

July 25, 2011

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

Re: Proposed Revised International Education Standard 6: Assessment of Professional Competence

Thank you for this opportunity to comment on the proposed revised International Education Standard 6 on Assessment of Professional Competence (“the revised IES 6”).

Our comments are based on consultation with a number of our members across Canada both at the CICA and the Provincial Institutes of Chartered Accountants/Ordre des Comptables Agréés du Québec who have responsibility for pre- and post-qualification professional learning and development.

We understand that the IAESB is proposing to adopt a principle-based approach to assessment of professional competence in initial professional development to recognize that Member Bodies undertake a variety of approaches to assessment during initial professional development and are using a range of assessment methods “to get to the same learning outcomes” and not just a final written examination.

As a general comment, we agree with this objective of the IAESB. But as you will see in our detailed comments, we believe that the principle-based Requirements in combination with the Explanatory Material as drafted provide too much latitude, too much flexibility and not enough guidance to a Member Body to explain the expected standard. As written we are concerned that it could lead to a lowering of the assessment standard.

The IAESB is further proposing to extend the Requirements of a Member Body to apply the same principle-based approach to assessment of professional competence over the life cycle of a professional accountant i.e. as part of continuing professional development (“CPD”).

As you will see in our detailed comments, we believe that the expanded Requirements of the revised IES 6 re: the assessment of professional competence during CPD, are not clear. Moreover, we believe that the objective of Member Bodies with regard to monitoring the continuing professional development of its members is already aptly covered by IES 7 *Continuing Professional Development: A Program of Lifelong*



Learning and Continuing Development of Professional Competence. The additional Requirements included in the revised IES 6 are not necessary and if adopted would be a significant challenge for Member Bodies to implement. The IAESB should re-consider the need for this revision to IES 6.

Sincerely yours,

Tashia Batstone, CA, MBA
Chair, Professional Learning Committee
and
Chief Executive Officer, Institute of Chartered Accountants of Newfoundland and Labrador

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

No.

We believe that the responsibilities of the individual professional accountant and the Member Body re: continuing professional development are adequately addressed in IES 7.

Under IES 7, Member Bodies require CPD to be an integral component of a professional accountant's continuing membership; they are required to monitor and enforce a systematic process to ensure their members meet the requirements of the standard and they provide assistance to individual professional accountants to develop and maintain their competence.

The competence of many professional accountants, and certainly those in high-risk areas of practice is subject to review and assessment by their organizations, by external regulatory authorities and by Member Bodies. Member Bodies have quality assurance review programs for Firms and individual professional accountants, which may include CPD and of course, investigation and disciplinary regimes for misconduct.

To go beyond that by requiring Member Bodies to monitor that competence development is relevant and appropriate to a role and to assess the assessment processes in continuing professional development is unnecessary.

Moreover, Member Bodies may not have the capacity or the capability to implement such a requirement. Professional accountants today are expected to continually develop their skills and competence to meet the demands of their roles/positions. In addition, professional accountants work in complex industries e.g. banking and finance, extractive industries, technology and telecommunications and insurance or complex environments e.g. transnational audits. A requirement for a Member Body to monitor that a professional accountant's continuing professional development is appropriate to their work roles and to "establish or rely on" a specific element of the learning and development process for members i.e. assessment, on an ongoing basis, is unrealistic.

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

The extant IES 6 as noted by the IAESB "focuses on the formal assessment of competence using a comprehensive final examination just before qualification" whereas the proposed standard recognizes that the assessment may be achieved in several ways. It provides as an example of "other ways" e.g. assessment activities over IPD that includes written examinations and assessment of workplace performance.

We do not believe that the extant IES 6 precluded these "other ways" as written.

It is the responsibility of IFAC member bodies to have in place assessment procedures that ensure candidates admitted to membership are appropriately qualified. A series of continual assessments might be made leading up to the final assessment of capabilities and competence. (Paragraph 5, extant IES 6).

In fact, it refers to the use of “a series of parts spread over an individual’s pre-qualification program” (Paragraph 23).

We know of no Member Body that relies solely “on a single multi-disciplinary examination conducted at the end of IPD” for admission. Some form of pre-requisite assessment e.g. successful completion of university courses or a professional education program including examinations, precedes a final examination. Most Member Bodies already rely on a series of examinations/assessments that focus on different areas of competence, conducted throughout or at the end of IPD.

What the extant IES 6 does prescribe and what has been eliminated from the revised IES 6, is the need for some form of final assessment (written) before qualification, allowing for “an evaluation at the end of IPD of the outcomes of a series of formal education and workplace performance assessment activities” (Paragraph A3).

Yes, this change would accommodate any Member Body that does not include examinations at the end of IPD. But we do not believe it reflects the approach that is taken by most professional accounting organizations in initial professional development today nor does it explain the implications of not including examinations at the end of IPD. Most Member Bodies include some form of capstone final evaluation before qualification, precisely because it is an effective way to ensure the assessment principles noted in the revised IES 6 are met. It is THE generally accepted testing methodology. Without a final examination, it still will be incumbent upon a Member Body to demonstrate that their approach meets the assessment principles for IPD – something that may be more difficult to do. See our discussion below re: including a discussion of the impact of assessment choices on reliability and validity, in Explanatory Material (Other Comments- 2 (a), (b) and (c)).

Question 3: Are the principles of assessment sufficient?

We agree that the assessment principles in Paragraph 9 address the critical elements in establishing or relying on assessment processes. As noted below, however, we believe that the explanatory material could be improved to better help the reader understand the requirement.

Your question asks about sufficiency – but not about necessity. We do question whether the principles apply equally to CPD and IPD (see below). One could manufacture scenarios in which ‘equity’ for example is not a necessary principle for assessment in CPD.

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

The proposed revised IES 6 includes three objective statements:

- Assess the attainment by aspiring professional accountants of an appropriate level of professional competence during IPD;
- Monitor the efforts of professional accountants to maintain and develop appropriate levels of professional competence during CPD that are relevant to their work roles; and
- Applying the principles of assessment in this standard provides confidence in this process.

We believe that the objective of Member Bodies re: IPD is appropriate.

However, as noted elsewhere in this letter, we do not believe the objective re: CPD is appropriate. We also believe that if there is some intent in adding the last sentence about “provides confidence”, it should be made clear in the explanatory material. Is “providing confidence” an additional objective? Confidence in what? Confidence to whom? Does this sentence apply equally to IPD and CPD?

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?

One of the criteria identified by the IAESB in determining the requirements of a Standard is that, “The objective stated in the Standard is unlikely to have been met by the requirements of other Standards”.

We believe that CPD is effectively monitored through the requirements of IES 7 and the variety of other quality review regulations / obligations re: professional competence established by the Member Body, regulatory authorities and other oversight bodies.

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 have no specific comments. We have assumed that the proposed additions to the Glossary of Terms use wording consistent with other IAESB publications and definitions of these terms as generally used in the assessment field.

Other Comments:

1. Confusion between IPD and CPD in all sections of the revised IES 6

It should be stated up front that for clarity, we prefer the structure of the extant IESs. The extant IESs 1 to 6 describe the Member Body’s responsibility for learning and development in initial professional development. Continuing professional development is dealt with in IES 7. Within this structure, the objectives, requirements and explanatory material for both IPD and CPD are distinct and relatively clear.

Not so in the revised IES 6. Our reviewers ran into difficulty in the Objectives section, the Requirements and the Explanatory Material.

We would suggest that if an IES addresses both IPD and CPD (the recent IES 4 Exposure Draft suffers from some of this as well), that it be made very clear as to what applies to what. This could be accomplished through sub-headings in each section i.e. Initial Professional Development and Continuing Professional Development or by structuring the sections to address IPD first, followed by any CPD differences.

Examples of confusion that need to be cleared up:

Objective section:

- The last sentence stands alone: “Applying the principles of assessment in this standard provides confidence in the process.”

Does this sentence refer to IPD, CPD or both? It’s not clear. If it is intended to apply to both, we are not convinced that it is a true statement for CPD e.g. equity may not be a necessary characteristic of assessment for CPD.

Requirements section

- Readers might assume that Paragraphs 9 and 10 are CPD requirements as well as IPD requirements. There is no indication that they are one or the other – therefore it is assumed that they must apply to both.

Paragraph 10

But we find in the footnote , that Paragraph 10 is NOT a CPD requirement – for that, you need to go “IES 7, para 47 and 48”.

More importantly, this paragraph appears to contradict IES 7 (para 33) which does NOT require all CPD to be verifiable.

Paragraph 9

Per Paragraph A6, none of the requirements in the revised IES 6 – including Paragraph 9 - seem to apply to CPD.

More importantly, we are not convinced that assessment for CPD does need to meet all of the stated principles e.g. equity.

Explanatory Materials section

- More a general comment here – that the examples provided in the Explanatory Material cover the gamut of IPD and CPD and this can lead to confusion or misunderstanding.

Member Body's are generally much more interested in the relevant and appropriate examples of assessment for IPD. To intersperse ideas that are typically CPD-related e.g. workplace assessments by employers, confirmation that employees have attended in-house training or certificates of course completion causes confusion in what might be relevant and appropriate for IPD versus CPD and reduces the usefulness of the IES.

2. Explanatory Material

- a) We were surprised at the amount of information from the extant IES 6 that was NOT carried forward to the revised IES 6 – information that we believe would provide more context for the proposed Requirements, particularly the IPD-related Requirements. We believe that the proposed Explanatory Material can be improved. The inclusion of such a variety of examples in the proposed Explanatory Material, without appropriate context/explanation, provides little guidance to the reader.
- b) Paragraph A2 does not in our view provide explanatory material re: the Objective of this IES. It explains “the factors relevant to determining an appropriate level of professional competence.” This material would be more appropriate for a revised IES 2. We believe explanatory material as to what the objective is about can be found in paragraphs of the extant IES 6 e.g. Paragraph 14.
- c) Paragraphs A3 to A5 would be significantly enhanced by providing more context for “Forms of Assessment”. We would suggest that the IAESB consider materials from the extant IES 6 e.g. Paragraph 18 and maybe some of Paragraph 17 and even material from IEP 3 *Assessment Methods* which explains:
 - That assessment will often consist of a selection of types of assessment – education-based, work-based or a combination;
 - That selection of the approach and techniques of assessment needs to meet the principles of Paragraph 9 of the revised IES 6;
 - That Member Bodies should use care in their selection - that there are advantages and disadvantages in considering an assessment approach and/or an assessment technique (such as those listed in the proposed Paragraph A4); and
 - That selection will be made with consideration of the practical considerations of cost/benefit, resources, time limits and regulatory constraints (the current Paragraph A12).
- d) Paragraph A4 – The last three bullets of this paragraph are typically considered in a CPD situation more than in IPD. The suggestion that “self-assessment activities” has ANY place in IPD (which for a Member Body leads to admission to membership) seems particularly weak. The inclusion of these last three activities in a list that offers no

differentiation in effectiveness or how they meet the proposed principles, does not add clarity to the IES.

- e) Paragraph A6 – What does this paragraph mean? It seems to contradict the Objective and the Requirements of the revised IES 6 as they relate to CPD. “The requirements relating to assessment during CPD are set out in IES 7” i.e. not here in IES 6.
- f) Paragraphs A9, A11 A14 and A16 – These four paragraphs include examples to illustrate a point. The examples are very specific (one reviewer said ‘random’) and very written-examination focused and not very explanatory. We do not think the revised IES 6 would be harmed by deleting these examples.
- g) Paragraph A12 – There is a wording problem here. A cold read might suggest that it is okay to constrain reliability and validity. (“Reliability and validity may be constrained”). The point that is trying to be made here, we believe, is that assessment techniques have various pros and cons e.g. the four bullets in A12. To ensure reliability and validity, the Member Body may have to make another selection or find a way to ensure reliability and validity. But reliability and validity should never be compromised. It sounds like there is an ‘out’.
- h) Paragraph A18 – Integration is a critically important part of the learning and development activities of many Member Bodies. Interestingly, we don’t believe that there is a common definition of integration amongst those Member Bodies but if there were, we do NOT believe that it would include the last three bullets in this paragraph. The last three bullets are pervasive skills in their own right – problem solving, identifying, prioritizing and professional judgement.

At our Symposium, Leveraging Change – The New Pillars of Accounting Education, held for educators in September 2010, Irene M. Wiecek, B. Comm., FCA, Senior Lecturer, Joseph L. Rotman School of Management, University of Toronto, presented a paper on *Integration in Accounting Education*. We believe that her paper may be useful in establishing what is meant by integration. It highlighted that there are both breadth and depth aspects to integrated accounting education.

“Breadth aspects include:

1. *Interconnection of various business disciplines: accounting, economics, finance, organizational behavior, strategy, marketing, operations management, ethics*
2. *Interconnectedness of various sub-disciplines within accounting such as tax and assurance*
3. *Interconnectedness of topics within accounting sub-disciplines e.g. leases, financial instruments, taxes, etc.*

Depth aspects include:

1. *Interconnectedness of foundational concepts: these may be foundational to all business disciplines and/or specific to accounting. For example, this includes concepts such as supply and demand in economics, the reasonable man in law, the risk/return tradeoff in finance and the revenue recognition principle in financial accounting.*
2. *Interconnectedness of foundational models and methods: these may be foundational to all business disciplines and/or specific to accounting. Examples of these are discounted cash flow models, options pricing models, the accounting equation, journal entries, revenue recognition methods such as percentage of completion.”*

- i) Paragraph A20 – A very confusing paragraph. There is no distinction here between examples of verifiable evidence for IPD versus CPD. In our view, the first three bullets would generally be applicable to IPD. But the last five bullets would typically be related to CPD.

As noted earlier, some reviewers interpreted the footnote to Paragraph 10 to suggest that Paragraph A20 applies ONLY to IPD. (“For CPD, refer IES 7”) so that this list would be considered examples for IPD only.

How is a Member Body to know which is which? And, by being listed in Paragraph A20, is the IAESB saying that these are effective examples of verifiable evidence for IPD? How reasonable is it to accept “records of attendance at lectures” as evidence of professional competence for admission to membership? Such confusion could lead to a significant lowering of the standard from the extant IES 6.

Again, we would suggest eliminating this paragraph as being too specific for Explanatory Material or we would suggest being more clear on examples of verifiable evidence that apply to CPD and examples of verifiable evidence that apply to IPD.