



Private & Confidential

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

[11 December] 2012

Dear Sir

IFAC International Accounting Education Standards Board (IAESB) – Proposed International Education Standard (IES) 8, Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised)

We appreciate the opportunity to respond to the IAESB's Exposure Draft on the proposed changes to IES8: Professional Development for Engagement Partners Responsible for Audits of Financial Statements. This response is made on behalf of PwC. PwC refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We recognise that IES8 is intended to serve the public interest in establishing standards to better ensure the competence of professional accountants and in particular on audit engagements. We welcome the redrafting of this standard as part of the IAESB project to revise and redraft the International Education Standards, building on the concepts and principles of the *Framework for International Education Standards for Professional Accountants (the Framework)* and the *IAESB Drafting Conventions (the Drafting Conventions)*. We support the aim to ensure consistent application by reducing ambiguity about the requirements imposed on an IFAC member body. We also recognise that in redrafting the standards the IAESB intends to clarify issues arising from changes in the environment of accounting education and the experience gained from implementation of the IESs by IFAC member bodies.

Our response below answers the questions raised in the Request for Comments section of the Exposure Draft and makes a few other general comments to consider in finalising the standard. All paragraph references (Para XX) are to the IES8 Exposure Draft unless otherwise indicated.

PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW
T: +44 (0) 161 245 2000, F: +44 (0) 161 245 2904, www.pwc.co.uk



Our response to the questions posed in the Request for Specific Comments section of the Exposure Draft

Question1: 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 support the move to focus on the role of the engagement partner as it is the one common role within the engagement team irrespective of the nature, complexity, size, or type of audit which makes the implementation of IES 8 (Revised) consistent across all IFAC member bodies.

However we have a number of key concerns in respect to this point set out below:

- 1) The title of the standard and the objective set out in paragraph 12 refer to an **engagement partner** however throughout the standard the focus changes and refers to a **newly appointed partner** (for example Table A) and **an aspiring engagement partner** (for example the scope in paragraph 1) This makes the standard hard to follow and to determine which roles are covered within the scope of IES 8(Revised)

We would suggest changing the terminology throughout the standard to **Engagement Partner** and removing the definition of aspiring engagement partner in the glossary which is broad and therefore hard to implement.

- 2) Although we agree with the focus on the engagement partner role we would like to understand what guidance should be followed for those who have met the competence of IPD in IES1 - 6, are not an engagement partner, but are in the assurance profession. Would we expect that they only need to meet the CPD competence within IES7 and nothing further specific to audit?
- 3) Paragraph 8 provides the option to IFAC member bodies to extend the requirements to non audit types of engagements. We feel this option is onerous and not in keeping with the standard which is focused on the audit engagements.

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?

Assuming table A is written for Engagement Partners and not Aspiring Partners - we support the learning outcomes as set out in Table A of IES 8 (revised) other than those set out below:

General

We question the need to have learning outcomes for many of the ISA requirements. Where a learning outcome is in line with a specific ISA requirement we recommend it be deleted. There should be one Learning Outcome that refers to the engagement partner having appropriate level of competence to comply with all ISA requirements that are applicable to the engagement partner's responsibility. Such a change will ensure that there are no inconsistencies between ISAs & IES 8 over time.

Level of Competence

Paragraph 5 notes that the competence levels in the standard are the minimum requirements, however we would expect that an engagement partner would be at an Advanced level for (e) Business and



organizational environment; Economics; Business Management and (i) finance and financial management.

Technical Competence

We would expect to see a learning outcome focusing on audit quality within technical competence.

Question 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 are comfortable that Appendix 1 provides adequate clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 13 of the proposed IES 8 (Revised)

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)?

We agree that this has given more clarity over this area and will assist in implementation in practice; however, different users of this standard could interpret the term “complex” in a number of different ways and therefore some examples would be useful.

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?

Small and Medium sized entities are referred to in the revised IES 8, in particular in A32 in relation to practical experience. It notes that IFAC member bodies may directly provide appropriate professional development opportunities and programmes for smaller firms although it doesn’t go into further details on this point and therefore we recommend clarifying this statement. Other than this, the reference to SMPs is limited and therefore we do not agree that IES 8 (revised) sufficiently addresses their professional needs and would advise more guidance in this area.

We believe that there is a need for this standard to be seen to be applicable for SMPs as well as large firms, in order to promote consistency in audit quality across the profession as well as to help ensure a level playing field.

We also see a big challenge in the consistency in application and implementation of the requirements by IFAC member bodies for smaller firms. While the larger firms are more likely to have the infrastructure and resources to promote adherence (and will have large and complicated audits), smaller firms and sole practitioners may not have this (and may have smaller and simpler audits).

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)?

If there remains a parallel focus on ‘aspiring engagement partners’ in the finalised Standard, then we anticipate this causing confusion in implementation and compliance. We also feel the following points are onerous and therefore could have significant implications on our organisation.



- 1) Paragraph 14 refers to regular review of professional development programmes. We would like to understand how this will impact our organisation? I.e. how often is regular and what would be covered by the review?
- 2) Paragraph 17 refers to “appropriate assessment activities for technical competence; professional skills and professional values.” We would like to further understand what is covered by assessment activities and at which point in the career of a professional accountant they will be assessed – i.e. one off on becoming a partner or continual assessment?
- 3) In A35 it refers to an example CPD review as the last three years of CPD, to assess the appropriateness of that CPD in relation to the engagements on which that partner served as the engagement partner. We would like to understand if this will be undertaken for all engagement partners or if this will be on a sample basis; what information would be required and how often this would occur.
- 4) Within practical experience, IES 8 (revised) notes that a significant proportion of the practical experience of an aspiring engagement partner be related to the audit of financial statements. Please can you clarify what is significant so that we ensure this is built into our internal development plans?

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

We would envisage the guidance would be made up of two key features.

- A practical guide including guidance on the areas suggested in the answer to question 8.
- We would recommend a number of working groups to discuss implementation issues and how these could be overcome. The groups should be ideally set up based on the type of firm and complexity of their clients to draw the most benefit.

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?

If IAESB were to issue implementation guidance alongside IES 8 (revised) we would find the following useful:

- Progression between initial professional development in IES1-6, CPD in IES7 and IES8 (revised) focusing on the engagement partner.
- Guidance of further learning outcomes for when you are an engagement partner adhering to lifelong learning.
- Examples of how to demonstrate professional competence, including what evidence should be provided and how to assess this evidence.
- How assessment as described in A33 – A35 will impact an organisation, what processes could be put in place to simplify this process?
- Ways to monitor and control the implementation of IES 8 revised.
- As mentioned in the answer to question 6 more guidance on the nature of the review and how often it will be performed.



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)?

We would find it useful to include examples of current practice in developing competency models.

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

Although we agree with the stated Objective of the standard as described in paragraph 12 of IES 8 (revised) we would like clarity over who the standard applies to as addressed in the answer to question 1.

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?

We believe that the requirements in the IES 8 Exposure Draft do meet the three criteria specified by the IAESB for a requirement to be specified in a standard.

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..

Other than the terms in our answers to questions 1, 4 and 6 above our biggest concern is around the need for clarification of who the revised standard is targeted at. Please see our answer to question 1 for specifics but we would recommend an update to the definition of aspiring engagement partner, a change in title and a thorough check of the standard to ensure we refer to the same role throughout.

Other areas for comment

Translations

We have no comment on potential translation issues.

Developing nations

We believe that the requirements of this standard could potentially have implementation difficulties in developing nations who have less reporting mechanisms in place. We think this is specifically relevant to the ability to adapt to any changes from regular review as described in paragraph 14 and the assessment terms described in A33 – A35. We are also interested in how IFAC member bodies in different territories will monitor consistency between themselves?

Effective date

There are a number of changes to IES 8 (Revised) that may require member bodies to change their internal processes and their assessment requirements. The proposed implementation period of approximately 15 - 18 months may be appropriate but any changes would need to be properly communicated to various stakeholders in advance of implementation. We defer to the responses of IFAC member bodies on this point.



We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Christine Adshead, Global Assurance Learning and Education Partner on (44(0) 161 245 2529).

Yours sincerely

Christine Adshead