PRACTICAL EXPERIENCE PRACTICE STATEMENT

DISCUSSION PAPER

Introduction

At its meeting in New York in February 2006, the IAESB received an update on a project to develop guidance to support member bodies in implementing the requirements prescribed in IES 5, Practical Experience, and noted an updated project plan and timetable.

Following the New York meeting, the Task Force continued to collect responses to a questionnaire sent to selected member bodies in January 2006. A total of 20 responses were received, representing a wide range of Practical Experience systems around the world.

After consideration of questionnaire responses, and studying accompanying documentation on Practical Experience requirements submitted by member bodies, the Task Force began work to produce a framework document for IAESB consideration at the current meeting. Meeting twice since the IAESB’s last meeting in New York, the Task Force has, in fact managed to produce a rough first draft of a proposed Practice Statement (IEG).

This Discussion Paper highlights the main issues identified by the Task Force for IAESB consideration as it developed the accompanying Practice Statement. The Task Force acknowledges that this is the first time that the IAESB has seen the proposed Practice Statement, and is seeking IAESB support for the broad principles contained within and the structure of the document.

Scope and Structure of the Practice Statement – Combination Approach

The Task Force agreed that the aim of the proposed Practice Statement was to provide practical implementation guidance for IFAC member bodies seeking to implement IES 5. It was anticipated that the focus of the document would be on implementing output-based approaches to meeting the requirements of IES 5, encouraging member bodies to adopt “best practice” approaches in line with the IAESB’s general preference for output-based approaches.
The Task Force recognizes, however, that many member bodies, and regulators, may prefer input-based approaches. In addition, IES 5 itself prescribes input measures (a 3 year period) and any guidance must take account of this. The proposed Practice Statement will therefore recommend a combination approach as best practice in meeting the requirements of IES 5, while attempting to promote output-based approaches wherever possible.

The Task Force considered the possibility of offering guidance on all three approaches. Input-based approaches to meeting the requirements of IES 5 alone would not be sufficient to meet the requirements of the Standard, however, as (at the very least) mentors are required to review and assess experience gained by the trainee – which is an output measure. The Task Force therefore believes that, while some discussion around input and output-based approaches will be helpful to member bodies, the Practice Statement should recommend a combination approach to meeting the requirements of IES 5.

It is proposed that this will be illustrated, in future drafts of this document, with examples/guidance of how output-based approaches may supplement or replace input-based approaches.

For IAESB Discussion
What are IAESB members’ views on the proposed direction of the draft Practice Statement, which recommends an overall combination approach to meeting the requirements of IES 5, and the structure of the document?

Initial Professional Development (IPD)

The Task Force has introduced the concept of “Initial Professional Development” (IPD), to highlight the idea that a period of Practical Experience is the first part of a professional development continuum that is ongoing throughout an individual’s career, and continues through CPD. Other professional bodies (e.g. the UK Institute of Engineering and Technology and UK Institute of Physics) have adopted this approach.

The Task Force has defined IPD as:

**Initial Professional Development (IPD):** Learning activities through which trainees acquire and demonstrate the competence* required of professional accountants.*

This is a conscious reflection of the IAESB’s definition of CPD, which focuses on developing and maintaining the capabilities of professional accountants to perform competently.

Definitions

In addition to the definition of Initial Professional Development (IPD) discussed above, the Task Force has introduced two further definitions, of “Approved Employer” and “Remote Mentor”.
Sustained Professional Competence

The Task Force believes that simply requiring trainees to gain a total of three years’ practical experience is not sufficient for meeting the requirements of IES 5. For a period of practical experience to be long enough and intensive enough to meet the requirements of IES 5, the Task Force recommends that, in addition to a minimum three year period of practical experience, member bodies require that all trainees gain sufficient, relevant experience during that period to enable them to demonstrate sustained professional competence.

Relevance of Practical Experience

It is clearly important that practical experience should be relevant to the trainees’ current and future needs. The Task Force recognizes, however, that it is impossible to develop a Practice Statement that gives specific guidance as to what will be relevant for every trainee in every situation, and that this must be left to the member body (probably assisted by the mentor and employer) to determine.

The Task Force believes that there are a number of areas common to all professional accountants where trainees should demonstrate their competence through a period of practical experience. A number of these are set out in IES 5, Paragraph 17, and the Task Force has added a recommendation that other skills, such as interpersonal and managerial skills, communication skills and IT skills also be considered by member bodies.

The Task Force has developed a Table (Table 1), based on a practical experience framework produced by the ICAEW, which seeks to set out in greater detail than provided in IES 5 the areas of professional competence developed through a period of practical experience that are common for all trainees.

For IAESB Discussion

What do IAESB members feel about introducing the concept of Initial Professional Development (IPD) in the proposed Practice Statement? Is the proposed definition helpful? Are the other proposed definitions helpful, and sufficient? Are there any other terms/concepts used in the current framework document that IAESB members believe would benefit from being defined?

For IAESB Discussion

Is the concept of “sustained professional competence” useful and helpful in determining the level to which trainees need to demonstrate the development of professional skills; professional values; and professional values, ethics and attitudes?

For IAESB Discussion

What are the views of IAESB members in terms of the general approach taken in this section - recommending a number of common areas applicable to all trainees, but leaving member bodies to determine specific areas of experience required in their environments?
Linking Practical Experience and Formal Education

IES 5 (paragraph 16) states in grey-lettering that period of practical experience should be obtained alongside or after a program of study. The proposed Practice Statement, in paragraph 36, suggests that member bodies may choose to recognize experience gained prior to students beginning a program of study, but where this is the case it is recommended they adopt systems and procedures designed to ensure that any such experience is relevant, and that students are able to demonstrate they have achieved and maintained sustained competence in any such areas. This is to take account of the situation in some jurisdictions (e.g. Hong Kong, New Zealand), where some prior experience is recognized.

For IAESB Discussion

Do IAESB members feel that prior practical experience should be recognised, as outlined above – along with a recommendation that where possible, the period of practical experience should be obtained alongside or after a program of study? Alternatively, should the proposed Practice Statement make clear that the period of practical experience should only be obtained alongside or after a program of study?

Recognition of Graduate Education and Simulation

The proposed Practice Statement needs to take account of the fact that not all systems of accounting education require the completion of a period of practical experience, and that some equate a period of graduate education (perhaps including an internship) and/or rely on simulation to meet the same objectives.

The Task Force believes that trainees may demonstrate the achievement of the professional knowledge and professional skills required of a professional accountant through formal education and/or simulation. The Task Force does not believe that it is possible, however, for students to fully demonstrate the development of the professional values, ethics and attitudes required of a professional accountant through formal education and/or simulation only. A period of relevant practical experience in conjunction with formal education is required for this purpose.

Where a member body places reliance on a period of graduate education and/or simulation as a significant component of the practical experience requirement, the member body needs to be able to demonstrate that trainees have developed the professional knowledge; professional skills; and professional values, ethics and attitudes to the level required for qualification as a professional accountant.

For IAESB Discussion

Can IAESB members support a recommendation in the proposed Practice Statement that a period of practical experience is required for the demonstration of the professional values, ethics and attitudes required of a professional accountant?

What are the views of IAESB members on the idea of recommending a limit (e.g. 12 months) as the maximum that graduate education can contribute to a period of practical experience?
Role of Mentors/Remote Mentors

The proposed Practice Statement will contain a considerable amount of detailed guidance both on the role of the mentor, and guidance for mentors themselves (criteria for becoming a mentor, training, responsibilities of the mentor, etc).

Mentors are defined as “professional accountants who are responsible for guiding and assisting trainees”. Good practice suggests that mentors are usually individuals in the same workplace as their trainee(s), with a close working relationship to their trainee(s). Mentors are often line managers or act in some other supervisory role with respect to their trainee(s).

The Task Force recognizes that this is a model which works well in a public practice environment, but is not necessarily applicable for accountants in business and other situations where there may be no suitable mentor available within the organization. The Task Force has therefore introduced the concept of a remote mentor – a professional accountant prepared to act as a mentor for a trainee outside their workplace. The proposed Practice Statement also includes several suggestions for risk mitigation the member body can employ where a suitably qualified mentor is not available in the workplace.

For IAESB Discussion

Are IAESB members satisfied that a “remote mentor” as recommended in the accompanying framework document will be able to provide sufficient support and guidance to trainees, and assess their professional competence?

What other criteria other than “commitment” could be used as evidence for mentors’ knowledge and skills (paragraph 59)?

Should non-accountants (e.g. line managers, HR and training managers) be allowed to act as mentors where no professional accountant (remote or otherwise) is available?

Resource Centre

In addition to producing proposed Practice Statement, the Task Force believes that an accompanying web-based “Resource Centre” could be a useful “extra” for member bodies, particularly for developing professions. The Resource Centre would contain examples of Practical Experience Guidance and documentation produced by member bodies willing to share their experience and approach with others. Examples of specific materials that might be included are:

- Competency frameworks for Practical Experience (e.g. audit, financial accounting, management accounting, tax);
- Web and paper-based tools for recording Practical Experience;
- Guidance for mentors, employers and trainees.

The development of such a Resource Centre would depend on the continued support of IFAC member bodies, however.
For IAESB Discussion
Do IAESB members feel the proposed Resource Centre is a useful and achievable deliverable, given resource constraints on the IAESB?
Are IAESB members prepared to share resources and materials from their organizations to help establish the Resource Centre?