

5 October 2011

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CANADA

Dear David

Proposed Revised IES 5, Practical Experience Requirements for Aspiring Professional Accountants

Thank you for the opportunity to comment on the proposed revisions to IES 5, *Practical Experience Requirements for Aspiring Professional Accountants*.

We acknowledge the IAESB's desire to introduce flexibilities which better reflect individual bodies' approaches to the achievement of practical experience within a programme of IPD. However, as with our comments on the suggested revisions to IES 1, we would advise the IAESB that there are some important issues with the IES 5 proposals that merit either further consideration or sensitive implementation:

1. The proposals on output-based and combination models potentially conflict with current European Union and UK legislation regarding the required duration of training for statutory auditors. EU law requires an individual to have completed at least three years of practical experience within a quality-assured environment in order to qualify as an auditor, whatever skill levels they may have achieved earlier in their career. A pure output model could lead to a reduction in the qualifying time for statutory auditors, which may be driven by other factors than simply meeting the required competences for auditors. This could, in turn, lead to a decline in audit quality which would not be in the public or profession's interest. Accordingly, we would recommend that the standard be amended to allow only combination models, where the output element would have to comply with a minimum period of three years or such time limit as set down by the regulator. The related proposal in paragraph A8 regarding recognising experience from alternative environments would also be problematic for many member bodies which operate input-based approaches that lead to an 'audit qualification'.
2. There is a risk that the proposals may lead to a widening of standards within and between member bodies. Legally-based requirements for the qualification programme for auditors can be contrasted with member body-based requirements for the qualification programme for accountants and could result in differing standards emerging within the same member body.

Similarly, some member bodies opting for an output approach and some for an input approach could make it increasingly difficult to maintain or judge equivalence between member bodies' qualifications.

3. As suggested by paragraph A9, it may not be desirable to allow 'ideal types' of output or input-based models. There is a risk with highly outcome-based models that member bodies might decide in good faith that aspiring professional accountants had demonstrated the necessary outputs based on little actual time spent training, when in fact this limited exposure to real-life cases had left them without the personal experiences necessary to be truly competent. Equally, a pure input model might be similarly undesirable as member bodies should not view practical experience as elapsed time but should always expect relevant content and level. Under either a pure output or a pure input approach member bodies could on occasion feel pressurised to grant membership to insufficiently experienced individuals.

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?

We do not believe either pure outcome or input approaches are in fact desirable or practical. Accordingly, we feel this proposed change offers too great a flexibility which could lead to lowering and/or varying quality standards. We do not, therefore, support this proposal.

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?

No:

We think it would be helpful to be explicit in the body of the standard (e.g. in A11) that a mentor or supervisor has to be a current member of an IFAC member body. We note that cross-checking the glossaries will confirm this via the definition of 'professional accountant', but judge that there should be upfront clarity on such a key point.

Second, we suggest that the definition could be improved by including a more explicit mention of the dimension of 'quality control'. As paragraph 13 suggests, the mentor or supervisor should also be responsible for certifying that the programme of IPD, including practical experience, has been completed competently and in accordance with the member body's requirements. We suggest that the definition of supervisor should reflect this responsibility.

Third, we suggest there is a potential confusion in the proposed terminology. The terms 'mentor' and 'supervisor' suggest different roles and relationships to trainees. We think it would be preferable to settle on a single clear descriptor rather than relying on two different ones which are open to different interpretations. ICAEW suggests that the generic term 'supervisor' conveys better than 'mentor' the overall responsibilities, including quality control. It might be even better to pick a completely new term, such as 'person responsible for training'.

Finally, no mention is made of either the mentor or supervisor having an employer/employee relationship with the trainee accountant. We feel that to assess an employee's competence, the views of the employer should be sought. Accordingly, we would recommend that the supervisor should be working in a more senior role than the trainee within the same organisation.

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

Generally, yes. As noted, we think there are difficulties in allowing 'ideal type' approaches and there is a need to define the role of the supervisor more completely.

Additionally, paragraph 12 of the paper should be clearer that the aspiring accountant would be measured against the competency requirements of the member body and not simply their job role.

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

Yes, subject to the points made above.

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

Yes.

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?

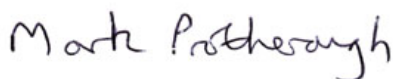
Yes.

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

Other than the points we have raised above, no.

We hope that the above points are helpful and we look forward to the finalised revised standard in due course. Please contact Jonathan Jones, Head of Policy & Strategy, on jonathan.jones@icaew.com or +44(0)1908 248 292 if you would like any further clarification or information about our views at this stage.

Yours sincerely



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