

Mr. David McPeak  
Senior Technical Manager  
International Accounting Education Standards Board  
277 Wellington Street West, 4<sup>th</sup> Floor  
Toronto, Ontario  
M5V 3H2 Canada

7 October 2011

Dear Mr. McPeak:

### **Proposed Revised International Education Standard 5 – Practical Experience Requirements for Aspiring Professional Accounts**

Ernst & Young Global Limited, the central entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the proposed Revised International Education Standard 5 (the Standard), issued by the International Accounting Education Standards Board (the Board).

#### **Overall Comments**

We are in general agreement with the proposed Standard. We support the efforts of the Board to set requirements for IFAC member bodies to impose on their members regarding practical experience requirements in developing the competence of an aspiring professional accountant. In general, we support the concept of greater flexibility in how practical experience can be gained and measured. However, while we understand and support the idea of removing bright lines, we believe there is a risk, especially when opting for an output-based approach, that the measurement chosen will not be rigorous enough and that when opting for an input-based approach, the number of required years may not be sufficient. We also believe the concept of a combined approach should be further clarified.

In addition, we believe the concept of establishing a mechanism for approving the suitability of an employer to provide the appropriate practical experience that is included in Paragraph A14 (c) should be elevated to a requirement. We believe it is an important factor to make sure that the practical experience gained is of sufficient quality. Accordingly, we believe this should be a requirement with explanatory material to provide some examples of criteria that would be expected for the member body to assess this suitability.

Some of our suggestions address these concerns.

Responses to the specific questions on which the Board is seeking feedback are set out in Section 1 below. Our other comments, including general editorial comments, are set out in section 2.

#### **1. Specific questions related to the proposed revisions to the Standard**

**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?**

Yes. We find the output-based, input-based, and combination approaches to provide sufficient alternatives for IFAC member bodies to establish their preferred approach to measure practical experience. However, we believe more rigor needs to be placed around these approaches. We believe there is a risk, when opting for an output-based approach, that the measurement chosen by the member body will not be rigorous enough. In addition, we believe that when opting for an input-based approach, the required years chosen by the member body may not be sufficient since there are competencies and skills, especially those regarding judgment and professional skepticism that are acquired with experience.

Paragraph 11 indicates that member bodies shall establish their preferred approach to measure practical experience. One of the approaches available is a combination of input-based and output-based approaches. We believe that the combination approach needs to be further clarified with additional guidance. For example, we do not believe it would be appropriate to automatically reduce the number of required years of professional experience because you measure an output, such as competence through a skills assessment, especially for skills such as professional judgment and skepticism. For these skills, only experience acquired over time may provide enough exposure to situations that help to develop such skills.

**Question 2: In considering the role of the supervisor in directing the aspiring professional accountant's 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 accountant's competence." Do you agree with this definition? If not, what amendments would you propose to the definition?**

Yes. We agree with the definition of a supervisor.

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

Yes. The requirements of IES 5 are clear for IFAC member bodies.

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

In Paragraph A1, we believe the objective of practical experience should integrate the elements of the three dimensions of competence: knowledge (primarily addressed in IES 2), skills (primarily addressed in IES 3) and attitudes (primarily addressed in IES 4).

In Paragraph A6, we believe that an example of a minimum time period should be specified to make sure adequate time is allowed to obtain an appropriate understanding of the competencies as described in IES 2, 3 and 4.

In Paragraph A11, reference is made to the IFAC member bodies providing training for mentors or supervisors, and putting in place both assistance and quality control programs. It is unclear what the assistance and quality control programs relate to.

In Paragraph A12, we believe it would be helpful to provide examples of "others" that may assist mentors or supervisors in performing their mentoring function.

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

Yes. The objective, as stated, makes sense for a member body and, in our view, appears to be achievable. We do not have any specific comments regarding the objective to be achieved by member bodies.

**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?**

Yes. The requirements, supported by relevant application material, clearly articulate the key principles of practical experience requirements for aspiring professional accountants and have been applied appropriately and consistently. However, as indicated in our response to Question 1, we believe more rigor may need to be placed around the approaches to measure practical experience. In addition, we believe the application guidance in Paragraph A14 (c) should be elevated to a requirement.

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

In Paragraph A10, the use of input units is not clear. We propose that these be further defined.

In Paragraph 5, the use of the term statutory auditor is not clear. This term has a specific meaning in the IFAC literature and we propose that the use of the term be clarified and further defined for this purpose.

## 2. Other comments

We offer the following drafting suggestions for your consideration:

- Paragraph 3: “Practical experience refers to workplace and other practical activities that are relevant to developing competence.”
- Paragraph 5: “During and after the completion of IPD, practical experience may be required to bring professional accountants to a level of competence needed for other roles, such as (a) that of a statutory auditor (b) other forms.....”
- Paragraph 8: “The objective of an IFAC member body is to ensure that aspiring professional accountants acquire appropriate and sufficient practical experience to demonstrate competence ~~in the role of a~~ to perform the duties of a professional accountant ~~before assuming that role.~~”
- Paragraph 12: “Those IFAC member bodies implementing an output-based approach shall require aspiring professional accountants to demonstrate that practical experience has been obtained by measuring their competence, as required by IES 2, 3 and 4, (a) against a competency map specific to their role and development plan, or (b) through a skills assessment.”
- Paragraph A2: “The exact combination of these components may vary depending on a range variety of factors including, for example.....”
- Paragraph A3 (a): “Some programs of professional accounting education that place a strong emphasis on practical application, such as traineeships, internships, cooperative education work periods, and secondments, ~~may~~ usually contribute to the practical experience requirement.”
- Paragraph A5: “To assist in reliable monitoring, IFAC member bodies may identify the ~~outcomes or~~ competence to be achieved during practical experience as required by IES 2, 3 and 4.”

- Paragraph A7: "...time sheets, ~~workplace diaries~~, and work log book or journal."
- Paragraph A8: "For example, an IFAC member body...or two years of practical experience with a Master's degree in accounting ..."

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We would be pleased to discuss our comments with members of the International Accounting Education Standards Board or its staff. If you wish to do so, please contact Karen Golz (+ 212 773 8001), Dan Montgomery (+1 216 583 2949), or Sue Flis (+ 1 216 583 1671).

Yours sincerely,

Ernst & Young Global Limited