

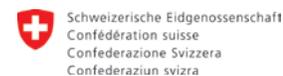
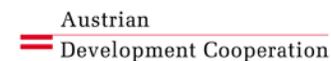
Training-of-trainers program: Accrediting CPD Trainers of Accountants and Auditors

Vienna, November 28th – 29th, 2018

STAREP EDUCOP

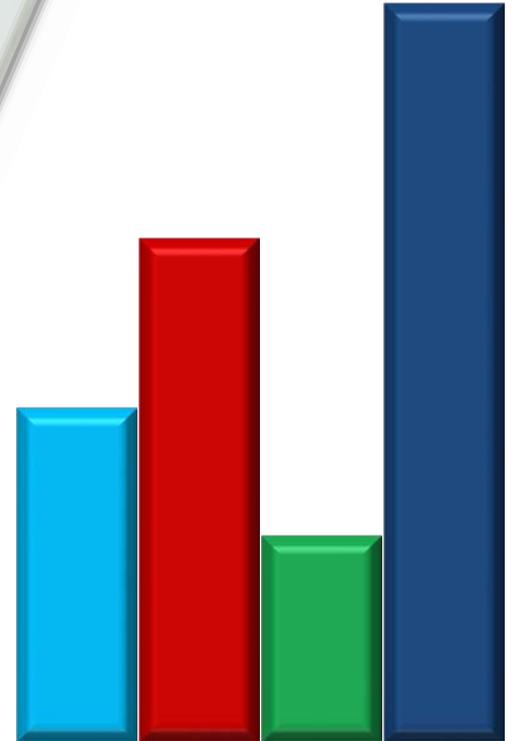


STAREP is co-funded by:





Clicker demo



DEMO of Clickers



Some questions allow you to choose only ONE answer.

What day is it today?

1. Monday
2. Tuesday
3. Wednesday
4. Thursday



DEMO of Clickers



Some questions are just polls to collect information or opinions (not for points):

What is the *most* important question on your mind today?

1. How can I expand my knowledge in this area?
2. How can I help my organization improve in this area?
3. How can I teach others about this topic in the future?
4. What's for lunch?



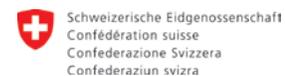
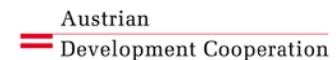
Session 1: Fundamentals of Professional Competence and International Requirements for CPD Programs

Belgrade, May 16 – 18, 2018

Training-of-trainers program: Accrediting CPD Trainers of Accountants and Auditors in Serbia



STAREP is co-funded by:



Key questions to be addressed by this session:



- **Why is CPD necessary?**
- **What are the international requirements?**
- **How does CPD relate to a competency framework?**

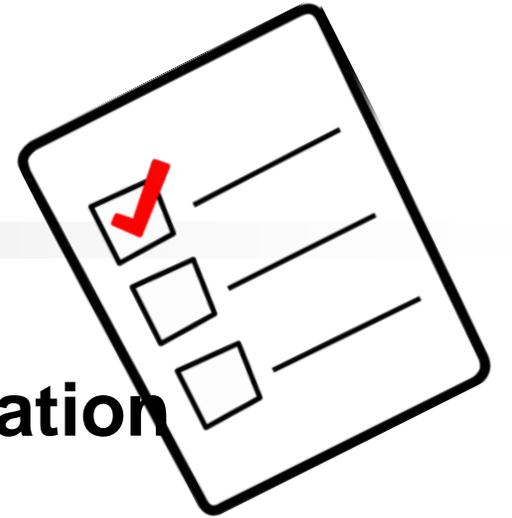
Learning Outcomes for this session:



- 1. Justify the need for mandatory CPD for all professional accountants.**
- 2. Overview the current and emerging international requirements.**
- 3. Explain how Competency Frameworks support CPD.**



Agenda



1 – 1 Professional competence as an ethical obligation

1 – 2 IAESB's IES 7 – Current Requirements for PAOs

1 – 3 Revisions to IES 7 – effective July 1, 2020

1 – 4 IES 8 – Professional Competence for Engagement Partners

1 – 5 CPD and Competency Frameworks



1 – 1:

**Professional competence as an
ethical obligation**



Professional competence as an ethical obligation

IFAC defines professional competence as:

“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.”

Source: *IAESB 2017 Handbook of International Education Pronouncements*, para. 18

Professional competence as an ethical obligation

Professional competence is:

- » Developed during **Initial Professional Development (IPD)** prior to certification as a professional accountant
- » Maintained and enhanced through **Continuing Professional Development (CPD)**



Professional competence as an ethical obligation

Professional competence is founded in ethical requirements:

» IESBA's Code of Ethics for Professional Accountants (para. 130.1) says:

“The principle of **professional competence** and **due care** imposes the following obligations on all professional accountants:

- a) **To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service; and**
- b) **To act diligently in accordance with applicable technical and professional standards when performing professional activities or providing professional services.”**



Professional competence as an ethical obligation

How does CPD fit in?

» “The maintenance of 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.”

Source: *IESBA 2016 Handbook of the Code of Ethics for Professional Accountants*,
para. 130.3



Professional competence as an ethical obligation

Beyond the IAESB IESs and IESBA Code of Ethics, there are other reasons to ensure a robust CPD program is in place:

- » Helps PAOs meet their mandate of protecting the public
- » Promotes confidence of the public
- » Strengthens financial reporting, audit, etc.
- » Is expected by trading partners
- » Supports comparability and recognition with other PAOs and organizations
- » Required by EU Audit Directive (for statutory auditors)



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

- » In some jurisdictions, the responsibility and authority for requiring CPD may be split between the PAO and the government.
- » In these situations, the PAO is required to use best efforts to achieve compliance.
- » Strong dialogue and collaboration are needed between the PAO and the relevant agencies to achieve good practice.



Grab your clickers!



Assessment question (for points)



Which of the following statements is TRUE?

1. Technical skills are the most important elements of professional competence.
2. Of all of the ethical principles, CPD is most closely tied to the principle of professional competence and due care.
3. CPD should begin as soon as a student starts studying to become a professional accountant.
4. If a PAO does not have sole authority over CPD requirements, they are not obligated to follow the IESs.



1 – 2:

**IAESB's IES 7 – Current
Requirements for PAOs**

International Education Standards – “Cradle to Grave”



Entry to Professional Education

IES 1



Required Education

IES 2, 3, 4



Exams (Assessment)

IES 6

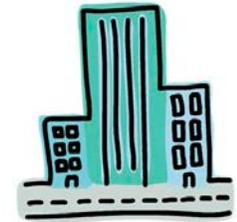


Experience

IES 5



Professional Qualification



Continuing Professional Development

IES 7



Engagement Partners

IES 8

International Education Standards – “Cradle to Grave”

Entry to Professional Education
IES 1



Required Education
IES 2, 3, 4



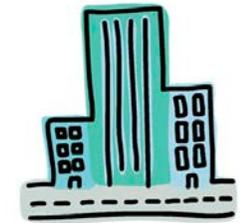
Exams (Assessment)
IES 6



Experience
IES 5



Professional Qualification



Continuing Professional Development
IES 7



Engagement Partners
IES 8



IES 7 – Current Requirements for PAOs

IES 7 (effective Jan 1, 2014) 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.**”

Source: *IES 7, para. 1*



IES 7 – Current Requirements for PAOs

CPD is necessary in order to:

- » Refine the competence developed through IPD, in the context of the activities and responsibilities of the professional accountant.
- » Support professional accountants when they take on new roles that require them to **develop new competences**.
- » *Professional accountants serve the public in a changing environment – skills need to be constantly updated to meet ever-increasing expectations.*

IES 7 – Current Requirements for PAOs

CPD may be gained through “formal” methods, such as:

- » Courses, conferences, seminars
- » Practical experience and on-the-job training
- » Participating on technical committees
- » Developing and/or delivering learning materials
- » Writing research papers, articles, textbooks
- » Professional re-examination



IES 7 – Current Requirements for PAOs

And through other learning and development activities, such as:

- » Coaching or mentoring
- » Being coached or mentored
- » Networking
- » Observation, feedback, and reflection, and
- » Self-directed and unstructured gaining of knowledge





IES 7 – Current Requirements for PAOs

IES 7 requires IFAC member bodies to:

» Promote the importance of, and a commitment to, CPD and maintenance of professional competence. (para. 10)

...by, for example:

» Communicating the value of CPD

» Promoting the variety of CPD opportunities available

» Working with employers to emphasize the importance of CPD



IES 7 – Current Requirements for PAOs

IES 7 requires IFAC member bodies to:

- » Facilitate access to CPD opportunities and resources to assist professional accountants in meeting their personal responsibility for CPD and maintenance of professional competence. (para. 11)

...by, for example:

- » Directly providing CPD programs and/or facilitating access to programs offered by other organizations
- » Providing competency maps/frameworks, learning plan templates or other tools to support learning



IES 7 – Current Requirements for PAOs

IES 7 mandates IFAC member bodies to:

- » Require all professional accountants to undertake CPD (para. 12)

Different CPD requirements may be appropriate in some cases:

- » Members on career breaks
- » Retired members who are still using their designation in some capacity
- » Members in specific roles (regulated, high risk, etc.)



IES 7 – Current Requirements for PAOs

IES 7 mandates IFAC member bodies to:

- » Establish their preferred approach to measuring professional accountants' CPD activity (para. 13):
 - » output-based
 - » **input-based**, or
 - » combination approach



IES 7 – Current Requirements for PAOs

Approaches to measuring CPD:

1. Output-based (para. 14)

require members to demonstrate the development and maintenance of appropriate professional competence

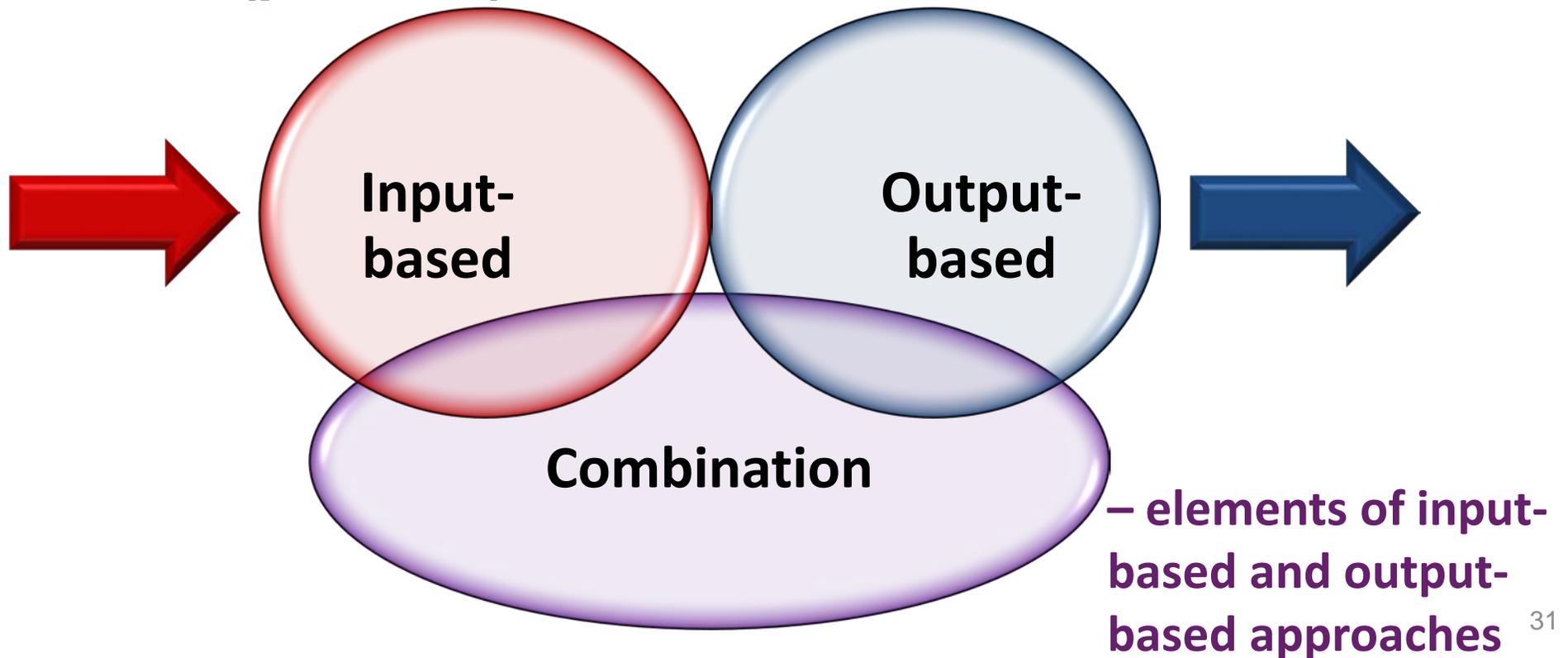
2. Input-based (para. 15)

require members to complete and measure a minimum of 120 hours of learning activities over rolling 3 years, including at least 60 hours verifiable, with a minimum of 20 hours per year

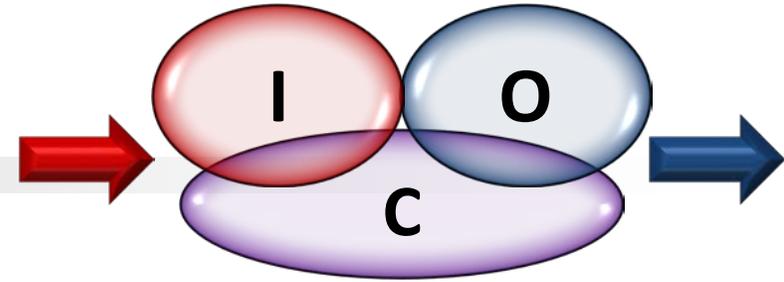
IES 7 – Current Requirements for PAOs

Approaches to measuring CPD:

3. Combination (para. 16)



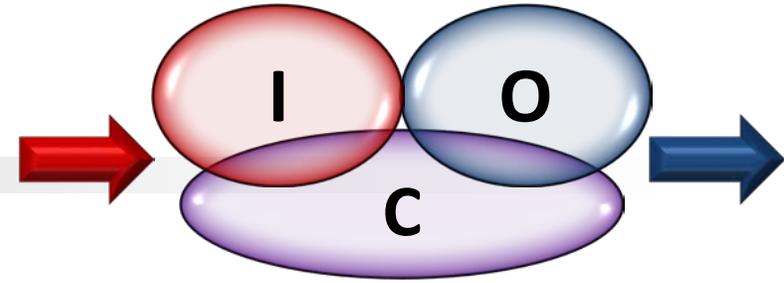
IES 7 – Current Requirements for PAOs



Output-based approaches require:

- » Clear identification of outcomes/competence achieved, and
- » An objective and competent source or means of verifying outcomes/competence, such as:
 - » Exams or other assessments
 - » Peer review or publication of written works
 - » Achievement of a specialist designation
 - » Review of work logs verified against a competency map/framework
 - » Independent practice inspections/review by regulators

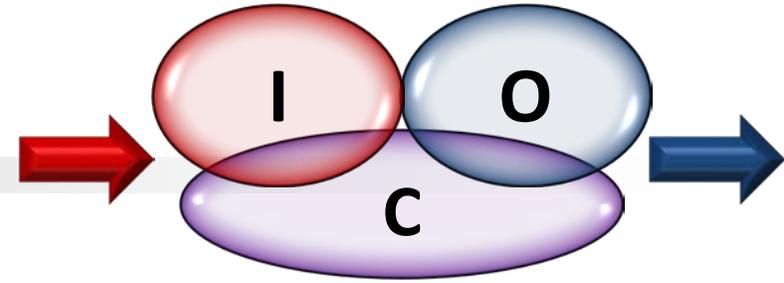
IES 7 – Current Requirements for PAOs



Input-based approaches:

- » Can be based on hours or equivalent units
- » Easy to verify time spent/units completed, but not outcomes achieved
- » Important to communicate objectives and commitment
- » “Verifiable” activities can be objectively measured and confirmed – e.g., attendance at a seminar, assessment after an online course
- » Non “Verifiable” activities contribute to CPD but are not easy to objectively measure – e.g., unstructured on-the-job training

IES 7 – Current Requirements for PAOs



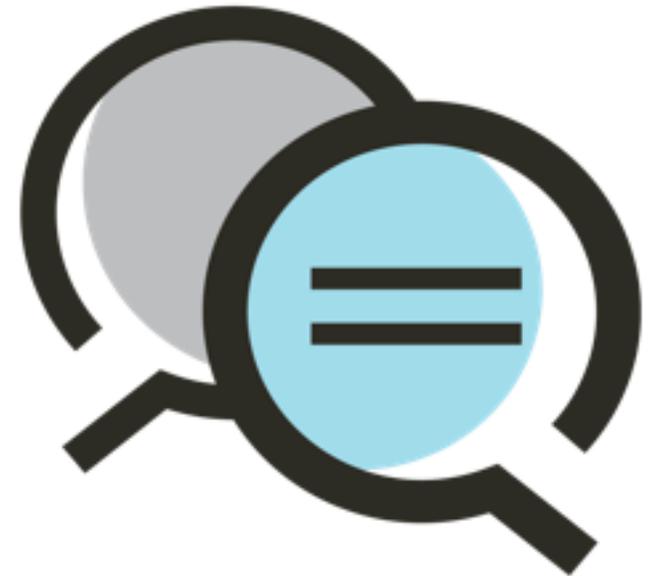
Combination approaches:

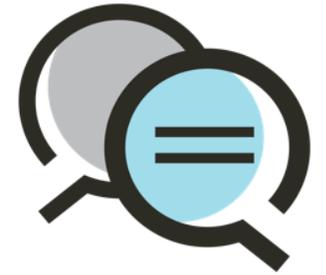
- » Can allow an organization to incorporate some of the benefits of output-based, but keep the lower cost structure of input-based
- » First steps toward output-based may be to require members to plan their CPD based on outcomes/competencies they want to achieve, and self-assess their achievement through reflective activities

IES 7 – Current Requirements for PAOs

Discussion:

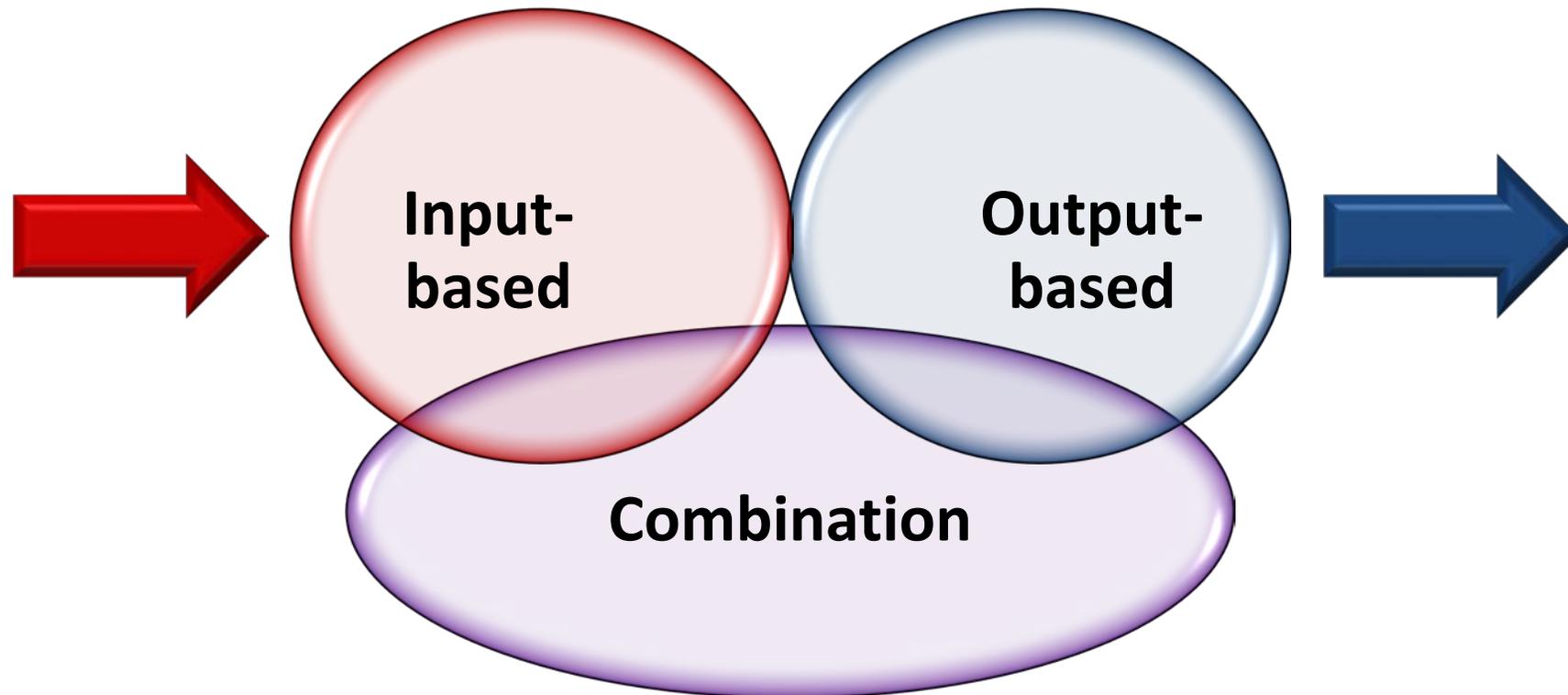
» What type of approach to CPD does this training program illustrate?





Combination approach:

» Credit requires **attendance** and **demonstration of LOs**





IES 7 – Current Requirements for PAOs

IES 7 mandates IFAC member bodies to:

» have a systematic process for **monitoring** compliance and **appropriately sanctioning** non-compliance (para. 17)

...**monitoring by for example:**

- » Requiring member retention of records/evidence for a specific period
- » Requiring periodic declarations by members
- » Reviewing and assessing member CPD learning plans
- » Auditing CPD records (can be risk-based, sampled, cyclical, etc.)
- » Reporting publicly the extent to which members comply



IES 7 – Current Requirements for PAOs

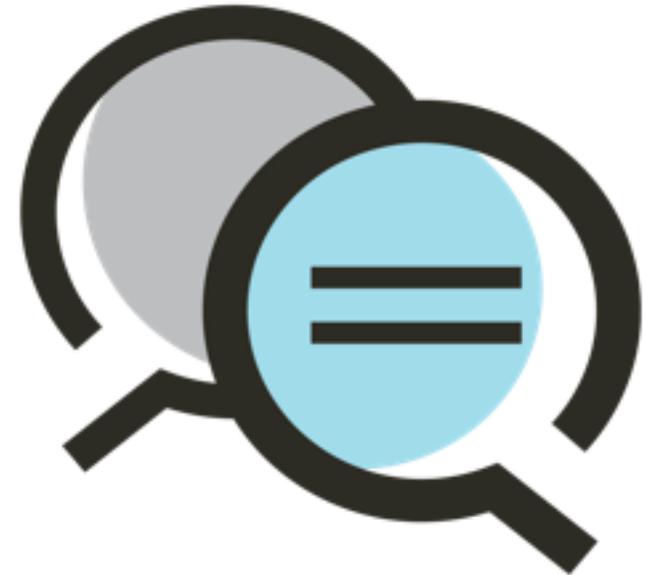
...appropriate sanctioning by, for example:

- » Recognizing that the public is best served by bringing non-compliant members into compliance on a timely basis
- » Devoting adequate resources to compliance programs
- » Specifying sanctions that strongly motivate compliance without being excessively punitive
- » Recognizing that willful disregard justifies disciplinary action, perhaps including expulsion

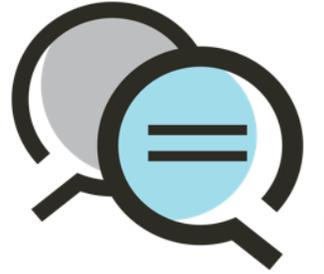
IES 7 – Current Requirements for PAOs

Discussion:

- » What are the main challenges in complying with IES 7 in your environment and context?
- » How can these challenges be overcome?



IES 7 – Current Requirements for PAOs



Challenges:

- » How to measure compliance when using an output-based approach
- » Specific requirements when using a combination approach
- » How to provide enough CPD for members and make sure LOs are being achieved

Overcoming challenges:

- » Research resources (WB, IAESB, etc.)
- » Educate members – share responsibility
- » Collaboration between stakeholders



Grab your clickers!



Assessment question (for points)



Which of the following elements are NOT mandatory for PAOs under the current IES 7?



1. Promote the importance of CPD
2. Facilitate access to CPD
3. Require members to complete at least 120 hours of CPD every rolling three-year cycle
4. Monitor compliance and appropriately sanction non-compliance

Assessment question (for points)



Which of the following statements is TRUE?

1. Sanctions for failing to comply with CPD should not include expulsion from membership because expulsion would be excessively punitive.
2. Output-based approaches to measuring CPD are generally preferred because they are less resource-intensive to administer.
3. Online, self-paced learning cannot be verifiable because attendance is not verifiable.
4. A PAO can meet the requirement to facilitate access to CPD without directly providing CPD courses.



1 – 3:

Revisions to IES 7 – effective

July 1, 2020 <<may be Jan 1, 2020>>



Revisions to IES 7

After extensive consultation in 2015 and 2016, the IAESB decided to revise IES 7 by:

- » Clarifying or revising the requirements, and
- » Developing implementation support materials

“The revision of IES 7 aims to improve the consistency, quality, and relevance of CPD undertaken by professional accountants.”

Revised IES 7 is effective as of July 1, 2020

Source: IAESB June 2017 IES 7 Exposure Draft



Revisions to IES 7

The revision project provides clarification and guidance to help PAOs:

- » Understand an output-based approach:
 - » What is it?
 - » How can it be achieved?
 - » How can we move from an input-based to an output-based measurement approach?
 - » What evidence is needed to support the use of an output-based approach?

continued...



Revisions to IES 7

The revision project provides clarification and guidance to help PAOs:

- » Improve the implementation of input-based approaches based on relevant learning and development activities;
- » Understand how to combine both the input and the output measurement approaches, and improve consistent implementation of measurement requirements when both approaches are used;

continued...



Revisions to IES 7

The revision project provides clarification and guidance to help PAOs:

- » Identify a broader range of appropriate CPD activities to meet learning and development needs and clarify the concept of a planned CPD program;
- » Use a CPD Framework to improve CPD programs; and
- » Improve the effectiveness of measuring, monitoring, and enforcing CPD.

Objective of the Revised Standard:

“to establish that professional accountants undertake relevant CPD to develop and maintain professional competence necessary to perform their role as a professional accountant.”

Source: *IES 7: CPD (Revised), para. 8*



Revisions to IES 7

Requirements under IES 7 (Revised):

- » 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)

CPD for Professional Accountants (para. 9):

“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.”

Source: IES 7: CPD (Revised)

Promotion of, and Access to, CPD (paras. 10 & 11):

“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.”

Source: *IES 7: CPD (Revised)*

Measurement of CPD (paras. 12 to 14):

“IFAC member bodies shall establish an approach to measurement of professional accountants’ CPD using the output-based approach, input-based approach, or both.” (para. 12)

Source: *IES 7: CPD (Revised)*

Revisions to IES 7

Measurement of CPD (paras. 12 to 14):

- » “IFAC member bodies using an **output-based approach** shall require professional accountants to develop and maintain professional competence that is **demonstrated by achieving learning outcomes** relevant to performing their role as a professional accountant.” (para. 13)
- » “IFAC member bodies using an **input-based approach** shall require professional accountants to develop and maintain professional competence that is **demonstrated by completing a specified amount of learning and development activity** relevant to performing their role as a professional accountant.” (para. 14)

Source: *IES 7: CPD (Revised)*



Revisions to IES 7

Key changes:

- » Removal of the “combination approach” as a distinct approach
 - PAOs can use output, input, or both;
- » **Output-based** - focus on demonstration of “achievement of learning outcomes” rather than achievement of “competence” in general;
- » **Input-based** – removal of 120/60 and 20 hour annual requirements; replaced with requirement for “a specified amount”;

Monitoring and Enforcement of CPD (paras. 15 & 16):

“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. (para. 15)
- » 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. (para. 16)

Source: *IES 7: CPD (Revised)*



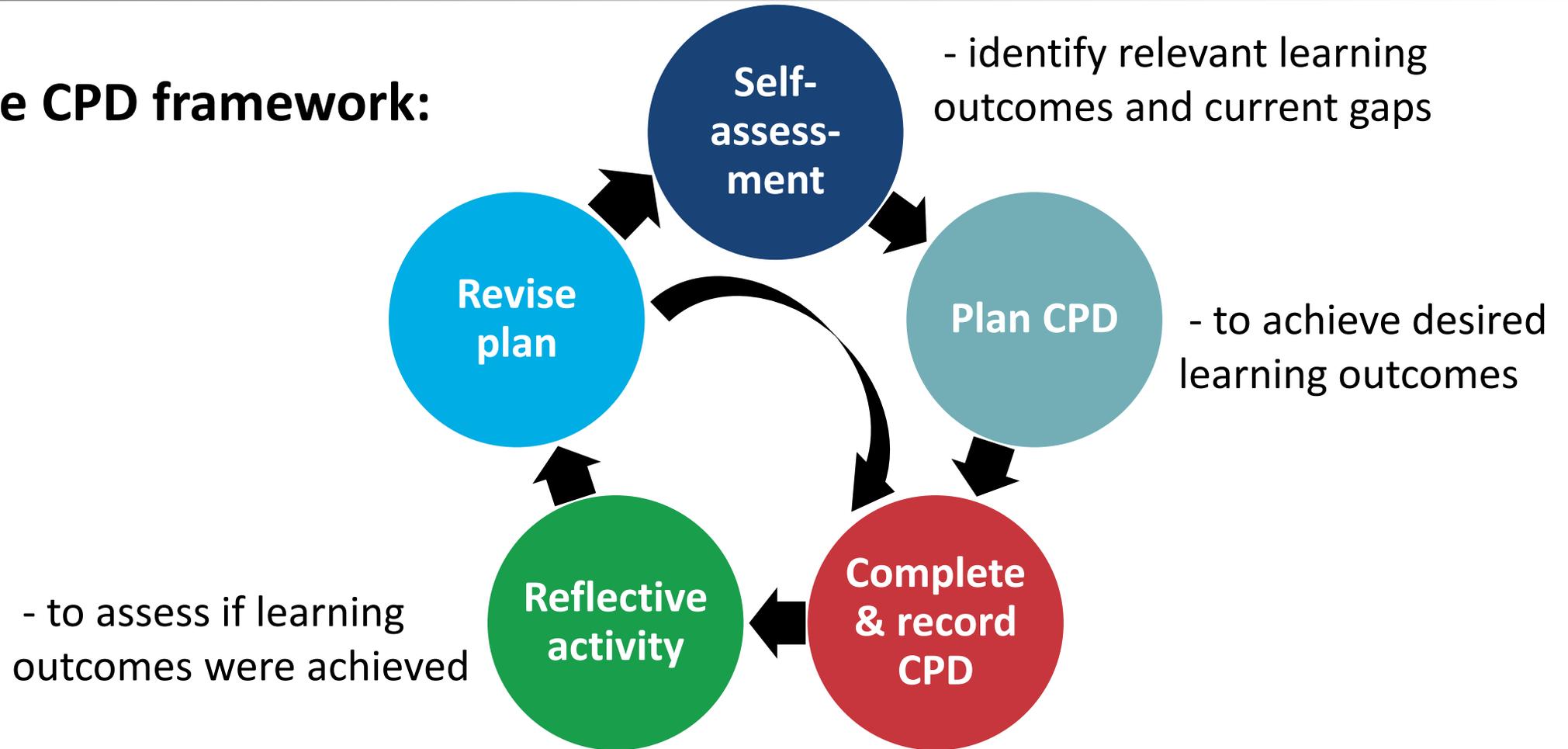
Revisions to IES 7

Key changes:

- » Addition of evidence requirement (para. 15);
- » More guidance on what “learning & development activities” are and how to achieve learning outcomes from them (paras. 2, A16, A18 etc.);
- » More guidance on evidence requirements (A31, A32)
- » New guidance on PAOs providing a “CPD framework” tool (A10, A16)

Revisions to IES 7

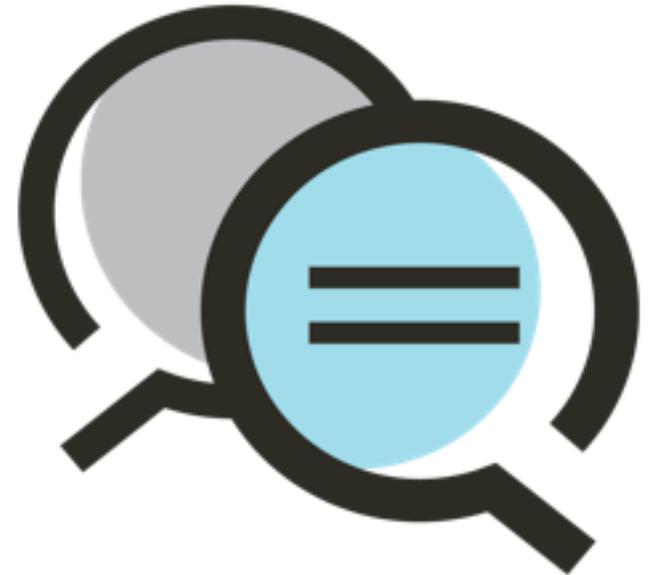
Sample CPD framework:

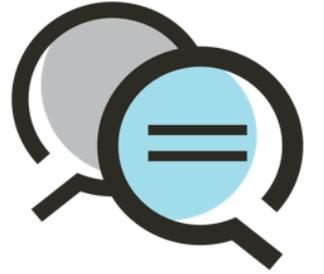


Revisions to IES 7

Discussion:

» To what extent do the changes to IES 7 address the main challenges you identified in complying with IES 7 in your environment and context?





Changes:

- » Provide more clarity when using a blending of both approaches
- » Provide more examples of measuring and monitoring learning outcomes



1 – 4:

IES 8 – Professional Competence for Engagement Partners

IES 8 – Competence for Engagement Partners



“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...” (para. 8)
- » undertake CPD that develops and maintains the professional competence required for this role.” (para. 9)
- » The learning outcomes specified relate to Technical competence, Professional skills, and Professional values, ethics, and attitudes.

IES 8 – Competence for Engagement Partners



Sample Learning Outcomes:

Audit (i): Lead the identification and assessment of the risks of material misstatement as part of an overall audit strategy.

Audit (iv): Develop an appropriate audit opinion and related audit report, including a description of key audit matters as applicable.

Financial accounting & reporting (iii): Evaluate accounting judgments and estimates, including fair value estimates, made by management.

IES 8 – Competence for Engagement Partners



Sample Learning Outcomes, continued:

IT (i): Evaluate the information technology (IT) environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.

Finance & financial management (ii): Evaluate an entity's cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.

IES 8 – Competence for Engagement Partners



Sample Learning Outcomes, continued:

Professional skills – Personal (ii): Act as a role model to the engagement team.

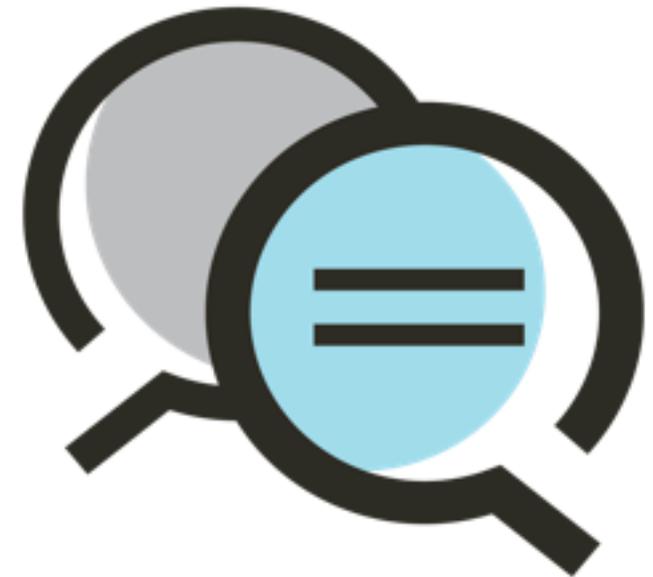
Professional skills – Organizational (i): Evaluate whether the engagement team, including auditor's experts, collectively has the appropriate objectivity and competence to perform the audit.

Professional values, ethics & attitudes – Ethical principles (ii): Evaluate and respond to threats to objectivity and independence that can occur during an audit.

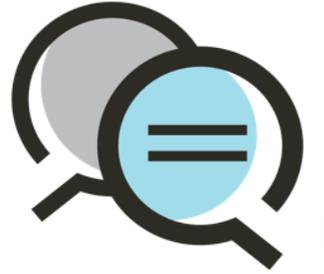
IES 8 – Competence for Engagement Partners

Discussion:

» Why are the requirements of IES 8 focused on Engagement Partners, rather than all audit partners?



IES 8 – Competence for Engagement Partners



Focus on Engagement Partners:

- » IES 8 gives guidance to those working toward the role of engagement partner, but doesn't put specific requirements on them
- » Engagement partners are in the role with the most ability to protect the public (greatest risk) so that is where the IES should focus



1 – 5:

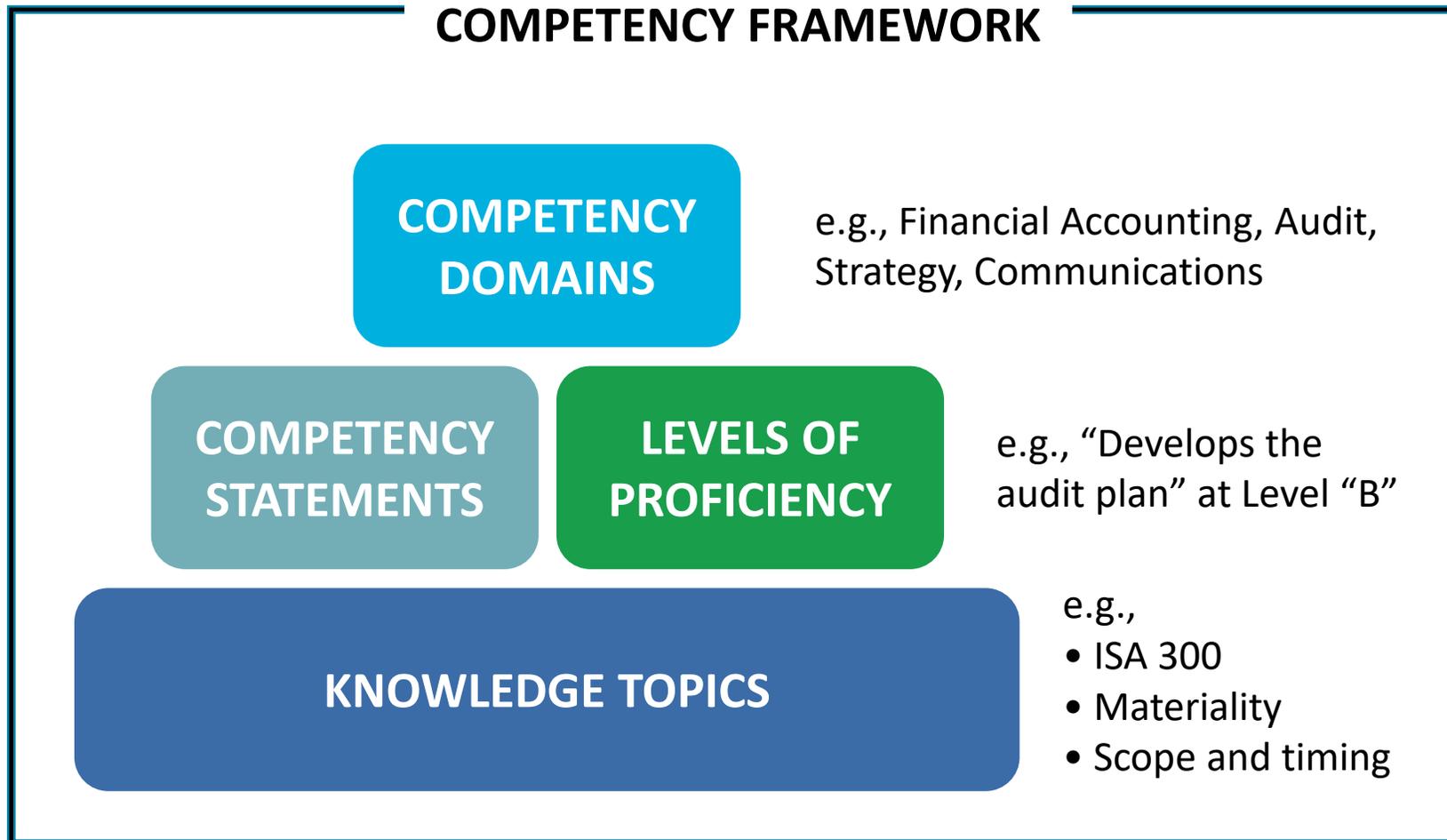
CPD and Competency Frameworks

CPD and Competency Frameworks

- » Underlying rationale for CPD is to maintain and enhance professional competence
- » Measuring and tracking competence depends on having a Competency Map/Framework that specifies what competence means for a specific PAO
- » The Map/Framework specifies the competencies required of a professional accountant; these are used to define learning outcomes for CPD



CPD and Competency Frameworks



CPD and Competency Frameworks

Competency Domains need to cover technical and non-

| 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 | |



CPD and Competency Frameworks



An excerpt for a technical 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
- 1.2.2 Evaluates treatment for routine transactions (A) ← Proficiency level
- 1.2.3 Evaluates treatment for non-routine transactions (B)
- 1.2.4 Analyzes treatment for complex events or transactions (C)
- ...

CPD and Competency Frameworks



... and like this for an enabling domain:

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.

...



How a Competency Framework supports CPD:

- » Distinguishes the boundaries of what is relevant learning for CPD
- » Provides learning outcomes and proficiency levels for members to use in performing self-appraisal and gap analysis
- » Increases the verifiability of evidence, by mapping activities and outcomes against the Framework



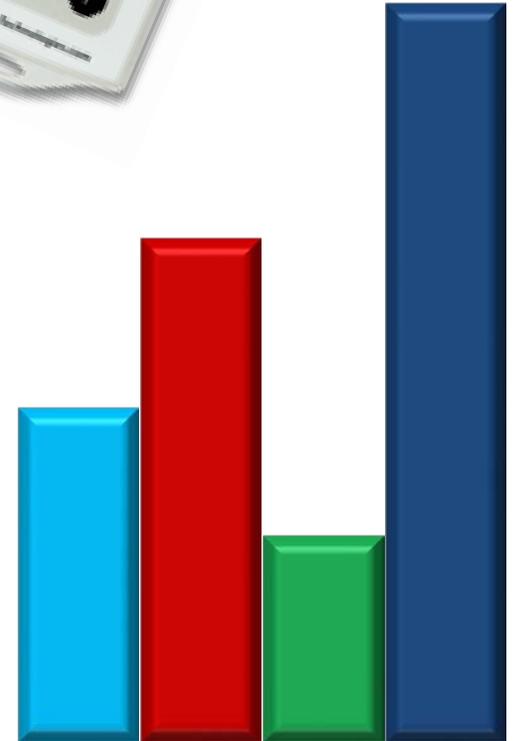
What if we don't have a Competency Framework?

- » 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 LOs provide basic scope for Technical competency areas, Professional skills, and Professional values, ethics and attitudes.
- » Proficiency levels are set for IPD rather than CPD, so consider adjusting them as appropriate.





Grab your clickers!



Assessment question (for points)



Which of the following are **VALID** ways that a member can use their PAO's Competency Framework? **Select all that apply.**

1. Use the Competency Statements and Proficiency levels to determine gaps in their own competence.
2. Use the Framework to plan areas of research for self study as non-verifiable CPD.
3. Choose CPD courses based on Competency Statements with the highest Proficiency levels.
4. Use the Competency Statements to justify the professional relevance of a course offered by a third party.
5. Revise the Framework based on their own Learning Outcomes achieved.



Assessment question (for points)



Which of the following statements are TRUE? Select all that apply.

1. PAOs may consider adjusting CPD requirements for members with special circumstances (such as parental leave or retirement).
2. Members who are auditors or other specialists must be required to complete additional CPD hours.
3. Members who own and operate their own company do not need to complete CPD, as they are only responsible to themselves.
4. A member's required Learning Outcomes may change over time depending on their role.





Learning Outcomes Revisited



Learning Outcomes for this session:



- 1. Justify the need for mandatory CPD for all professional accountants.**
- 2. Overview the current and emerging international requirements.**
- 3. Explain how Competency Frameworks support CPD.**



Questions? Comments?

Thank you!

