



11 April 2014

Our reference: ICAEW REP 52/14

David McPeak
Technical Manager
International Accounting Education Standards Board
529 Fifth Avenue, 6th Floor
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Dear David

Proposed International Education Standard 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)

ICAEW welcomes the opportunity to comment on the exposure draft issued by the IAESB, *Proposed International Education Standard 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)*.

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 142,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

It is difficult for ICAEW to respond to the latest exposure draft. This is because IES 8 during its development has increasingly become a hybrid standard. It has stopped being a pure education standard and in its latest form is part education standard, part practice review criteria and part thought leadership. This in turn means that the proposed standard has implications for different teams and functions within member bodies, each of which may see different benefits, costs and issues with IES 8. ICAEW has therefore consulted widely internally in formulating this response, and this response reflects the views of the Learning & Professional Development Department, the Professional Standards Department and the Technical Strategy Department.

In summary, ICAEW welcomes the desired contribution to raising audit standards that IES 8 promotes, and notes that the latest exposure draft has significant improvements on the previous draft, such as: the focus on engagement partners; removing the minimum level of proficiency column for learning outcomes; and the introduction of Figure 1 in addition to paragraphs A5 to A7.

Question 1: Is the Objective statement of the proposed IES 8 Exposure Draft (December 2013) appropriate and clear?

Yes, it is clear. However, while we welcome moves to raise audit quality, we have some concerns with 'appropriateness' over the implications for member bodies, professional accountants and audit firms following the introduction of the term 'CPD', and its linkage to IES 7.

Question 2. Is the Requirement of the proposed IES 8 Exposure Draft (December 2013) appropriate and clear?

Please see the answer to Question 1.

While empathising with the IAESB's motives, we are also concerned that Table A effectively becomes a canon of required learning and development which impinges on the freedom of operation in the CPD space for member bodies, professional accountants and audit firms. However, this may be useful material for the IAASB to consider as part of its proposed review of quality control standards, for instance by amending ISQC 1.

It is also important to note that the 'defined standard' (paragraph A2) required to be an effective, quality engagement partner will vary depending on one's clients.

Related to this, the proposed standard refers in this Requirement section, and in several other places, to the need for engagement partners to not merely maintain their competence but to 'further develop' it. Given that the engagement partners will already be experienced, skilled and knowledgeable professionals at the top of their firms, 'maintenance' may in fact be a sufficient and more realistic goal.

And given the range of learning outcomes, and the possibility of changes in the market and/or business practices, it may also be necessary to consider the time period over which some CPD may be achieved.

Question 3. Do you agree with the proposed learning outcomes provided in Table A?

Yes. We agree with them as helpful guidance on the competencies for an engagement partner. We do not however agree with them as a syllabus of mandatory learning outcomes to be monitored by member bodies.

We also think it is helpful that the IAESB has removed the minimum level of proficiency column for the learning outcomes.

Question 4. Do you agree that the levels of proficiency for the competence areas should not be included in Table A?

Yes. It was unclear what standard these levels equated to and what value was gained by having a small number of 'intermediate' ratings in a document largely 'advanced'. So it seems a sensible streamlining to remove them. However, member bodies, regulators and partners assessing the CPD required will need to have some way of establishing the benchmark expected to be achieved.

Question 5. Are there any additional explanatory paragraphs needed to better explain the requirement of the proposed IES 8 Exposure Draft (December 2013)?

No.

Question 6. Does figure 1 of Explanatory Material section for the proposed IES 8 Exposure Draft (December 2013) assist in understanding which stakeholders have responsibilities that impact the professional competence of engagement partners?

Yes, but we would respectfully point out that within a proposed standard directed at IFAC member bodies, Figure 1 accurately highlights that the professional accountant and the firm have key roles to play in the professional competence of engagement partners.

As we outlined in our December 2012 response to the previous exposure draft, IES 8 may be better repositioned as guidance for audit firms rather than as an educational standard for member bodies. The contents of IES 8 seem increasingly less 'educational' and out of keeping with the main body of IESs.

Question 7. Are there any terms within the proposed IES 8 Exposure Draft (December 2013) which require further clarification? If so, please explain the nature of the deficiencies.

No.

Question 8. Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the requirement included in this proposed IES 8 Exposure Draft (December 2013)?

Yes. If implemented, this standard may make a positive contribution to raising the standard of audit work by engagement partners and their firms. This is welcome and would have our support.

However, this positive contribution may come at a cost:

(a) implementation would have significant financial costs for member bodies that are required to adjust their CPD monitoring policies and practices;

(b) the freedom of member bodies, professional accountants and audit firms over CPD would be negatively impacted; and

(c) engagement partners and their firms might not agree with IES 8 and therefore might not be supportive of increased monitoring by member bodies in this space.

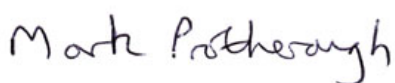
Question 9. What topics or subject areas should implementation guidance cover?

We continue to believe that the outcomes that the IAESB wants to achieve, which generally ICAEW shares, may be more effectively and efficiently achieved if a new IES 8 were repositioned as guidance for audit firms on how their partners can access appropriate CPD activities to support the maintenance and development of the Table A learning outcomes and help for the firms in judging the partners' success in doing this.

There may also be a role for any guidance that is issued as a support tool for developing countries where there is a view that improvements are needed, and particularly in countries without independent professional oversight and inspection of audit firms.

We hope that the above points are helpful. Please contact Jonathan Jones, Head of Policy & Strategy on jonathan.jones@icaew.com or +44 (0) 1908 248292 if you would like any further clarification or information about our views at this stage.

Yours sincerely



Mark Protherough
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