

Professional Oversight Board

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29 September 2011

Dear Sir,

IES 5, Practical Experience Requirements for Aspiring Professional Accountants

The Professional Oversight Board (POB) is an operating body of the UK Financial Reporting Council. The POB provides independent oversight of the regulation of the auditing, accountancy and actuarial professions by their respective professional bodies. It has statutory responsibilities delegated to it by the Secretary of State for authorising professional accountancy bodies to act as supervisory bodies and/or to offer the recognised professional qualification for audit.

The POB welcomes the IAESB's project to clarify the International Education Standards (IESs) and the opportunity to comment on the exposure draft of IES 5. We fully recognise the importance to aspiring professional accountants of obtaining a good range of quality practical experience. Whilst we support revisions to IES 5 that help the bodies to ensure that aspiring professional accountants receive sufficient practical experience, we believe that some of the changes made in the revised Standard do not achieve this. We have the following specific comments:

Aspiring professional accountant

Whilst we follow the explanation within the Significant Issues section of the revised Standard for the change to the use of the term "aspiring professional accountant" we do not believe that it will achieve the aim of improving the understanding of the standard's intended audience. We would prefer the continued use of the term "trainee" which is more self-explanatory and would, in our view, make the scope and requirements of the revised Standard clearer to understand.

Minimum period of practical experience

The existing standard states that the minimum period of practical experience should be a minimum of three years. The revised Standard at paragraph 10 sets no

minimum length of practical experience. This leaves the length of the period of practical experience at the discretion of the member bodies. It is acknowledged in the Introduction Paragraph 4 to the revised Standard that the variety of roles that professional accountants perform means that the requirements for practical experience may vary from one member body to another, and even within an individual body that offers different types of membership.

In our view the revised standard should seek to achieve a more consistent quality and depth of practical training within member bodies by including specific requirements about the length of the period of training. We consider that there are certain core skills and competencies which all aspiring accountants need to both develop and demonstrate and that requiring a minimum length of practical training is essential if accounting qualifications are to be recognised as equivalent across different jurisdictions. In this regard we believe that bodies should introduce additional practical experience requirements before aspiring professional accountants are able to hold positions requiring enhanced practical competence.

Combination approaches

We believe that a combination of input and output approaches to practical experience is likely to produce the best results for aspiring professional accountants. A purely input approach based on the number of hours or days of work takes insufficient account of the quality and range of practical experience. An entirely output based approach without sufficient account of the amount of work completed may provide evidence of skills or competencies gained but these may not provide sufficient depth of experience for the aspiring accountant to apply them confidently in different circumstances.

We believe that the Requirements in paragraphs 11-14 of the revised Standard should indicate that a combination approach should usually be followed by member bodies rather than presenting input, output and combination as approaches of equal merit.

Supervisors or mentors

The revised Standard expands the role of the supervisor so that a supervisor can also direct the practical experience of the aspiring professional accountant. Overall, we think that it would be helpful to clarify whether the roles of mentor and supervisor are interchangeable in this context within the revised Standard. Although the definitions of mentor and supervisor in the IAESB Glossary of Terms and in the revised Standard are nearly identical, the term “mentor” is commonly used to refer to a member of an IFAC member body whose greater experience distinguishes him from a typical member of an IFAC member body. This distinction is supported by the reference in the paragraph *The Role of the Supervisor* under Significant Issues to “a mentor who is an experienced member of an IFAC member body.”

Requirement 17 requires a periodic review of the records of practical experience by the mentor or supervisor. Rather than being left entirely to the mentor or supervisor,

there should also be a requirement for member bodies to review the adequacy of the completion of the records of practical experience for all aspiring accountants who have completed their period of practical training.

Explanatory Materials

The following are points where we think that the Explanatory Materials might be improved:

- Paragraph A1 on the Scope of the revised Standard might be expanded to give a further example of how practical experience assists aspiring professional accountants to develop competence. In our view where aspiring professional accountants are encouraged to link their theoretical knowledge and the practical application of that knowledge through practical experience they will develop further understanding and competence more quickly.
- Paragraph A8 suggests that where a substantial professional accounting education program has been completed, such as a Master's degree in Accounting, an IFAC member body may elect to reduce the practical experience component. Thus a requirement for three years of practical training may be reduced to two years with a Master's degree in accounting or other relevant subject. We do not agree with this approach. As explained at Paragraph A3(b) studying for academic or professional qualifications is useful for acquiring and demonstrating professional accountancy knowledge. However, this studying does not necessarily demonstrate achievement of the professional competence to perform accounting activities. Accordingly we think that the amount of practical experience that a body requires from individuals with a Master's degree should not normally be less than that required from individuals without such a degree.
- Paragraph A12 says that IFAC member body mentors or supervisors may be assisted in performing the mentoring function by others, some of whom may not be professional accountants. This paragraph is intended to explain Requirement 15 that IFAC member bodies shall require that practical experience be conducted under the direction of a mentor or supervisor. Accordingly we think that bodies should be required to measure and put some limits on the level of involvement of non-accountants in the arrangements for practical training. Paragraph A12 appears to suggest that non-accountants may provide assistance only with the mentoring function. We are not sure whether this restriction is intended or significant as A12 also mentions supervisors.
- Paragraph A14 lists a number of activities that member bodies may consider to support the acquisition by aspiring professional accountants of sufficient practical experience. We think that the list could be expanded to include the continuing assessment and monitoring of firms' practical training and to expand the assessment of the practical experience to include the range or

spread of practical experience and extent of progression to more difficult work during the period of the practical experience.

- Some of the activities listed at A14 should we believe be requirements for member bodies within the revised Standard rather than explanatory material. These are;
 - Establishing a system to monitor and report on the practical experience required;
 - Assessing and approving the practical experience environment before commencement of experience;
 - Encouraging employers to provide feedback to aspiring professional accountants and to communicate when competencies have been achieved; and
 - Monitoring previously approved employers including making recommendations for improvements and withdrawing approval if conditions have so changed that relevant experience criteria are not being met.

We hope these comments are of assistance. Please contact me if you need further explanation of the views expressed.

Yours faithfully



Paul George
Director of Auditing and the Professional Oversight Board