

Initial Professional Development

Technical Competence – IES 2

The AAT welcomes the opportunity to respond to Proposed International Education Standard (IES) 2, and continue to be committed to providing as much useful input to these consultation opportunities as possible. We note that in this instance the IAESB is particularly interested in comments in relation to the change in focus from the extant IES 2, with its specification of the knowledge content of professional education, to a learning outcomes approach with minimum proficiency levels for various competence areas to demonstrate technical competence. As such, our responses to the specific questions raised in the exposure draft are detailed below.

- 1. Do the 11 competence areas listed in Paragraph 7 of the proposed IES 2 (Revised) capture the breadth of areas over which aspiring professional accountants need to acquire technical competence? If not, what do you suggest?**

Our view is that the 11 competence areas do not fully capture the breadth of areas in respect of which aspiring professional accountants need to acquire technical competence. We would also like to see business strategy listed as a separate competence area, in order to reflect the increasingly important role of accountants as strategic advisers to organizations.

- 2. Do the learning outcomes listed in Paragraph 7 of the proposed IES 2 (Revised) capture adequately the minimum levels of proficiency to be achieved by an aspiring professional accountant by the end of IPD? If not, what changes do you suggest?**

We consider that the learning outcomes in respect of Management accounting; Taxation; Governance, risk management and internal control; Business laws and regulations; Business and organizational environment; Economics and Business management, adequately capture the minimum levels of proficiency to be achieved by an aspiring professional accountant by the end of IPD.

Our comments in respect of each of the other four areas of competency are as follows:

- a. Financial accounting and reporting – We believe that the IASB Conceptual Framework for Financial Reporting should be explicitly referred to in the learning outcomes, for example *‘discuss and apply the Conceptual Framework for Financial Reporting’*, as this underpins the preparation and presentation of general purpose financial reports. As its purpose is to assist preparers, auditors and other user groups, amongst others, a competent level of knowledge and understanding of its contents should be an essential requirement for any aspiring professional accountant.

We would also like to see the learning outcomes of this competence area refer to the analysis and interpretation of the primary financial statements rather than just to specialized reports. An aspiring professional accountant must be able to appraise the financial position and performance of an organization based upon the primary statements, whilst also being able to appreciate the other types of information that can be utilised in order to facilitate the analysis.

- c. Finance and financial management – We would wish to see the inclusion of risk management techniques as an explicit learning outcome within this competence area, for example ‘explain and apply risk management techniques’, to reflect the importance of this particular financial skill in the current challenging economic environment.

Also, the minimum level of proficiency required for this competence area is intermediate, but learning outcome (iv) uses the verb ‘evaluate’ which is listed in the appendix as being an advanced term. A more appropriate verb to use would be ‘analyze’.

- e. Audit and assurance – We believe that a learning outcome should be included to reflect the reporting element of this competence area, for example ‘explain the contents of different types of audit report’ as the list of specified outcomes relate to the audit process, but do not explicitly acknowledge how the results of the audit are to be disseminated.
- h. Information technology – We would like to see reference being made in the learning outcomes to project modelling. A competent level of knowledge and understanding of this learning area is a key requisite for an aspiring professional accountant if they are to be able to generate the information required to make effective decisions and thereby maximise returns.

3. Does the Appendix provide adequate clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 7 of the proposed IES 2 (Revised)? If not, what changes do you suggest?

We consider that the information provided in the Appendix requires no further clarification. The descriptions of the four levels of proficiency are clear and appropriate.

4. In response to question 4: Overall, are the Requirements paragraphs 7, 8 and 9 of the proposed IES 2 (Revised) appropriate for ensuring that aspiring professional accountants achieve the appropriate level of technical competence by the end of IPD? If not, what changes do you suggest?

Overall, our view is that subject to the points raised above in respect of questions (1) and (2), the requirements set out in these paragraphs are appropriate. Satisfaction of the minimum proficiency levels in respect of each of the learning outcomes for the specified competence areas, in conjunction with the requirement for IFAC member bodies to regularly review and update their professional education programmes and establish appropriate assessment activities in order to determine whether technical competence has been achieved, will ensure that aspiring professional accountants will possess the appropriate level of technical competency by the end of their IPD.

5. Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the new requirements included in this proposed IES 2 (Revised)?

The AAT does not anticipate that the new requirements of IES 2 (Revised) will have any impact on the organization or with organizations with which we are familiar. The AAT’s accounting qualification already adopts a learning outcomes based approach, with aspiring professional accountants being required to demonstrate their competency in respect of specified skills and underpinning knowledge and understanding requirements in relation to a wide range of accounting practices and techniques that are reflected within the proposed list of competence areas.

6. Is the objective to be achieved by a member body, stated in the proposed revised IES 2, appropriate?

The proposed revised IES 2 states that “The objective of an IFAC member body is to provide aspiring professional accountants with the technical competence required to perform a role of a professional accountant.”

Our view is that the objective would be better stated as “The objective of an IFAC member body is to provide aspiring professional accountants with the technical competence and business skills required to perform a role of a professional accountant”. This reflects that the role of an accountant is no longer seen simply as that of a technical advisor, but as someone who will need to have the requisite skills and knowledge and understanding in order to be able to potentially participate in strategic decision making within an organization.

7. 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?

Reflecting on the criteria, which have been identified by the IAESB as:

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 requirements of other standards.

Our view is that the criteria have been applied appropriately and consistently.

In accordance with paragraph 8, the AAT has recently undertaken a review of its accounting qualification in terms of the units that are studied, the outcomes that are assessed and the means by which these are assessed.

We consider that the requirements stated in paragraphs 7-9 will underpin the approach that we currently take, and will additionally provide us with further clarity for when we next conduct a review of our accounting qualification. The requirements will make sure that there is consistency between the various membership bodies in terms of how they ensure that aspiring professional accountants are able to exhibit the requisite level of technical competence required by the end of their IPD.

Are there any terms within the proposed IES 2 (Revised) which require further clarification? If so, please explain the nature of the deficiencies.

Page 19 of the explanatory material states that “Assessment activities appropriate for assessing technical competence may include written examinations consisting of short answer questions and case studies, written essays, objective testing, and workplace assessment of competence by employers.”

We consider that this explanatory material should also make explicit reference to computer-based examinations. Our organization extensively uses computer based assessments, which include the aforementioned types of tasks, to determine the competency of aspiring professional accountants in respect of the specified learning outcomes.

Comments on Other Matters

The AAT concurs that an appropriate effective date for the standard would be 15-18 months after approval of the final revised standard.