

# Joint comments, French professional bodies, CNCC and CSOEC, on Revised IES 2 - 31/10/2012

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## **IAESB**

### ***Proposed International Education Standard (IES 2) Initial Professional Development-Technical Competence (Revised)***

#### **Introduction**

The two French professional bodies representing auditors, « **Compagnie Nationale des commissaires aux comptes** » (CNCC) and professional accountants, « **Conseil Supérieur de l'Ordre des Experts-comptables** » (CSOEC) welcome this consultation launched by the IAESB on its set of Education standards, and more particularly on the Revised International Education Standard n° 2, « Initial Professional Development-Technical Competence». They both bring their support to the outcomes-based approach adopted by the IAESB in the Revised IES 2.

Through this position letter, both bodies would like to first give their answers to the “requests for specific comments”, aimed at collecting the respondents’ opinions on significant issues related to the approach taken by the IAESB regarding technical competences and then also give some comments on the explanatory material part.

#### **Answers to questions “Request for specific comments”**

**Question1: 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?**

The proposed identification of the main areas concerned by this approach and which consists in 11 competence areas meets the expectations of both institutes which would like nevertheless to add some points, with a view toward sufficiency.

We suggest indeed to add these points in bold to the competence area related to “audit and assurance”:

<b>Competence area</b>	<b>Learning outcomes</b>	<b>Minimum level of proficiency</b>
(...)	(...)	(...)
(e) Audit and assurance	(i) Analyze the risk profile of an entity to identify the components of audit risk	Intermediate

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	(ii) Describe the objectives of an audit of financial statements	
	(iii) Describe the activities involved in performing an audit of financial statements <b>and the different main stages of an audit assignment</b>	
	(iv) Identify applicable auditing standards (e.g., ISAs), laws <del>and</del> , regulations <b>and code of ethics</b> relevant to an audit engagement	
	<b>(v) Identify national and international professional bodies and supervisory authorities</b>	
	<b>(vi) Describe the responsibility scheme</b>	
	<b>(vii) Understand the key elements of assurance service engagements</b>	

Regarding our proposal on points (iv) and (v), even if we know that there is besides one specific IES focusing on ethics, IES 4, we think that ethics should though be included in the required competence areas.

Besides this complement for point (e) “Audit and assurance”, we would like to add another area which is not covered in IES 2 :**“Communication”**. The proficiency levels specify at the advanced level: advice, recommend, evaluate, negotiate, etc. These activities require an excellent communication knowledge and skills. **The technical part of this competence could be addressed in IES 2, the communication skills being already addressed in IES 3.**

**Question 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?**

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The four levels of proficiency determined by the IAESB for the purpose of the revised IES 2 (foundation, intermediate, advanced and mastery) seem to be appropriate and well affected to each competence area except for “**Managementaccounting**” which should be at an **advanced level**, like “Financial accounting” and not at an intermediate level. Part of the professional accountants are accountants in business.

**Questions 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?**

The descriptions for each level provided in the Appendix are clear and consistent, as the expected knowledge and know-how increase accordingly to the level expected.

**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?**

The CNCC and the CSOEC share the IAESB’s concerns related to promoting training for aspiring accountant professionals which integrates the learning and the assessment of specified technical competence areas.

The revised IES 2 presents overall positive measures based on these three main following principles:

- the identification of a framework regarding competence areas and the level expected for each of these areas contribute to the elaboration of a necessary minimum common basis of IPD expectations between the IAESB members;
- the two French institutes are convinced of the necessity to regularly update education programs, in order to comply with the constant evolutions and the growing complexity of the economic environment;
- the CNCC and the COEC also pay great attention to the assessment of trainees and have already put in place different ways of writing examinations, such as case studies, multiple-choice questions or writing report of practical experience (trainees are required to write twice-yearly reports during their three years training period).

Nevertheless, about § 9, we wonder about the real meaning of “**appropriate**”. Every professional body will assert that its assessments activities are of course “appropriate”!

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**Question 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)?**

There should not be any direct impact on the current organization of the two French institutes, as they have both already developed requirements dealing with the same competence areas, regular education programs update and trainees' assessment. The whole French accounting curriculum has been totally redesigned in 2006 and updated in 2010 considering all IESs and the European Common Content.

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

The CNCC and the CSOEC are supportive of the proposal of the IAESB, insofar as it helps strengthening and promoting the IPD, which highly contributes to the excellence of their members.

But ... According to § 4 of the IES's Framework, "developing and implementing IESs" can also contribute to other desirable outcomes, including:

- Reduction of international differences (...);
- Facilitation of global mobility (...);
- Provision of international benchmarks (...)."

We draw the attention of the IAESB on the fact that the output based approach is less coercive than the input based approach because there is a broader part of professional judgment in implementing and assessing the implementation of standards. For instance, IES 2, § 7: "IFAC member bodies shall prescribe the learning outcomes that demonstrate the professional competence required (...)." Demonstrate how? Is it sufficient to achieve the objectives expressed in the Framework and quoted above?

**Question 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?**

To the CNCC and the CSOEC views, the defined criteria will help member bodies to develop or further develop education programs and their assessment in a more convergent manner.

**Question 8: Are there any terms within the proposed IES 2 (Revised) which require further clarification? If so, please explain the nature of the deficiencies.**

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CSOEC and CNCC pay tribute to the work of definition led by the IAESB and have no additional request to formulate in this field, except our comment on § 9 : what does “appropriate” exactly means ? (See question 4 above).

### **Comments on the explanatory material part**

#### **- Ref : Para A 7**

The CNCC and the CSOEC would like to highlight through this comment their interest for the revised IES 2, which contributes to promote and enhance the IPD of future accountants and auditors professionals.

The two French institutes welcome this initiative which aims at paying more and more attention to IPD and which is a matter of importance for the good health and the image of the profession and the satisfaction of their clients.

#### **- Ref : Para A 11**

The CNCC and the CSOEC are pleased with the possibility given by the IAESB to member bodies to be able to adapt both the level of proficiency and the extent of the competence areas that the aspiring accountants and auditors have to study.

#### **- Ref : Para A 14**

The CNCC and the CSOEC approves the examples given by the IAESB regarding the possible means of assessments and would like to mention here as information, that they have already developed several of these suggested methods.

But we wonder about the following :« Assessment activities appropriate for assessing technical competence may include (...) workplace assessment of competence by employers. » In such a case, we doubt that there is a reliable, independent and objective assessment of the aspiring professional accountant. Is the employer legitimate to play this role? Is it not a situation with a conflict of interest (or ethical dilemma)? It does not mean that the mentor does not play an important role in the education process.

### **Appendix**

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1/ IES 2, 3 and 4 have the same appendix. As it has not a prescriptive content but aims only to clarify concepts, would it not be preferable to move this appendix as an appendix of the Framework instead of duplicating it?

2/ A matrix showing the connexion between the learning inputs (traditional knowledge based approach) and the learning outputs (competencies) would be very helpful. The output based approach is not familiar in all parts of the world and in the academic world. Professors are specialized by disciplines like financial accounting, management control, taxation, etc. The IES should somewhere reconcile the two approaches.

See below an example of such a matrix.

### **Example of a matrix showing the connexions between competencies (outputs) and knowledge (inputs)**

	Level of proficiency			
	Foundation	Intermediate	Advanced	Mastery
Knowledge A	Competency 1	Competency 2	Competency 3	
Knowledge B	Competency 4	Etc.		
Etc.				