

December 11, 2012

Senior Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
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Dear Mr. McPeak

We appreciate this opportunity to comment on the Exposure Draft of the Proposed Revised International Education Standard 8 Professional Development for Engagement Partners Responsible for Audits of Financial Statements, (IES 8). We fully support the objectives of the IAESB's project to improve the clarity of its Standards, of which this Exposure Draft is a part, and we commend the IAESB in the work they have done on IES 8 to date.

General Comments

We recognize the many challenges and complexities present in drafting this important standard, and note the hard work and careful thought that has gone into the preparation of this Exposure Draft, and the resulting progress. Our comments below focus on what we believe to be the remaining issues together with our suggestions for improvement.

Title of the proposed standard

We note that the proposed revised standard has been re-titled to remove reference to 'competence requirements', and that the objective has been worded to reflect this. However, we also note that the fundamental focus of the standard remains the achievement of competence, not the undertaking of professional development. This is reflected by the learning outcomes set out in paragraph 13 'that demonstrate the professional competence' and then in paragraph 17 which sets out the requirement for the assessment of the elements of professional competence and the requirements in paragraphs 18 and 19 to undertake CPD, which as IES 7 states is done in order to 'develop and maintain professional competence. We recommend therefore that the Board change the title of the proposed Standard to 'Competence Requirements for Engagement Partners Responsible for the Audit of Financial Statements'. We also make further recommendations below in our response to Question 10 regarding the appropriate wording of the objective paragraph.

Shared responsibility for professional development of engagement partners (paragraph 2)

An important principle underpinning this standard is the identification of the stakeholders who have responsibility, individually or in a shared capacity, for the development of professional competence of engagement partners. Paragraph 2 of the proposed standard states that '*IFAC member bodies have responsibility for the professional development necessary to become an engagement partner*', however we disagree with this statement because, in our view, this responsibility typically lies with a range of stakeholders including the individual concerned, the employer, the IFAC member body, and others (depending on the particular circumstances of the environment and jurisdiction), rather than solely with the IFAC member body. The extant IES 8 makes an important statement in paragraph 80 – '*IFAC member bodies, individual professional accountants and audit organizations share the responsibility for ensuring that audit professionals have the required competence for their roles*', in our view this important concept of 'shared responsibility' has been lost in the revision of standard and we would urge the Board to revisit this. We do believe that IFAC member bodies have a specific responsibility in relation to engagement partners, to ensure appropriate processes are in place to assess the competence of individuals before they are permitted to act as engagement partners, but this is very different from having exclusive responsibility for the professional development of those individuals as is implied by the proposed wording in the Exposure Draft.

Professional development programs and achievement of learning outcomes (paragraph 14)

We note that implicit in the requirement set out in Paragraph 14 is the idea that the learning outcomes for an aspiring engagement partner will be achieved through a 'professional development program' which, in our view suggests some type of program of formal education. However, we believe that practical experience gained outside of a formal professional development program will play the largest role in the development of aspiring engagement partners, and the standard should be revised to better reflect this. We note that paragraph 14 is identical to requirements set out in the recent exposure drafts of IESs 2, 3 and 4 – however these standards address the period of initial professional development, during which an individual typically undertakes a structured program of professional accounting education. We do not, therefore, believe paragraph 14 is appropriate, as written, for this standard.

Related to this, we believe the Standard currently lacks Explanatory Material on how to achieve the learning outcomes set out in paragraph 13, despite providing Explanatory Material on how to achieve learning outcomes for more complex audits (paragraph A39). We recommend that the Board provide Explanatory Material on how the learning outcomes listed in paragraph 13 are likely to be achieved. In our view they are likely to be achieved in a range of ways including:

- Obtaining appropriate engagement experience;
- Reflection on experience, including structured feedback and performance management processes;
- Coaching and mentoring activities;
- Participation in structured learning programs;
- Undergoing internal and external inspection processes; and
- Career progression and promotion activities, including participation in formalized assessment centres.

Assumptions regarding size and complexity of audit engagements (paragraph A32)

We are concerned that the standard creates the impression that smaller audit engagements are, by definition, less complex and likely to be conducted by smaller firms (as per paragraph A32). Our experience is that some smaller audit engagements can be highly complex. Also as a large audit network we note that many individual firms within our network undertake significant numbers of audit engagements that would be regarded as smaller engagements under this Standard. We recommend the Board provide more explanation in the introduction to the Standard on these important concepts, and in particular making it clear that it is not appropriate to presume a simple correlation exists between the concepts of size of audit engagement, complexity of audit engagement, and size of the firm delivering the audit engagement.

Applicability to interim reviews

We note that the standard is applicable to the audit of financial statements and is not required to be applied to other assurance work. We agree on the need to be clear on the scope of the standard, but recommend that the Board considers whether the scope of the standard should be extended to include engagements performed under *2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. We believe there is significant overlap between the professional competence required to perform reviews of interim financial information and to perform audits of financial statements.

Applicability to other individuals who sign audit opinions

We appreciate the Board's decision to focus specifically on the role of the engagement partner and to use the ISA 220 definition of engagement partner. We understand that in certain jurisdictions individuals other than those formally admitted as partners of a firm may be permitted to sign the audit opinion. Whilst there is reference to this in the definition of engagement partner ('the partner or other person in the firm...') we believe this is an important point and recommend the Board considers inclusion of additional explanatory material to draw attention to the fact that the standard applies to all individuals who sign an audit opinion, whether or not they carry the designation of partner.

Need for post implementation review of proficiency levels (paragraph A22)

We note that paragraph A22 indicates that in practice IFAC member bodies may need to set higher proficiency levels than those set out in the proposed standard. We are concerned that this suggests the proficiency levels set by the proposed standard are therefore not in line with good practice in the profession. We appreciate that the Board would need further data to assess whether or not this is the case, and so we recommend that the Board conducts a post implementation review of the standard. One objective of that review should be to determine how proficiency levels used in practice by IFAC member bodies compare to those set out in the standard.

Specific Questions

With respect to the specific questions outlined in the Explanatory Memorandum to the Exposure Draft our comments are 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 welcome the Board's decision to focus on the role of engagement partner, a role that is clearly defined under IFAC pronouncements, and we fully support this approach.

We do, however, note that despite the clarity provided with the definition of an 'engagement partner' this role does cover an extremely broad range of audit engagements, with very different levels of relevance to the public, and to public interest concerns. A consequence of this has been for the Board to focus the learning outcomes in the proposed standard at the level of a newly appointed engagement partner on a less complex audit. While we appreciate this is a clearly identifiable point of entry, our concern is that this level is not usually where the primary public interest concerns lie. We do appreciate the challenges facing the Board in this respect, and have no doubt this has been a widely debated topic, but we would encourage the Board to revisit this exclusive focus of the proposed standard. One way to address this would be to introduce the concept of audits of 'public interest entities' and to consider presenting higher levels of minimum proficiency, or additional learning outcomes for those serving as engagement partners on such audits.

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 concepts of competence, professional competence and their relationship to learning outcomes are an important basis for the standard. However, it is unclear if the proposed standard is seeking to set out a competence framework in Table A and the accompanying Appendix. In our experience a structure of competence areas, outcomes and proficiency levels is commonly described as a competence (or competency) framework (or model), but the Board has not described Table A as such. This leaves IFAC member bodies and other stakeholders uncertain as to whether they need to undertake further work to develop a framework or to simply adapt Table A to their local environments. Greater clarity from the Board on what Table A represents is fundamental to promoting consistent and effective implementation.

We note that the Appendix to the standard presents four levels of proficiency – Foundation, Intermediate, Advanced and Mastery level, and yet the Mastery level of proficiency is not required of engagement partners for any competence area. While we understand that the proposed standard is addressed to those entry level partners serving on less complex audits, we believe the Board has created an issue in adopting this model which will be poorly perceived and understood. We can anticipate that those who scrutinise the profession will pose the challenge that if the audit engagement partner, who carries ultimate responsibility for an audit opinion, is not expected to achieve a 'Mastery' level competence in any of the competence area required to deliver an audit engagement, then who will be expected to achieve this level of proficiency? In

our view greater clarification of the Mastery level of proficiency, and where it is likely to apply is required and linking this to the idea of audits of public interest entities as mentioned above could help address this issue.

In addition to these points we have made a number of specific comments on the content of Table A under '*Specific drafting points*'. These include a number of suggestions to increase the proficiency level in certain competence areas from Intermediate to Advanced. This reflects our view that it is important that areas of competence which relate to the identification of risks of material misstatement should be positioned at a consistently high level of proficiency.

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?

We believe it would improve clarity if the IAESB were to include a definition of learning outcomes in its glossary of terms.

We believe Appendix 1 provides helpful clarification for users interpreting the learning outcomes listed in Paragraph 13 of the proposed IES, however we recommend providing a cross reference to the Appendix within Table A so that it is clear to the user that further guidance on the interpretation of learning outcomes and proficiency levels is available.

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)?

No. We presume that the Board is referring here to the requirement stated in Paragraph 19 as this is the only requirement which refers to the concept of 'more complex audits'. In our view this requirement does not add to the requirement stated in paragraph 18, and so the intention of the Board is unclear. Either paragraph 19 represents further explanation of paragraph 18 and so should be repositioned as Explanatory Material, or some specific additional action of the part of the member body is expected, over and above the requirement in paragraph 18. We believe the requirement may be an implicit reference to a need for IFAC member bodies to establish additional learning outcomes for more complex audits (i.e. beyond those set out in Table A), but if this is the Board's intention this needs to be clearly stated. The fact that the Explanatory Material for paragraphs A39 to A41 is headed 'Additional Learning Outcomes for More Complex Audits' suggests this may indeed be the Board's intention.

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?

As a large network firm we are not in a position to provide specific feedback on this point, but recognise the importance of ensuring that this standard does appropriately address the needs of SMP engagement partners. We would urge the Board to pay particular attention to the views of IFAC member bodies and other organisations that represent SMPs on this particular point.

Also please refer to our comments in 'General Comments' under the heading '*Assumptions regarding size and complexity of audit engagements (paragraph A32)*'.

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)?

As written, the standard suggests that the professional development of engagement partners remains the responsibility of the IFAC member bodies, and so would not be expected to directly impact network audit firms. However, as noted above, we strongly recommend the Board reconsider explicitly stating the concept of shared responsibility for the professional development of aspiring engagement partners.

In practice we recognise that network audit firms play a significant role in the development of engagement partners, and so we would expect the proposed standard to impact our organisation. However, our network of firms operate in a wide variety of jurisdictions and, as a result, there is the possibility of a wide variety of ways in which professional accounting organisations across those jurisdictions may choose to implement IES 8. It is therefore very difficult to determine the extent or nature of the impact of the proposed standard on our network.

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

We believe it would be helpful for the Board to provide illustrative examples of how in practice Initial Professional Development for professional accountants and subsequent Continuing Professional Development might be integrated for individuals progressing to the role of a newly appointed engagement partners. These examples could demonstrate the impact of different licensing regimes and the interaction between the various stakeholders who share the responsibility for the professional development of the engagement partner.

We also believe it would be helpful for the Board to provide examples of how learning outcomes could be achieved. These examples should illustrate how the concept of shared responsibility for the professional development of aspiring engagement partners works in practice in different environments.

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?

See answer to question 7 above.

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)?

Yes, we believe this would be helpful guidance to provide. We also ask the Board to clarify if this question implies that in order to meet the requirements of IES 8 IFAC member bodies are expected to implement competency models. This is not currently stated as an explicit requirement of the proposed IES 8.

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

No, we do not believe the objective as currently worded is appropriate. As noted in our *General Comments* above we believe that the fundamental focus of the standard remains the achievement of competence, not the undertaking of professional development. We therefore suggest the following wording for consideration by the Board:

“The objective of an IFAC member body is that engagement partners develop and maintain the professional competence required to perform their role.”

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?

No – we have the following concerns regarding the requirements:

- Paragraph 14 – see our concerns set out in the *General Comments* section above under the heading *Professional development programs and achievement of learning outcomes*.
- Paragraphs 15 and 16 - the proposed standard focuses on the concept of the ‘aspiring engagement partner’. While we understand the need to define this role, particularly in setting out the path towards engagement partner, and so for the purposes of writing Explanatory Material, we do not think it is helpful to refer to this concept in the requirements in paragraphs 15 and 16. We note that the requirement in paragraph 13 refers to learning outcomes that ‘demonstrate the professional competence of those individuals newly appointed to the role of engagement partner’ and we believe the requirements related to practical experience in paragraphs 15 and 16 should be similarly stated.
- Paragraph 17 – as currently written this requirement does not indicate when or how frequently the assessment activities should occur. We believe the Board’s intention is for assessment to occur at the point immediately prior to appointment as engagement partner for the first time (i.e. immediately prior to becoming a newly appointed engagement partner). However the requirement could be interpreted as requiring ongoing assessment activities for aspiring engagement partners throughout their professional development leading up to this point.
- Paragraph 19 - see our response to Question 4 above regarding the requirement set out in paragraph 19.

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.

An important concept in this standard is that of the complexity of the engagement. The proposed revised standard refers initially in paragraph 5(b) to the concept of ‘less complex’ audits, and then later to ‘more complex’ audits, without identifying the factors that that would determine the complexity of an audit engagement and hence enable classification of an engagement as a more or less complex audit. We urge the board provide further explanatory or introductory material on this issue. Given the importance of this concept to the standard we also recommend an additional paragraph in the Scope section which provides an overview of these important concepts.

Other matters

Effective date

When setting the effective date we believe the Board needs to carefully consider the transitional implications for individuals already in the role of engagement partner at that date. The Board should consider setting an effective date that ensures the standard applies to individuals appointed to the role of engagement partner after an effective date, and then provide appropriate transitional guidance for IFAC member bodies on the impact of the standard on those already in the role of engagement partner.

In establishing transitional guidance the Board should consider making provision for the ‘grandfathering’ of existing engagement partners (i.e. clarifying situations where existing engagement partners may be considered to have already achieved the professional competence and professional development requirements set out in the standard). As currently worded the standard would apply, on its effective date to all existing engagement partners, and could therefore create an unintended situation of mass non-compliance.

Specific drafting points

In addition to our responses to the specific questions posed in the Explanatory Memorandum, we also provide a number of specific comments on the exposure draft together with suggestions for changes to enhance the clarity of the final standard.

Paragraph	Existing Wording	Comments/Suggestions for change
1	<i>This International Education Standard (IES) prescribes the professional development requirements for aspiring engagement partners and serving engagement partners who provide assurance services for audits of financial statements.</i>	The phrase ‘assurance services for audits of financial statements’ is odd. We recommend rewording as: <i>This International Education Standard (IES) prescribes the professional development requirements for aspiring engagement partners and serving engagement partners who <u>are responsible</u> for audits of financial statements.</i>
5 (c)	<i>The minimum professional competence requirements to become a newly appointed engagement partner have been framed in the context that aspiring engagement partners operate within an engagement team;</i>	This wording is unnecessarily complex. Recommend simplifying to: <i>Aspiring engagement partners operate within an engagement team;</i>

Paragraph	Existing Wording	Comments/Suggestions for change
5 (d)	<i>Irrespective of the size or nature of the audited entity and the firm of the engagement partner providing the audit, engagement partners progressively develop their professional competence by undertaking CPD appropriate to the complexity of the audit entities that they serve.</i>	Delete this assumption, it is requirement of the standard to undertake appropriate CPD (paragraphs 15 and 16), and so it cannot also be an underpinning assumption that this happens.
7	<i>Many stakeholders and factors determine partner authorization criteria and whether a professional accountant can assume the role of engagement partner.</i>	Use terminology consistent with the diagram above: <i>Many stakeholders and factors determine <u>engagement</u> partner authorization criteria and whether a professional accountant can assume the role of engagement partner</i>
13 (a) (iii)	<i>Approve or recommend an appropriate audit strategy in relation to the audit objective.</i>	We would expect an engagement partner would always approve rather than recommend an audit strategy. We recommend rewording as follows: <i>Approve an appropriate audit strategy in relation to the audit objective.</i>
13 (b) (i)	<i>Analyze the presentation and disclosures of financial statements in the context of the relevant financial reporting framework.</i>	We recommend rewording as: <i><u>Assess</u> the presentation and disclosures of financial statements in the context of the relevant financial reporting framework.</i>
13 (c) (iii)	<i>Consider an entity's risk management process and the way it is monitored as part of the assessment of risks of material misstatements.</i>	Correct typographical error: <i>... assessment of risks of material misstatement.</i>
13 (e) (i)	<i>Analyze relevant industry, regulatory, and other external factors (e.g., market, competition, product technology, environmental requirements) that are used to form auditor expectations.</i>	We recommend rewording as: <i><u>Evaluate</u> relevant industry, regulatory, and other external factors (e.g., market, competition, product technology, environmental requirements) that are used to form auditor expectations.</i>
13 (e)	<i>Business and organizational environment; Economics; Business management</i>	We recommend the proficiency level for this competency area should be Advanced, consistent with other competency areas which refer to the identification of risks of material misstatement.

Paragraph	Existing Wording	Comments/Suggestions for change
13 (g)	<i>Information technology</i>	We recommend the proficiency level for this competency area should be Advanced, consistent with other competency areas which refer to the identification of risks of material misstatement.
13 (h)	<i>Business laws and regulations</i>	We recommend the proficiency level for this competency area should be Advanced, consistent with other competency areas which refer to the identification of risks of material misstatement.
13 (h) (ii)	<i>Evaluate security and stock exchange regulations as they apply to the risks of material misstatements and presentation requirements of audit engagements.</i>	Correct typographical error: <i>... apply to the risks of material misstatement...</i>
13 (i) (i)	<i>Analyze the various sources of finance available to an audited entity to be able to understand the effect on the entity and plan appropriate testing and review procedures.</i>	It is not clear why we need to refer to ‘an audited entity’ as this is not a qualifier that has been used elsewhere in Table A. We recommend rewording as: <i>Analyze the various sources of finance available to an entity to be able to understand the effect on the entity and plan appropriate testing and review procedures.</i>
13 (i) (ii)	<i>Analyze an audited entity cash flow, budgets, and forecasts, as well as working capital requirements to assess going concern.</i>	It is not clear why we need to refer to ‘an audited entity’ as this is not a qualifier that has been used elsewhere in Table A. We recommend rewording as: <i>Analyze an <u>entity</u>’s cash flow, budgets, and forecasts, as well as working capital requirements to assess going concern.</i>
13 (i) (iv)	<i>Analyze the various types of financial instruments used by the audited entity to design the corresponding audit strategy.</i>	It is not clear why we need to refer to ‘an audited entity’ as this is not a qualifier that has been used elsewhere in Table A. We recommend rewording as: <i>Analyze the various types of financial instruments used by the entity to design the corresponding audit strategy.</i>

Paragraph	Existing Wording	Comments/Suggestions for change
13 (j) (i)	<i>Analyze the most common types of cost and management control concepts and tools and determine their effect on an entity.</i>	<p>This learning outcome is strangely constructed and does not link to the audit engagement. We recommend rewording as follows:</p> <p><i>Analyze the entity's approach to cost and management control to identify and assess the risks of material misstatement.</i></p>
13 (j) (ii)	<i>Evaluate the risk that performance management systems will incentivize employees to override controls.</i>	<p>The risk is not that override of controls will definitely occur, but that it could occur, so we recommend changing 'will' to 'may':</p> <p><i>Evaluate the risk that performance management systems <u>may</u> incentivize employees to override controls.</i></p> <p>Also as this learning outcome addresses a fraud risk we recommend the proficiency level for this competency area should be Advanced.</p>
13 (k) (i)	<i>Evaluate the assertions of entity management on a range of audit and accounting matters.</i>	<p>We are unclear what is intended here. Is this referring specifically to management representations? Or it is referring more broadly to the ability to discuss, interpret, assess, consider and evaluate the information provided by management in the context of the audit?</p>
13 (l) (ii)	<i>Act as a mentor or coach to aspiring engagement partners in respect of developing professional competence.</i>	<p>It is not clear to us why this learning outcome is categorized at an advanced level of proficiency when some technical elements are not.</p>
13 (o) (i)	<i>Assess the effect on the public interest, the profession, and wider society of a specific course of action in respect of an entity.</i>	<p>This is an extremely wide-ranging outcome as currently worded. We recommend that it be set in the context of the conduct of an audit.</p>
13 (q) (iii)	<i>Implement and maintain appropriate safeguards to ensure confidentiality of the audited entity's information.</i>	<p>In our view the verb 'ensure' is not appropriate here. We recommend changing the wording as follows:</p> <p><i>Implement and maintain appropriate safeguards to secure the confidentiality of the audited entity's information.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
15	<i>IFAC member bodies shall prescribe the sufficiency of, and the environment within which, practical experience is to be obtained by an individual aspiring to the role of an engagement partner.</i>	Use defined term: <i>IFAC member bodies shall prescribe the sufficiency of, and the environment within which, practical experience is to be obtained by an <u>aspiring engagement partner</u>.</i>
16	<i>IFAC member bodies shall require that a significant proportion of the practical experience of an individual aspiring to the role of engagement partner be related to the audit of financial statements.</i>	Use defined term: <i>IFAC member bodies shall require that a significant proportion of the practical experience of an <u>aspiring engagement partner</u> be related to the audit of financial statements.</i>
A1	<i>This IES builds on requirements the requirement for the development of professional competence...</i>	Correct typographical error: <i>This IES builds on the requirement for the development of professional competence...</i>
A2	<i>The role of engagement partner is (a) clearly defined by ISAs, (b) easily understandable by firms and IFAC member bodies, and (c) publicly visible. The engagement partner is the person held responsible by the regulators and other stakeholders within the profession for the quality of an audit.</i>	We recommend the Board carefully review this statement in light of ongoing debate about whether responsibility for an audit rests with the individual or with the firm. We believe that the engagement partner is not always publicly visible, and the extent to which they are may depend on the jurisdiction and/or the nature of the audit engagement.
A6	<i>This IES does, however, recognize that there may be situations in which engagement partners operate within small- or medium-sized practices (SMPs), and may not progress through increasing levels of responsibility.</i>	We believe those working in SMPs will still need to progress through levels increasing responsibility to reach engagement partner. We therefore suggest rewording as follows: <i>This IES does, however, recognize that there may be situations in which engagement partners operate within small- or medium-sized practices (SMPs), and may not progress through <u>engagements which are of increasing levels of complexity</u>.</i>

Paragraph	Existing Wording	Comments/Suggestions for change
A7	<p><i>Appropriate professional development is critical for assuming the role of engagement partner, but the following factors, independent of professional development, also determine whether the role of engagement partner can be or has been assumed:</i></p>	<p>As per our comments relating to the focus of the standard being on competence, we suggest rewording as follows:</p> <p><i>Appropriate professional <u>competence</u> is critical for assuming the role of engagement partner, but the following factors, independent of professional competence, also determine whether the role of engagement partner can be or has been assumed:</i></p>
A7	<p><i>The firm, which by definition includes sole practitioners, determines who can sign an audit opinion as a legal representative of the firm. Most firms operate in a partnership structure, and the partners in the partnership decide who in that firm can assume the role of engagement partner. A professional accountant who has satisfied the requirements of this IES, and who has met the requirements of the applicable licensing regime may, however, not be selected as an engagement partner in a firm. Further, individuals who meet the requirements of this IES may establish their own practice, which might include audit engagements, subject to the requirements of the applicable licensing regime. In such cases, individuals assume the role of engagement partner of their own volition by choosing to practice as sole practitioners. These matters are usually not within the control or authority of an IFAC member body.</i></p>	<p>We struggle to make sense of this paragraph and recommend that the Board revisit this wording and attempt to simplify it.</p> <p>We are particularly concerned that the last sentence suggests that sole practitioners might not be “within the control or authority of an IFAC member body”, and hence readers of the standard may be led to conclude therefore that the requirements of the standard do not apply to sole practitioners. We do not believe this is the Board’s intention.</p>
A8	<p><i>Accordingly, a professional accountant may meet the requirements of this IES, possibly for several years, before assuming the role of an engagement partner.</i></p>	<p>Recommend avoiding linking back to previous paragraph:</p> <p><i>A professional accountant may meet the requirements of this IES, possibly for several years, before assuming the role of an engagement partner.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
A8	<p><i>Accordingly, a professional accountant may meet the requirements of this IES, possibly for several years, before assuming the role of an engagement partner. Most professional accountants may never serve as engagement partners, depending on a range of factors, which may include:</i></p> <ul style="list-style-type: none"> • <i>The prevailing legislative or regulatory environment; or</i> • <i>Their career choices and progression.</i> 	<p>We recommend this paragraph be simplified to read:</p> <p><i>While a professional accountant may meet the requirements set out in this IES, this does not automatically mean that they will become an engagement partner. Progression to the role of engagement partner will depend on a range of factors which may include:</i></p> <ul style="list-style-type: none"> • <i>The prevailing legislative or regulatory environment; or</i> • <i>Their career choices and progression.</i>
A11	<p><i>Irrespective of the size or nature of the audited entity, and the firm of the engagement partner providing the audit, this IES indicates that engagement partners continue to undertake CPD appropriate to the complexity of the audits in which they serve as engagement partners.</i></p>	<p>This paragraph is specific to sole practitioners, so recommend rewording as:</p> <p><i>Irrespective of the size or nature of the audited entity, <u>and the fact that the audit is performed by a sole practitioner</u>, this IES indicates that engagement partners continue to undertake CPD appropriate to the complexity of the audits in which they serve as engagement partners.</i></p>
A14	<p><i>This IES is applicable to the audits of financial statements.</i></p>	<p>We recommend deleting this sentence as it does not add to the content of Paragraph 8, and the subsequent explanation of ‘financial statements’ can stand alone without this introductory sentence.</p>
A14	<p><i>Similarly, many of the learning outcomes required for an audit of financial statements may be relevant to those engagement partners responsible for assurance engagements relating to nonfinancial statement information, such as environmental or social measures.</i></p>	<p>We believe that audits of financial statements and the audit of environmental or social measures may well be quite different in nature and could require different learning outcomes. We recommend deleting the reference to these types of information:</p> <p><i>Similarly, many of the learning outcomes required for an audit of financial statements may be relevant to those engagement partners responsible for assurance engagements relating to nonfinancial statement information.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
A15	<i>Requiring that aspiring and serving engagement partners achieve professional development through appropriate learning outcomes serves several purposes.</i>	<p>We suggest redrafting to be consistent with our proposed revised wording for the objective:</p> <p><i>Requiring that engagement partners develop and maintain the professional competence required to perform their role.</i></p>
A15	<i>Second, IFAC member bodies and regulatory authorities have a responsibility to ensure that engagement partners have the learning outcomes expected of them by the public, employers, and clients.</i>	<p>We believe the reference to employers here should be specific to firms (as defined in the standard):</p> <p><i>Second, IFAC member bodies and regulatory authorities have a responsibility to ensure that engagement partners have the learning outcomes expected of them by the public, <u>firms</u>, and clients.</i></p>
A20	<i>The learning outcomes are the minimum to be achieved by an individual appointed to the role of an engagement partner. The minimum learning outcomes are those that provide the base to enable professional accountants to develop a specialization such as an audit engagement partner.</i>	<p>We believe the second sentence duplicates the first and does not add value. We recommend deleting:</p> <p><i>The learning outcomes are the minimum to be achieved by an individual appointed to the role of an engagement partner.</i></p>
A24	<i>Considering whether accounting standards are appropriately applied by an audit entity, as well as determining an appropriate audit strategy, requires a high level of professional judgment to be exercised by an engagement partner.</i>	<p>We are concerned that this sentence seems to be an attempt to provide examples of where professional judgment may need to be exercised within an audit engagement, however there is no explicit indication that these are just examples or that it is not an exhaustive list of examples.</p>
A25	<i>Applying the appropriate degree of professional skepticism to assess audit evidence gathered as evidence of management's representations is a key professional competence of the engagement partner.</i>	<p>We believe this sentence could be confusing in light of the requirements of <i>ISA 580 Written Representations</i> and recommend deleting the reference to management representations and rewording as follows:</p> <p><i>Applying the appropriate degree of professional skepticism to assess audit evidence is a key professional competence of the engagement partner.</i></p>

Paragraph	Existing Wording	Comments/Suggestions for change
A32	<p><i>Audits for small- and medium-sized entities are usually provided by smaller firms that may have fewer resources to organize formal professional development programs.</i></p>	<p>We disagree with this statement – many audits of small and medium sized entities are provided by large network firms. We recommend rewording as follows:</p> <p><i>Audits for small- and medium-sized entities <u>may be</u> provided by smaller firms that may have fewer resources to organize formal professional development programs.</i></p>
A37	<p><i>Audit engagements vary in the complexity of accounting and auditing matters, the size of the entity, and in the organizational and operational complexity of the entity whose financial statements are being audited.</i></p>	<p>This sentence is poorly worded and difficult to follow. We recommend rewording as follows:</p> <p><i>There are many factors which contribute to the complexity of an audit engagement including, but not limited to:</i></p> <ul style="list-style-type: none"> • <i>The range of relevant accounting and audit matters;</i> • <i>The size and nature of the entity;</i> • <i>The organizational and operational complexity of the entity;</i> • <i>The environment and industry within which the entity operates.</i>
A39	<p><i>Appropriate CPD to achieve the learning outcomes required to assume the role of engagement partner for more complex audits may include the following types of activities:</i></p> <ul style="list-style-type: none"> • <i>Participating in appropriate learning and development activities, including progressively assuming more responsible roles on engagement teams and mentoring by more experienced engagement partners;</i> • <i>Consultation with specialists and reflecting on the advice received; and</i> • <i>Acting on feedback from a firm’s system of quality control, or external quality assurance programs conducted by IFAC member bodies or regulators.</i> 	<p>These examples of appropriate CPD are specifically identified for the achievement of the learning outcomes for more complex audits. In our view these represent appropriate CPD for a wide range of audit engagements, including more complex engagements, and we recommend they are not limited to those specific engagements.</p>

Paragraph	Existing Wording	Comments/Suggestions for change
A41	<i>If engagement partners do not undertake appropriate CPD in respect of their more complex audit engagements, the IFAC member body may refer the Requirements for the monitoring of CPD as set out in IES 7 Continuing Professional Development.</i>	Correct typographical errors: <i>If engagement partners do not undertake appropriate CPD in respect of their more complex audit engagements, the IFAC member body may refer <u>to the requirements</u> for the monitoring of CPD as set out in IES 7 Continuing Professional Development.</i>

Very truly yours,



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