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Ref.: QMA/PRJ/HOL/PWE

Dear Mr McPeak,

Re: FEE Comments on the IAESB Consultation Paper on the Proposed IES 5 (Revised) Practical Experience Requirements for Aspiring Professional Accountants

FEE (The Federation of European Accountants) is pleased to provide IAESB with its comments on the Proposed IES 5 (Revised) on practical experience.

FEE supports the IAESB's project to improve the clarity of its standards by making a distinction between requirements and Explanatory Material. As a matter of principle, FEE also favours a principles-based approach to the standards.

However, the concept of output-based approach should not be understood as a mechanism leading to a substantial reduction of the level of qualification. Principles-based standards should not lead to substantial differences in the level of quality compared to rules-based standards. As explained below, we believe that there are little chances that any output-based approach could justify a reduction of the length of practical experience below a minimum period of time. Therefore, the IAESB should reconsider whether in the specific circumstance, the pure output-based system is fully appropriate.

Answers to detailed questions raised in the discussion paper are given in the appendix to this letter.

For further information on this letter, please contact Ms Petra Weymüller from the FEE Secretariat (email: petra.weymuller@fee.be, Tel.: +32 2 285 40 75).

Yours sincerely,

Philip Johnson
President

Appendix: Responses to questions raised in the IAESB Exposure Draft on IES 5 (revised)

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?

From a policy perspective, FEE generally prefers principles-based standards. For example, when the regulation defines a certain period of practical education, this does not mean that the period is appropriate for all individual aspiring professional accountants. After the assessment of the qualifications, a prolongation of this period can be judged necessary.

The output-based approach suggested by IAESB is closer to the above mentioned approach based on principles. Paragraph 12 setting the requirement in the context of an output-based system is however not really self-explanatory and will be difficult to implement if the explanatory material (A5) does not provide further information on the concept of competency map and skills assessment. It should explain how to build and prepare competency maps and how to assess skills of practical experience separately from other elements of professional qualifications (IES 6). More information and guidance would be helpful to promote the output-based approach which would be conducive to harmonisation in the education process.

IAESB could perhaps reconsider whether a pure output-based approach as explained in the draft is appropriate. IES 1 in its new draft form uses the helpful concept of reasonable chance of successfully completing the professional education. As explained in paragraph 10, this requires that practical experience is of sufficient duration and intensity. "Sufficient" usually refers to quantification.

In the context of practical experience, IAESB could prefer a combined approach setting a minimum to be combined with other criteria useful to determine the appropriate duration of practical experience of individual cases.

For information, a full-time two-year criterion is used in the European Directive on the Recognition of Professional Qualifications,¹ to allow free movement of professionals in the internal market when a specific profession (or activity) is not regulated in the Member State of origin. As far as statutory audit services are concerned, the European Directive on Statutory Audit² requires trainees to complete a minimum of three years practical experience. It results from a FEE Survey on practical experience³ that most EU/EFTA countries have a three-year requirement.

¹ Article 5 1. (b) of the Professional Qualifications Directive

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2005L0036:20110324:EN:PDF>

² Article 10 of the Statutory Audit Directive,:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006L0043:20080321:EN:PDF>

³ Practical Experience in Education of Professional Accountants, June 2008:

<http://www.fee.be/fileupload/upload/Practicalsurvey1692008392150.pdf>

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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?

FEE agrees with this definition. However, we observe that this definition is identical to the definition of a mentor in the current glossary of terms, except for using the expression "aspiring professional accountants" instead of "trainees". Since IAESB uses both "mentor" and "supervisor" in the draft standard, one would expect that the two words be defined in the glossary and cover different situations, with possibly different consequences.

Generally, our understanding would be that the role of a mentor is a voluntary one without legal or contractual responsibilities and liabilities whereas the role of a supervisor is mandatory, being the line manager of an aspiring professional accountant including legal or contractual responsibilities and liabilities. A mentor could be a supervisor but does not necessarily need to be one. A supervisor also has an ethical duty to educate the trainee and provide him with professional knowledge.

Alternatively, to avoid confusion, it could be an option to include only one of these roles (either supervisor or mentor) in the requirements and explain it in detail. Different member bodies could include different duties and responsibilities for this role.

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

FEE believes that the proposed requirements are clear, however, some clarification in the explanatory material would be helpful as in particular mentioned in the response to question 4.

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

FEE believes that the explanatory material is broadly sufficient in explaining requirements, except for some possible improvements identified hereunder.

As explained above, we believe that:

- Paragraph A5 of the explanatory material related to the output-based approach should be further developed as it does not add very much to the requirement; and
- The difference between mentor and supervisor should be further explained, if the roles are different (see our response to question 2 above).

Requirements do not specifically refer to the role of employers. However, paragraph A13 and especially A14 comment on issues such as guidance for employers, suitability of employers, reporting by employers, etc.

Paragraph 6 of the standard is not well placed under the section "scope". FEE supports keeping the idea but not under such heading. We wonder whether adequate wording could be found to ask member bodies to recognise the role of employers under the section

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requirements. In doing so, IAESB would have a reference to the useful comments on employers in the explanatory material.

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

Yes, FEE believes that paragraph 8 adequately defines the objective to be achieved.

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?

Yes, however we refer to our comment in the response to question 4 above.

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

As explained in the response to question 2, the words “mentor” and “supervisor” should be clarified.

Situations mentioned under A3 (a) would not easily be understood in all IFAC member bodies.