



20 September 2011

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West, 4th Floor
Toronto
Ontario
M5V 3H2
CANADA

Dear Sir/ Madam

Proposed Revised IES 1, Entry Requirements to Professional Accounting Education

Thank you for the opportunity to comment on the proposed revisions to *IES 1, Entry Requirements to Professional Accounting Education*.

We welcome the proposed revisions to IES 1 which we think will represent a definite step forward. We also welcome the principle of moving from an input-based to an output-based system. We think the proposals will fit particularly well with important initiatives to promote fair and improving access to the professions. It is particularly important that access to the accountancy profession is not unfairly hindered by unnecessary, disproportionate or unfair entry requirements.

There are, however, three more detailed areas that we would like to draw IAESB's attention to:

1. The proposals on IES 1 do conflict with current European Commission and UK legislation regarding the training of statutory auditors within the European Union and the UK. This law requires an individual to have attained university entrance level before they begin their auditor training. Certainly, within the UK, this timing is normally co-incident with the start of the training period for the professional accountancy qualification. The ability therefore for European member bodies to be flexible over entry requirements is restricted.
2. The above being so, where member bodies train both auditors and non-auditors for the profession, the IES 1 proposals could lead to differential entry qualifications within the same member body. This might create some unwelcome unintended consequences. For example, there could be a perception that working outside audit requires lower level skills and people. Member bodies might also end up setting lower pass rates for candidates on the non-audit route to the professional accountancy qualification. Equally, this permitted flexibility on entry routes could lead to problems for individuals who have a career change or who do not realise the

longer-term implications of starting out on a qualification programme below the personal attainment of university entrance level and who then find that they need audit or other authorisations in their country which are dependent on having commenced training at a higher entry standard. Clearly, it would be for individual country regulators to say what the policy would be in such cases, but within the UK context it is likely that any examination passes or practical experience gained before the achievement of university entrance level could not count towards qualification as an auditor. This could result in a lot of 'lost time' for the individual.

3. There is also a possibility that the proposals might lead to an unwelcome widening of standards between member body qualifications. If a member body were to implement the proposals in such a way that its traditional volume of students reduced, then an unintended consequence could arise because the member body might reduce its pass rates artificially to maintain throughputs. The proposals also carry an increased risk over the extant standard that individuals who are less likely to pass examinations or secure the supervised training needed to qualify as a professional accountant are encouraged to train. This could in some cases hinder not help an individual's career in the longer run.

Question 1: Is the requirement in Paragraph 7 clear, particularly the concept of “a reasonable chance of successfully completing” balanced with “not putting in place excessive barriers to entry”? If not, what changes would you suggest?

Yes. However, while the requirement is clear, it is open to widely varying interpretations.

Question 2: Do you envisage any difficulties in complying with the requirements of IES 1? If so, how would you propose addressing them?

Yes. As outlined above, ICAEW is required by UK law to only allow those who have attained university entrance level to commence professional accountancy training if that training will lead to the award of a UK audit qualification. To comply with the IES 1 proposals, ICAEW will have to maintain the existing requirement for university entrance level for auditors and will continue establishing more flexible entry requirements for the non-auditor training route to the professional accountancy qualification.

Question 3: What is the impact in implementing the requirements of IES 1 to your organisation?

As explained above.

Question 4: Are the Explanatory Materials sufficiently clear and comprehensive? If not, what changes do you suggest?

Yes.

Question 5: Is the objective to be achieved by a member body, stated in the proposed revised IES 1 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, but ICAEW would counsel that there is a risk here of member bodies not implementing the proposals fully in accordance with IAESB's intentions and the standards gap between member body qualifications widening.

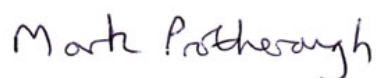
Question 7: Are there any terms within the proposed IES 1 which require further clarification? If so, please explain the nature of the deficiencies.

There are three minor editorial changes we would suggest:

- A7. Remove “be able to” in the first sentence.
Remove “Thus,” at the beginning of the second sentence. So the sentence then begins “When setting entry”...
Remove “overly” from the end of the second sentence.

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 faithfully



Mark Protherough
Executive Director, Learning and Professional Development

T +44 (0) 20 7920 8563

F +44 (0) 20 7920 8536

E mark.protherough@icaew.com