



7 October 2011

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington St West, 4<sup>th</sup> Floor  
Toronto Ontario M5V 3H2  
CANADA

**Office of the Chief Executive  
Alex Malley, FCPA**

**CPA Australia Ltd**  
ABN 64 008 392 452

Level 20, 28 Freshwater Place  
Southbank VIC 3006 Australia  
GPO Box 2820  
Melbourne VIC 3001 Australia

**T** +61 3 9606 9689  
**W** [www.cpaaustralia.com.au](http://www.cpaaustralia.com.au)  
**E** [alex.malley@cpaaustralia.com.au](mailto:alex.malley@cpaaustralia.com.au)

Dear Sir

**Re: Comments on the Exposure Draft IES 5, Practical Experience Requirements for Aspiring Professional Accountants**

CPA Australia welcomes the opportunity to comment on the Revised IES 5. We endorse the overall purpose of the revision of this standard.

**Comments on Significant Issues**

*Initial Professional Development and Aspiring Professional Accountants*

CPA Australia supports the IAESB's view that the practical experience in a professional accounting role is part of the initial professional development program. CPA Australia views practical experience as a key component of the professional qualification process, and believes that this component is an important aspect of Initial Professional Development.

*Establishing Preferred Approach to Measure Practical Experience*

CPA Australia endorses the use of different methods of measurement for practical experience. We see a benefit to the professional body in being permitted to establish a preferred approach from the options of output-based, input-based, and the combination output-based input-based approaches to measurement. While we appreciate the value of the output based approach we would like to bring to IAESB's attention the implications that such an approach may have on the practical experience requirement, and mentoring and monitoring. We can foresee situations where competences have been achieved in the absence of practical experience and an aspiring accountant may be able to satisfy skills assessments or other measurements of competence. In those situations, would the existence of verifiable competence be sufficient or is practical experience considered a requirement in its own right? If practical experience is an output then output based approaches can be adopted but if the achievement of competences is the output and practical experience the means of achieving it, then output based approaches may require to be explained more comprehensively in the standard. Output based approaches may be incongruent with the requirement for practical experience of sufficient duration and intensity and an output based approach may not necessarily satisfy the sufficiency requirements of IES 5. If sufficiency is a requirement and quantitative adequacy is necessary does that imply that the options available to member bodies are only two, that is input based or a combination of input and output based? We encourage IAESB to consider the implications an output based approach will have on sufficiency, mentoring and monitoring.

We support the removal of the prescriptive three years practical experience from the requirement, and fully endorse the inclusion of this as an example in the Explanatory Materials of the standard. In endorsing this recommendation, we acknowledge the complexities for the member bodies of moving from an input-based approach to one of the other measures. A move to using the output-based approach, provided the issues identified above have been clarified, would require significant work by the member body to design relevant and suitable systems of measurement.

## *The Role of the Supervisor*

CPA Australia supports the inclusion of the supervisor as observer of the experience of the aspiring professional accountant. In the work environment an aspiring professional accountant will generally interact regularly with their supervisor, thus placing the supervisor in a position where they are able to clearly observe the ability and experience level of the aspiring professional accountant. As we mentioned above the role of the mentor or supervisor in output based approach may need to be clarified as such roles can be understood as inputs that lead to the development of competencies.

### *Practical experience be recorded in a verifiable and consistent form*

CPA Australia fully endorses the requirement that practical experience be recorded in a verifiable and consistent form. We believe it is the responsibility of the member body to clearly articulate the acceptable formats, and types, of evidence required to verify progression through the necessary aspects of practical experience.

### *Ensure practical experience gained is acceptable versus sufficiency of practical experience*

CPA Australia supports the move towards a clear measurement approach for practical experience. This would highlight the importance of the relationship between the experience and education components of the Initial Professional Development, and allow for an assessment of experience in line with work requirements and course of study.

## **Responses to Specific Questions**

*Question 1: Do you find that the outcome-based, input-based, and combination approaches offer sufficient alternatives for effectively meeting the standard's requirement for IFAC member bodies to establish their preferred approach to measure practical experience?*

CPA Australia finds that the alternatives offered for member bodies provide the flexibility required to allow member bodies to determine and establish a practical experience program measurement system which best suits the needs of their members. As noted previously, the establishment and successful administration of an output-based measurement system creates significant challenges for member bodies but it also creates challenges for compliance with the sufficiency requirements of this standard. For this reason it is important that there are opportunities to use the combination approach, or the input-based approach. We believe that there will be an initial drive for the member bodies to continue to rely upon the three year input-based measure, however we also see that the flexibility available will encourage a gradual move towards the combination and thus output-based measurement approaches over time.

*Question 2: In considering the role of the supervisor in directing the aspiring professional accountants' practical experience, the IAESB is proposing to define a supervisor as follows: "is a professional accountant who is responsible for guiding and advising aspiring professional accountants and for assisting in the development of the aspiring professional accountants' competence". Do you agree with this definition? If not, what amendments would you propose to the definition?*

This definition does not clearly articulate the direct relationship between the supervisor and the aspiring professional accountant. The definition reflects the 'mentoring' nature of the supervisor's role, but does not illustrate that there may be an additional 'mentor' also, and that the supervisor is most likely to have a close working relationship with, and manage the performance of, the aspiring professional accountant, as opposed to the potentially more distant relationship of the mentor.

Proposed amendments would be to add further detail to the definition which more clearly describes the relationship.

*Question 3: Are the requirements of IES 5 clear for member bodies?*

CPA Australia believes the requirements of IES 5 are clear for member bodies.

*Question 4: Are the examples and explanation in Explanatory Materials section sufficient in explaining the requirements of the Standard?*

Overall, CPA Australia believes that the Explanatory Materials are sufficient in explaining the requirements of the Standard but more clarity is required in relation to output based approaches.

*Question 5: Is the objective to be achieved by a member body, stated in the proposed revised IES 5, appropriate?*

While the objective is clear, it is also clear that practical experience is required in order to become a professional accountant. CPA Australia is of the opinion that the objective may be better expressed so as to emphasise the value of practical experience as: The objective of an IFAC member body is to ensure that aspiring professional accountants acquire competence through appropriate and sufficient practical experience in the role of a professional accountant before assuming that role.

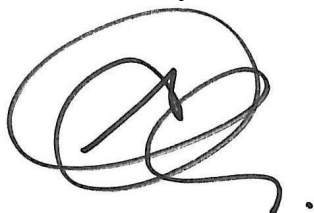
*Question 6: Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?*

CPA Australia considers that the criteria have been applied appropriately and consistently.

*Question 7: Are there any terms within the proposed IES 5 which require further clarification? If so, please explain the nature of the deficiencies.*

No terms that require further clarification have been identified.

Yours sincerely

A handwritten signature in black ink, consisting of several loops and a trailing line, followed by a small dot.

Alex Malley FCPA  
Chief Executive Officer