



International Federation of Accountants

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Mr. Hans Hoogervorst
Chairman of The Monitoring Group
Netherlands Authority for the Financial Markets
Vijzelgracht 50
P.O. Box 11723 • 1001 GS Amsterdam
The NETHERLANDS

Dear Mr. Hoogervorst,

The International Accounting Education Standards Board (IAESB or Education Board) appreciates the opportunity to comment on the document entitled, *Review of the IFAC Reforms - Consultation Paper*, issued by The Monitoring Group (MG).

The IAESB develops and issues, in the public interest and under its own authority, standards, practice statements, information papers and other information documents on pre-qualification education and training of professional accountants and on continuing professional education and development for members of the accountancy profession.

The IAESB also acts as a catalyst in bringing together the developed and developing nations, as well as nations in transition, and to assist in the advancement of accountancy education programs worldwide, particularly where this will assist economic development. The IAESB's role is focused on addressing the professional knowledge, skills and professional values, ethics and attitudes of the accountancy profession to serve the overall public interest.

The IAESB unreservedly supports the International Federation of Accountants (IFAC) response letter (August 13, 2010) to the MG proposals as they apply to Education standard setting.

The IAESB has chosen not to comment directly on the proposals because most of them are not addressed to the IAESB. Given the MG's acknowledgement of lesser involvement with the IAESB than with the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants, we appreciate that the MG did not make recommendations affecting our area of standard setting. We would, however, like to comment on two aspects of the report:

- The focus on financial statement audit
- Engagement and future reviews

Focus on High Quality Financial Statement Audits

The Education Board believes the development and assessment of competence for those becoming professional accountants is a fundamental pillar in undertaking high quality financial statement audits. This view is consistent with the recognition of the importance of education standards expressed in the 2003 reforms which were developed with full participation of the MG member organizations when it was mutually agreed that the education of professional accountants was an integral element of good financial reporting and auditing. The 2003 report stated:

“the International Education Standards have a high level of significance for the long-term global development of the accounting profession. These standards are significant both for their implications for the competence of accountants as well as for the way they affect trade in accounting services. For these and other reasons the development of International Education Standards is a public interest activity, and will be subject to PIOB oversight”

This view represents a significant difference in focus to that expressed on page 3 of the MG’s consultation paper which states,

“Thus, the Monitoring Group members are again focused on the importance of high quality financial statement audits.”

The IAESB encourages the MG to both acknowledge, and to consider, the wider impact of International Education Standards (“Education Standards”) and the importance of this work in developing high quality financial statement reporting and auditing. The Education Standards set benchmarks for both aspiring professional accountants and qualified professional accountants. Indeed, the widespread application of one of the Board’s Education Standards (IES 7), requiring mandatory Continuing Professional Development, has arguably had one of the most significant impacts on the profession, generally, in the last five years. The accountancy profession includes professional accountants performing roles as preparers, managers, controllers and users, as well as auditors of financial information, and we believe that the public interest is very much served

by Education Standards set by the Education Board to cover this wide group. It is, therefore, a matter of some disappointment that the MG has chosen not to consider public interest as wider than that directly related to high quality financial statement audit.

The Education Standards are aimed primarily at IFAC member bodies but have implications for universities, employers, and other stakeholders who play a part in the design, delivery, or assessment of education programs for accountants. The IAESB have set an objective to increase the adoption of its pronouncements globally and the recognition of the importance of this by the MG is seen by the Education Board as highly desirable. The processes put in place for public interest membership, interaction with a CAG, oversight by the PIOB and increased transparency generally, have all been faithfully applied with this wide audience and public interest in mind.

Engagement and Future Review

The IAESB encourages the MG member organizations to take a more active interest in the Education Board's work. The publications of the IAESB cover the development of competence of professional accountants and auditors. The Education Standards prescribe not only the knowledge and skills that preparers and auditors of financial statements need, but also the knowledge and skills required for the many roles of professional accountants in business and other economic sectors. This work of establishing high quality Education Standards is continuing through the IAESB's revision of its set of 8 IESs which will result in clarified and improved standards that should set the goals and objectives of education for accountants for both the next generation, and for those currently acting as professional accountants.

We would welcome a commitment from the MG to become more closely involved with the IAESB and its pronouncements. Member organizations of the MG are invited to participate in the Education Board CAG or sit as a permanent observer on the IAESB without voting rights. MG members may wish to consider other possibilities such as seeking out an independent representative who might be appointed by them to represent their views in the Board's deliberations or at the least to set up a mechanism to express their views through comment letters when the Education Board consults on its publications.

We believe that a greater level of engagement would help the work of the Education Board and inform the MG directly, ahead of any future effectiveness review.

We hope that the above is helpful and we look forward to the forthcoming final report.

Yours sincerely,

Mark 

Professor Mark Allison

Chair, IAESB