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IES 5 Exposure Draft

Submitted by AAT

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1. AAT welcomes the opportunity to respond to the current IES 5 exposure draft, and continues to be committed to providing as much useful input to these consultation opportunities as possible. We note that the IAESB is seeking comments on all matters addressed in the proposed IES 5, as well as particularly welcoming comments on specific areas of the proposed revised IES exposure draft. As such, we consider that our responses to the specific questions raised below allow us to meet both the general and specific requests for comments.

2. In response to 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?**

IES 5 outlines that *"IFAC members bodies shall require that practical experience is of sufficient duration and intensity to enable aspiring professional accountants to demonstrate that they have gained the (a) professional knowledge, (b) professional skills, and (c) professional values, ethics, and attitudes required for performing their work with professional competence."*

Taken in conjunction with the guidance provided in the other International Education Standards, we consider that offering IFAC member bodies with the choice of following one of the three approaches does present sufficient alternatives for them to establish their preferred approach to measuring practical experience.

Keeping an input-based approach option as part of the accepted options will allow those IFAC member bodies consistent with the extant IES 5 to continue with their current approach if they choose to do so. The additional inclusion of the output and combination-based approaches presents the opportunity for IFAC member bodies to potentially align their approach to measuring practical experience with their approach to CPD where appropriate (recognising that many IFAC member bodies are likely to have an output-based approach to CPD), or the scope to deliver transition (from input-based to output-based through a combination approach) respectively. We further acknowledge that a combination approach may be the preferred end point for IFAC member bodies rather than just being a device to deliver transition from an input to an output-based approach.

AAT's preferred approach, which has been very recently revised, will be output-based. AAT's accounting qualification is competency based, and our CPD policy is output-based.. Taking these aspects into consideration our view is that the output-based approach to managing the practical experience requirement is a better fit.

3. In response to 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 with the principal thrust of this definition. Where an aspiring professional accountant is gaining their practical experience on a self-employed basis (providing accountancy, taxation and consultancy services direct to their clients) our view is that it is essential that the supervisor is a qualified accountant (in our case that would be a licensed AAT member in practice or a member of one of the UK chartered or certified accountancy bodies).

Where an aspiring professional accountant is based in the public sector or in business it becomes less straightforward. In many small businesses for example, our experience is that

the role of the supervisor will be filled by the aspiring professional accountant's line manager, the person who is best placed to monitor the development of the aspiring professional accountant. In most instances the supervisor will be an accountant/finance manager etc. but may not necessarily hold current membership of an IFAC member body. It doesn't necessarily preclude this supervisor's ability to be able to successfully monitor their aspiring professional accountant when working within guidance provided by the membership body that aspiring professional accountant wishes to join. The requirements seems to be based on a traditional chartered accountancy training model, which presents issues for other training models where the aspiring professional accountant is not working under the direct supervision of a professional accountant and we know that this is the case not only for many AAT trainees, but also for many other UK member bodies' trainees.

4. In response to question 3: Are the requirements of IES 5 clear for IFAC member bodies?

AAT's view is that the requirements of IES 5 are sufficiently clear in the proposed revised draft for IFAC member bodies.

5. In response to question 4: Are the examples and explanation in Explanatory Materials section sufficient in explaining the requirements of the standard?

AAT's view is that the examples and explanation in the Explanatory Materials section sufficiently explain the requirements of the standard.

6. In response to question 5: Is the objective to be achieved by a member body, stated in the proposed revised IES 5, appropriate?

Having considered this question, we feel that it is not necessarily the case that "*appropriate and sufficient practical experience.*" alone would be sufficient to demonstrate competence in the role of a professional accountant. Where qualifications are competence-based and include rigorous assessment of competence, we believe that this plays a significant role in contributing to the evidence that an aspiring professional accountant is eligible to acquire the role of a professional accountant. The role of practical experience could, in these instances, be to establish that competence, already assessed and demonstrated through gaining the qualification (IPD), has been deployed in a suitable working environment; identifying application of skills and employability.

7. In response to 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?

AAT's view is that the criteria identified for determining whether a requirement should be specified have been applied appropriately and consistently to result in consistent promotion and implementation by IFAC member bodies.

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

AAT considers that there is scope for further clarification around the issue of how absolute the terms within the IES 5 are, or whether there is any scope for appropriately safeguarded discretion to be applied, and if so, to provide details around that discretion. There will be situations where circumstances for some aspiring professional accountants fall outside the more straightforward situations that the IES 5 does provide for extremely efficiently. AAT

does, in exceptional circumstances, receive applications for professional membership that require careful consideration from our membership assessors (members of our governing Council). The current economic climate means that job security within the accountancy profession cannot be taken for granted. There are increasing numbers of experienced and well qualified individuals who recognise that having a professional membership designation is essential to them in progressing in their chosen career. We need to be able to ensure that we do not deny these aspiring professional accountants the right to gain a professional membership designation if they are negatively impacted by circumstances beyond their control. It is in the interest of the profession that we find ways to include them by the ability to exercise careful discretion for cases at the margin of the IES 5 requirements. The exercise of any such discretion would of course require safeguards and would have to remain grounded on the principle of identifying appropriate and sufficient evidence of practical experience. Examples of when discretion may be required include situations where an individual chooses to retrain for a career change, coming into accountancy mid-career; individuals taking career breaks (something that may particularly affect women); job security issues contributing to more fragmented career paths etc.

These sorts of circumstances may present aspiring professional accountants with a particular challenge in relation to A3 (c) within the Explanatory Material for example, where work experience gained prior to the commencement of a programme of accounting education can not be counted towards the practical experience requirement.

There is an argument that, taking the public benefit into consideration, it would be preferable to have these individuals (with appropriate safeguard measures in place) within the professional membership arena rather than forcing them to consider pursuing their careers outside of it, which is very possible in environments like the UK where non audit work is largely unregulated. With CPD, commitment to professional ethics and general access to support to maintain high standards of professionalism this would be a potential advantage.