



**Institute of  
Chartered Accountants  
Australia**



17 April 2014

David McPeak  
Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, NY 10017  
USA

Dear David

The Institute of Chartered Accountants Australia and the New Zealand Institute of Chartered Accountants welcome the opportunity to jointly offer comments on the IAESB's proposed International Education Standard (IES) 8 *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements*.

Our key concern is that it will take time for professional bodies that use the input method for IES 7 to measure outcomes of professional development activities that members undertake to maintain or develop competence as audit engagement partners. We therefore suggest the effective date is set at least 18 months following the approval of the final version of this standard to enable member bodies and firms time to consider and start to implement any changes necessary.

#### **Request for Specific Comments**

##### **Question 1. Is the Objective statement (see paragraph 9) of the proposed IES 8 Exposure Draft (December 2013) appropriate and clear?**

We believe that the concept of continuing professional development and competence is still unclear in the ED. In paragraph 4 and A4 in the Explanatory Material, for example, practical experience is included in CPD, but in the last sentence in paragraph 5 the IES appears to be restricted to (lifelong) learning.

##### **Question 2. Is the Requirement (see paragraph 10) of the proposed IES 8 Exposure Draft (December 2013) appropriate and clear?**

Yes, except the first sentence incorrectly emphasises the (input) of CPD rather than the achievement and maintenance of competence. We suggest it would be better worded as "*IFAC member bodies shall require professional accountants performing the role of an engagement partner to maintain and develop the professional competence required for this role by undertaking appropriate CPD.*"

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

We believe that the Technical Competences (b) to (h) are about the audit procedures rather than specific competences. It seems incongruous to "achieve learning outcomes" in situations where all these must have been achieved/demonstrated by the individual already to be an engagement partner. The language in Requirement 10 is to "maintain and further develop professional competence", which does not denote initial learning that uses learning outcomes. The LO terminology is IPD-style or at best input measures of CPD, appropriate for those aspiring to be engagement partners to achieve. Existing engagement partners need to demonstrate their maintenance of competence (an output measure of CPD).



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

No. These should be included at an advanced level. Since Table A is to be achieved by further development of competence (Paragraph 10), it appears that these must be beyond IPD – so must be at a higher level than IES 2, 3 and 4.

**Questions 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?**

IES 8 is not included in Figure 1.

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

See earlier comment on CPD.

Make sure that the definition of engagement team is consistent with the new definition after clarifying re internal audit.

Paragraph A9's reference to ISA 220 needs some clarification.

Paragraph A14 needs to include changes in ISA's.

Paragraph 2 suggests that regulators are part of the system of quality control – rather than having oversight of it.

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

The need to explicitly measure CPD outcomes will be very difficult for audit firms and professional bodies. Completely new records and reporting will be necessary for professional bodies that satisfy IES 7 with the input method.

It is acknowledged that audit as a sub-discipline increasingly requires specialist education. For example, regimes such as the proposed Approved Assurance Practitioner Regime in New Zealand make explicit reference to audit specific CPD. However, this recognition of increased educational specialisation must be balanced with the costs of implementation for both firms and professional bodies. The proposed standard IES 8 is likely to require changes to Information Technology and a broader education awareness campaign. We therefore recommend that an appropriate lead time be provided to ensure that robust monitoring systems can be implemented and tested.

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

It would be helpful to have implementation guidance on distinguishing between the responsibilities of an audit partner and the responsibilities of other members of the audit team. A view of how the responsibilities progress from entry level (IPD) to peak career (CPD for audit partners) would be useful.

Thank you for the opportunity to comment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lee White', with a stylized flourish at the end.

**Lee White FCA  
Chief Executive  
Institute Chartered Accountants Australia**