

# Professional Oversight Board

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29 September 2011

Dear Sir,

## **IES 1, Entry Requirements to Professional Accounting Education**

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 1. Whilst we support revisions of the Standards that aim to improve clarity and ensure consistency, we are not at all certain that the revised Standard achieves this. We have the following specific observations:

### **Harmonisation**

The existing IES 1 states that the entry requirement to a programme of professional accounting education should be at least equivalent to that for admission into a recognised university degree programme or its equivalent. The revised Standard is a substantial departure from this and focuses instead on the principle of allowing flexible access to professional accounting education. Hence member bodies should specify entry requirements so that entrants shall have a reasonable chance of successfully completing their professional accounting education, while not putting in place excessive barriers to entry.

Whilst we are supportive of flexible access to the accounting profession we are not convinced the proposed change will be helpful in providing guidance to professional bodies on how to achieve the "reasonable chance" objective. We believe that the

provision in the existing IES is already principles based as in our view university entry requirements are flexible and principles based and provide a realistic basis for interpretation of the “reasonable chance” objective.

The replacement of a specific and externally verifiable entry requirement with a requirement that is based on the judgements of member bodies will, in our view, lead to a loss of consistency in the level of entry requirements. This potential for a range of views is explicitly recognised in paragraph A6. Such inconsistency seems to us to fly in the face of well-established trends towards harmonisation across the accounting profession internationally and towards passporting arrangements that allow qualified accountants to have their qualifications recognised in a jurisdiction other than their own on the basis of competencies the standard of which is recognised in both jurisdictions.

### **Subject matter**

It seems to us that there is a key distinction to be made between:

- The entry requirements for registration as a student with a professional accountancy body (which are very largely within the control of member bodies); and
- The Entry Requirements to Professional Accounting Education which is the title of the revised Standard but are requirements where member bodies have varying levels of control. As explained in Explanatory Materials paragraph A2, in some jurisdictions entry requirements to accounting education may be set by universities or governments.

In our view the revised Standard must and can only be directed at registration as a student with a professional accountancy body. Standards are addressed to IFAC member bodies and so if the revised Standard is understood as dealing only with entry to a programme of accounting education, there is a risk that its application will be substantially diminished as IFAC member bodies cannot be answerable for those aspects as may be set by universities and governments.

In fact although the title of the revised Standard continues to refer to Professional Accounting Education, in our view this title is partly contradicted by the changes made in the revised Standard which have the overall effect of shifting it closer to a standard for entry requirements for registration with a professional accountancy body. Such registration requirements will include a sufficient level of general education but will also take account of other information about a student or applicant as well. We take a positive view of such changes, but if this is the intended aim of the revised Standard then the subject of registration with a professional accountancy body should be stated more explicitly or should be the subject of a separate Standard.

This view is supported by the following matters mentioned in the standard:

- The overall objective of accounting education is to achieve competence which encompasses professional knowledge, professional skills and professional values, ethics and attitudes. Such competencies are unlikely to be gained through a course of theoretical study alone and require a student to undergo a period of practical experience within a framework set down and monitored by a professional body.
- The revised Standard requires member bodies to specify entry requirements for professional accounting education so that entrants have a reasonable chance of successfully completing their professional accounting education, while not putting in place excessive barriers to entry. In our view the chances of successful completion of professional accounting education depend on entry requirements but are also reliant on the internal training and support given by a student's employer, on the quality of teaching and materials available from external training providers and on access to a range of practical experience which the student can relate to his learning. Member bodies are able to support students registered with them by placing requirements on employers who wish to train students. These requirements might include a minimum amount of time granted for study, mentoring and supervision and quality reviews of training providers. Some bodies run their own training courses and examinations for students.
- The revised Standard aims to protect the public interest by minimising the risk that resources may be used inefficiently to support entrants who do not have a reasonable chance of successfully completing professional accounting education. It seems to us that this is a relatively small threat to the public interest and the amount of protection provided is correspondingly small. The public interest is better protected by ensuring that members of the accountancy profession are competent and of good character. Accordingly we think that it should be a requirement for member bodies to satisfy themselves as best they can that students registering with them are free of any matters arising from their past behaviour which might diminish their chances of successfully completing their professional accounting education because they would be unable to show the required values, ethics and attitudes.

### **Reasonable chance of successful completion**

As stated above it is a matter of judgement as to what represents a reasonable chance of successful completion of professional accounting education. In our view, if it is to be considered successful, the professional accounting education must be completed within a maximum period of time or after a maximum number of attempts at the examinations. The bodies should therefore be required to set time limits and include this in the information that is publicly available to individuals.

Paragraph A6 suggests that member bodies may set out key factors for “reasonable chance of successful completion” such as complexity of the economy, the role of the accountant, the operating context of their jurisdiction and other matters. We do not follow what is intended here. Factors such as the complexity of the economy may be relevant when considering the relevance and focus of the syllabus of an accounting qualification but are not in themselves matters that will determine an individual’s chances of successful completion of his professional accounting education.

In terms of a body’s specification of entry requirements, it may be helpful to add that this will include a specification of the exemptions that may be available from the body’s examinations for students with prior relevant qualifications. In our view the chances of successful completion may be diminished if students are granted inappropriate exemptions which assume more prior relevant knowledge than they actually possess.

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

Yours faithfully

A handwritten signature in black ink that reads "Paul George". The signature is written in a cursive style with a large initial 'P' and 'G'.

**Paul George**  
Director of Auditing and the Professional Oversight Board