



27 July 2011

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West, 4th Floor
Toronto Ontario Canada M5V 3H2

Dear Madame/Sir

IFAC International Accounting Education Standards Board (IAESB) – Proposed International Education Standard (IES) 6, *Assessment of Professional Competence* (revised and redrafted)

We appreciate the opportunity to respond to the IAESB’s Exposure Draft on the proposed changes to IES 6: Assessment of Professional Competence. This response is made on behalf of PricewaterhouseCoopers. “PricewaterhouseCoopers” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We recognize that IES 6 is intended to serve the public interest in establishing standards to better ensure the competence of professional accountants. We welcome the redrafting of this standard as part of the IAESB project to revise and redraft IESs 1 – 8, building on the concepts and principles of the *Framework for International Education Standards for Professional Accountants (the Framework)* and the *IAESB Drafting Conventions (the Drafting Conventions)* and aiming to ensure consistent application by reducing ambiguity about the requirements imposed on an IFAC member body. We also recognize that in redrafting the standards the IAESB intends to clarify issues arising from changes in the environment of accounting education and the experience gained from implementation of the IESs by IFAC member bodies.

We believe that the redrafted IES 6 appropriately focuses on the responsibilities of IFAC member bodies. We note that the requirements in the Exposure Draft provide greater flexibility in assessment processes for IFAC member bodies and, subject to our comments about the redrafted requirements below, we believe that the requirements of this standard serve the public interest. We believe that the more important issues to consider in finalizing redrafted IES 6 are:

- whether the principles-based approach and the wide range of assessment techniques presented in the standard will encourage differences rather than consistency between IFAC member bodies,
- whether CPD should be included in the scope and requirements,

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- whether the list of constraining factors to achieving reliability and validity in assessments (Para A12) undermines the related requirement (Para 9), and
- the precision and clarity of parts of the explanatory material regarding the principles of assessment.

We respond below to the questions raised in the Response for Comments section of the Exposure Draft and provide a few other comments to consider in finalizing the standard. All paragraph references (Para XX) are to the IES 6 Exposure Draft unless otherwise indicated.

Our response to the six questions posed in the Request for Specific Comments section of the Exposure Draft

Question 1: Is the change in the scope of IES 6 to *assessment across Initial Professional Development (IPD) and Continuing Professional Development (CPD)* appropriate?

The explanatory paragraph that accompanies this question requests input regarding greater flexibility in the timing and methods used in assessing satisfactory completion of IPD. That is, removing the requirement for a comprehensive final assessment "as near as practicable" to the end of IPD. Extant IES 6 already recognises that there may be variations in assessment timing and assessment methods during IPD (Para 17, 18). We support a change in the requirement permitting greater flexibility in the timing and methods of assessment for IPD albeit with some reservations regarding the extent of change in redrafted IES 6. The implications of this change will depend on the quality of adherence by IFAC member bodies to the requirements of redrafted IES 6. See further comment under Question 2 regarding the risks.

The other change in scope in redrafted IES 6 is the inclusion of assessment of CPD. The new requirement is that the member body *monitor* their members' continuing development and maintenance of competence (Para 8). Para A6 explains that the requirements relating to assessment during CPD are set out in IES 7.

We support the principle in the Framework for IESs that the IESs address both IPD and CPD (Framework Para 21). However, we do not interpret this to mean that each IES must address both IPD and CPD. Taken together, IES 6 and IES 7 do currently address both IPD and CPD. Para A7 indicates that the requirement in IES 6 simply restates the requirements already in IES 7. We therefore believe that the proposed Para 8 requirement in redrafted IES 6 is redundant and unnecessary.

Further, we believe that the inclusion of monitoring CPD in a standard on assessment poses conceptual problems. For example, Para 9 requires that member bodies apply the principles of reliability, validity, equity, transparency and sufficiency when establishing or relying on assessment processes. If monitoring CPD is an assessment process, how do these principles apply? We note that IES 7 requires that member bodies adopting an output-based approach gather reliable evidence using a valid assessment method, with no mention of equity, transparency and sufficiency. For member bodies adopting an input-based approach all that is required is verifiable measurement.

Should the requirement in Para 8 remain in the final IES 6, we strongly recommend that the explanatory sentence referring to IES 7 (Para A6) be moved into Para 8 to become part of the requirement. This would diminish the risk of other interpretations of the requirement which might choose to ignore the explanatory material. Should stakeholders who use or rely on the standard focus solely on the requirements in redrafted IES 6, particularly Paras 8 and 10, the implications for assessing competence relating to CPD could be more wide reaching than what redrafted IES 6 appears to intend.



Question 2: Does this change accommodate the different approaches taken by professional accounting organizations?

The change of allowing more flexibility in the timing and methods of assessment during IPD does accommodate a wider range of approaches. We understand that data from the IFAC compliance program indicates that member bodies currently use a variety of approaches and methods for assessment. It therefore appears that this change in scope better accommodates the different approaches currently in use. We defer to the more informed responses of IFAC member bodies on this point.

As indicated in our response to Question 1, we have reservations about the proposed degree of flexibility in timing and methods of assessment. Our reservations are based on the possible impacts of redrafted IES 6 on the quality of assessment processes for the accounting profession.

IFAC member bodies have very different access to internal and external specialists in designing, testing and implementing assessment processes. The wide range of assessment techniques discussed in IES 6 require specialist knowledge to achieve the principles of assessment at the appropriate level for qualification to a profession. Some IFAC member bodies may reduce their efforts in this regard given the greater accommodation to approaches provided in the standard.

Also, it would now be within the letter of the standard that a member body could rely solely on techniques such as self-assessment and job performance evaluation that aspiring professional accountants have attained an appropriate level of competence by the time IPD is completed. By presenting these as assessment activities in Para A4, the redrafted standard implies that they satisfy the five principles of assessment. Our experience with these techniques indicates otherwise. We believe that these concepts should be revisited in drafting the final standard. We have commented further on self-assessment in “Other Comments” below.

Paragraph 4 of the *Framework for International Education Standards for Professional Accountants* lists desirable outcomes from developing and implementing IESs including, “reduction in international differences in the requirements to qualify and work as a professional accountant” and, “provision of international benchmarks against which IFAC member bodies can measure themselves”. The principles-based approach used and the wide range of assessment techniques presented in redrafted IES6 may result, rather, in more international differences and less international benchmarking in assessment processes. If so, this will detract from the other desirable outcome mentioned in the Framework: “facilitation of the global mobility of professional accountants”. We strongly recommend that the IAESB consider these possible consequences in finalizing redrafted IES 6. We also recommend that the IAESB monitor member body adoption of this standard and revisit this standard if necessary to support the desirable outcomes mentioned in the Framework.

Question 3: Are the principles of assessment sufficient?

We believe that the principles of reliability, validity, equity, transparency and sufficiency are sufficient.

Question 4: Is the objective to be achieved by a member body, stated in the proposed revised IES 6, appropriate?

The Objective section of redrafted IES 6 states:



"The objective of a member body is to:

- assess the attainment by aspiring professional accountants of an appropriate level of professional competence during IPD; and
- monitor the efforts of its professional accountants to maintain and develop appropriate levels of professional competence during CPD that are relevant to their work roles

Applying the principles of assessment in this standard provides confidence in this process."

We believe that the first bullet point is appropriate.

Consistent with our recommendation to exclude CPD from the scope of this standard, we believe that the second bullet should be removed. Should CPD remain within the scope of this standard, we believe that the second bullet should be reworded to align with the wording of the objective of IES 7. To have different statements of objective in an area which has identical requirements can lead to confusion.

Question 5: Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?

We believe that the criterion that the requirements of a standard be necessary to achieve the overall objective of the standard has been met.

We believe that the criterion that requirements of the standard are expected to be applicable in virtually all situations to which the standard is relevant has been met except for how the requirement to apply the five principles of assessment (Para 9) applies to the monitoring of CPD (Paras 8, A6, A7) as mentioned in our reply to Question 1 above.

We believe that the criterion that, "The objective stated in the Standard is unlikely to have been met by the requirements of other Standards." has not been met. The explanatory material (Para A6) indicates that IES 6 adds nothing to IES 7 regarding the assessment of CPD. Clearly, therefore, the objective in IES 6 with respect to CPD has been met in another standard. Also, as discussed above in response to Question 1 and Question 4, there are risks that Para 8 could be misinterpreted.

Question 6: Are there any terms within the proposed IES 6 which require further clarification? If so, please explain the nature of the deficiencies.

We note that the exposure draft proposes definitions to be added to the IAESB Glossary of Terms for the assessment principles of reliability, validity, equity and sufficiency but not for the assessment principle of transparency. The IAESB should consider formally defining transparency for completeness. We note that the explanatory material in the exposure draft contains definitions of all five principles.

We believe that the definitions of reliability and validity proposed for the IAESB Glossary of Terms are improvements over the existing definitions in the glossary. Note that those same definitions should also eventually be changed in Para 31 of the Framework.

We suggest that the term "objective testing" (Para A4) be defined at least in the explanatory material to aid the reader and to enhance the consistency of translations.

Developing Nations



Subject to our comments above regarding the recommendations in redrafted IES 6, we believe that the requirements of this standard are appropriate for developing nations and have no comment regarding implementation difficulties.

Translation

The term, “objective testing” in paragraph A4 may not be translated consistently. We recommend that this term be defined, at least in the explanatory material.

Effective Date

We do not believe that member bodies who currently comply with the requirements of IES 6 and IES 7 would need to change their approach to assessments or monitoring CPD under the redrafted IES 6 and therefore that the proposed implementation period of 12 – 15 months appears adequate.

Other Comments

Para A4 – This paragraph provides examples of assessment activities which can be selected. Self-assessment is included in the examples. While self-assessment can be a strong learning aid and a useful method of assessment for learning and development purposes, it would be unusual to rely on self-assessment in the professional qualification process without corroborating assessment evidence. We do not believe that self-assessment meets the Para 10 requirement for verifiability in the spirit explained in Para A19. Also, it is difficult to see how self-assessment can achieve the five principles of assessment in Para 9 in a robust way. Para A7 explains that the five principles do apply to individual assessment activities. We therefore recommend that self-assessment be removed from the examples or at least qualified in some way.

Para A10 – We believe that the following changes would make the explanations of the elements of validity more accurate (deletions in smaller font parentheses, additions in italics):

- An assessment activity (measures) *appears to measure* what it is intended to measure (this is called face validity);
- (The content of) *Scores from* the assessment activity (relates to) *are statistically correlated with* the aspect of competence that it intends to assess (this is called predictive validity)

Para A11 - The third bullet point effectively restates the definition of content validity rather than providing a way to increase content validity. It may be that no example is necessary for this element of validity.

Para A12 – This paragraph may be intended to explain why member bodies cannot and should not try to achieve 100% reliability and validity in assessments. If so, we support the intent. However, that intent is not stated and the paragraph as drafted simply presents constraints on meeting the requirement in Para 9. The reader may logically extrapolate that there are similar constraining factors for equity, transparency and sufficiency. More importantly, it seems inconsistent for explanatory material in a standard to provide reasons for failing to meet a requirement. We recommend that this paragraph be revised to clarify the intent and the message.

Para A13 – The definition provided here and for the IAESB Glossary state that an equitable assessment is without bias. Similar to reliability and validity, assessments are not 100% free of at least minor bias



introduced by the method of assessment or characteristics of a minority population within the group assessed. A suitable qualification such as “statistically significant” should be added to the word “bias”.

The second sentence of Para A13 seems gratuitous as (a) a similar statement could be made about each of the principles and (b) the sentence adds nothing to the definition.

Para A18 – The flow of the explanatory material leads the reader to expect that this paragraph will suggest ways to increase the sufficiency of assessments (similar in purpose to A9, A11, A14 and A16 for the other principles of assessment). Rather, this paragraph provides examples of one element of sufficiency (integration). We suggest that this paragraph be revised to align with the other similar paragraphs. Parts of Para A18 can be easily adapted to achieve this.

Paras A19 and A20 - While these paragraphs deal with verifiable evidence, it is also possible to increase stakeholder confidence by verifying the quality of assessments (the five principles) during assessment design and testing. Perhaps this could be mentioned in the explanatory material and discussed in more detail in a practice statement.

Para A20 – The list of examples of verifiable evidence includes items which would likely only be suitable for IPD, items which would only be suitable for CPD and items which could be used for either. Redrafted IES 6 includes both IPD and CPD in its scope and requirements as currently drafted. Should CPD be removed from the final standard, which we recommend, this list should be suitably amended. Should CPD remain in the final standard, this list should be revised to indicate whether each example is suitable for IPD, for CPD or for both. This would reduce the risk that the standard be seen to support inappropriate or inadequate methods of assessment for these different phases of professional development.

Closing remarks

We commend the IAESB for issuing this Exposure Draft of redrafted IES 6. We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Christine Adshead, Global Assurance Learning and Education Partner on (44(0) 161 245 2529).

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Christine Adshead LLP', is written over a faint, light blue watermark of the PwC logo.

ricewaterhousecoopers LLP