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International Federation of Accountants
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By electronic submission: www.ifac.org

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Dear Mark,

Re.: Exposure Draft Proposed Revised International Education Standard IES 5, Practical Experience Requirements for Aspiring Professional Accountants

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 5 "Practical Experience Requirements for Aspiring Professional Accountants" (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.

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB CPA;
Manfred Hamannt, RA

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We note that, unlike the previous 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 appears 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.

Overall we have serious concerns with respect to two fundamental and related issues that have not been adequately reflected in the draft. First, the draft neither reflects any serious treatment of the role of practical experience in what it means to be a “professional”, nor the implication of this for the role of practical experience in what it means to be a “professional accountant”, as opposed to just holding an accountancy credential of some sort. Second, the draft seriously overestimates the effectiveness of approaches based solely upon output measures, and appears to confuse some input measures as being output measures. These two problems then exacerbate each other, which leads to the draft discounting the need for input-based approaches to measure practical experience as a prerequisite to becoming a *professional* accountant.

In relation to the first issue, we note that the FEE Paper “Selected Issues in Relation to Financial Statement Audits” from 2007, among other matters, provided an analysis of the nature of “professional expertise” and “professional judgment”. Without repeating the details of this analysis, we note that the Paper concludes that professional expertise involves extraordinary proficiency, combining great skill with thorough knowledge obtained from training and experience. Furthermore, the Paper notes that professional expertise implies competence beyond mere rules-based knowledge and explains that therefore professional judgment represents the application of professional expertise in decision-making about alternative courses of action in the exercise of professional activities when such decision-making is not susceptible to algorithmic resolution. The ability to exercise professional judgment is therefore central to what it means to be a “professional” exercising a profession, for the actual performance of professional activities represents an “art” or “craft”, rather than a science. Even extant IES 3.14 refers to required intellectual skills including the “exercise of good judgment” and the “ability to identify and solve unstructured problems”.

Hence, the competence to exercise professional judgment is at the heart of what it means to be a “professional accountant”. The question arises whether such competence can be obtained without a period of practical experience of a

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certain nature and extent (i.e., a prescribed time period). In this respect, we note that the IESs (with the exception of IES 8) apply to the IPD of all professional accountants – including those that are in public practice but do not perform audits. The question that the IAESB needs to ask itself in this respect is whether it is appropriate to “let loose” newly qualified accountants on the public as public practitioners without having had any minimum prescribed period of practical experience – even if they do not perform audits.

This analysis ties into the second issue – that is, that the draft seriously overestimates the effectiveness of approaches based solely upon output measures, and appears to confuse some input measures as being output measures, which is why a minimum prescribed period of practical experience is not deemed necessary in the draft. Like many other professionals, professional accountants operate in unstructured, complex environments. It is therefore unlikely that any combination of output-based approaches would be able to capture and measure all of the competencies required to be a *professional* accountant. For example, the ethos of a profession can generally only be imparted by experienced practitioners of a profession on aspiring members of that profession over a considerable time period because imparting ethos (and possibly other general competencies) involves a socialization process beyond any specific skills. Those that believe that output-based approaches can measure all of the facets of *professional* competence are engaging in the fallacy that only that which can be measured reliably exists or is important, or are subject to the *hubris* that we are able to reliably measure those facets of competence that exist, or at least all those that are important. Academics in the social sciences, such as business administration and economics (and perhaps education), appear to be particularly prone to this fallacy and *hubris*.

For these reasons, most professions that operate in unstructured, complex environments requiring the application of professional judgment require minimum periods of practical experience of not inconsiderable length. In this sense, the residency requirements for physicians and surgeons, and the practical experience requirements for architects, etc., come to mind, but there are many other examples. By not including a clear minimum experience requirement in terms of length, IES 5 would be reducing professional accountancy qualifications under the IESs from “*professional* designations” to *non-professional* “accountancy credentials”.

In this context, when discussing the relative strengths and weaknesses of output- vs. input-based approaches, it is important to properly distinguish output measures from input measures. Paragraph 12 in the draft refers to “measuring

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competence ... against a competency map specific to their role and development plan” and “through skills assessment”. Strictly speaking, measuring competence against a competency map without an assessment of the skills necessary to achieve competence is an input, rather than output, approach. On this basis, items (b) “reviews of a research project or reflective essay” and (c) “work logs compared against an appropriate competency map” in paragraph A5 are in fact input-based approaches because neither involves an assessment of skills actually achieved, but rather, in the first case, the ability to undertake a research project or write a reflective essay, and, in the second case, a measurement of the input (the particular work based upon the work log) supposed to impart certain competencies on the competency map without having tested those competencies. Item (a) “measurement of learning outcomes achieved in accordance with a competency map” in paragraph A5 of the draft would reflect an output-based approach, but only if the work log specifies the nature and extent of the work actually done and it is assessed whether the work actually done embodies the learning outcomes (the skills) achieved in accordance with the competency map. Based on this analysis, we are convinced that very few, if any, IPD programs currently in operation actually use a **pure** output-based approach for practical experience. In addition, as noted in the previous paragraphs, we believe that a pure output-based approach is not effective on its own.

In conclusion, for these reasons, we believe that the IAESB does need to **prescribe a certain minimum period for practical experience**. Nevertheless, we recognize that an input-based approach that specifies only the minimum prescribed length of practical experience in a certain environment is not in itself adequate to ensure that such experience conveys to aspiring professional accountants the practical skills required to be a professional accountant. In this context, the IAESB ought to consider whether a requirement for a minimum prescribed length of practical experience in a certain environment needs to be augmented by a comparison of work logs with an appropriate competency map.

We are not unaware of the politics surrounding a prescribed minimum period of practical experience, and, in particular, that no experience requirement is prescribed in a number of jurisdictions around the world, including in one major jurisdiction. However, we do not believe it to be appropriate for the IAESB to engage in a “lowest common denominator” exercise just because in some jurisdictions (even if major ones) the accountancy qualification upon being awarded is in fact an accountancy credential rather than a *professional* accountancy designation. The principle of a minimum prescribed period of practical experience prior to qualification should be maintained. **We suggest that the minimum period for those with graduate degrees or their equivalent ought to be at least three full**

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years, whereas those with lesser education would need to satisfy lengthier periods of practical experience, depending on the nature and extent of their education.

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

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?*

As noted in the body of our comment letter, pure outcome-based approaches are in themselves not an effective means of ensuring that practical experience provides the competencies required to be a *professional* accountant. Furthermore, based on our analysis in the body of our comment letter, we are convinced that very few, if any, IPD programs currently in operation actually use a pure output-based approach for practical experience. We therefore question whether a pure output-based approach to measuring practical experience is a viable alternative.

Nevertheless, we also recognize that an input-based approach that specifies only the minimum prescribed length of practical experience in a certain environment is not in itself adequate to ensure that such experience conveys to aspiring professional accountants the practical skills required to be a *professional* accountant. In this context, the IAESB ought to consider whether a requirement for a minimum prescribed length of practical experience in a certain environment needs to be augmented by a comparison of work logs with an appropriate competency map. In this sense, the viable alternatives for measuring practical experience are limited to the noted augmented input-based approach, or a combination augmented input-based / output-based approach.

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?*

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The appropriateness of a definition depends upon the purpose of the term being defined. A comparison of the definition of “supervisor” with that of “mentor” in the Framework indicates that both 1. refer to a professional accountant, 2. refer to the responsibility for guiding and advising aspiring professional accountants / trainees , 3. refer to the responsibility for assisting in the development of the aspiring professional accountant’s / trainee’s competence. The terms “mentor” and “supervisor” are used only in the requirements in paragraphs 6, 15 and 17 of the draft and then in the combination “mentor or supervisor”.

There appears to be no difference in substance between the meaning of the term “mentor” or “supervisor”, which begs the question as to why the term “supervisor” is needed at all. Consequently, either the term and its definition ought to be deleted, or the definition(s) need(s) amendment to clarify the difference between a “mentor” and a “supervisor”. The inclusion of the new term “supervisor” appears to result from the unresolved question as to whether a mentor can be the “line supervisor” of a trainee, and whether there are any other conditions in terms of position vs. the trainee within a firm that permit or prohibit an individual from being a mentor. The IAESB needs to resolve these questions prior to including new terms of definitions in this respect that serve no ostensible purpose. If there is no such purpose, the term and definition of supervisor should be deleted from the draft. In any case, the IAESB needs to be clearer as to who may be a mentor.

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

With the exception of the requirement in paragraph 10 in relation to “intensity”, and, as noted in the body of our comment letter, paragraph 12 (a) and the reference to both mentors and supervisors in paragraphs 15 and 17, the requirements of IES 5 are clear for IFAC member bodies. However, the fact that we believe that the requirements are clear does not imply that we agree with all of these requirements. We note our areas of disagreement in our comments by paragraph in Appendix 2.

It is not clear what the reference to “intensity” means in paragraph 10. Either the reference thereto should be explained further in the explanatory material or the reference deleted.

4. *Are the examples and explanations in the Explanatory Materials section sufficient in explaining the requirements of the Standard?*

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Without addressing conforming amendments needed from the amendments that we propose for the objective in our response to Question 5 below and for the requirements in Appendix 2 to this letter, with the following exceptions, we believe that the examples and explanations in the Explanatory Memorandum section are sufficient in explaining the requirements of the Standard:

- As noted in the body of our comment letter, in paragraph A5, items (b) and (c) are actually input-based approaches and item (a) is only an output-based approach under certain additional conditions.
- This paragraph suggests that the minimum combined period of education and practical experience is all that matters when considering the nature and extent of practical experience, which means that therefore that a minimum education period may act as a substitute for any practical experience at all (i.e., no practical experience might be necessary as long as the education period is lengthy enough). For the reasons noted in the body of our comment letter, we believe this approach to be fundamentally flawed.

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

We do not believe that the objective to be achieved by a member body as stated in the proposed revised IES 5 is appropriate because 1. aspiring professional accountants are not required to have sufficient and appropriate practical experience, but candidates wishing to be awarded a professional accountancy qualification are, 2. candidates demonstrate competence not only by means of practical experience, but also by other means of assessment (see IES 6), 3. the issue is not whether a candidate assumes the role of a professional accountant, but whether the candidate is awarded a professional accountancy qualification, 4. it is the combined competence from practical experience and from other parts of professional accountancy education that matters. For these reasons, and in line with our comment letter on IES 4, which defines and replaces the term “aspiring professional accountant” with “candidate”, we suggest that the objective be worded as follows:

“The objective of a member body is to have candidates complete practical experience as part of IPD such that, together with the competence obtained from other parts of professional accountancy education, candi-

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dates have the professional competence to perform the work roles of a professional accountant prior to being awarded the professional accountancy qualification.”

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?*

In our view, with the exception of the lack of a requirement for a minimum prescribed period of practical experience, the criteria identified by the IAESB for determining whether a requirement should be specified have been applied appropriately and consistently such that the resulting requirements promote consistency in implementation by member bodies. The lack of a requirement for a minimum prescribed period of practical experience will mean that there will be increasing divergence for the practical experience required among professional qualifications worldwide, which we believe to be undesirable. Furthermore, the fact that the criteria have been applied appropriately does not imply that we agree with the content of the requirements. We note our areas of disagreement in our comments by paragraph in Appendix 2.

7. *Are there any terms within the proposed IES 1 which require further clarification? If so, please explain the nature of the deficiencies.*

In addition to the deficiencies in the use of the term “supervisor” and its definition as noted in our response to Question 2 above, we believe that the definitions of the following terms proposed for the IAESB Glossary of Terms require clarification:

Cooperative Education

The final sentence in this definition is not a part of the definition. Furthermore, the additional time required to complete the degree, or other academic qualification, may vary depending upon the mix of practical work experience and education over time. For this reason, we suggest that the last sentence be deleted or be provided as additional explanation to the definition in italics, as is practice in the IAESB Glossary of Terms, by stating that such a program will gener-

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ally result in additional time required to complete the degree requirements.

Work log

The connection between the hours worked and the nature of the assignments and tasks completed needs to be strengthened. We therefore suggest that the definition be changed to read:

“A record of the nature of the assignments and tasks completed and of the time incurred in completing those tasks and assignments.”

Sufficiency

The first sentence of the definition does not tie into its use in relation to practical experience; the second sentence is not a part of the definition, but rather explanatory material to paragraphs 8, 10 and 18, in which sufficiency is addressed. Presumably, what is meant in the second sentence is that the “...sufficiency of practical experience is affected by factors...”.

Appropriateness

The first sentence of the definition does not tie into its use in relation to practical experience; the second sentence is not a part of the definition, but rather explanatory material to paragraph 8 in which appropriateness is addressed. Presumably, what is meant in the second sentence is that the “...appropriateness of practical experience is affected by factors...”. It appears to us that some of the factors mentioned as affecting sufficiency also affect appropriateness.

8. *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 5.*

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

9. *Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the IESs, the IAESB invites respondents from these nations to comment, in particular, on any foreseeable*

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difficulties in applying the proposed IES 5 in a developing nation environment.

We have no comments on this issue because our organization does not reside in a developing nation and our practitioners generally do not practice in developing nations.

10. *Effective Date – Recognizing that proposed IES 5 is a revision of extant IES 5, 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 5.*

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 IES 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 (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 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

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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 endeavours” clause in the SMOs.

APPENDIX 2: Detailed Comments By Paragraph

- Title In line with our comments on the objective and in our comment letter to IES 4 and IES 1, we suggest that the term “aspiring professional accountant” in the title be deleted and otherwise throughout the draft be replaced with the word “candidates” because the draft deals with those seeking to complete, rather than those commencing, professional accountancy education. We therefore suggest the title read “Practical Experience Required to Complete Initial Professional Development”.
3. The reference to “other activities” in relation to practical experience is unclear: what other activities other than those in the workplace could qualify as practical experience? We suggest that “and other activities” be deleted.
 5. We suggest that the word “additional” be inserted in between “IPD,” and “practical experience” in the first line because in this sentence reference is being made to the *additional* practical experience required beyond that required for IPD.
 8. We refer to our response in Appendix 1 to Question 5.
 10. We refer to our response in Appendix 1 to Question 3 on the lack of clarity with respect to the use of the term “intensity”. The requirement as stated would not be in line with the objective that we propose as noted in our response in Appendix 1 to Question 5. Furthermore, in the body of our comment letter we note that the IAESB should prescribe a minimum period of practical experience. To properly align the requirement with the objective that we believe is appropriate, the requirement ought to read:

“IFAC member bodies shall require candidates to complete practical experience of sufficient and appropriate nature and extent as part of IPD such that, together with the competence obtained from other parts of professional accountancy education, candidates have the professional competence to perform the work roles of a professional accountant prior to awarding the professional accountancy qualification. Such a period of practical experience shall not be of a duration of less than two years for candidates that have completed a graduate university degree or equiva-

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- lent. The period of practical experience shall be commensurately greater for candidates with an education that is less than that of a graduate university degree or equivalent, depending on the nature and extent of their education.”
11. In line with our comments in the body of our comment letter on the effectiveness of output-based approaches, the proper delineation of output-based approaches from input-based approaches, and the fact that few, if any, programs currently use pure output-based approaches, we suggest deleting the first bullet point.
 12. We refer to our comments in the body of our comment letter on this paragraph in relation to the proper delineation of output-based approaches from input-based approaches. On this basis, and our proposed objective, the requirement should read:

“Those IFAC member bodies implementing an output-based approach as part of a combination of input- and output-based approaches shall, for that portion of the practical experience for which an output-based approach is applied, measure the competencies achieved by candidates by assessing whether the work done based on the record of the nature and extent of the work embodies the learning outcomes achieved in accordance with the applicable competency map.”
 13. In line with our comments in the body of our comment letter on the need to augment what is needed for an input-based approach, this requirements ought to read:

“Those IFAC member bodies implementing an input-based approach alone or in combination with an output-based approach shall, for the practical experience for which an input-based approach is applied, measure the practical experience obtained on the basis of its duration and its nature.”
 15. The phrase “who is a professional accountant” is superfluous, and can therefore be deleted, because both the definitions of “mentor” and “supervisor” state that these individuals are “professional accountants”.
 17. The requirement for “periodic” review presumes an accountancy program based on training contracts, which is not the case in many jurisdictions. What matters is that the mentor (or supervisor) reviews the records of practical experience at an appropriate point or at appropriate points in time based upon the structure of the professional accountancy education in a particular jurisdiction. For example, in some jurisdictions, aspiring profes-

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sional accountants do not “enter the program” until they have completed their practical experience. The appropriate point in time for a mentor to review the records would be prior to seeking to enter the program to obtain advice and support on whether the practical experience requirements for the qualification have been completed. For this reason, the word “periodic” should be deleted and the “at appropriate points in time” be added to the end of the sentence.

18. This requirement, which refers only to the “sufficiency” of practical experience, is not consistent with the objective, which refers to both “sufficiency” and “appropriateness”. Since the nature and extent of practical experience is set forth in the requirement in paragraph 10, this need not be repeated. Hence, we suggest that this requirement read:

“Prior to awarding a professional accountancy qualification, each IFAC member body shall assess whether the practical experience obtained by a candidate meets the requirements for practical experience prescribed by that member body.”

The following comments on the explanatory material do not deal with conforming amendments resulting from the changes we have proposed to the introduction, objective, and requirements.

- A5. We refer to our comments in the body of our comment letter.
- A6. The discussion of input-based approaches in this and the following paragraphs suggests that these are less effective than output-based approaches. As we pointed out in the body of our comment letter, this is not really the case for all aspects of practical experience. We suggest that these paragraphs be rewritten to reflect this consideration.
- A9. We refer to our comments in the body of our comment letter and the requirement in paragraph 10.