



Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West, 4th Floor
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October 8, 2011

Dear Madame/Sir

IFAC International Accounting Education Standards Board (IAESB) – Proposed International Education Standard (IES) 5, *Practical Experience Requirements for Aspiring Professional Accountants (revised and redrafted)*

We appreciate the opportunity to respond to the IAESB's Exposure Draft on the proposed changes to IES 5: Practical Experience Requirements for Aspiring Professional Accountants. This response is made on behalf of PricewaterhouseCoopers. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We recognize that IES 5 is intended to serve the public interest in establishing standards to better ensure the competence of professional accountants. We welcome the redrafting of this standard as part of the IAESB project to revise and redraft IESs 1 – 8, building on the concepts and principles of the *Framework for International Education Standards for Professional Accountants (the Framework)* and the *IAESB Drafting Conventions (the Drafting Conventions)* and aiming to ensure consistent application by reducing ambiguity about the requirements imposed on an IFAC member body. We also recognize that in redrafting the standards the IAESB intends to clarify issues arising from changes in the environment of accounting education and the experience gained from implementation of the IESs by IFAC member bodies.

We believe that the redrafted IES 5 appropriately focuses on the responsibilities of IFAC member bodies. We note that the requirements in the Exposure Draft provide greater flexibility in practical experience processes for IFAC member bodies and, subject to our reservations about certain aspects of the redrafted requirements, we believe that the requirements of this standard serve the public interest. We believe that the more important issues to consider in finalizing redrafted IES 5 are:

- whether the principles-based approach and the wide range of techniques for measuring practical experience presented in the standard will encourage differences rather than consistency between IFAC member bodies,
- whether the redrafted standard is sufficiently clear regarding skills assessment, work logs and the role of the supervisor for IFAC member bodies adopting an output-based approach,
- whether dropping the "bright line" requirement for a minimum amount of appropriate practical experience is consistent with the purpose of practical experience in the development of professionals and with the expectations of stakeholders, and
- the wording of proposed definitions for the IAESB Glossary and an inconsistency in the definition of "sufficiency" as defined in this exposure draft compared to the IES 6 exposure draft.

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We respond below to the questions raised in the Response for Comments section of the Exposure Draft and provide a few other comments to consider in finalizing the standard. All paragraph references (Para XX) are to the IES 5 Exposure Draft unless otherwise indicated.

Our response to the seven questions posed in the Request for Specific Comments section of the Exposure Draft

Question 1: Do you find that the output-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?

Subject to our comments under Question 3 about the clarity of the draft requirements, we believe that the three alternatives offered in the redrafted standard are sufficient for member bodies to establish their preferred approach to measuring practical experience.

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?

We agree that the supervisor or mentor ultimately responsible for directing practical experience should be a professional accountant. We note that Para A12 indicates that mentors or supervisors may be assisted by others, some of whom may not be professional accountants. We believe that provides appropriate flexibility for others to assist with mentoring.

We recommend that the proposed definition of supervisor be reworded to align with the requirements of the redrafted standard. Question 2 above and the requirement in Para 15 of the redrafted standard indicate that the supervisor's role is to "direct" practical experience. Para 17 of the redrafted standard requires that the supervisor periodically review the record of practical experience. These requirements are more rigorous than the responsibilities in the proposed definition of supervisor which are to guide, advise and assist. A definition of a "practical experience supervisor" similar to the following would be more consistent with the draft requirements.

Practical experience supervisor – a professional accountant who is responsible for directing and monitoring the practical experience of an aspiring professional accountant

We fully support that an effective supervisor will guide, advise and assist the aspiring professional accountant and note that Para A13 covers this aspect although not using those exact words. These words could easily be added to that paragraph.

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

With the exception of elements of the output-based approach to practical experience, we believe that the requirements are clear.

In the near term, the allowance of output-based approaches may result in healthy experimentation and development of methodology. Early adopters of an output-based approach will need to think through carefully the quality of output measurement processes. It is likely that this effort to design and implement an output-based approach will result in more attention to the nature and completeness of the practical experience acquired. However, as IFAC member bodies have little or no experience with an output-based approach to practical experience, aspects of this approach present risks or may lead to confusion and therefore require further explanatory material if the three options remain in the final standard.

- We note that output-based approaches are subject to the requirements of Paras 16 and 17 that a verifiable record be created and reviewed periodically by a mentor or supervisor. We believe that this is a valuable requirement in achieving the standard's objective of ensuring "appropriate and sufficient practical experience". However, if an IFAC member body chooses an output-based approach and relies on a skills assessment (Para 12) as the measure of achievement, what would the supervisor review? Is there an implied requirement that skills assessment be periodic?
- If a skills assessment (Para 12) is adopted, could this be simultaneous with the assessment of knowledge, skills and values/ethics/attitudes required by IES 6? If so, an IFAC member body could conclude that their current assessment processes are adequate for both IES 6 and IES 5 purposes. In effect there would be no separate requirement for practical experience. It should be clearly stated in the explanatory material that this is not an acceptable result in the IAESB's view. We also recommend that the IAESB provide criteria to be used to determine the effectiveness and sufficiency of a skills assessment of practical experience to distinguish that assessment from the requirements of IES 6.
- Will a measure of competence against a competency map (Para 12) administered by a firm be at least as objective, valid and reliable as current input-based approaches? Since monitoring of firm administered input-based approaches tends to be more quantitative than qualitative, a conclusion at this point is not possible. If the option of adopting an output-based approach remains in the final standard, we recommend that the IAESB proactively monitor the implementation and results of output-based approaches to inform their future reviews of the effectiveness of the redrafted standard.

We believe that the combined impact of the last two bullet points requires serious consideration. The redrafted standard summarizes the purpose of practical experience in the development of professional competence and expectations of stakeholders (Paras 3, 4, A1, A2). We believe that it can be reasonably anticipated that these purposes and expectations will not be met by an output-based approach in some instances. We therefore recommend that IES 5 permit only an input-based or a combined approach with a bright-line minimum practical experience input requirement under either approach.

Further, we note that Para 4 of the *Framework for International Education Standards for Professional Accountants* lists desirable outcomes from developing and implementing IESs including, "reduction in international differences in the requirements to qualify and work as a professional accountant" and, "provision of international benchmarks against which IFAC member bodies can measure themselves". The principles based approach adopted in the new standard drops the extant "bright line" requirement for a minimum of three years of practical experience adjusted for relevant graduate professional education. The possible variations in input-based or output-based practical experience requirements allowed by redrafted IES 5 will likely result, rather, in more international differences and less international benchmarking in practical experience requirements. If so, this will, over time, detract from the other desirable outcome mentioned in the Framework: "facilitation of the global mobility of professional accountants".



Should the option of an output-based approach remain in the standard, which we do not support, we recommend that the requirement for the output-based approach (Para 12) be reworded to say,

"Those IFAC member bodies implementing an output-based approach shall require aspiring professional accountants to demonstrate that ***they have acquired the competence expected from sufficient and appropriate*** practical experience ~~has been obtained~~ by measuring their competence (a) against a competency map specific to their role and development plan, or (b) through a skills assessment."

This will better focus the requirement on results (outputs) rather than on inputs (the practical experience itself).

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

Please refer to our response to Question 3 for comments regarding an output-based approach.

While the "bright line" requirement for a minimum of three years of practical experience (adjusted for relevant graduate professional education) has been removed from the requirements, we appreciate that the recommendation has been retained in the Explanatory Materials (Para A8) of the redrafted standard.

We note that work logs are mentioned as useful measurement devices for both output (Para A5) and input-based (Para A7) approaches. It would be useful to have explanatory material regarding the use of work logs to assess competence in output-based approaches as such logs are normally associated with input measures.

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

We support the statement of Objective.

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?

We believe that the requirements in the IES 5 Exposure Draft do meet, with one possible exception, the three criteria specified by the IAESB for a requirement to be specified in a standard. That is, that

- The requirement is necessary to achieve the objective stated in the Standard;
- The requirement is expected to be applicable in virtually all situations to which the Standard is relevant; and
- The objective stated in the Standard is unlikely to have been met by the requirements of other Standards.

The possible exception to the second criteria is how the requirement in Para 18 applies to an output-based approach given the proposed definition of sufficiency. See details on this in the second bullet point of our response to Question 7 below.

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

We recommend that the definition of "mentor" in the current IAESB Glossary be amended to conform with the definition of "supervisor" proposed in the IES 5 Exposure Draft. The two terms are used interchangeably in the Exposure Draft and the differences between the definitions relate to old versus new terms (e.g. replacing the term "trainee" with the term "aspiring professional accountant").

We note that the IES 6 Exposure Draft and the IES 5 Exposure Draft propose quite different definitions of the word "sufficiency" for inclusion in the IAESB Glossary. This conflict in definitions must be resolved before releasing either standard. Also, the resulting final definition of "sufficiency" may impact the proposed requirement that member bodies assess the sufficiency of practical experience (Para 18) which under the current definition in redrafted IES 5 indicates a strictly quantitative assessment.

The IES 5 definition of sufficiency focuses on quantitative aspects only while the IES 6 definition refers, for example, to "balance and depth" which are qualitative factors. We recommend that the word "sufficient" not be arbitrarily defined for IES 5 purposes to refer only to quantity since in general use the word encompasses qualitative and purposive aspects as well. We note that redrafted IES 5 itself uses the word in different paragraphs to indicate a qualitative dimension:

- "of sufficient...intensity" (Para 10)
- Para 18 requires that IFAC member bodies assess the sufficiency of practical experience completed. If "sufficiency" is defined as purely quantitative, member bodies adopting an output based approach would not be subject to this requirement.
- Para A14 suggests activities for IFAC member bodies "to support the acquisition by aspiring professional accountants of sufficient practical experience." The list contains a number of activities to enhance the *quality* of practical experience.

We note that the IES 5 Exposure Draft proposes a definition for the word "appropriateness" which word does not appear anywhere in the redrafted standard. The words "appropriate" and "appropriately" do appear a number of times referring to practical experience and in other contexts. We recommend that no definition is needed in the IAESB Glossary for "appropriate", "appropriately" or "appropriateness".

We note that the proposed definitions for "cooperative education", "sufficiency" and "appropriateness" each contain second sentences which are actually explanatory material and not part of a definition. We recommend that these sentences be moved to the Explanatory Material section of the standard. We request that the IAESB consider this issue for proposed definitions in all of the redrafted standards as there are definitions proposed in other redrafted standards which would only apply to the word or term as used in that standard. A Glossary definition should be applicable to all IESs.

Developing Nations

Subject to our comments above regarding the requirements in redrafted IES 5, we believe that the requirements of this standard are appropriate for developing nations and have no comment regarding implementation difficulties.

Translation

We have no comment on potential translation issues.

**Effective Date**

We do not believe that member bodies who currently comply with the requirements of extant IES 5 would need to change their approach to practical experience and therefore that the proposed implementation period of 12 – 15 months appears adequate.

Other Comments

We commend the IAESB for retaining and updating the list of suggested activities for IFAC member bodies to support the acquisition of sufficient practical experience by aspiring professional accountants. (Para A14).

Closing remarks

We commend the IAESB for issuing this Exposure Draft of redrafted IES 5. We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Christine Adshead, Global Assurance Learning and Education Partner on (44(0) 161 245 2529).

Yours faithfully,

A handwritten signature in black ink that reads "Christine Adshead" followed by "LLP".

PricewaterhouseCoopers LLP