



Mr David McPeak
Technical Manager
International Accounting Education
Standards Board (IAESB)
International Federation of Accountants
277 Wellington Street West
Toronto Ontario Canada M5V 3H2

Email: davidmcpeak@ifac.org

28 November 2012

Ref.: QMA/PRJ/PWE/MBR

Dear Mr McPeak,

Re: FEE Comments on the IAESB Exposure Draft on the Proposed IES 8 Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised)

FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the Proposed IES 8 Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised).

FEE supports the IAESB's project to improve the clarity of its standards. The revision is the opportunity to introduce improvements, in particular we commend IAESB for having adopted a learning outcomes approach rather than prescribing knowledge content as indicated in the extant IES 8.

Responses to questions

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?

The extant IES 8 prescribed competence requirements for audit professionals. Considering the difficulties in defining "audit professionals" and taking into account that the ISAs specifically refer to the responsibility of the engagement partner, we welcome the proposed change to focus on the engagement partner.

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?

a) Competence areas

Overall, the 17 competence areas cover the appropriate subjects regarding newly appointed engagement partners.

As they combine the competence areas that are required in the proposed IES 2, 3 and 4 for Initial Professional Development of Professional Accountants, it might be worth considering whether economics, which is listed in Table A of the proposed IES 2, should also be included in the proposed IES 8.

As far as the competence areas as such, their sequence and the overall concept are concerned, we refer to our comments on the proposed IES 2, 3 and 4. The sequence of the competence areas should be reviewed and a restructuring should be considered so that the sequence is aligned with the necessary education steps. This applies also to the learning outcomes.

b) Learning outcomes

The learning outcomes are described rather detailed, which can be conducive for harmonising engagement partner authorisation criteria and ensuring a certain level of quality. However, in practice, it might be challenging to translate such detailed learning outcomes into national requirements.

Therefore, it could be considered to keep the wording of the learning outcomes in the “Requirements” part of the standard a bit more general and to include the detailed descriptions in the “Explanatory Materials”, using them as examples.

c) Levels of proficiency

Overall, we question whether IES 8 should prescribe any level of proficiency. As the competence areas are comprehensive and if the learning outcomes are described clear enough but not too detailed (see above), the level of proficiency could after all be subject to the assessment system that is used on national level.

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?

Although we are not convinced that IES should prescribe proficiency levels at all (see response to question 2 above), the descriptions in Appendix 1 generally appear to be reasonably detailed.

The term “Intermediate” as such is not self-explanatory and might be difficult to translate, even with the description in Appendix 1. If proficiency levels are described, it might be more appropriate to derive them from existing education frameworks, like for example the European Qualifications Framework¹, which also refers to learning outcomes².

As far as the description of “Mastery” level is concerned, it is unclear, why the “Indicative verbs include all those listed for Foundation, Intermediate and Advanced levels”, but do not provide any additional verb for the mastery level. This implies that the Mastery level cannot be described with appropriate verbs, so that there is after all no difference to the “Advanced” level, which is confusing.

Since none of the learning outcomes are classified at Mastery level, this level is superfluous and we suggest deleting it from the Appendix.

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)?

Paragraph 5 (b) of the proposed IES 8 states that the minimum professional competence requirements for newly appointed engagement partners are those considered necessary to address less complex audits.

However, paragraph A 2 of the Explanatory Notes says that “this IES focuses on the role of an engagement partner because it is the one common role within the engagement team *irrespective* of the nature, *complexity*, size, or type of audit.”

Apart from the fact that this is contradictory, we are not convinced that competence requirements for engagement partners should refer to less complex or more complex audits. Audits required under Community law should be carried out according to ISAs. The clarified ISAs are usable for audits of entities of all sizes, of all types, in all jurisdictions.

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?

References to SMPs are contained in the Explanatory Material (A6, A32 and A 33), but not in the requirements of the proposed IES 8. We strongly support this approach, and draw the attention to the risk that otherwise the emergence of a two-tier auditing profession would be encouraged and audit engagement partners would be prevented from moving between firms.

¹ http://ec.europa.eu/education/lifelong-learning-policy/doc/eqf/brochexp_en.pdf

² http://ec.europa.eu/education/lifelong-learning-policy/doc/eqf/note4_en.pdf

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)?

For statutory auditors in the European Union, the EU Statutory Audit Directive provides a harmonised framework for educational qualification requirements that has to be applied by the stakeholders involved in education of statutory auditors.

Although there is no specific requirement for engagement partners, statutory audit in the European Union shall be carried out only by statutory auditors or audit firms which are approved and registered and all statutory auditors and audit firms are subject to a system of public oversight.

It is unclear, how engagement partner authorisation criteria as described in the proposed IES 8 would fit into this system in practice.

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

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?

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)?

Although the proposed IES 8 appears to be comprehensive and maybe even too detailed, so that implementation guidance is not necessarily required, some examples of current practice might be helpful.

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

Paragraph 12 states that “*The objective of an IFAC member body is to provide engagement partners with the professional development required to perform their role*”, which is not appropriate.

Paragraph 12 should state the objective of the standard, not the objective of an IFAC member body. The objective of a professional institute is governed by the legal framework in its country and by its statutes, not by education standards.

Furthermore, statutory audit in the EU shall be carried out only by statutory auditors or audit firms which are approved and registered and all statutory auditors and audit firms are subject to a system of public oversight.

Therefore, IFAC member bodies can only use their best endeavours (see IFAC SMO 2) to ensure that engagement partners are equipped with the professional development required to perform their role.

The same applies to the second sentence of paragraph 2, which should not state that “IFAC member bodies *have responsibility* for the professional development necessary to become an engagement partner.”

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?

The requirements are specified in paragraphs 13 to 19 and appear to be comprehensive and detailed enough to promote consistency in implementation by member bodies. As outlined above in the response to question 2, they might even be too detailed to be adapted to national requirements.

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.

Considering the overall concept of the IES and the consistency within this concept, we wonder whether the assessment of professional competence (paragraph 17 and A33 to A35), would not be better placed in IES 6 which is specifically dedicated to the assessment of professional competences.

Overall, it is unclear how IFAC member bodies can in practice be involved in the assessment of engagement partner authorisation criteria, which is generally a responsibility of the firm.

For further information on this letter, please contact Ms Petra Weymüller from the FEE Secretariat (email: petra.weymuller@fee.be, Tel.: +32 2 285 40 75).

Yours sincerely,



Philip Johnson
President