Competency-based Programs: The Common Thread for PAOs

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15 - 16 June 2016, Yerevan, Armenia

STAREP EduCoP workshop -"Past achievements and future directions"
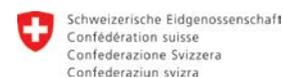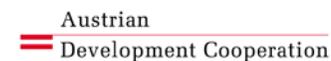
Learning Objectives

» Review how competence differs from knowledge

» Evaluate the benefits and challenges of using competency frameworks in professional programs

» Describe the development method for competency frameworks

» Explore how a competency framework forms the basis for a PAO's pre- and post-qualification programs

» Explore how learning outcomes can be used to structure the development of competence during IPD

Competence versus Knowledge

Knowledge or Competence?

» **Knowledge**:

  » Relies on learning principles, standards, concepts, facts, and procedures

  » Is often theoretical in approach

» We can "know how" to do something but still not be able to do it in a real situation.

Knowledge or Competence?

» **Professional Competence:**

  » Is defined by IFAC as "the ability to perform a role to a defined standard"

  » Competence "goes beyond knowledge …; it is the integration and application of
  (a) technical competence,
  (b) professional skills, and
  (c) professional values, ethics, and attitudes"
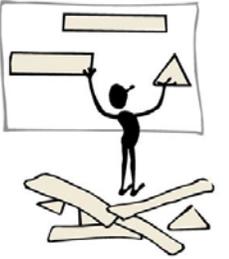
Knowledge or Competence?

» **Professional Competence:**

  » When developing and qualifying professional accountants and auditors, it's not enough that they *know* what the standards require.

  » Professionals need to be able to *perform* their roles competently, to the level expected by the public, clients and employers.

  » PAOs are required to *ensure competence* of their members.

Knowledge or Competence?

» The best assessment of competence happens when the candidate is faced with a real situation on the job.

» Simulations reflect "real" work situations,
but in a controlled learning environment.

» The more realistic we can make the questions,
the better we can predict competence in the workplace.

Knowledge or Competence?

» Knowledge-based questions can usually be answered *without* context

» May involve calculations or application of known standards, but do *not* require judgment

» ***Example:*** *A log has a diameter of 30 cm and a length of 3 meters. What volume of wood will it produce?*

Knowledge or Competence?

» Competence-based questions usually require context, critical thinking, and judgment to be able to answer

» *Example: You have a log that has an average diameter of 40 cm (including the bark) and a length of 5 meters. How would you mill it to maximize the value of the lumber?*

Knowledge or Competence?

» Knowledge versus competence is a spectrum, not black and white

| 1	2	3	4	5
Testing Knowledge		50:50		Testing Competence
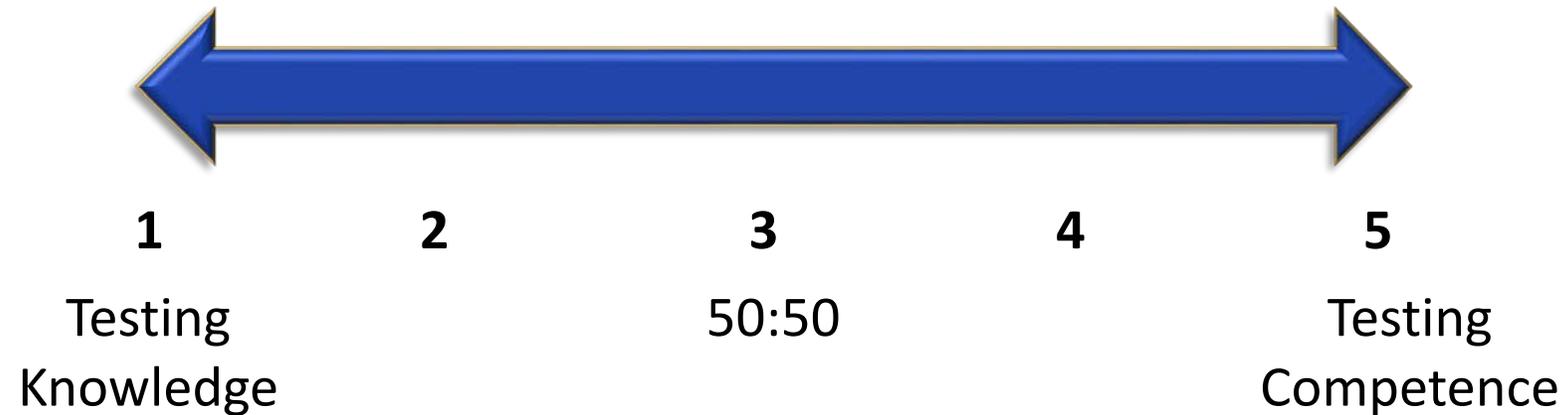
Knowledge or Competence?

» **Poll 1:**

   » On an exam, a student is asked to explain inherent and control risks, including characteristics or situations that would increase or decrease the risks.

» *Where would you rate this on the knowledge-to-competence spectrum?*

1	2	3	4	5
Testing Knowledge		50:50		Testing Competence
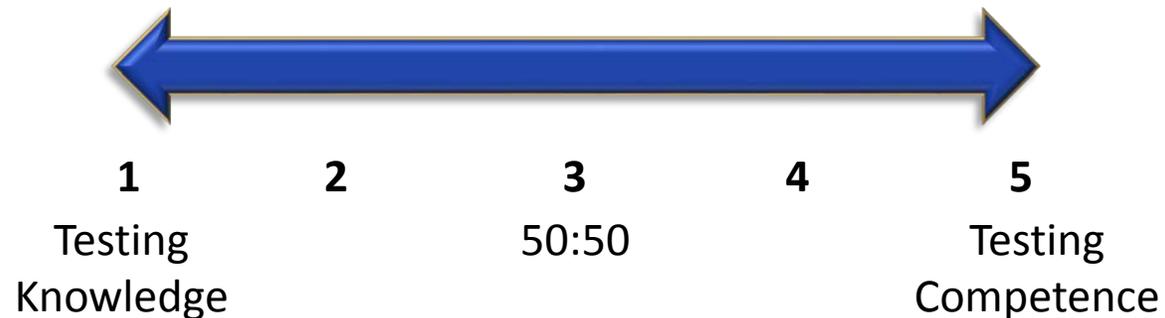
Knowledge or Competence?

» **Poll 1:**

  » Primarily knowledge – the student can memorize the two types of risk, what they mean, and the common indicators of risk being lower or higher

1	2	3	4	5
Testing Knowledge		50:50		Testing Competence
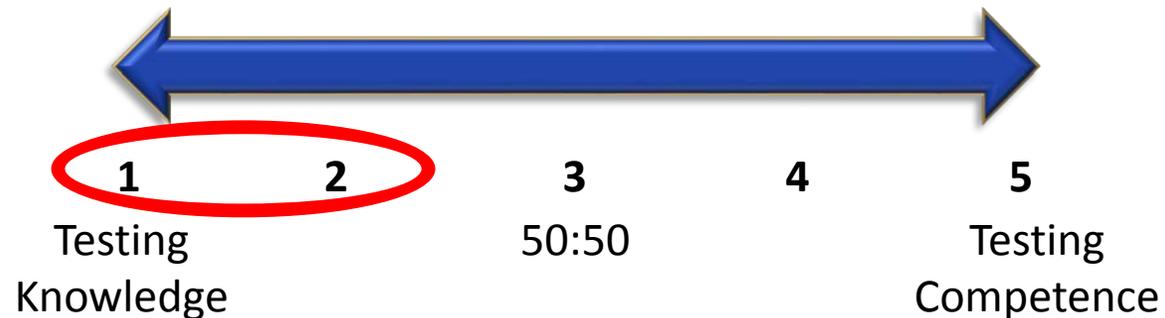
Knowledge or Competence?

» **Poll 2:**

  » A student is given a balance sheet and is asked to recommend audit procedures for the key balances.

» *Where would you rate this on the knowledge-to-competence spectrum?*

1	2	3	4	5
Testing Knowledge		50:50		Testing Competence
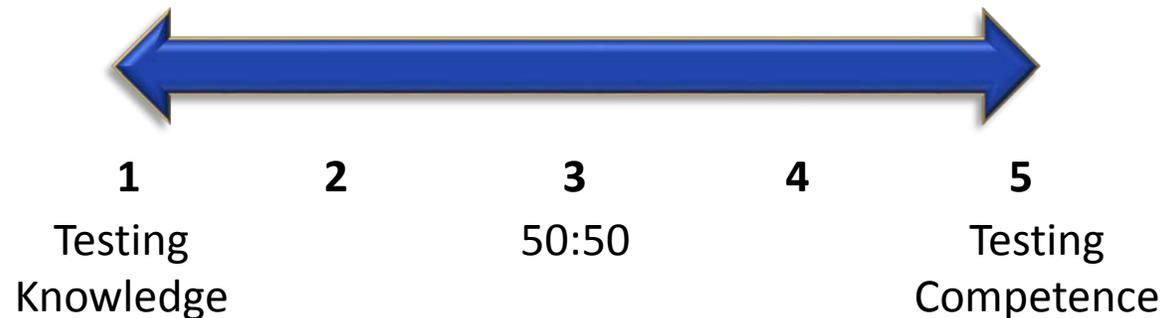
Knowledge or Competence?

» **Poll 2:**

    » Somewhat competency-based – answer will depend somewhat on the specifics of the company, and some judgment may be required, but audit procedures for many accounts are fairly standard.

1	2	3	4	5
Testing Knowledge		50:50		Testing Competence
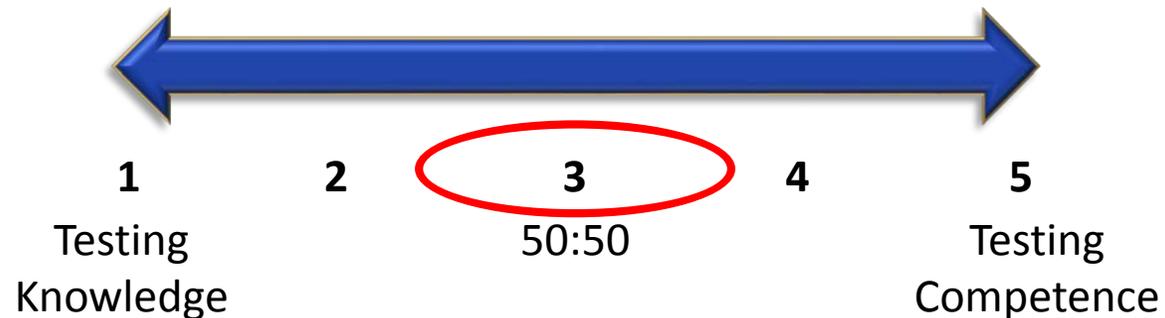
Knowledge or Competence?

» **Poll 3:**

  » The student is given a description of a company and asked to evaluate the inherent risk and control risk and identify which balances and/or cycles of transactions are the most concerning for this particular company from an audit perspective.

» *Where would you rate this on the knowledge-to-competence spectrum?*

1	2	3	4	5
Testing Knowledge		50:50		Testing Competence
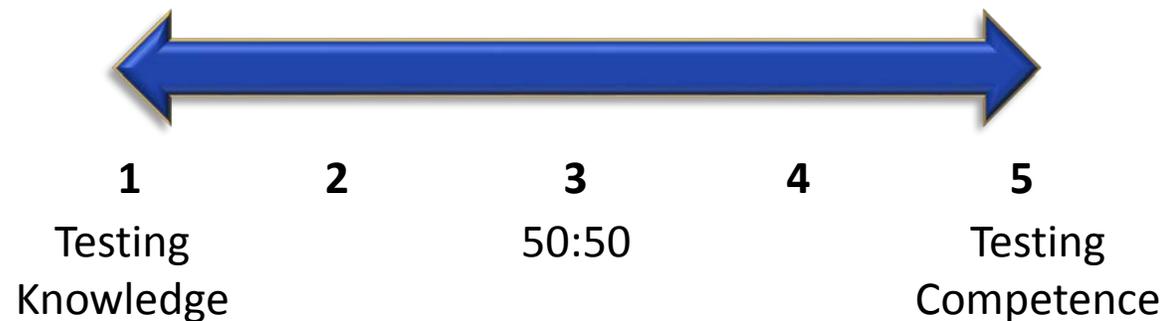
Knowledge or Competence?

» **Poll 3:**

» Much more competency-based – answer will depend on the specifics of the company, and judgment will be required to prioritize issues.

| 1 | 2 | 3 | 4 | 5 |

Testing Knowledge   50:50   Testing Competence
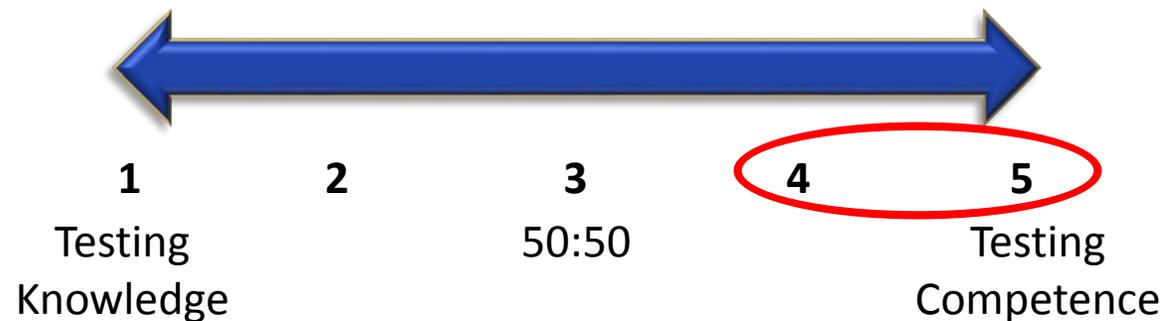
Knowledge or Competence?

» **Poll 4:**

» To what extent is your organization using a competency-based approach for <u>qualification of members</u> (education, exams, experience requirements)?

① Not at all

② Somewhat

③ Extensively

Knowledge or Competence?

» **Poll 5:**

  » To what extent is your organization using a competency-based approach for <u>post-qualification</u> programs
  (such as Continuing Professional Development)?

  ① Not at all

  ② Somewhat

  ③ Extensively

Knowledge or Competence?

» **Per IFAC, the move is to competency-based:**
  » Curricula and testing aim to develop and assess competence rather than just knowledge
  » For PAOs, real benefits are achieved when Framework supports the full career cycle of the professional accountant (pre- and post-qualification)

Using competency frameworks and competency-based programs

How competency frameworks are developed

» Competency Framework goal is to reflect the full range of competencies essential for the professional, in order to meet the needs and expectations of the public, clients, and employers

» Competence is expressed and required at certain levels of proficiency, based on expectations of public, employers, clients, etc.

How competency frameworks are developed

» A "Practice Analysis" is typically used to determine competencies and appropriate levels of proficiency required by professional accountants

» Full-scale Practice Analysis includes a comprehensive survey of:

  » Members

  » Employers

  » Academics

  » Professional recruiters

  » Regulators

How competency frameworks are developed

» Independent consultants are usually hired to assist (to provide expertise and objectivity)

» Practice Analysis should be updated periodically (normally every 5 years) to reflect changing needs of stakeholders and environment for professional accountants

How competency frameworks are developed

» **Poll 6:**

» To what extent does your organization integrate non-technical skills such as leadership, communication, ethics, in its requirements for qualification?

① Not at all

② Somewhat

③ Extensively

How competency frameworks are developed

» **Results of recent Practice Analyses:**

  » Competencies rated most essential to a newly designated professional accountant relate to professionalism, ethics and trust, leadership, and communicating

  » Among the technical competency domains, financial accounting and reporting, management accounting, and taxation generally rank highest

Benefits of a competency approach

» More closely reflects the actual needs of the public, future clients and employers

» Strengthens and integrates pervasive skills

» Recognizes that technical knowledge will become out-dated, and professional skills are needed for long-term success

Challenges of a competency approach

» Ideally, the first Practice Analysis should occur before program development

» BUT, Practice Analyses are time-consuming and expensive

» Competency-based programs are much more difficult and resource-intensive to design and develop
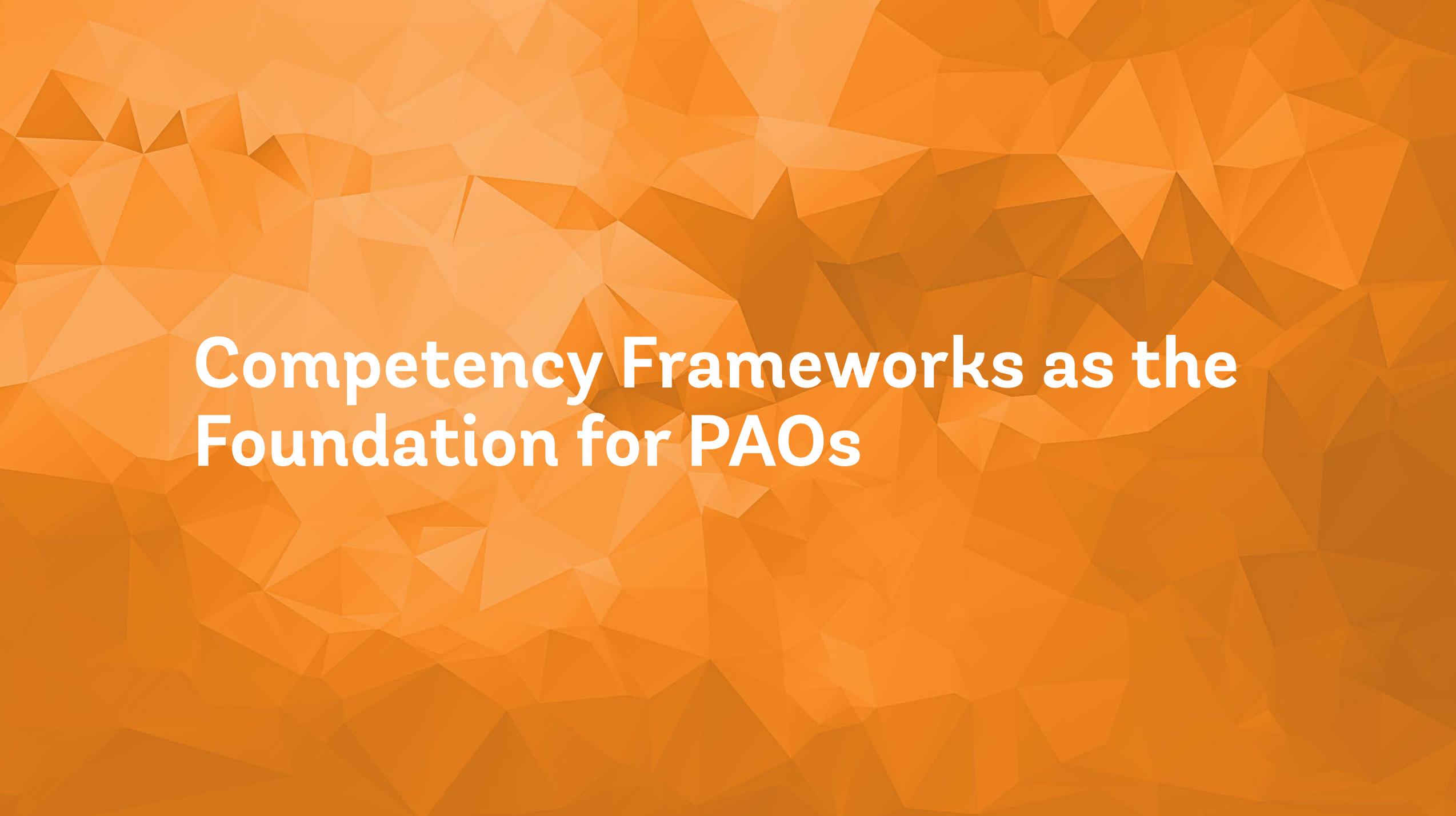
Competency Framework as Foundation

Competency Framework

**Supports compliance with local
and international standards, and
IFAC requirements**

Competency Framework as Foundation

Required Education, Exams, Experience

Professional Qualification

Continuing Professional Development

Competency Framework
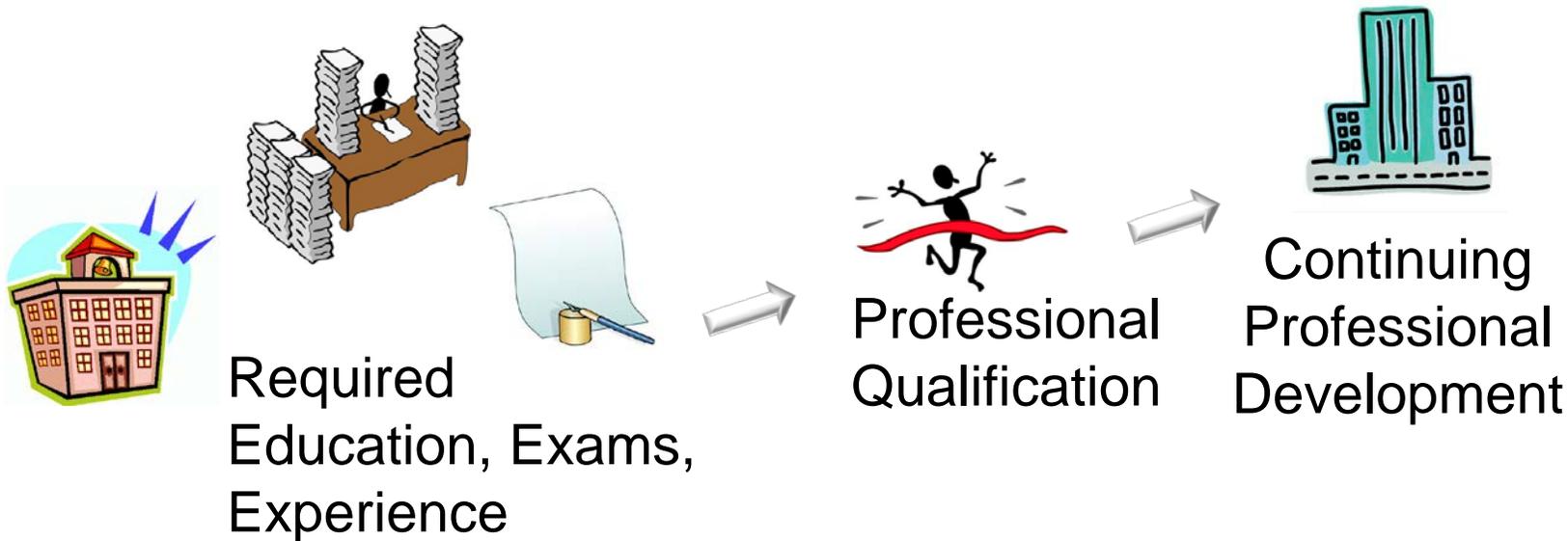
Supports internal programs pre- and post-qualification

Competency Framework as Foundation
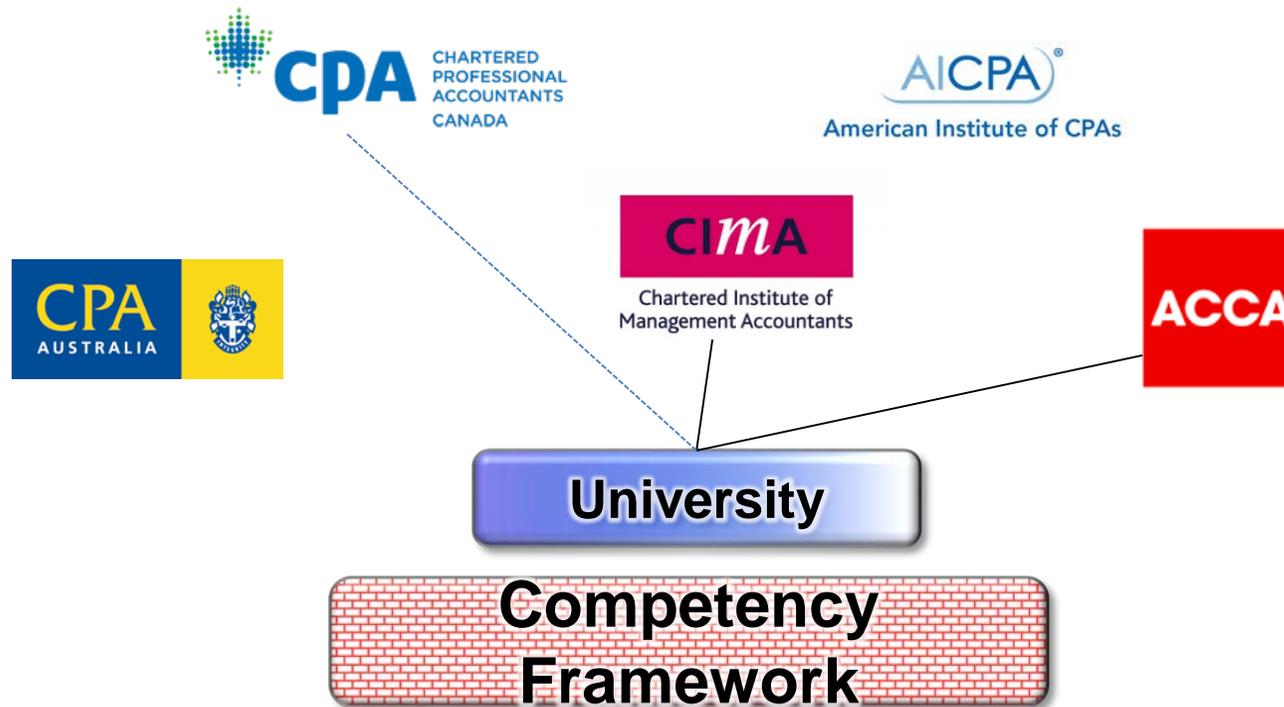
Supports university course and program accreditation by national and international PAOs

Competency Framework as Foundation

PAO 3:
Competency
Framework

PAO 1:
Competency
Framework

PAO 4:
Competency
Framework

PAO 2:
Competency
Framework
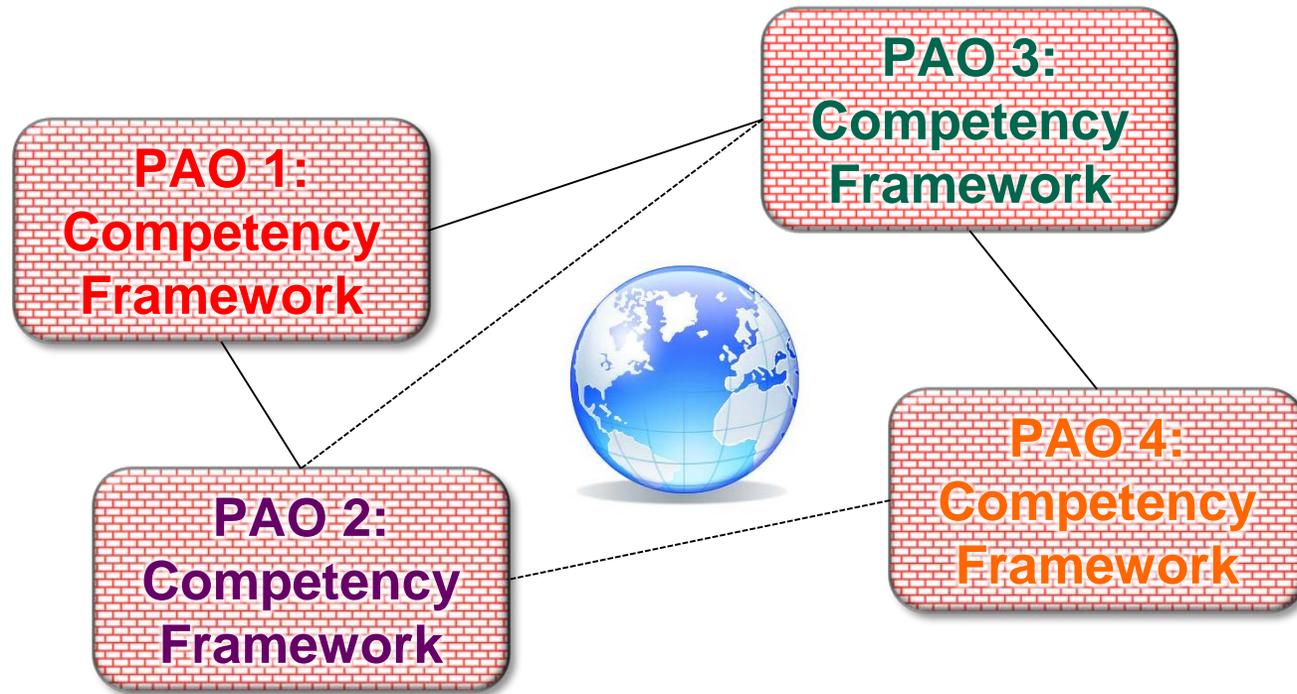
Facilitates PAO-to-PAO Partnerships and Mutual Recognition

Competency Framework as Foundation

Global convergence of competency frameworks for Professional Accountants and Auditors on the basis of IFAC IESs

Competency Framework as Foundation
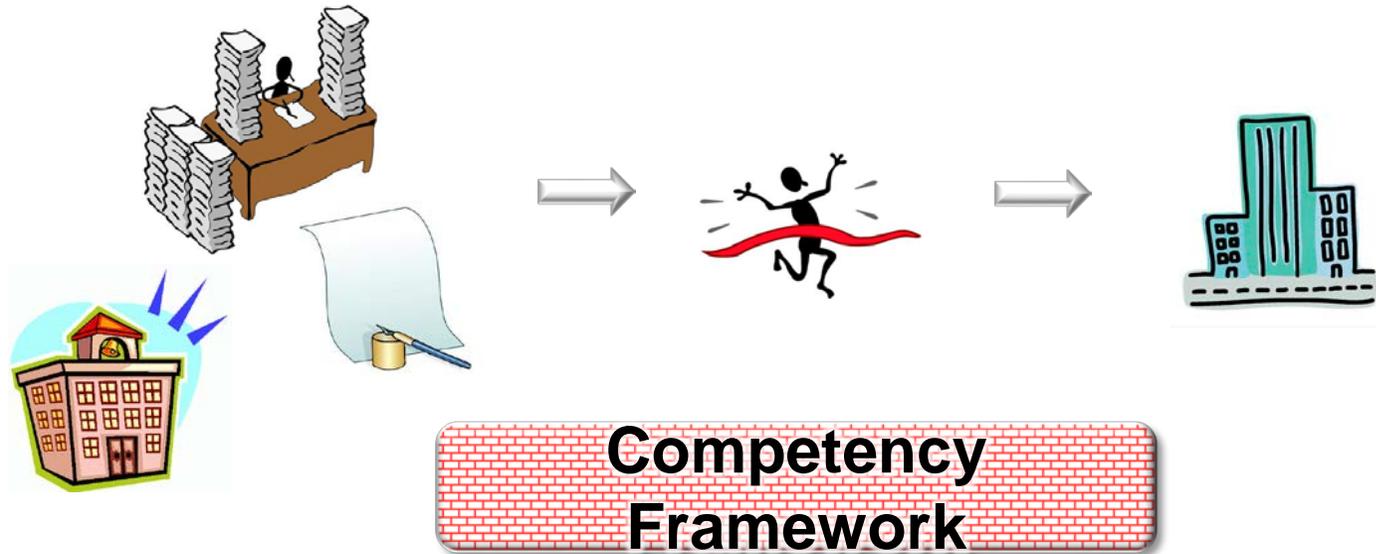
In all aspects of the program requirements: emphasis is on developing and demonstrating the knowledge, skills, and abilities required to perform a task or role expected of a professional accountant.

Competency Framework as Foundation

» Competencies can be classified based on where they are best developed and assessed
(e.g., technical competencies can be developed through education and assessed through exams, but leadership competencies may be best assessed during work experience)

Competency Framework as Foundation

» For pre-requisite education, the Competency Framework provides the basis for developing professional education programs as well as evaluating university programs and courses

» Accreditation policies can be set by comparing competencies developed and assessed, at required levels of proficiency

Competency Framework as Foundation

» For professional qualification exams, the Competency Framework guides the assessment process

» Exams should achieve sufficient competency coverage over time

» Proficiency levels help achieve consistent breadth and depth of exam requirements

Competency Framework as Foundation

» **Poll 7:**

  » What type of exam question(s) is your organization currently using for qualification? *Choose all that apply*

  ① Multiple choice

  ② Short answer

  ③ Single-topic cases

  ④ Integrative multi-topic cases

Competency Framework as Foundation

» To achieve consistent breadth, depth, and proficiency levels, integrated case-based exams are best practice

» Can be successfully mixed with MCQ and short answer to get greater breadth and reliability

Competency Frameworks as the Foundation: Example – CPA Canada and Universities

CPA Competency Map

» Competency Framework was developed through multiple Practice Analyses

» Framework includes technical and "enabling" competencies

» Enabling competencies comprise professional skills, values, ethics, and attitudes (pervasive skills)

FIVE ENABLING COMPETENCY AREAS

1. Professional and ethical behaviour
2. Problem-solving and decision-making
3. Communication
4. Self-management
5. Teamwork and leadership

SIX TECHNICAL COMPETENCY AREAS

1. Financial Reporting
2. Strategy and Governance
3. Management Accounting
4. Audit and Assurance
5. Finance
6. Taxation

Five areas of enabling competencies + Six areas of technical competencies + Expected proficiency level at point of entry = CPA competency upon entering profession

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CPA Competency Map – Proficiency Levels

» **Level C: retrieval** and **comprehension** skills; be able to **explain**, **describe**, and demonstrate knowledge that is **low to moderate in complexity for a routine** situation.

» **Level B:** demonstrate knowledge, **analyze** problems, and **draw logical conclusions** in routine situations that have **low to moderate complexity**; be able to perform a **preliminary** analysis of an issue, but the work will require the involvement of more senior professionals before the candidates are able to complete the work.

CPA Competency Map – Proficiency Levels

» **Level A:** demonstrate knowledge, analyze problems in sufficient depth and draw conclusions in routine situations that have low to moderate complexity. In cases of **non-routine and moderate complexity, candidates are expected to be able to see some, but not all, of the interrelationships**. In these situations, candidates will require some guidance from a more experienced professional to complete the task.
[highly complex and non-routine situations are assumed to be handled by more seasoned professionals.]

CPA Competency Map

Competency		Entry	Core			Electives				Capstone	
			C1	C2	Core	E1 PM	E2 FIN	E3 AS	E4 TAX	Cap 1	Cap 2
TECHNICAL COMPETENCIES											
1.	**FINANCIAL REPORTING**										
1.1	**Financial Reporting Needs and Systems**										
1.1.1	Evaluates financial reporting needs	B	A		A					>	>
1.1.2	Evaluates the appropriateness of the basis of financial reporting	B	A		A					>	>
1.1.3	Evaluates reporting processes to support reliable financial reporting	B	A		A					>	>
1.1.4	Explains implications of current trends and emerging issues in financial reporting	C	C		C			B		>	>
1.1.5	Identifies financial reporting needs for the public sector	C	C		C					>	>

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CPA Competency Map

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TECHNICAL COMPETENCIES											
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1.1.2	Evaluates the appropriateness of the basis of financial reporting	B	A		A					>	>
1.1.3	Evaluates reporting processes to support reliable financial reporting	B	A		A					>	>
1.1.4	Explains implications of current trends and emerging issues in financial reporting	C	C		C			B		>	>
1.1.5	Identifies financial reporting needs for the public sector	C	C		C					>	>

Used for evaluating University or College courses for accreditation

CPA Competency Map

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1.1.3 Evaluates reporting processes to support reliable financial reporting	B	A		A					>	>
1.1.4 Explains implications of current trends and emerging issues in financial reporting	C	C		C			B		>	>
1.1.5 Identifies financial reporting needs for the public sector	C	C		C					>	>

Used for developing
professional courses and exams

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CPA Competency Map

Competency		Entry	Core			Electives				Capstone	
			C1	C2	Core	E1 PM	E2 FIN	E3 AS	E4 TAX	Cap 1	Cap 2
TECHNICAL COMPETENCIES											
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1.1	**Financial Reporting Needs and Systems**										
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1.1.2	Evaluates the appropriateness of the basis of financial reporting	B	A		A					>	>
1.1.3	Evaluates reporting processes to support reliable financial reporting	B	A		A					>	>
1.1.4	Explains implications of current trends and emerging issues in financial reporting	C	C		C			B		>	>
1.1.5	Identifies financial reporting needs for the public sector	C	C		C					>	>

Capstones integrate technical areas and strengthen enabling competencies

CPA Competency Map

Competency		Entry	Core			Electives				Capstone	
			C1	C2	Core	E1 PM	E2 FIN	E3 AS	E4 TAX	Cap 1	Cap 2
4.	**AUDIT AND ASSURANCE**										
4.1	**Internal Control**										
4.1.1	Assesses the entity's risk assessment processes	B	A		A			A		>	>
4.1.2	Evaluates the information system, including the related processes	C	B		B	A		A		>	>
4.2	Internal and External Audit Requirements										
4.2.1	Advises on an entity's assurance needs	B			B			A		>	>
4.2.2	Explains the implications of pending changes in assurance standards	C			C			B		>	>
4.3	**Internal Audit Projects and External Assurance Engagements**										
4.3.1	Assesses issues related to the undertaking of the engagement or project	B	B		B			A		>	>

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# Example 2 – Poland

Example 2: Current WB Project in Poland

Chamber of Auditors - Krajowa Izba Bieglych Residentow (KIBR)

10 Pre-Requesite Exams (up to 4 hours each) → Work experience → Diploma Exam (3 hours)
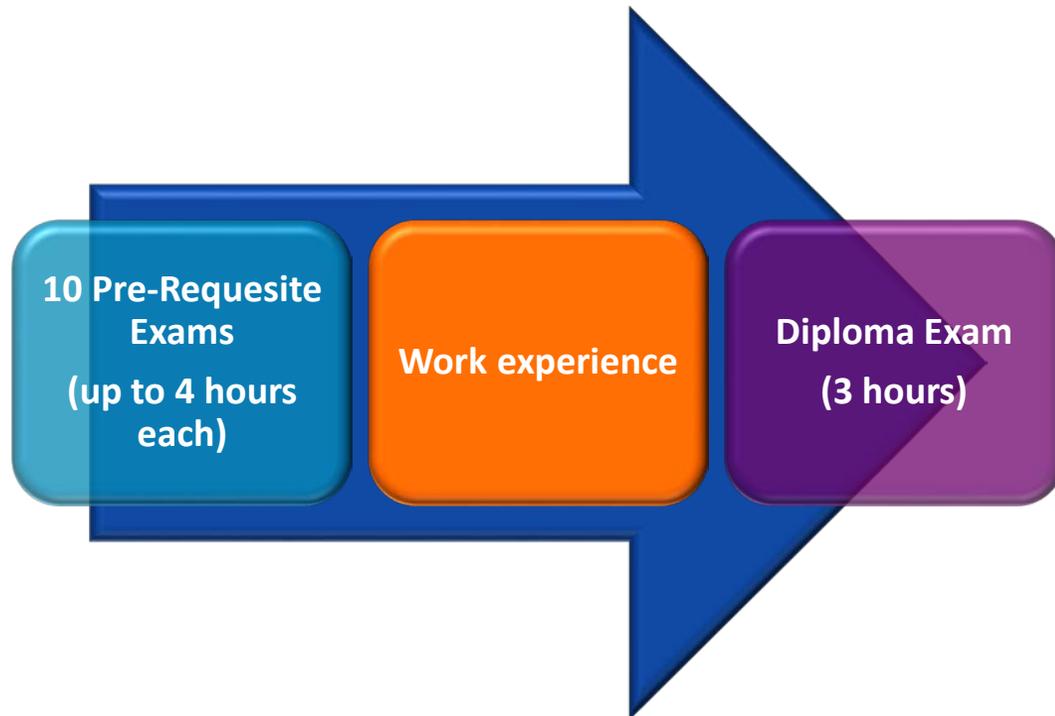
Example 2: Poland

» **Strengthening Accounting and Auditing Education**
  » Terms of Reference call for:
    » Developing an integrated case-based exam to serve as the final qualification exam for auditors
    » Developing a process to accredit universities and provide exemptions to the current 10 professional exams

Example 2: Poland

» **IFAC's IAESB requires a Learning Outcomes approach:**

   » "A learning outcomes approach focuses on the individual's **demonstrated achievement** of the learning **outcomes** at the **targeted level of proficiency** and not on the learning process."

   » "**Demonstrating** the achievement of these outcomes provides **evidence** of the professional competence of the individual to **perform the role of a professional accountant**."

Example 2: Poland

» Programs need to be competency-based, but there are not enough resources to do a full Practice Analysis

» As a solid interim approach, a Framework of Learning Outcomes is being developed

» Less grounded in research, but more efficient to produce, using the work of other respected groups

KIBR Framework of Learning Outcomes
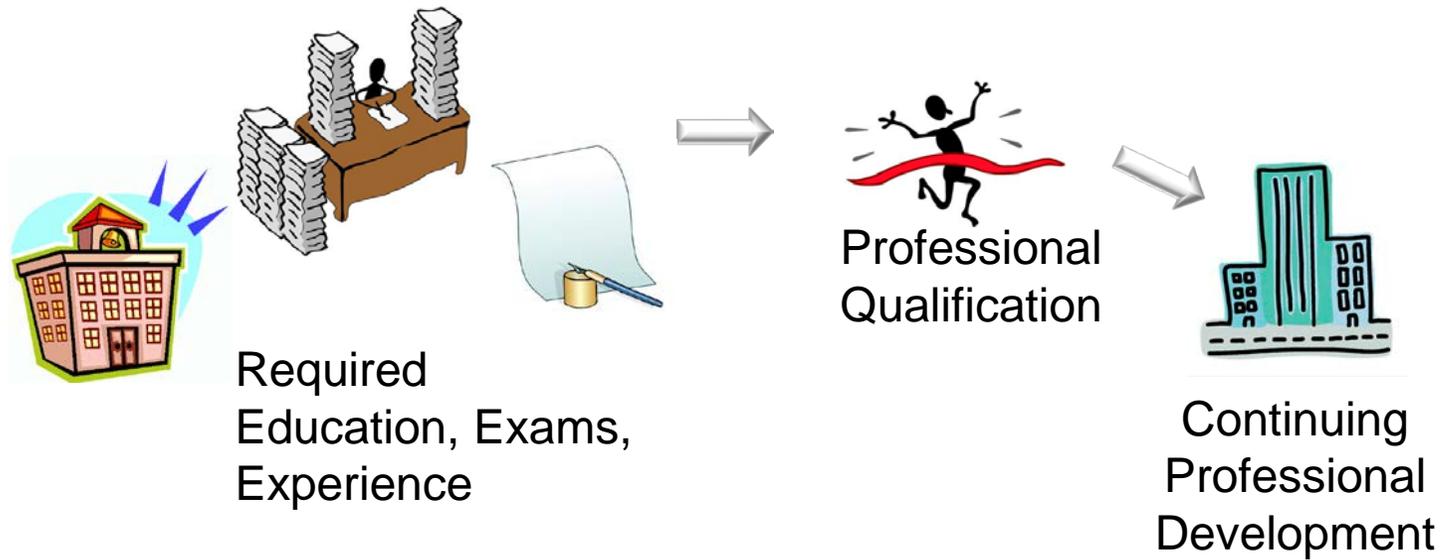
KIBR Framework of Learning Outcomes

Required Education, Exams, Experience

Professional Qualification

Continuing Professional Development

KIBR Framework of Learning Outcomes

KIBR Framework of Learning Outcomes

Accrediting
university courses
& Developing case-
based exam

Professional
Qualification

Continuing
Professional
Development

**KIBR Framework of
Learning Outcomes**
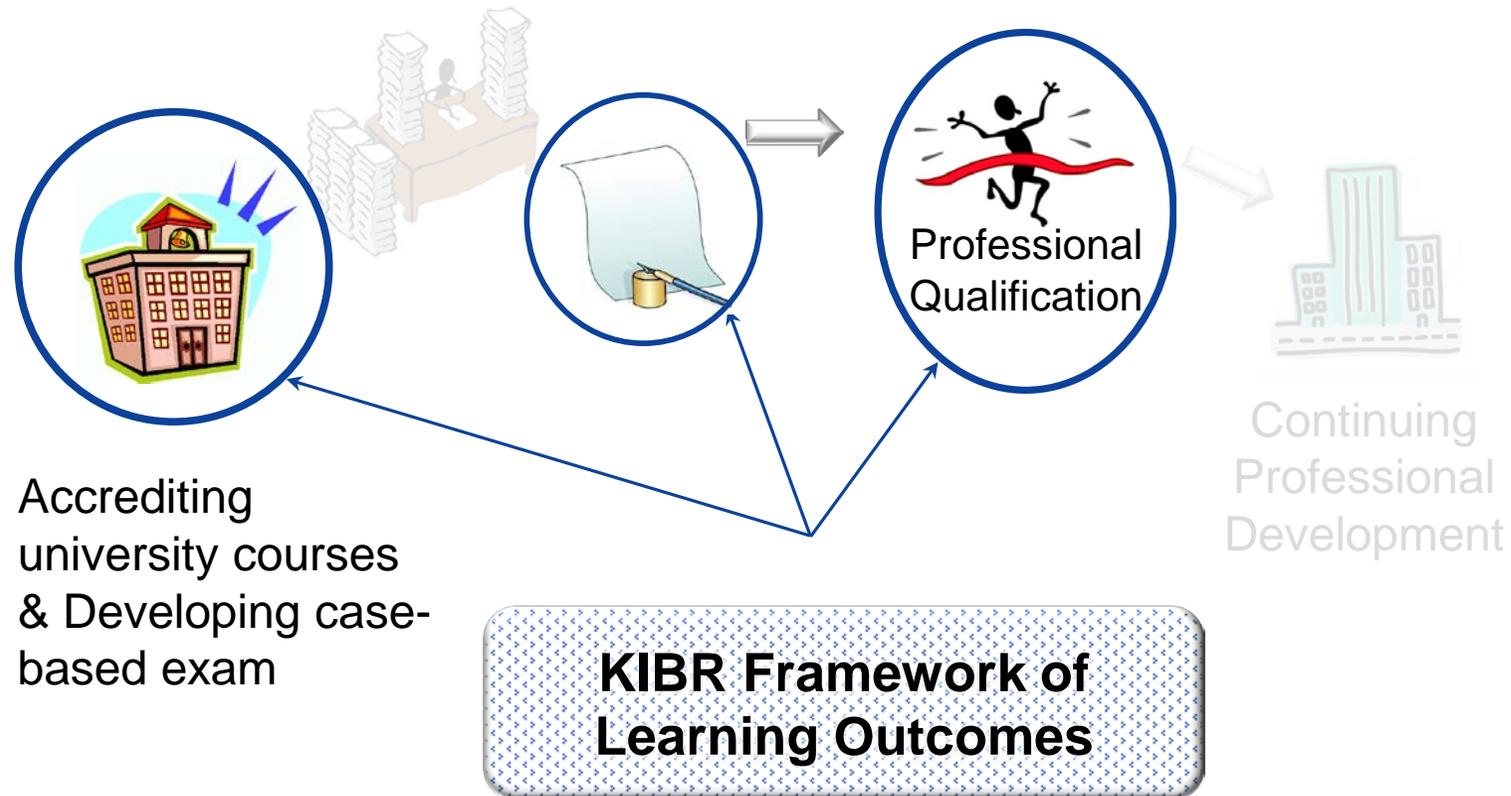
KIBR Framework of Learning Outcomes

» **KIBR Framework of Learning Outcomes**

  » Ties directly to IFAC's IESs to support compliance

  » Uses proficiency levels
  1 = Foundation, 2 = Intermediate, 3 = Advanced

  » This recognizes that newly-qualified candidates are not experts (there is room for Levels 4 or 5 for CPD)

  » Serves as an interim step on the way to building a Competency Framework (following a national Practice Analysis)

Common Challenges for Universities

Common Challenges for Universities

**Competency-based education and assessment
supports recognition by professional programs**

Common Challenges for Universities

Competency-based education and assessment supports recognition by professional programs

…and international business school accreditation associations

Common Challenges for Universities

» **When exams are reviewed for quality, MCQs and Cases/Scenarios will be evaluated:**

  » Case or scenario-based questions will be expected to achieve sufficient depth and breadth

  » Exams would be expected to test technical and professional skills

  » There may be an expectation to assess professional ethics

  » MCQs will be expected to go beyond recall

  » There may be requirements to limit reliance on MCQs

Common Challenges for Universities

» **Challenge: Integrative Cases**
  » How to create integrative competency-based exams
  » How to incorporate professional skills
  » How to objectively evaluate case questions to ensure adequate proficiency

Common Challenges for Universities

» **Multiple-choice questions:**
  » How to include MCQs to achieve better breadth and reliability on exams
  » How to create MCQs that test higher-level skills requiring judgement

Example: Challenges with MCQs

Question Background:

An audit firm was requested by Company A to perform its year-end financial statement audit.

Company A is a retail services company that has been in business for more than 5 years. It is not subject to mandatory financial statement audit. Based on the results of documentary verification, the tax department has imposed sanctions, and payment of these sanctions will affect the financial stability of the entity. As a result, Company A decided to have its financial statements audited to minimize future sanctions imposed by the tax department. Company A offers compensation of €30,000 to the audit firm.

Example: Challenges with MCQs

» **Question:** The audit firm is evaluating whether to accept the engagement. The following issues are being considered:

a) Company A is not an entity subject to mandatory audit.

b) The tax department has imposed sanctions on Company A.

c) There is a possibility for the audit firm to be involved in litigation.

d) Company A may be financially unstable.

» **Which of the options above represents a significant risk of accepting the offer to audit Company A?**

     ① only b

     ② c and d

     ③ b and c

     ④ a and d

» **Revised question:**

Which of the following factors is the *least* important in determining whether the audit firm should accept the new audit engagement for Company A?

① Company A is a retail services company.

② The audit firm has available resources to conduct the audit.

③ Company A has not previously been audited.

④ Company A's budget is €30,000.

Example: Challenges with MCQs

» **Background:**

   You are the auditor of the company Lux, which is manufacturing textile items from expensive furs. The raw material is imported from overseas. The company has recorded annual sales revenue of $8 million. The established materiality threshold is 2% of sales revenue. The client needs the audit report to submit to a commercial bank to contract a long-term loan.

You were appointed as auditor for the fiscal year ending 31 December 2015. This is the first year the client's financial statements are being audited. The audit team consists of 2 assistant auditors who are on their first engagement. As lead auditor, you have decided on the audit procedures to be used.

At this time, you do not know that the assets are overstated by $500,000.

Example: Challenges with MCQs

Question:

When reviewing the work carried out by the audit team, you have decided to verify the reliability of the audit evidence. Which of the following types of evidence collected by the audit team is the *most* reliable?

① the balance of trade receivables obtained from an aged listing

② payment of trade liabilities obtained from the sales manager

③ the balance of trade liabilities obtained through external confirmation

④ inventory existence obtained from inventory records within the company

Summary: Challenges with MCQs

Good MCQs:

» Test higher-level cognitive skills (not just recall)

» Have a correct or best answer that is defensible

» Are structured in a way that will not confuse or deter a competent candidate from getting the correct answer

» If a background section is included, it must be required to answer the related questions.

» Use consistent (or parallel) language for the options given

Thank You!!

Questions? Comments? Feedback?

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