

July 26, 2011

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto  
Ontario  
Canada  
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Dear Sir or Madam

We appreciate this opportunity to comment on the Exposure Draft of the Proposed Redrafted International Education Standard 6 Assessment of Professional Competence (IES6). We fully support the objectives of the IAESB's project to improve the clarity of its Standards, of which this Exposure Draft is a part, and we commend the IAESB in the work they have done on IES 6 to date.

### **Comments on Exposure Draft:**

Before responding to the specific questions raised in the Explanatory Memorandum to the Exposure Draft, we have some overall comments on the redrafted standard which we set out below.

### **Overall Comments**

In our comment letter on the exposure draft of the proposed redrafted IES 7 we expressed concern about the use of the phrase 'prescribes good practice' in the first paragraph of the Scope section in positioning the requirements of the IES for IFAC member bodies. We are, therefore, pleased to see improved, stronger language in the corresponding first paragraph of IES 6, no mention of 'good practice' and encourage the Board to continue to adopt this approach for the revisions of other standards.

In a number of areas we believe that the drafting of IES 6 can be improved and we have set out detailed comments in the section 'Specific drafting points' below. In general we believe that consistency in use of terminology and structure could be improved, in particular:

- Consistent use of terminology regarding assessment – currently the proposed standard uses the terms 'assessment' 'assessment process' and 'measurement' interchangeably;
- The Explanatory Material on the principles of assessment should be reviewed to ensure that:
  - The terms are consistently explained – for example some are positioned as not being absolute measures, but not all. In our view all the principles are relative concepts.

- The examples provided are presented consistently, currently all are presented as ways to increase the level of the specific principle, but many simply represent good practice. It may be simpler to present these as examples of good practice in achieving a high level of the specific principle.

### **Specific Questions**

With respect to the specific questions outlined in the Explanatory Memorandum to the Exposure Draft our comments are as follows:

#### **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 do not believe this change of scope is appropriate.

Although this question and the covering information in the Explanatory Memorandum suggest that the proposed standard takes a consistent, principles-based approach to the assessment of competence in both IPD and CPD, there is actually a significant difference in the proposed standard between the requirements for IPD and CPD. In IPD the proposed standard requires IFAC member bodies to undertake formal evaluation of attainment of professional competence. In contrast in CPD the proposed standard requires IFAC member bodies to monitor that professional accountants continue to maintain and develop competence.

We presume that the use of the word 'monitor' rather than 'assess' is intentional and that 'monitoring' is not, therefore, intended to involve a formal evaluation of maintenance and development of competence during CPD. In our view therefore the scope of IES 6 in respect of CPD duplicates, but does not extend, that of the recently exposed proposed IES 7 on CPD, which requires IFAC member bodies to 'require all professional accountants to develop and maintain competence' and to 'establish a systematic process to monitor whether professional accountants meet the CPD requirement'. Such duplication could result in a number of issues including:

- 1) Confusion between the requirements of IES 6 and IES 7 in respect of CPD
- 2) Some stakeholders may presume that the nature of assessment required during IPD (formal evaluation) is what the proposed IES 6 intends for CPD.

We strongly encourage the Board to reconsider the scope of the proposed standard and refocus it back on assessment during IPD, and allow IES 7 to stand alone in addressing the requirements for CPD.

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

We are not able to comment on many and varied approaches taken by professional organizations to assessment and therefore note the responses from IFAC member bodies on this point are particularly important.

We do, however, note that the wording of the proposed standard is such that any approach which meets the definition of 'formal evaluation' (for IPD) and is based on 'verifiable evidence' would be permitted. We believe this principles-based approach to setting requirements for assessment, and hence permitting a wide range of different formats, is appropriate.

**Question 3: Are the principles of assessment sufficient?**

Yes, we believe the principles of assessment outlined in the proposed standard are appropriate and sufficient.

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

No, as per our response to question 1 above we believe that the reference to CPD should be removed from the objective. We also believe that the statement related to 'applying the principles of assessment' does not form part of the objective as written and would be better positioned as part of the Scope section of the standard, possibly as part of paragraph 3.

**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?**

Yes, we believe the criteria for requirements have been applied consistently and appropriately.

However, as per our response to question 1 we believe that requirement 8 on CPD should be removed from the proposed standard. We note that paragraph A6 makes clear that 'requirements relating to assessment during CPD are set out in IES 7' which therefore contradicts the inclusion of requirement 8 on assessment during CPD.

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

Yes – we believe the following terms should either be explained in more detail in the standard itself or included in the IAESB Glossary:

- Professional competence (throughout proposed standard)
- Workplace performance assessment activities
- Objective testing
- Transparency
- Assessment process
- Monitor

**Specific drafting points**

In addition to our responses to the specific questions posed in the Explanatory Memorandum, we also provide a number of specific comments on the exposure draft together with suggestions for changes to enhance the clarity of the final standard.

We note that the approach to providing paragraph references between the main body of the proposed standard and the Explanatory material differs from the proposed IES 7. IES 7 was easier to follow because it used a consistent approach of providing paragraph references alongside the subheadings in both the main body of the Standard and the Explanatory Material, providing clear linkage between the two parts of the document. We recommend that this approach is also taken for the proposed IES 6.

Paragraph	Existing Wording	Comments/Suggestions for change
6	<p><i>The objective of a member body is to:</i></p> <ul style="list-style-type: none"> <li>• <i>assess the attainment by aspiring professional accountants of an appropriate level of professional competence during IPD; and</i></li> <li>• <i>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.</i></li> </ul> <p><i>Applying the principles of assessment in this standard provides confidence in this process.</i></p>	<p>We recommend that the reference to CPD is removed (see above) and that the application of the principles of assessment is positioned as part of the scope section of the standard rather than in the objectives paragraph.</p> <p><i>The objective of a member body is to assess the attainment by aspiring professional accountants of an appropriate level of professional competence during IPD.</i></p>
10	<p><i>Footnote:</i></p> <p><i>For CPD refer IES 7, para 47 and 48.</i></p>	<p>These paragraph references address the extant IES7, and will therefore need to be updated to reflect the recently exposed proposed IES 7.</p>
A2	<ul style="list-style-type: none"> <li>• <i>the expectations of certain stakeholders (such as regulators, employers, and the public) relating to expected levels of professional competence;</i></li> </ul>	<p>Expectations are by definition ‘expected’ – no need to repeat.</p> <ul style="list-style-type: none"> <li>• <i>the expectations of certain stakeholders (such as regulators, employers, and the public) relating to levels of professional competence;</i></li> </ul>

Paragraph	Existing Wording	Comments/Suggestions for change
A2	<ul style="list-style-type: none"> <li>• <i>the required specialist knowledge;</i></li> <li>• <i>the required level of professional judgment;</i></li> </ul>	<p>We recommend more context is provided for these 2 bullets. Who is 'requiring' the specialist knowledge and professional judgment, and for what?</p>
A3	<p><i>The formal evaluation of professional competence by the time IPD is completed may be undertaken in a variety of ways, including, for example, by:</i></p>	<p>We recommend changes to improve comprehension:</p> <p><i>The formal evaluation that professional competence is attained by the time IPD is completed may be undertaken in a variety of ways, including:</i></p>
A4	<ul style="list-style-type: none"> <li>• <i>Computer-assisted testing;</i></li> </ul>	<p>We believe this terminology sounds out-dated and suggest changing to:</p> <ul style="list-style-type: none"> <li>• <i>Technology-based testing;</i></li> </ul>
A4	<ul style="list-style-type: none"> <li>• <i>Self assessment activities;</i></li> </ul>	<p>It is unclear how self assessment activities could meet the principle of reliability. We recommend removing this from the list.</p>
A5	<ul style="list-style-type: none"> <li>• <i>training opportunities provided by employers.</i></li> </ul>	<p>We recommend referring to learning and development (in order to be consistent with the IAESB Framework) rather than just training:</p> <ul style="list-style-type: none"> <li>• <i>Learning and development opportunities provided by employers.</i></li> </ul>
A8	<p><i>A reliable assessment consistently produces the same result, given the same set of circumstances. Reliability is not an absolute measure, and different assessment activities may have different levels of reliability. An assessment activity is reliable if different assessors acting independently come to the same judgment, given the same set of circumstances.</i></p>	<p>As reliability is not an absolute measure we recommend avoiding reference to 'a reliable assessment' or to an activity being 'reliable'. We also suggest avoiding the suggestion that high reliability is only achieved when assessors always come to the same judgment.</p> <p><i>A assessment has high reliability if it consistently produces the same result, given the same set of circumstances. Reliability is not an absolute measure, and different assessment activities may have different levels of reliability. An assessment activity has high reliability if different assessors acting independently consistently come to the same judgment, given the same set of facts and circumstances.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
A9	<ul style="list-style-type: none"> <li>• <i>The reliability of workplace performance assessments may be increased by selecting assessors who have comparable levels of ability and providing training for the assessment task.</i></li> </ul>	<p>We recommend being clear that it is the assessors and not those being assessed who should receive the training for the assessment task.</p> <ul style="list-style-type: none"> <li>• <i>The reliability of workplace performance assessments may be increased by selecting assessors who have comparable levels of ability and providing them with training for the assessment task.</i></li> </ul>
A10	<p><i>A valid assessment measures what it was intended to assess. Validity is not an absolute measure, and different assessment activities may differ in their validity. Validity has multiple aspects and includes the following:</i></p> <ul style="list-style-type: none"> <li>• <i>An assessment activity measures what it is intended to measure (this is called face validity);</i></li> <li>• <i>The content of the assessment activity relates to the aspect of competence that it intends to assess (this is called predictive validity); and</i></li> <li>• <i>The assessment activity provides adequate coverage of the particular competence being assessed (this is called content validity).</i></li> </ul>	<p>We recommend changes to the description of validity to be consistent with our proposed changes to paragraph A8 on reliability. In addition we recommend restructuring the bullet points to emphasize the titles of the different components of validity.</p> <p>We also recommend revisiting the definition of face validity as it is currently defined to be the same as the overall concept of validity. We recommend referring in the definition of face validity to the importance of perception.</p> <p><i>An assessment has high validity if it measures what it was intended to assess. Validity is not an absolute measure, and different assessment activities may differ in their validity. Validity has multiple aspects and includes the following:</i></p> <ul style="list-style-type: none"> <li>• <i>Face validity - An assessment has high face validity if the activity is perceived to measure what it is intended to measure ;</i></li> <li>• <i>Predictive validity – an assessment has high predictive validity if the content of the assessment activity relates to the aspect of competence that it intends to assess; and</i></li> <li>• <i>Content validity – an assessment has high content validity if the assessment activity provides adequate coverage of the particular competence being assessed.</i></li> </ul>

Paragraph	Existing Wording	Comments/Suggestions for change
A11	<p><i>There are many ways to design assessments to increase the level of validity. For example:</i></p> <ul style="list-style-type: none"> <li>• <i>An assessment by a supervisor of how well a professional accountant leads a team of auditors may have greater predictive validity of competence in leadership than assessing leadership skills using a written examination;</i></li> <li>• <i>A written examination to test knowledge of the content of a particular accounting standard may have greater face validity if the examination draws on a real-life case study rather than a hypothetical case study; and</i></li> <li>• <i>In designing a multiple choice examination to assess knowledge of information technology, an assessment has high content validity if it adequately covers the major aspects of this field.</i></li> </ul>	<p>We note that the first and second bullet points differ in the type of situation they describe. Bullet one contrasts the levels of validity achieved using different assessment approaches whilst bullet two shows how to increase the validity of a chosen assessment approach.</p> <p>We note that the third bullet point is not presented as a way to increase the level of a validity of an assessment.</p> <p>We recommend reviewing this paragraph and redrafting the bullet points so that they are consistent with the lead in statement, and with each other.</p>
A12	<p><i>Reliability and validity may be constrained by factors that include:</i></p> <ul style="list-style-type: none"> <li>• <i>Cost/benefit considerations;</i></li> <li>• <i>resource constraints (such as skills shortage or financial resources);</i></li> <li>• <i>time limitations; and</i></li> <li>• <i>regulatory constraints.</i></li> </ul>	<p>It is not clear what guidance this paragraph is intended to provide to IFAC member bodies. We recommend further context is provided to explain what IFAC member bodies should seek to achieve in the face of resource constraints.</p> <p>We also make some specific drafting recommendations for the existing text.</p> <p><i>Reliability and validity may be constrained by factors that include:</i></p> <ul style="list-style-type: none"> <li>• <i>Cost/benefit considerations;</i></li> <li>• <i>Resource constraints (such as a shortage of skills or of financial resources);</i></li> <li>• <i>Time limitations; and</i></li> <li>• <i>Regulatory constraints.</i></li> </ul>

<b>Paragraph</b>	<b>Existing Wording</b>	<b>Comments/Suggestions for change</b>
A13	<p><i>An equitable assessment is fair and without bias. Equity can be improved by designers of assessment programs or activities who are aware of the possibility of bias.</i></p>	<p>We recommend changes to the description of equity to be consistent with our proposed changes to paragraph A8 on reliability. In addition we recommend being consistent in explaining that equity is not an absolute concept.</p> <p><i>An assessment has high equity if it is fair and without bias. Equity is not an absolute measure, and different assessment activities may differ in their equity. Equity can be improved by designers of assessment programs or activities who are aware of the possibility of bias.</i></p>
A14	<p><i>There are many ways assessment can be designed to increase its equity, including, for example:</i></p> <ul style="list-style-type: none"> <li><i>• offering on-line examinations so that individuals without access to computers with high processing speed are able to participate;</i></li> <li><i>• constructing written examinations based on assumptions of cultural knowledge that are shared by all individuals being assessed; and</i></li> <li><i>• designing CPD activities that take into account the limited opportunities that exist in some environments.</i></li> </ul>	<p>We note that the first two bullet points do not represent ways to increase the equity of an assessment, but are illustrations of high levels of equity.</p> <p>We do not understand the third bullet point.</p> <p>We recommend reviewing this paragraph and redrafting the bullet points to be consistent with the lead in statement</p>

Paragraph	Existing Wording	Comments/Suggestions for change
A15	<p><i>A transparent assessment process is one that is communicated clearly to stakeholders. The communication needs to be open, accessible, and accepted as credible to instill confidence in the process.</i></p>	<p>We recommend changes to the description of transparency to be consistent with our proposed changes to paragraph A8 on reliability. In addition we recommend being consistent in explaining that transparency is not an absolute concept.</p> <p>We also believe that the concept of transparency is more than communication to stakeholders, and so have recommended alternate wording.</p> <p><i>An assessment has high transparency when there is clear and shared understanding of the objectives of the assessment process and how achievement against those objectives will be measured. Transparency is not an absolute measure, and different assessment activities may differ in their levels of transparency. Clear communication to stakeholders is central to achieving a high level of transparency. The communication needs to be open, accessible, and accepted as credible to instill confidence in the process.</i></p>
A 16	<p><i>A16. There are many ways to design assessment processes to increase their transparency. For example:</i></p> <ul style="list-style-type: none"> <li>• <i>A transparent assessment process may include (a) a clear articulation of the areas of knowledge to be tested and the types of questions that will be used to assess that knowledge, and (b) communication of this information on easily accessible websites;</i></li> <li>• <i>Transparency in workplace assessment includes having a clearly defined competency framework against which employees are assessed; and</i></li> <li>• <i>Transparency in the setting and conduct of examinations includes communicating to candidates matters relating to the development, marking, and management of the examination.</i></li> </ul>	<p>We note that the bullet points do not represent ways to increase the transparency of an assessment, but are illustrations of high levels of transparency.</p> <p>We recommend reviewing this paragraph and redrafting the bullet points to be consistent with the lead in statement, for example:</p> <ul style="list-style-type: none"> <li>• <i>Stakeholder understanding of an assessment process can be increased by making publicly available (e.g. through easily accessible websites) a clear articulation of the areas of knowledge to be tested and the types of questions that will be used to assess that knowledge;</i></li> </ul>

Paragraph	Existing Wording	Comments/Suggestions for change
A17	<p><i>A sufficient assessment process has a balance of depth and breadth: knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts.</i></p>	<p>We recommend changes to the description of sufficiency to be consistent with our proposed changes to paragraph A8 on reliability. In addition we recommend being consistent in explaining that sufficiency is not an absolute concept.</p> <p><i>An assessment has high sufficiency if it has a balance of depth and breadth: knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts. Sufficiency is not an absolute measure, and different assessment activities may differ in their levels of sufficiency.</i></p>
A18	<p><i>Examples of integration may include:</i></p> <ul style="list-style-type: none"> <li>• <i>extracting from various subject areas the knowledge required to solve a complex problem;</i></li> <li>• <i>solving a problem by distinguishing relevant information from irrelevant information in a given body of data;</i></li> <li>• <i>identifying and prioritizing problems in multi-problem situations; and</i></li> <li>• <i>appreciating that there can be alternative solutions to a problem, and understanding the role of judgment in assessing each solution.</i></li> </ul>	<p>We are unclear why the examples provided seek to illustrate the concept of integration, rather than the principle of sufficiency.</p> <p>We recommend that examples of sufficiency are provided instead – if this cannot be done then we recommend that the standard refers to the principle of integration, rather than sufficiency.</p>
IAESB Glossary of Terms	<p><b><i>Formal evaluation</i></b></p> <p><i>The summative evaluation of professional competence conducted before the end of Initial Professional Development drawing on the outputs of one or more prescribed assessment activities.</i></p>	<p>We recommend that the definition of formal evaluation is not restricted to an activity that occurs in IPD, as it may be a process that is undertaken elsewhere in accounting education. Also we recommend that the definition provides some guidance on what formal evaluation constitutes – for example:</p> <p><i>A structured process of gathering verifiable evidence to demonstrate that an individual has achieved a level of professional competence.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
IAESB Glossary of Terms	<p><b>Reliability</b></p> <p><i>Quality or state describing whether an assessment produces a consistent result, given the same set of circumstances</i></p>	<p>We recommend that the definition reflects the fact that reliability is not an absolute measure.</p> <p><b>Reliability</b></p> <p><i>Quality or state describing the extent to which an assessment produces a consistent result, given the same set of circumstances.</i></p>
IAESB Glossary of Terms	<p><b>Validity</b></p> <p><i>Quality or state describing whether an assessment measures what it was intended to measure.</i></p>	<p>We recommend that the definition reflects the fact that validity is not an absolute measure.</p> <p><b>Validity</b></p> <p><i>Quality or state describing the extent to which an assessment actually measures what it was intended to measure.</i></p>
IAESB Glossary of Terms	<p><b>Equity</b></p> <p><i>An assessment that is fair and without bias.</i></p>	<p>We recommend a definitional approach consistent with the other terms related to principles of assessment:</p> <p><b>Equity</b></p> <p><i>Quality or state describing the extent to which an assessment is fair and without bias.</i></p>
IAESB Glossary of Terms	<p><b>Sufficiency</b></p> <p>An assessment that has a balance of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts.</p>	<p>We recommend a definitional approach consistent with the other terms related to principles of assessment:</p> <p><b>Sufficiency</b></p> <p><i>Quality or state describing the extent to which an assessment has a balance of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts.</i></p>

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Deloitte Touche Tohmatsu Limited  
July 26, 2011

We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please contact Jens Simonsen on +45 36103781.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jens L. Simonsen". The signature is written in a cursive style with a large, stylized initial "J".

Jens L Simonsen  
Managing Director  
Global Audit Services  
Deloitte Touche Tohmatsu Limited

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