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Dear Sir or Madame,

Response to the Exposure Draft (ED), International Education Standard 7, *Continuing Professional Development*

EFAA commends the IAESB on the proposed [International Education Standard 7, Continuing Professional Development](#). We are pleased to provide our comments below, both ‘General Observations’ as well as ‘Specific Comments’ on the questions posed in the ED that have relevance to EFAA’s constituency. Our comments have been compiled by EFAA’s Assurance Expert Group.

About EFAA

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to small and medium-sized entities (“SMEs”) both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, tax and business advice) to SMEs. EFAA represents 17 national accounting, auditing and tax advisor organisations with more than 370,000 individual members.

General Observations

Overall the ED marks a significant improvement on the extant in terms of structure and understandability. In addition, the content much better reflects the modern-day reality of how professional accountants maintain and enhance their competence.

We welcome the approach taken towards measurement of CPD that of allowing for an output-based approach, an input-based approach, or both. While we recognise the intellectual superiority of an output-based approach an input-based approach is often simpler to implement, monitor and enforce. Many professional accountancy organisations (PAOs), including some of our own member organisations, will likely only realistically be able to implement an input-based model. Ultimately the proposed flexibility in measuring CPD will foster global convergence on IES.

While we support flexibility to use the input-based approach we question the ED proposing the requirement for a “specified amount of learning development activity” (Paragraph 14). The extant IES 7 prescribes a specific number of hours to be completed (120 hours in each rolling three-year period, of which 60 hours shall be verifiable) (Paragraph 15). This lack of number of hours will likely result in widespread interpretation by PAOs as to what is the appropriate “specified amount”. Such

differing interpretation will manifest itself in a wide range of hours being used by PAOs and, hence, inconsistent implementation of this requirement. Accordingly, we believe that IES 7 (Revised) should preserve this requirement in some way. We therefore suggest that the explanatory material state, around Paragraphs A22-24, that ordinarily the specified amount will be 120 hours in each rolling three-year period, of which 60 hours shall be verifiable.

Specific Responses to Questions Posed in ED

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

The Objective statement is appropriate and clear though we wonder it's better to articulate in such a way that the public interest appears as the ultimate outcome, say:

“Ensuring that professional accountants develop and maintain the professional competence necessary to perform their roles serves several purposes. It improves professional competence necessary to provide high quality services to clients, employers, and other stakeholders, promotes the credibility of the accountancy profession and, in so doing, helps ensure the profession works in the public interest.”

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

Yes, though please see our suggestion above relating to explanatory material for “specified amount” in relation to input-based approach (Paragraph 14).

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

Yes. Please see our suggestion above relating to explanatory material for “specified amount” in relation to the input-based approach (Paragraph 14)

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

The proposed revisions improve understanding and the ability of EFAA member organisations to apply an output-based measurement approach.

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

As outlined above the only term that might demand further clarification is “specified amount” in relation to the input-based approach (Paragraph 14).

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

We anticipate some of our member organisations being impacted. IAESB is reminded that not all our members are IFAC member organisations. Those EFAA members that are IFAC members include some small less well-resourced PAOs that will need time to fully implement the requirements. We welcome

the ED's clarity and principles-based nature that allows for flexibility in its application. This will help mitigate the impact and ensure the benefits of its adoption and implementation will exceed the costs.

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

Additional implementation guidance beyond that in the proposed explanatory material is not needed at this time. We would, however, encourage the IAESB to leverage the IFAC Global Knowledge Gateway and populate it with news and articles showcasing how PAOs apply IESs. This might demand the Gateway has an Education and Training topic area.

I trust that the above is comprehensive but should you have any questions on our comments, please do not hesitate to contact me.

Yours faithfully,



Bodo Richardt

President