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Chair  
International Accounting Education  
Standards Board  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
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USA

July 28, 2011

Dear Mark,

**Re.: Exposure Draft Proposed Revised International Education Standard  
IES 6, Assessment of Professional Competence**

We would like to thank you for the opportunity to provide the International Accounting Education Standards Board (IAESB) with our comments on the Exposure Draft "Proposed Revised International Education Standard IES 6, "Assessment of Professional Competence" (hereinafter referred to as "the draft").

We support commencement of the clarity project for the International Education Standards (IESs) of the IAESB because it is important that the member bodies of IFAC have clarity as to what the purposes of the standards are through the expression of the objectives, what the requirements are with which member bodies must comply, and what represents additional guidance in the explanatory material beyond the specified requirements.

We have responded to the questions posed in the Explanatory Memorandum in Appendix 1 to this comment letter. Appendix 2 to this comment letter provides our detailed comments by paragraph.

We note that, unlike the exposure draft to IES 7, this exposure draft speaks of a "proposed *revised*" standard, as opposed to a "proposed *redrafted*" standard. Under the clarity conventions, a redraft implies taking the existing standard and redrafting it in clarity format without substantive changes, whereas a revision involves making substantive changes to the standard. Our comments in Appendices 1 and 2 are therefore made with a view to what appear to us to represent issues of concern, regardless of whether or not those matters are substantially changed in the draft compared to the original standard.

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On the whole, we believe that including monitoring of CPD within an assessment standard actually designed for IPD does not appear to work. We also note some difficulties with the interaction between the requirements and the definitions that require some additional attention by the IAESB.

We hope that our views will be helpful to the IAESB. If you have any questions relating to our comments in this letter, we would be pleased to be of further assistance.

Yours truly,



Manfred Hamannt  
Executive Director



Wolfgang P. Böhm  
Director International Affairs

## **APPENDIX 1:**

### **Responses to Questions Posed in the Draft**

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

Our review of the standard indicates that the objective in the second bullet point of paragraph 6 refers to the monitoring – not the assessment – of CPD by member bodies. Likewise the requirement in the draft in paragraph 8 states that “Member bodies shall monitor that professional accountants continue to maintain and develop competence relevant and appropriate to their work roles”. We therefore question whether there really has been a change in scope to IES 6 to cover assessment of CPD. Rather the change in scope appears to have been extended to monitoring of CPD by member bodies. At a principles-based level, we agree with an objective and requirement for member bodies to monitor CPD, and question whether assessment of CPD as proposed in the definitions is appropriate.

We also ask ourselves how assessment, rather than monitoring, would fit together with the requirements of proposed IES 7, in which CPD is not assessed, but rather CPD activity is “measured” using input or output based approaches, or a combination thereof and compliance with the CPD requirement (whether input, output or both) is required to be monitored. It is not clear how the requirements of the draft interact with the requirements in proposed IES 7.

For these reasons, we strongly recommend that assessment or monitoring of CPD be removed from IES 6 and that requirements in relation to the measurement and monitoring of CPD be confined to IES 7 (and IES 8, if necessary).

#### **Question 2: Does this change [*formal assessment of competence using a comprehensive final examination just before qualification to permitting such assessment in several ways*] accommodate the different approaches taken by professional accounting organizations?**

On the whole we believe it to be appropriate to accommodate different approaches to assessing professional competence. In particular, we recognize that the requirement in extant IES 6.12 (d) requiring that the formal assessment be

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made as near as practicable to the end of the pre-qualification education program may not be necessary, in that different parts of formal assessment can be undertaken at different stages in a program in different ways.

However, the requirements as they are written in draft appear to be misleading: it appears to be possible to dispense entirely with formal assessment outside of the assessment of professional experience (i.e., it could be argued that, under the proposed requirements in the draft, assessment of work experience alone would suffice) and self assessment. In our view, the principles expressed in the first sentence of extant IES 6.11 together with those in extant IES 6.12 (a) to (c) continue to remain appropriate. This would not preclude member bodies from using assessment of professional experience (workplace performance assessment) and self-assessment activities for significant or important parts of assessment of professional competence. Nevertheless, the principles in the first sentence of extant IES 6.11 that competence be formally assessed prior to qualification, and in IES 6.12 (a) and (c) that a significant proportion of candidate's responses be in recorded form and cover a sufficient proportion of IES 2 to IES 4 for the assessment to be valid and reliable should be retained as requirements in some form in the draft (this could, in part, be solved by changing the definitions: see our response to Question 6 below).

It is also unclear to us how the requirements for integration (see proposed IES 4 and the agenda papers for proposed IES 2 and 3) that are also covered in the proposed definition of "sufficiency" can be addressed without some form of comprehensive assessment near the end of the IPD.

We make some suggestions in our comments in Appendix 2 on paragraphs 7, 9 and 10 to strengthen the requirements in that way.

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

We agree that IES 6 ought to cover the principles of assessment and that other IESs cover specific aspects of assessment relevant to that standard. However, as noted in our response to Question 1, we believe that assessment (or measurement and monitoring) of CPD (with the possible exception of CPD related to IES 8) ought to be covered in IES 7 rather than IES 6 and that therefore IES 6 be limited to assessment of IPD, rather than covering assessment principles across the career stages of an accountant.

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

We believe that, at a principles-based level for IPD, the objective as stated is not appropriate. In particular, the objective seems to sound more like a requirement in relation to assessment: the objective is actually to make sure that only those with the appropriate competence are awarded the professional accountancy qualification (the requirement in paragraph 7 then specifies that this be done by means of assessment). We note that the second sentence of the objective is not a statement of objective and should therefore either be moved to the explanatory material or be deleted. We also note our responses to Questions 1 and 3, in which we maintain that assessment (or measurement and monitoring) of CPD ought to be covered in IES 7.

In relation to the wording, we do not believe that the term “aspiring professional accountant” appropriately addresses the individuals meant to be addressed in IES 2 to 6. The term appears to be appropriate in relation to IES 1, since IES 1 relates to individuals seeking to *commence* professional accounting education as part of IPD. However, IES 2 to 6 relate to requirements that need to be fulfilled by aspiring professional accountants prior to their professional accountancy designation being awarded (i.e., those individuals that are completing – not just having commenced – their professional accounting education as part of IPD). For this reason, as in our comment letter to IES 4, we suggest that the following term and definition be added to the IAESB Glossary of Terms:

**Candidate** An aspiring professional accountant seeking to complete professional accountancy education as part of IPD to obtain a professional accountancy qualification.

Throughout the standard, the term “aspiring professional accountant” should be replaced with “candidate”.

Hence, the objective ought to read as follows:

“The objective of a member body is to award the professional accountancy qualification only to candidates who have the professional competence required to perform the work roles of a professional accountant.”

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**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 limit our response to this question to instances in which we believe that a requirement does not meet the criteria for determining the requirements of a Standard (see footnote 1 to the Guide for Respondents in the Explanatory Memorandum of the Exposure Draft). Based on the criteria noted, we believe that there is a reasonable basis for each of the requirements, even though we believe that the description of the nature and extent of the requirements needs amendment as described in our responses to Questions 1 to 3 above and in our comments by paragraph in Appendix 2.

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

As a matter of principle, we welcome that inclusion of the proposed conforming amendments to the IAESB Glossary of Terms to the extent such terms are necessary for understanding IES 6 and other IESs. However, we do have a considerable number of issues with the terms and definitions proposed and how they interact with the requirements.

*Assessment*

If one substitutes the definition of the word “assessment” (with appropriate grammatical changes to change the definition to a verb) into the requirement of paragraph 7, the requirement contradicts itself by referring to CPD in a requirement referring only to IPD. To eliminate this contradiction, and because we suggest that the scope of the draft be confined to initial professional development in line with our responses to Questions 1, 3 and 4, the words “and Continuing Professional Development” ought to be deleted. Furthermore, since the word assessment itself can be neutral with respect to IPD or CPD (and IPD is already mentioned in the requirement of paragraph 7), we also suggest that the words “carried out during Initial Professional Development” also be deleted. Strictly speaking, one can assess anything, which makes reference to professional competence in the definition superfluous and even circular when the definition is substituted into paragraph 7, which also separately mentions professional competence. *Hence, the definition of assessment would read “All forms of evaluation”.* This begs the question as to whether a definition of the word “assessment” is still needed: one could simply replace the term “formal evaluation” with “for-

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mal assessment” without any difficulty and define “formal assessment rather than “formal evaluation”. We therefore recommend that no formal definition of the word “assessment” be made and that “formal assessment”, rather than “formal evaluation”, be defined and used.

#### *Formal evaluation*

If one substitutes the definition of “formal evaluation” into the requirement in paragraph 7, the requirement becomes circular because the reference is made to assessment and the end of IPD twice (without our proposed changes to the definition of “assessment” above, the requirement becomes even more circular). Either the definition or the requirement requires amendment to rectify this. In our view, the definition of “formal evaluation” is too complex and need not refer to a cumulative (summative) nature, assessment or IPD. In our view, an evaluation becomes formal when it is based on verifiable evidence (note our comments on the definition of verifiable evidence below). *Hence, a formal evaluation (or a “formal assessment” – see discussion above on definition of “assessment”) can be defined as: an evaluation based on verifiable evidence.* However, if the requirement refers to the need for verifiable evidence (see paragraph 10 in the draft), the question arises whether this definition is needed at all.

#### *Reliability and Validity*

It is unclear whether the definition of reliability and the various definitions in connection with validity are related to the reliability and validity of information resulting from an assessment process or the reliability and validity of assessment processes. While the two (the definitions related to information and processes) are related, they are not the same. We refer to pages 194 to 202 of the unabridged FEE Paper “Principles of Assurance” from 2003, which investigates these concepts from measurement theory (see also Business Research Methods, Fifth Edition by Donald R. Cooper and C. William Emory, Chicago: The McGraw-Hill Companies, Inc., 1995). It seems to us that the definitions proposed in the draft tend more towards the process, rather than the information. The definitions also appear to be incomplete. On that basis, by applying the definitions in the FEE Paper, as amended to be relevant to an assessment of professional competence, we suggest the following definitions and sub-definitions:

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- Reliability: the degree to which an assessment process achieves consistent results in congruent<sup>1</sup> circumstances; assessment process reliability consists of:
- Stability: (also known as test-retest reliability) the consistency of the assessment operation itself or the degree to which consistent results are achieved in repeated assessment with (a) the same method over time or (b) under different conditions
  - Equivalence: the degree to which similar results are achieved under alternative forms (parallel forms reliability) of the same assessment operation due to different assessors (also known as inter-rater reliability), different methods (inter-method reliability), or variations in the sample of items chosen for assessment
  - Internal Consistency: the degree to which items chosen by the method are consistent or homogeneous and reflect the same underlying constructs
  - Accuracy: the degree to which bias is absent from the assessment process (i.e., the lack of systematic variance or error from variation in the assessment due to known or unknown influences that tend to cause results to tend in one direction more than another or towards predetermined results) (some would include this under validity, but it is unclear how)

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<sup>1</sup> Note: the circumstances cannot be exactly the „same“, only „congruent“ for the purpose of considering reliability



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Precision: the degree to which random fluctuations in assessment remain after having adjusted for systemic variance

Validity: the degree to which an assessment measures what it purports to measure; validity comprises the following concepts, for which reliability is a necessary, but not sufficient, condition:

Content validity: the degree to which the assessment adequately covers the matter being assessed; it depends on the representativeness of the information obtained in the assessment, the completeness of the information obtained through the assessment, and the following sub-types of content validity:

Representation validity (also known as translation validity) the degree to which a theoretical construct can be assessed in practice

Face validity the degree to which an assessment appears to measure what it purports to measure (i.e., does the assessment appear to be representationally faithful)

Criterion-related validity the degree to which the assessment predicts or confirms a criterion; it includes:

Concurrent validity the degree to which the assessment estimates current or past criteria measured concurrently or in the past

Predictive validity the degree to which the assessment predicts future criteria

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Construct validity	the degree to which the assessment measures the underlying construct (an abstract variable constructed to represent important attributes or properties) – that is, how well do the observable relations being measured adequately represent the construct that embodies certain theorems about these observable relations that can be tested empirically; construct validity encompasses:
Convergent validity	the degree to which the assessment correlates with other assessments with which it is expected to correlate
Discriminant validity	the degree to which the assessment does not correlate with other assessments with which it is not expected to correlate

### *Equity*

Since lack of bias is already included under reliability (or validity, depending upon the delineation between the two), the reference to bias under equity can be deleted. If limited to fairness, the question arises whether a separate definition of equity is needed, unless equity goes beyond fairness in some way. Equity can generally be divided into horizontal and vertical equity. Horizontal equity means the equivalent treatment of those in equivalent circumstances, whereas vertical equity can mean that those with the ability to bear a greater educational burden are asked to bear a proportionately greater educational burden, that education be based on the relative needs of those being educated, or that education be based on the relative needs of the professional role being exercised. The concept of horizontal equity is clearly applicable to assessment of professional competence, but it is less clear with respect to the different concepts of vertical equity for a profession. It appears that the latter two vertical equity concepts may be relevant to assessment; the first vertical equity component appears to be more relevant to IES 1.

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Nevertheless, greater clarity is needed on the concept of a “fair assessment”. We note that the American Psychological Association has a Code of Fair Testing Practices in Education and there are Principles for Fair Student Assessment Practices for Education in Canada. When drawing on these, care needs to be taken that the concepts of validity, reliability, equity are not confused with “fair”, unless “fairness” can be entirely subsumed under these and that fairness be delineated from “transparency”.

#### *Sufficiency*

Based upon both the definitions in draft and above on content validity and reliability (particular precision), we ask ourselves whether sufficiency is really a separate concept because it would be difficult to argue that content validity has been achieved or that adequate precision has been achieved if an assessment does not have sufficient breadth and depth, or does not adequately minimize random error, respectively. It appears to us that therefore a definition of sufficiency is not necessary and that a discussion on sufficiency might be better placed in relation to explanatory material on content validity and reliability (precision).

#### *Verifiable evidence*

We are not convinced that the reference to “objective” evidence is appropriate. Rather, since evidence is information that supports or detracts from the credibility of other information, evidence needs to be valid and reliable to be appropriate. It should also be noted that evidence cannot be stored unless it has been recorded in the first place (which addresses the requirement in extant IES 6.12(a)). Furthermore, the ability to verify evidence is not only predicated that the evidence be stored in some form, but also that it can be made accessible in human-readable form within a reasonable time and that can be understood by an experienced accountancy educator within a reasonable time. We therefore suggest the following definition of “appropriate verifiable evidence”:

“Reliable and valid evidence recorded and stored in electronic or written form that can be made accessible in human-readable format within a reasonable time and that thereupon can be understood by an experienced accountancy educator within a reasonable time.”

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**Question 7: *Translations* – Recognizing that many respondents intend to translate the final IESs for adoption in their own environments, the IAESB welcomes comment on potential translation issues noted in reviewing the proposed IES 6.**

We have no comments on this issue at the present time.

**Question 8: *Developing Nations* – Recognizing that many developing nations have adopted are or in the process of adopting the IESs, the IAESB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in applying the proposed IES 6 in a developing nation environment.**

We have no comments on this issue.

**Question 9: *Effective Date* – Recognizing that proposed IES 6 is a revision of extant IES 4, the IAESB believes that an appropriate effective date for the standard would be 12-15 months after approval of the final revised standard. The IAESB welcomes comment on whether this would provide a sufficient period to support effective implementation of the final IES 6.**

We are of the view that the IESs need to be seen as a package and that therefore all of the IESs need to articulate with one another. To this effect, we note that the IAASB did not issue its suite of clarified ISAs until all of them had been completed in final form after a consistency check had been carried out at the very end of the clarity process. Consequently, we would not support issuing any of the IESs separately, but only as a package at the same time after such a consistency check has been performed. We therefore disagree with the assertion in the Explanatory Memorandum that individual standards be released as soon as approved (i.e., without such a consistency check). This means that the effective date would need to be some time after the approval of all of the revised or redrafted standards subject to such a consistency check.

We would also like to point out that education standards affect a lengthy education pipeline in the various jurisdictions that can range to a minimum of some seven or eight years for those jurisdictions requiring an university degree (of at least three or four years), a period of practical experience of at least three years, and the completion of final examinations. This means that changes to education standards cannot be implemented to affect students that have already entered the education pipeline to become a professional accountant. The effective date

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for education standards (with the possible exception of the IES 7 for CPD) therefore needs to clarify how the effective date is to be applied in the context of an education pipeline of several years' length.

Once the meaning of the effective date in relation to the education pipeline issue has been resolved, we expect a 12 to 15 month effective date after the approval of all of the IESs to provide adequate time for the implementation of such standards for those jurisdictions not needing to change legislation. For those jurisdictions needing to change legislation, one or two more years may be necessary, but this is resolvable through the "best endeavors" clause in paragraphs 3 and 4 of SMO 2.

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## **APPENDIX 2: Detailed Comments By Paragraph**

1. As noted in our responses to Questions 1, 3 and 4 in Appendix 2, we suggest that the reference to CPD be deleted.
2. We suggest that the term “accounting education” be replaced with “education in accountancy”, since IPD and CPD relate not only to accounting.
3. As noted in our responses to Questions 1, 3 and 4 in Appendix 2, we suggest that the reference to CPD be deleted.
5. We refer to our response to Question 9 in Appendix 2.
6. We refer to our response to Question 4 in Appendix 2. As an editorial matter, under the clarity conventions used by the IAASB, lists of items that are considered complete should use alphanumeric indicators rather than bullet points to indicate that the list is complete.
7. In line with our responses in Appendix 2, we suggest that the requirement be reworded as follows:

“During IPD, but prior to awarding the accountancy qualification, member bodies shall assess whether candidates have attained the competence required to become a professional accountant.”
8. While we do not disagree with the content of this requirement, in line with our responses to Questions 1, 3, and 4 in Appendix 2, this requirement should be moved to IES 7.
- 9./10. In line with our comments to Questions 2 and 6 in Appendix 2, we suggest that these requirements be reworded as follows:

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“Member bodies shall assess the professional competence of candidates using reliable, valid, equitable, transparent and otherwise fair assessment processes based on appropriate verifiable evidence of those assessment processes. To be reliable and valid, such assessment processes shall include assessment of the competences required in IES 2 to 4 in sufficient depth and breadth by means beyond the requirements in IES 5 and self assessment.

### *Explanatory Materials*

Our comments to the explanatory material only address issues that would not be covered by amendments arising from the responses in Appendix 2 that we have made to the questions posed in the Explanatory Memorandum and from comments we have made to the requirements. As a general matter, we suggest that the subheadings used also be applied to requirements.

- A1. The paragraph reference in the subheading should be to paragraph 2.
- A2. The paragraph reference in the subheading should be to paragraph 7. In the third bullet, we suggest that the word “level” be replaced with “nature and extent”.
- A3. We would like to point out that an assessment of CPD is not required by the standard (only its monitoring), and that therefore the reference to CPD can be removed from the heading. We suggest that the introductory sentence read: “The formal assessment of professional competence during IPD, but prior to awarding the professional accountancy qualification, may include:”. The word “single” in the first bullet point is superfluous and can be deleted. It is unclear to us what distinguishes the third bullet point from the other two – i.e., they do not appear to be mutually exclusive, which is confusing.
- A7. We would like to point out that IES 7 does not require an “assessment” of CPD.

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- A8. We suggest that since the definitions of reliability, validity, equity, and transparency need to be reconsidered, paragraphs A8 to A18 may need considerable revision. We have limited our comments in these paragraphs to other matters of concern that came to our attention below.
- A12. Not only reliability and validity, but also transparency, equity and fairness are constrained by the factors mentioned.
- A13. It is not clear to us why a transparent process needs to be accepted as credible to be transparent. Rather, a process may be considered credible because it is transparent.
- A18. While the second and the fourth bullet points do relate to specific problem solving skills, without the first bullet point, each of these do not directly relate to integration.
- A20. Some of the bullet points do not entirely meet the definition of appropriate verifiable evidence as we suggested in our response to Question 6 in Appendix 2. For example, outcomes of examinations that are not recorded and stored and reliable and valid would not qualify as appropriate verifiable evidence. The wording of this and other bullet points may need to be adjusted to match the proposed definition. We also ask ourselves how records of attendance and certificates of course completion qualify as appropriate verifiable evidence of assessment of competence.