards and good practice in ways that are practical and sustainable in the local context. A robust CPD program that communicates its importance to members and engages members in their pursuit of lifelong learning has the power to drive the profession forward to enhanced levels of competence. For maximum long-term impact, don't confuse rigor and rigidity with proper balance and perspective. Dynamic and flexible programs can generate significant buy-in from members and move them away from a "checkbox" mentality of completing their CPD to a pro-active desire to learn and advance.

APPENDIX

CPD PRACTICES AT THE CHAMBER OF AUDITORS OF SERBIA

A.1

Introduction

A.1.1

Continuing professional development: role and significance

Professional competence is a necessary precondition for financial reporting of high quality. The International Accounting Education Standards Board defines professional competence as the ability to perform a role to a defined standard. It states that professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures and that it represents the integration and application of technical competence, professional skills, and professional values, ethics, and attitudes.[49]

Maintaining professional competence in an ever-changing world requires significant effort and commitment to lifelong learning aimed at staying current with changes in relevant regulation and trends in the business environment. For the International Ethics Standards Board of Accountants this means attaining and maintaining "professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service based on current technical and professional standards and relevant legislation."[50]

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[49] *International Accounting Education Standards Board, International Education Standard 4, Initial Professional Development – Professional Values, Ethics and Attitudes (Revised), New York, 2019, IAESB*

[50] *International Ethics Standards Board for Accountants, International Code of Ethics for Professional Accountants™ (including International Independence Standards™), New York: IFAC, 2018, para 110.1 A1*

A.1.2

Lifelong learning

Lifelong learning in accounting and audit is performed through the process of continuing professional development (CPD). As a fundamental part of the professional competence development process, CPD contributes to the protection of public interest by ensuring that the public can trust the authority of accounting knowledge and the judgment of accountants. The process represents a continuation of initial professional development (IPD), when professionals first acquire necessary competences for performing their duties. These competences are primarily developed through formal university education, work experience, and training programs. CPD enables those competences to be maintained and new competences acquired, taking account of changes in the business environment and relevant regulation.

The International Education Standards[51] specify the standards to be achieved in accounting and audit education. Standards 1 through 6 focus on IPD and 7 on CPD, providing for continuing development of the learning outcomes achieved during IPD.

For CPD to be effective it is important that it is planned, relevant, and timely to the learning and development needs of the professional accountant. Use of a CPD framework can assist professional accountants in identifying learning and development activities to maintain and improve professional competence. CPD encompasses different activities, such as: (a) education, (b) training, (c) practical experience, (d) mentoring and coaching, (e) networking and sharing of knowledge and experiences, (f) observation, feedback, and reflection, (g) planned self-development and improvement activities, and (h) unstructured gaining of knowledge.[52]

The World Bank Implementation Guide on Continuing Professional Development Programs for Accountants[53] outlines the fundamental concepts of professional competence and the ethical and educational requirements for CPD programs to support that competence. It also addresses issues of strategy and policy and suggests a systematic path to establish a CPD program in support the strategy.

A.1.3

Role of professional accountancy organizations

One of the main goals of Professional Accountancy Organizations (PAOs) is the protection of public interest. Hence, it is a fundamental part of the PAO's mandate to ensure that all of its members maintain professional competence to perform their tasks in compliance with highest ethical and other professional rules and standards. While universities provide accountancy and audit IPD in Serbia, CPD is largely the remit of PAOs. The most significant PAOs in Serbia are the Chamber of Authorized Auditors (CAA) and the Serbian Association of Accountants and Auditors (SAAA). SAAA is a member of the

International Federation of Accountants (IFAC), while CAA has the status of Associate Member. As IFAC member bodies both CAA and SAAA[54] are required to comply with the following rules on standards:

1. IFAC member bodies shall promote the importance of, and a commitment to, CPD that develops and maintains professional competence – Paragraph A10.

2. IFAC member bodies shall facilitate access to CPD opportunities and resources to assist professional accountants in meeting their

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[51] *International Accounting Education Standards Board, Handbook of International Education Pronouncements, New York, 2019, IAESB*

[52] International Education Standard 7 – Continuing Professional Development (https://www.iaesb.org/system/files/meetings/files/2-3-IES-7-Exposure-Draft-Clean-Version.pdf)

[53] *Centre for Financial Reporting Reform, World Bank Group: Implementation Guide – Continuing Professional Development Programs for Accountants, Washington 2018.*

[54] According to the data collected by the CAA, less than 5% of its Members attended CPD Courses organized by the SAAA.

personal responsibility for CPD that develops and maintains professional competence – Paragraph A11-14.

3. IFAC member bodies shall require all professional accountants to undertake and record CPD that develops and maintains professional competence appropriate to their work and professional responsibilities – Paragraph A15-22.

4. IFAC member bodies shall specify the nature and extent of verifiable evidence professional accountants are required to maintain for CPD that has been undertaken - Paragraph A15-22.

5. IFAC member bodies shall establish an approach to measuring professional accountants' CPD, by using one or both of the following approaches:

   a. Output-Based Approach (Paragraph A29–A34) - IFAC member bodies implementing an output-based approach shall require a professional accountant to demonstrate the achievement of specified learning outcomes.

   b. Input-Based Approach (Paragraph A35–A40) - 17. IFAC member bodies implementing an input-based approach shall require a professional accountant to complete a specified amount of learning and development activity.

6. IFAC member bodies shall establish a systematic process to (a) monitor whether professional accountants meet the IFAC member body's CPD requirements, and (b) provide appropriate sanctions for failure to meet those requirements – Paragraph A42-51.

7. IFAC member body processes for measuring, monitoring, and enforcement of CPD shall occur on a specific and regular basis, typically annually – Paragraph A42 – 51.

A.1.4

Aim of this report

This Report aims to assess the current provision of CPD in Serbia and identify areas for improvement. It looks primarily at the CAA, as the country's most significant and relevant institution dealing with all aspects of CPD, and considers the extent to which the current CPD program, activities, and performance compare to best practices outlined in the World Bank CPD Implementation Guide.

The document concludes that the CAA complies with all CPD requirements defined by International Education Standard 7 and that the revised Law on Audit, expected soon, should contribute to the overall improvement of CPD. Some suggestions to further raise the quality and relevance of Serbian CPD practice are made, these focus on:

• Encouraging better planning of CPD activities, with members making annual plans for at least 40 hours each year.

• Formally introducing a measurement approach that combines output-based and input-based methods.

• Expanding required CPD topics to include areas not well covered during IPD. Placing greater emphasis on study of soft skills, including professional ethics, and new areas, including technology.

• Clearer definition of activities that can be verified as CPD and consideration of including additional activities such as formal education and writing books.

• Making better use of the CAA website for members to access and record CPD, and to deliver online courses.

A.2
Continuing professional development in Serbia

A.2.1
Legal requirements

The current *Program on Continuing Professional Development of Licensed Authorized Auditors* was created in accordance with the Law on Audit and approved by the Ministry of Finance, having received the prior opinion of the Audit Public Oversight Board. It was adopted by the CAA's Assembly in 2014, based on a proposal by the Committee for Examination, Education and Continuing Professional Development. This Committee is responsible for defining CPD topics and identifying the need for changes and additions to the Program taking account of: i) quality control reports; ii) current professional rules and legislation; iii) suggestions from auditors. There have been no changes since 2014 but a new CPD Program is to be introduced in 2020.

The license to practice as an auditor must be renewed every three years and to be eligible the CAA requires its members to complete at least 120 CPD hours within that timeframe (i.e. 40 hours each year). Of this the first 60 hours must be training organized by an institution permitted by the Audit Public Oversight Board.

A.2.2
The Chamber of Authorized Auditors

Article 10 of the current Law on Audit defines the CAA as the main institution dealing with CPD activities in the country. This gives the CAA responsibility for the CPD Program, organizing CPD courses, and maintaining statistics on Licensed Authorized Auditors participation. The Law allows for other institutions to offer CPD activities with the permission of the Audit Public Oversight Board, especially: (1) higher education institutions, (2) PAOs and (3) audit companies. To date, no other institution has acquired this permission, leaving the CAA as the only institution formally organizing, conducting, and monitoring the CPD process in the country.
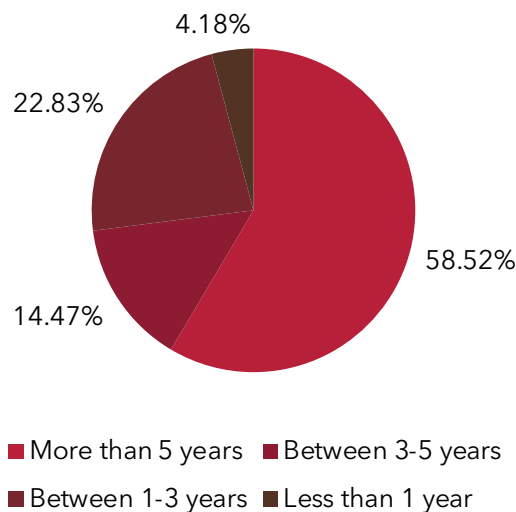
According to the Law and the Program, every Licensed Authorized Auditor is obliged to attend CPD courses organized by the CAA, whether or not they are CAA members. Verified course attendance has an irreplaceable role in the process of their license renewal.

Data provided by the CAA shows that in September 2019 its membership consisted of 311 individual Licensed Authorized Auditors and 69 audit companies. The Chamber's membership represents:

- 43 Licensed Authorized Auditors employed by the Big Four accounting firms;

- 101 Licensed Authorized Auditors employed in 19 multinational audit companies excluding the Big Four;

- 61 Licensed Authorized Auditors employed in 12 companies, each with at least 4 Licensed Authorized Auditors, that are not multinational audit companies;

- 62 Licensed Authorized Auditors employed in 32 companies, each with less than 4 Licensed Authorized Auditors, that are not multinational audit companies;

- 44 Licensed Authorized Auditors not employed in audit companies.

The duration of membership is presented in Figure 14.

Figure 14. Duration of membership

4.18%

22.83%

58.52%

14.47%

■ More than 5 years ■ Between 3-5 years

■ Between 1-3 years ■ Less than 1 year

The geographical distribution of audit companies' headquarters between regions in Serbia, divided by 8 regions, is presented below:

• Belgrade region – 55 members

• Južna Bačka region – 8 members

• Mačva region – 1 member

• Srednji Banat region – 1 member

• Šumadija region – 1 member

• Raška region - 1 member

• Rasina region - 1 member

• Nišava region - 1 member.

80% of audit companies in the country are located in Belgrade which is where all CAA courses are held.

A.2.3

Required CPD

Serbia's Program requires CPD to continuously maintain the existing level of professional knowledge and to provide for its improvement. It specifies the following topics on which every Licensed Authorized Auditor must maintain and improve knowledge:

• International Standards on Auditing;

• International Standards on Quality Control;

• International Standards on Financial Reporting;

• International Standards on Financial Reporting regarding SMEs;

• International Code of Ethics for Professional Auditors;

• Current legislation relevant for the audit profession.

In addition, the Program encompasses courses identified as relevant from post-training questionnaires. Information gathered by inspectors during quality controls in audit companies is also a significant input in determining and organizing courses on particular subjects (the inspectors support auditors in the proper use of acquired knowledge in their everyday work activities too).

The CPD Program defines that at least 10% of total class hours is spent on each listed area, within

minimum 60 hours in the three-year period of the license.

The Program requires members to participate in 60 hours of CPD organized by the CAA, but it allows for more flexibility when it comes to the other 60 hours of CPD. Licensed Authorized Auditors may enroll in courses, seminars, and training which are not organized by the CAA. They can also attend training within audit companies, despite the lack of a formal agreement between the CAA and the companies. The CAA recognizes academic conferences and workshops, training for existing or new roles, provision or receipt of coaching or mentorship, and development or delivery of CPD in relevant areas. Writing articles, papers, or books can be also verified within the additional 60 hours of CPD, as can reading professional literature and journals. Formal education may be verified as a CPD activity, but only within the additional 60 hours. Giving lectures can be regarded as CPD; if organized by the CAA it would be regarded within the CAA's 60 hours, if organized elsewhere it would fall within the additional 60 hours of CPD. This information is not clearly stated in the existing Questionnaire on CPD of licensed authorized auditors (hereby after: Questionnaire), but will be clearly defined in the near future. The CAA will not verify practical experience in a new professional role, networking, or self-directed or unstructured CPD.

A.2.4

Ethics and professionalism

Ensuring Licensed Authorized Auditors depth of understanding of the topics of ethics and professionalism are of concern in Serbia as none of the curricula of leading universities include these as areas of study during IPD. The World Bank CPD Implementation Guide states, "it is essential that professionals have well-rounded competence, including being able to demonstrate ethical decision-making and overall professionalism. Remember that technical competence alone only creates a technician, not a professional." CPD programs must therefore include ethics and professionalism and make study of these topics mandatory.

CPD requirements set out by the CAA, see previous section, require at least 10% of 60 hours on the Code of Ethics. This ensures some study of ethics and professionalism but there are no additional requirements for engagement regarding these topics beyond this.

Upon completion of ethics courses, participants are obliged to fill in specific questionnaires regarding the topic. These encompass an output-based approach to some extent, as they require participants to present their personal opinion on particular practical situations.

A.2.5

Standards and requirements

In order to ensure that Serbian CPD practice is in line with global standards, the CAA has looked towards international practices and is continually working to improve its practices to comply with International Education Standards. The goal of the CAA is not to simply fulfill the minimum legal requirements but to ensure that best practices are applied wherever possible.

The significance of CPD is reinforced by shortcomings in IPD from universities in Serbia. Many universities in the country do not have ACCA exemptions, despite having adequate curriculum for at least some exemptions. A gap analysis conducted in 2017 by the World Bank compared global best practice (represented by ACCA requirements) with the local education system in Serbia (represented by local, state-run universities) and identified a number of shortcomings, especially regarding soft skills (see section A4).

The CAA aims to improve its education and examination practices (to align more closely with

ACCA) in order for them to be as relevant as possible for the current and future profession. The CAA has entered a negotiation process with ACCA to acquire exemptions for its exams, as part of its efforts to improve the quality of the profession in the country.

The CAA ensures that staff responsible for CPD education have relevant knowledge and practical experience in the industry. For example, only Licensed Authorized Auditors with a minimum five years of work experience in statutory audits are allowed to be CPD Program trainers in the areas of International Standards on Auditing (ISA), International Standards on Quality Control (ISQC), International Financial Reporting Standards for Small and Medium sized Entities (IFRS for SMEs) and the IFAC Code of Ethics for Professional Accountants.

While most training still takes a traditional (teacher-centered delivery of information) form, the CAA has begun implementing more interactive forms of courses that better suit the needs of auditors in the country.

A.2.6

Measuring and verifying compliance

The CAA has mostly relied on an input-based approach regarding CPD compliance of its members. The output-based approach is used informally; inspectors, during quality controls in audit companies, identify the biggest knowledge gaps that should be addressed as part of CPD. The CPD Implementation Guide recommends a move towards a combined approach and formally introducing output-based measures.

In an effort to address the disadvantages of its predominantly input-based system, the CAA has been increasing use of case studies and practical situations, as well as making continuous changes to the program based on the experience of PAOs in other countries. That way, although the input-based approach is taken, the CAA still ensures that its members acquire the relevant skills and, importantly, that they are able to apply them in their working environment.

The CAA is the only organization that directly tracks its members' enrollment in CPD courses; it records attendance at courses it organizes and provides this information to members on request (i.e. for the purpose of renewing licenses in other countries or for ACCA, Certified Public Accountant, etc.). Auditors are obliged to self-report the additional 60 hours of CPD by completing a questionnaire after each education course, seminar, or training (including for courses taken online) which is submitted to the CAA for verification.

The Questionnaire is the same for all licensed authorized auditors. It comprises three parts that are related to self-evaluation:

- First part in which licensed authorized auditor signs the statement that the information that he provides in the Questionnaire is correct, and that he is willing to provide the CAA with the documents that verify the stated information;

- Second part contains general information about a licensed authorized auditor that answers the Questionnaire;

- Third part contains detailed information on time period in which the auditor has conducted the CPD and on how many hours of CPD he has conducted in the audit company in which he is employed, in seminars and workshops held in the Republic of Serbia or abroad that are related to the topics defined in the Program of CPD of licensed authorized auditors, literature that he has covered related to the topics defined in the Program of CPD of licensed authorized auditors etc. For every stated element, auditor has to provide information on title of education, seminar, workshop etc, information on organizers, duration, dates and number of hours completed.

CAA members are provided with sufficient and clear guidance related to CPD evidence to be created or obtained, and that records of CPD must be maintained and presented on request. They are obliged to periodically submit a declaration of fulfillment of professional responsibility and compliance with CPD requirements. They are obliged to periodically/ upon request provide verifiable evidence of learning activities. The monitoring process itself is conducted in regular cycles, a three-year period beginning from the issuing/renewal of the license. The CAA has enough resources to effectively conduct the monitoring process as planned and designed, and regularly reports publicly the extent to which its members comply with CPD requirements.

As stated in the Law on Audit, if a member fails to comply with CPD requirements they are not able to renew their license, enforced by the Ministry of Finance. The CAA believes compliance measures are sufficient incentive for members to undertake CPD. A loophole in the current Law on Audit, allowing auditors who did not complete an adequate amount of CPD hours to apply for a new license instead of renewing the one they had, will be resolved in a revised Law on Audit expected to be adopted soon.

A.2.7

CPD trainers and lecturers

Only Licensed Authorized Auditors with more than five years of professional experience are qualified to lecture or offer training on the specified listed topics. In most cases, the CAA relies on its own members to conduct courses. Prior to 2013, courses were also conducted by university professors but these were found to be too heavily weighted towards theoretical concepts rather than practical issues. Questionnaires, filled in by participants upon completion of courses, confirm that the most valued courses help participants deal with everyday problems encountered in their work; include practical case studies and best practice examples; and/or address changes in regulation and standards. Most courses are delivered by lecturers who are members of the CAA and employed by one of the *Big Four* accounting firms (which also employ a significant proportion of CAA members). Other big audit companies have also provided lecturers to conduct courses. In addition, there have been lecturers employed by the Ministry of Finance, Administration for Prevention of Money Laundering, the National Bank of Serbia, Securities Commission, etc.

There is no formal process for lecturers/trainers to become licensed or qualified to run CPD training. Instead their performance is assessed based on responses in the questionnaires completed by participants at the end of a course. These are submitted to the Committee for Examination, Education, and Continuing Professional Development and used to decide whether to engage the lecturer for future courses.

A.2.8

Courses organized by the CAA

The CAA is legally obliged to provide at least 20 hours of CPD courses each year. In October 2019, the CAA organized a three-day CPD course, intended primarily for Licensed Authorized Auditors. The CAA also organized an education program on IT audit at the end of November 2019, and a webinar on the same topic. In addition, the CAA has contributed to the education of auditors through a number of different seminars, webinars, public discussions, etc. In 2019, for example, the CAA held a one-day education event, in cooperation with the Administration for the Prevention of Money Laundering, on the draft Law on Audit and draft Law on Accounting. Members are also encouraged to enroll in courses organized within the "Računaj na podršku" (Count on our support) project. The CAA also prepares and delivers regular CPD programs for its members in electronic form (online courses and webinars).

The CAA's CPD courses are generally held during last two weeks of October. Participants' views are sought each year regarding the possible introduction of additional/alternative times for organization of those courses. If additional courses are organized during the year (either by the CAA or by other institutions - i.e. the World Bank), the CAA is to notify its members well in advance.

The CAA's CPD program is also available to non-members. In the previous three-year period, the CAA provided training to almost 450 participants annually, including an average of 138 non-member participants. These non-members generate additional revenues from CPD activities that can be used to improve the overall quality of the courses, i.e. by hiring foreign lecturers, better use of modern technologies, and the ability to include a broader range of topics, etc.

The World Bank has supported the CAA in different aspects of its CPD Program. CAA employees responsible for and engaged in the CPD curriculum (especially members of the Administrative and Professional Service Body, the Committee for Examination, Education and CPD, and Quality Control Inspectors) have attended seminars and webinars organized by the World Bank. The World Bank has provided the CAA with seminar materials, as well as information on the most recent changes in the application of audit and accounting standards. CAA

officials believe that more frequent participation in courses and seminars organized by the World Bank would improve the quality of the audit profession in Serbia, but some members have trouble following courses in foreign languages (i.e. English) and it is expensive to hire professional translators. Another institution that has had a significant impact on the CPD process of the CAA is the Dutch NBA (Koninklijke Nederlandse Beroepsorganisatie van Accountants).

A.2.9

Recent topics covered

During the period from the beginning of 2017 until the end of 2019, the following topics were covered as part of CPD courses organized by the CAA:

- ISQC 1, Code of Ethics and Quality Control Findings
- Evaluation results of the Council of Europe regarding audit profession, belonging acts and how they should be written in compliance with relevant legislation
- Writing of control lists in compliance with relevant legislation
- ISA 701 – New Audit Report: Introduction of Key Audit Matters
- ISA 701 - New Audit Report: Writing of the Statement scheme
- ISA 701 - New Audit Report: Going Concern and Other Information
- IAS 7 – Cash flow
- IAS 10 – Subsequent Events
- IAS 24 – Related Parties
- Overview of audit procedures, with comments on most frequent shortcomings in a quality control process
- Cash flow Statements (Significance, Analysis, and Control; ISA 7)
- Revenue from Contracts with Customers (IFRS 15)
- Introductory part – Why were the Standards updated?
- Forming an Opinion – first part (ISA 700p)
- Forming an Opinion – second part (ISA 705p, ISA 706p and ISA 720p)

- Going Concern (ISA 570p)
- Key Audit Matters (ISA 701)
- Communication with Those Charged with Governance (ISA 260p)
- Use in Practice
- Assessing the Risk of Material Misstatement (ISA 315)
- Code of Professional Ethics for Authorized Auditors
- Lectures by Representatives of the Administration for the Prevention of Money Laundering
- Lectures by Representatives from the Ministry of Finance
- ISA 620 Using the Work of an Auditor's Expert
- Overview of audit procedures, with comments on most frequent shortcomings in a quality control process
- Lectures by Representatives of the Administration for the Prevention of Money Laundering
- IFRS 16 Leases
- IFRS 9 Financial Instruments
- Code of Professional Ethics for Authorized Auditors
- Lectures by Representatives from the Ministry of Finance
- ISA 300, ISA 315 and ISA 330 Planning an Audit, Risks and Responses to Assessed Risks
- Lectures by Representatives of the Administration for the Prevention of Money Laundering.

A.2.10

Other CPD programs

As previously mentioned, relevant courses organized by other institutions can be verified as CPD. Many Licensed Authorized Auditors take part in education programs organized by the audit company they work for, and also enroll in different programs organized by international institutions. The most frequently covered topics regarding the additional 60 hours of CPD are from the areas of audit, accounting and quality control.

It should be also stressed that a number of CAA members participated in seminars organized under the STAR-CFR project, which is supported by the World Bank and financed by the Swiss Government. The project is aimed at improving the overall investment climate in the country; ensuring the reliability of financial data is a key element and therefore is in line with the CPD Program's goals. Also, a number of CAA members enrolled in seminars organized by the *"Privredni savetnik" (the Economic Advisor)*, a leading financial consulting and accounting company with over 60 years' experience.

A.2.11

Financial performance and promotion

The CAA's CPD courses are financially self-sustainable, with revenues exceeding costs. In addition to improving the overall knowledge of auditors, and hence building trust in the profession by the business community in the country, CPD activities have also contributed to the CAA's total revenues, accounting for approximately 5% of revenues annually. The Regulation on Education Fees, which was created in accordance with the Law on Audit and with the approval of the Ministry of Finance, officially established the fee for attending CPD sessions organized by the CAA. These fees are 50 EUR per day of the course and can be subject to change only when foreign lecturers are involved. The CAA does not charge any fees to participants for taking part in webinars.

The CAA has made efforts to promote the CPD Program and its value and significance for professional development. It uses the internet, newsletters, public events, and assembly meetings to communicate the importance of CPD. It promotes a variety of CPD offerings to its members including those offered by other organizations. For its own courses it posts on the CAA's web page and emails members and other individuals who could be interested in the topics. One of the most important channels of promotion is word-of-mouth, when satisfied participants share their experience directly with broader groups of people. This has attracted non-member participants, including from surrounding countries. After every session, the CAA conducts a survey among session participants in order to assess and maintain quality and ensure continued interest from non-members. Survey basically contains feedback that CAA uses to continuously improve its CPD program.

The CAA also cooperates with its members' employers to reinforce the importance of CPD, since all audit companies licensed to conduct audits in the Republic of Serbia are members of the CAA.

A.3

Suggestions for improvement of CPD practice in Serbia

The Law on Audit determines CPD practice in Serbia. The introduction of a new revised Law on Audit, expected soon, should contribute to the overall improvement of CPD. It will place even more emphasis on the significance and irreplaceability of CPD and is expected to close the loophole allowing auditors to apply for a new license if a lack of verified CPD prohibits them from renewing the existing one. The CAA expects that the new law will support improvements in the overall quality of audit practice in the country.

The CAA complies with all of the requirements regarding CPD practice defined by International Education Standard 7. The CAA has actively promoted its CPD courses and their value for maintaining and developing professional competence and has required its members to report on courses attended outside the CAA by filling out a standardized Questionnaire.

However, the following changes could be introduced to further improve the quality and relevance of Serbian CPD practice:

A.3.1

Planning CPD activities

The CAA should motivate its members to take a more systematic approach to their CPD activities. First, members should define their development objectives each year and encompass them in individual CPD plans. Such objectives could be defined with reference to changes in relevant regulation, their individual weaknesses, additional skills they would like to acquire, etc.

On the basis of the plan, members should attend and undertake courses/activities that would contribute to the development of needed knowledge and skills. The CAA should motivate members to define their annual CPD plans, with at least 40 hours of CPD each year (of those, minimum 21 hours of courses organized by the CAA and the other 19 hours

from other providers/sources). This will ensure that Licensed Authorized Auditors continually work on their professional competence each year. Members should also be allowed to make flexible plans so that they could transfer additional hours completed within one year to the next.

Upon completion, members would be expected to elaborate the undertaken activities and the way those addressed particular development objectives to the Chamber, by submitting a formal report at the end of a year. Moreover, using the same report, members should describe the impact of the learning activities on their work performances and overall knowledge. This could also help to formally introduce the output-based measurement model.

A.3.2

Measurement approach

The CAA has already informally implemented elements of the output-based approach, through their quality control processes in audit companies. However, this measurement approach should be formally introduced to its full extent, since a combined measurement approach would provide for more

comprehensive assessment of the importance of CPD activities to the overall knowledge of auditors in the country. This would enhance existing input-based measurements to provide for better assessment of all candidates' activities.

A.3.3

CPD topic requirements

To address identified shortcomings in the formal education of accountants and auditors in Serbia, PAOs could specify topic areas to be studied as a formal CPD requirement.

CPD programs should place greater emphasis on professional ethics (and other soft skills mentioned in the analysis above) in addition to technical competencies. The CAA has created a solid basis for the following recommended further improvements in this area:

- Expanded coverage of ethics and professionalism beyond the official Code of Ethics for Authorized Auditors;

- Inclusion of more learning opportunities related to ethics and professionalism (due to IPD shortcomings in this area);

- Introduction of additional requirements for engagement partners on ethics and professionalism;

- More case studies and critical thinking exercises, an effective way of delivering learning on these topics that has already been embraced by the CAA.

Since engagement partners have a greater level of responsibility and greater impact on the quality of the country's financial reporting, introduction of additional CPD requirements for engagement partners should be considered as well. This is especially relevant for topics related to new industry trends and ethical considerations connected with such trends (for example on ethical considerations in the process of auditing of IT companies).

The CAA could also establish a special register of employers whose working activities could be regarded as CPD for its members. Hence, members would be able to complete a particular number of CPD hours by changing their role within the company or by taking on new job responsibilities.

A.3.4

CPD activities recognized by the CAA

The CAA should clearly define activities that can be regarded as CPD and for how many hours. Clear guidelines on the number of hours able to be spent on different activities and topics would help ensure diversity of CPD undertaken by members.

Considered should be given to including and recognizing additional formal education (e.g. MBA studies) as CPD activity. This should be accompanied by permission for professionals to transfer their CPD hours to the next year if the duration of the formal education program was greater than the required CPD time for a single year.

The CAA should continue to introduce engaging methods of learning to programs it organizes. The CAA should work with university faculties in Serbia offering IPD to support them to better comply with ACCA and other international standards and acquire ACCA and other accreditations for their courses.

The CAA should adopt a more flexible approach towards different acceptable CPD activities (e.g. book writing) that they will verify for CPD hours. This helps professionals to customize their CPD in accordance with their aspirations, resulting in better use of required CPD hours.

The CAA should consider offering different types of CPD curricula in accordance with the level of activity of an accountant/auditor, with adjusted requirements for the number of CPD hours. These flexible plans should be introduced as optional for semi-retired or part-time accountants/auditors (for ACCA this is engagement of up to 17,5 hours per week).

From a strategic perspective, in order to make the most out of the CPD practices in Serbia, it is recommended that better coordination between PAOs, employers, and universities is achieved. This would not only improve the existing CPD practices but would also contribute to the improvement of accounting and auditing education overall.

A.3.5

Use of technology

The CAA could use its online presence more effectively on CPD. It should make more detailed information on the whole CPD process available on its website, especially CPD requirements and information on recognized CPD activities. Each member should be able to create a profile on the CAA's website and have access to all relevant information regarding their CPD progress. Members should be able to verify their CPD hours by filling an online Questionnaire, while the CAA's courses would automatically be included in the total number of completed CPD hours.

The CAA should also consider delivering its own online courses through the website, for an additional fee, with the hours automatically being registered for each participant. Online courses present an additional revenue source for the CAA and would facilitate further improvement of the quality of CPD courses. Moreover, good online CPD courses would attract more non-member participants and could hence provide more revenue.

A.4

Annex: Shortcomings in initial professional development

The significance of CPD is reinforced by shortcomings in IPD from universities in Serbia. Many universities in the country do not have ACCA exemptions, despite having adequate curriculum for at least some exemptions.

A gap analysis conducted by the World Bank in 2017 compared global best practice (represented by ACCA requirements) with the local education system in Serbia (represented by local, state-run universities) and identified a number of shortcomings, especially regarding soft skills.

A.4.1

Comparison between university education and best practice

The Faculty of Economics in Belgrade is the only faculty in Serbia that has received ACCA accreditation for its undergraduate studies. That way, ACCA recognizes some exams passed at the Faculty and provides potential candidates with six exemptions from ACCA qualification exams, for students majoring in Accounting & Audit. Faculties in other universities in the country (Novi Sad, Kragujevac and Niš) have not received ACCA recognition and their students receive no exemptions from the qualification test,

despite subject curricula that are in compliance with ACCA requirements.

During analysis of the curriculum creation process at the universities, it was identified that the business community was not involved. Also, curricula do not include obligatory internships or any other participation in practical projects. This means recent graduates may lack necessary practical knowledge regarding the implementation of audit procedures.

Non-technical or "soft skills" are required to be included in university programs under national accreditation standards, but implementation is often lacking in practice. Collaboration with PAOs and implementation of more competency-based learning and assessment methods could facilitate these types of improvements.

PAOs are not involved in the design of university curricula or implemented teaching methods. There is no clear delineation of what is taught at universities and what is covered by PAOs. Better coordination between PAOs and universities would improve the overall quality of the education system of accountants and auditors in Serbia.

The most significant gap between academic education in Serbia and ACCA benchmark exists in the aspect of soft skills. Undergraduates also performed poorly in certain technical competencies – especially in management and ethics, performance management and decision making, management techniques, preparation of financial statements, audit testing and reporting, and principles of financial management. Generally, areas of technical competencies need only limited modification to address identified gaps, while the inclusion of non-technical competencies (critical thinking, ethics in business, communication, leadership, problem solving, etc.) would represent a significant improvement.

CPD builds on the foundation laid by formal university education and topics are generally more related to everyday practice than theoretical concepts and models. But because of identified shortcomings, CPD in Serbia addresses not only the continuing development of professionals, but also supplements some of the identified IPD lacking in universities' curricula.

With the financial support of