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Dear Mr McPeak

Observations and comments on Proposed International Education Standard (IES) 8 entitled “Professional Development for Engagement Partners Responsible for Audits of Financial Statements”

Chartered Accountants Ireland welcomes the opportunity to comment on the proposed changes to IES 8. This exposure draft was considered by our Education and Lifelong Learning Board at its meeting in November 2012. Arising from this deliberation we have a number of comments on the ED. The efforts of the IAESB to reformat its standards in a “clarity” format are something we believe is appropriate and is supported.

There are five matters which we believe need to be highlighted in our response:

- The definition of the term “aspiring partner” is considered to be very broad and should be reconsidered as detailed in our response to Question 1;
- The practical experience requirements (in paragraph 16) make no reference to national licensing requirements which will override the IFAC requirements. The current statement which requires a ‘significant proportion of the practical experience of an individual aspiring to the role of engagement partner to be related to the audit of financial statements’ should be replaced by specific reference to national requirements.
- We support the use of a learning outcome approach but are concerned with the quantum of learning outcomes as presented in the ED. We would suggest a more “principles based” approach with more of the detailed outcomes being in the Explanatory Materials or by cross reference to the Auditing standards (See our response to Question 2).
- The defined objective of the member body (in Para 12) appears to place an inordinate responsibility on the member body with the role of the member firm in the process has been ignored. (See our response to Question 10).
- We agree that the IFAC member body has a role in the area of assessment (Paragraph 17) though this is constrained by the national regulatory framework.

We have a number of specific responses to the questions raised as follows:

Question 1: Does the proposed change to focus on the engagement partner provide greater clarity, improve the effectiveness and implementation of the proposed IES 8 (Revised)? If not, explain the nature of any deficiencies?

We note the proposed move from a focus on competence of “audit professionals” to that of the engagement partner. This change is supported as it aligns the standard with existing auditing standards.

The definition of an aspiring engagement partner is ‘an aspiring professional accountant or professional accountant who is developing their competence consistent with the requirements and expectations of IES 8’. The definition of an aspiring professional accountant is then stated as ‘an individual who has commenced a professional accounting education program as part of IPD’. This is a very broad definition, potentially encompassing not only current engagement partners and those aiming for this role, but could be interpreted as including all other levels of audit staff, including students, pre and post qualified individuals, and those performing a managerial role. As a result, the proposed revisions may cover the same, if not a wider range, of individuals as that of the existing IES 8 definition of an 'audit professional'. We believe that this is not an intentional presentation and thus may need to be clarified.

Question 2: Does Table A of the proposed IES 8 (Revised) on learning outcomes provide clarity with respect to the competence areas and levels of proficiency you would expect to see of a newly appointed engagement partner? Are there any learning outcomes you would expect to see included or eliminated?

The introduction of detailed learning outcomes has been a feature of other proposed clarity standards. The change is welcomed. We do make the following observations:

- We do note that there are quite a number of learning outcomes to be achieved and wonder if the presentation and structure of this could be improved, perhaps through a tighter definition (a “principles based” approach) of requirements with some of the detail moved to guidance/ explanatory materials. As noted in our response to Question 1 the definition of aspiring individuals is potentially very wide when this is not the stated intention. If this matter is not addressed this would create a significant unintended “burden” on a wider range of audit staff.
- In our response to other EDs we have questioned if it is appropriate to have them all at the same proficiency level in each section or whether this should be done at a learning outcome level.
- In terms of the detailed learning outcomes we make the following observations:

- Under governance and risk management: the reference to “tools” in Learning Outcome (ii) is not clear;
- Under the heading of Finance and Financial Management the wording of learning outcome (iii) needs to be reviewed as reference to “in the areas of interest” is not clear. In Learning Outcome (iv) we suggest the word “and” be added before the word “to”.
- Under the heading Management Accounting we believe that the wording of Learning Outcome (i) could be clearer;
- Under the heading Professional Values, Ethics and Attitudes learning outcome (p) there is a brief reference to the assessment of the independence of the engagement partner. Given the fundamental importance of this issue it might be given greater prominence.
- Other areas which might be considered which could be highlighted or developed further in the learning outcomes would include:
 - Assessing the competence of the audit team and any specialist skills required;
 - Ability to manage group audits and group auditor responsibility.

Questions 3: Does Appendix 1 of the proposed IES 8 (Revised) Exposure Draft provide adequate clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 13 of the proposed IES 8 (Revised)? If not, what changes do you suggest?

The content of Appendix 1 is in line with the appendix used for other education standards. One question arises to me on reviewing this is whether this should be rewritten with specific reference to audit partners and audit assignments so that the meaning of “intermediate” and “advanced” proficiency level is clearer. It may be better that proficiency levels are set at national level.

Question 4: Do the revised requirements in respect of more complex audits provide greater clarity and assist with implementation of the proposed IES 8 (Revised)?

The guidance contained in paragraphs A3 to A6 seems a reasonable approach to the challenge of complex audits. However we note that paragraph 5 states that this is the minimum requirements for less complex audits. This appears to be contradicted in paragraph A2 which positions this as applicable for all audits regardless of their nature or complexity. We agree that it should be left for the IFAC member body to set any additional CPD requirements for areas such as complex audits.

Question 5: Does the inclusion of a number of references to Small and Medium Practitioner ('SMP') engagement partners and their context provide appropriate coverage of their professional development needs? Do you have any further recommendations in respect of how the proposed IES 8 (Revised) could be more aligned toward the needs of SMPs?

Commentary regarding licensing regimes appears reasonable. This would appear to avoid the emergence of a two tier profession and this is to be welcomed. However any standard needs to be sufficiently principles based to allow it to apply to a broad range of audit practice sizes. As noted in our response to Question 2 we are concerned that some revision of the learning outcomes is required to achieve this.

Question 6: Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the new requirements included in this proposed IES 8 (Revised)?

No difficulties are anticipated at this stage other than the issues which have been highlighted above.

Question 7: If the IAESB was to issue implementation guidance together with this IES (Revised), what would you envisage the guidance look like?

We have no additional comments on this question.

Question 8: In respect of your jurisdiction, in which areas of the proposed IES 8 (Revised) would you consider it useful to have implementation guidance to help you meet the requirements of this IES?

We would not consider it necessary to have implementation guidance though such guidance may be of assistance to developing member bodies. We would wish to see that the matters raised in our response are dealt with however.

Question 9: Would you consider examples of current practice in developing competency models useful in helping you meet the requirements of the proposed IES 8 (Revised)?

This seems to be a reasonable suggestion.

Question 10: Is the objective to be achieved by a member body, stated in the proposed revised IES 8, appropriate?

The identified objective (paragraph 12) states that the objective of “the IFAC member body is to provide engagement partners with the professional development required to perform their role”. This seems a strange objective for the member body. Perhaps a rewording is needed which states that the member body’s role is to oversee this development or assess it as the bulk of the development happens at firm level. If the wording were to remain as it is we would not support this change without greater clarity on the expectations of the role of the member body.

Question 11: 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 I believe that these have been met but would welcome your views.

Question 12: Are there any terms within the proposed IES 8 (Revised) which require further clarification? If so, please explain the nature of the deficiencies.

As noted above the role of the member body and the role of the firms appear to be blurred. We are also concerned with the definition of “aspiring accountant” and the lack of recognition of the role of the national regulatory framework. Otherwise we have no further issues at this stage.

We trust that these comments are helpful to you. Should you require any additional clarification or information on this please feel free to contact us.

Kind regards

Yours sincerely



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On behalf of Chartered Accountants Ireland's Education Training and Lifelong Learning Board