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Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
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On behalf of the AICPA's Pre-certification Education Executive Committee, please find below our response, comments, and additional questions regarding the Exposure Draft IES 8, Professional Development for Engagement Partners Responsible for Audits of Financial Statements (ED).

We appreciate the opportunity to respond to this ED. We address the specific areas on which IAESB seeks comments and offer additional feedback for the Board's consideration.

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 do not believe that the change to focus on the engagement partner improves the effectiveness of the proposed IES 8. As per our comments on the earlier exposure draft, we continue to believe that audit engagement management is a firm-based competency that is best addressed in quality control standards. The skills and processes necessary to manage an audit engagement are business skills and processes which are in addition to and beyond training programs and study of a curriculum/body of knowledge and assessment. Successful engagement management is a combination of business skills and processes that ensure that the firms conducting an audit, and the individuals within those firms, have the ability to construct methodologies and perform activities in order to ensure a high-quality audit that complies with professional standards, meets the business needs of the client, and the fulfills the fiduciary responsibilities of the auditor to the client and the public. In terms of skills, the factors to be considered in the appointment of an engagement partner are primarily firm-specific and take into account more than the qualifications of the individual auditor. Rather, the firm must look at the skill and experience levels of all of the staff that will be working on an engagement, supporting an engagement, and reviewing an engagement. The engagement partner is part of an overall team that must collectively possess certain skills and experience in order to accept a client and conduct a high-quality audit.

Therefore, the change in focus of IES 8 to audit engagement management (firm management) from that of the educational attainment of an audit professional (a specialty within the broader accounting profession) is a step in the wrong direction in our opinion and exceeds what we view as the proper domain of educational standards.

The change in focus from an audit professional to an engagement partner also introduces potential ambiguity into the intent of the standard. The standard could be construed as no longer concerned with the education needs of all individuals working on audit engagements, but only those with responsibility for management of the audit engagement. The education objectives, therefore, would be a combination of those skills unique to auditing (the focus of the previous IES 8) and project management skills. If the proposed standard is to focus on auditing skills, then the change to engagement partner is unsatisfactory; the standard would be better, in our view, to retain the original wider target of all audit professionals. If the focus of the proposed standard is engagement management skills, then we suggest that the Board consider the broader group of professional accountants that manage tax, advisory and other types of projects and engagements. Issues specific to audit engagements are best addressed in International Standards on Auditing (ISA) and International Standards on Quality Control (ISQC).

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?

Many of the learning outcomes described in Table A could be viewed as a summarization of the key provisions of auditing and ethics standards. For example, the sections within *Technical competence* generally correspond to ISA and applicable accounting standards. The ethical sections similarly map into ethical standards. However, there is no reference to those standards within Table A, a surprising omission. An engagement partner is the primary party responsible for knowledge of and compliance with professional standards, including compliance by members of the engagement team. It may be more desirable to reference those standards explicitly rather than reproduce the content of those standards.

The most important column in Table A, and the one that at least partially distinguishes this from standards on IPD, is the minimum level of proficiency. Arguably, there is no unique curriculum necessary for becoming an engagement partner; rather candidates should have demonstrated their ability to apply the learning outcomes in IPD and subsequently the leadership and organizational skills necessary for the position. Therefore, this standard might consider dispensing with Table A altogether in favor of a qualitative statement of the general level of competency required to be an engagement partner.

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?

Because there is no unique curriculum or assessment associated with becoming an engagement partner, a qualitative statement of the skill levels in Appendix 1 with reference to the skills acquired in IPD could replace the learning outcomes in Paragraph 13.

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)?

The requirement in Paragraph 19 that IFAC member bodies require that engagement partners serving on audits involving more complex (a) industries, (b) operations (including international ones), or (c) reporting requirements undertake CPD in these relevant areas appears self-evident.

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?

We do not see a particular need for separate references to Small and Medium Practitioners (SMPs) because SMPs are subject to the same auditing standards as a larger firm. Under existing auditing standards, we believe that a practitioner whose professional development occurs in a SMP would be qualified by their experience to serve as an engagement partner on audits of firms of similar size and complexity and according to the same or highly similar professional standards.

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)?

We do not believe that the concept of a member body administered program of professional development and assessment for aspiring engagement partners could be implemented in the United States under current legislative and regulatory systems.

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

Given our fundamental disagreement with the standard being directed at engagement partners, we will not comment on implementation guidance at this juncture.

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 our response to Question 7.

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)?

Again, this is primarily an issue for audit firms and their competency models/requirements.

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

We have several issues with the objectives to be achieved by a member body in the proposed IES. Paragraph 2 states that IFAC member bodies have responsibility for the professional development necessary to become an engagement partner. We believe that responsibility for professional development resides primarily with the individual and secondarily with the firm. The member body should not have primary responsibility for providing or assessing the professional development of an engagement partner.

In Paragraph 12, the proposed IES states that the objective of an IFAC member body is to provide engagement partners with the professional development required to perform their role. In terms of making resources available, we would view that as the responsibility of the individual and the firm. In terms of the provision of course materials and training, the member body can mandate CPD requirements but the actual CPD may be conducted by a wide range of providers. Therefore, it is not clear what it intended by the statement that the member body will provide CPD.

In Paragraph 13, the proposed IES states that IFAC member bodies shall prescribe the learning outcomes that demonstrate the professional competence of those individuals newly appointed to the role of engagement partner. As noted elsewhere in our comments, these outcomes are a restatement of IPD and the content of professional standards, and therefore not necessary. The IFAC member bodies are responsible for compliance with professional standards.

In Paragraph 14, the proposed IES states that IFAC member bodies shall regularly review and update professional development programs that are designed to achieve the learning outcomes as set out in this IES. As noted elsewhere in our comments, we do not believe that there is a unique curriculum of learning outcomes nor does the member body have responsibility for assessment of the qualifications to become an engagement partner.

In Paragraph 15, the proposed IES states that 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. The sufficiency of experience in order to get a license is not always under the control of the member bodies, as is true the United States. A professional standard on sufficiency may be better placed within auditing standards, which are the purview of the member bodies. In that regard, Paragraph A31 states that organizations providing suitable practical experience for opportunities for developing professional competence may include private firms, governmental and other audit organizations. We believe that any standard on sufficiency should be based on relevant experience, i.e. experience auditing to the same set of professional standards that will be used in engagements to be supervised.

In Paragraph 16, the proposed IES states that 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. As noted above, we believe that it is also desirable that those audits be with the same or highly similar standards.

In Paragraph 17, the proposed IE states that IFAC member bodies shall establish appropriate assessment activities to assess the achievement of the technical competence, professional skills, and professional values, ethics, and attitudes of aspiring engagement partners. We do not believe that there is a unique curriculum or assessment activity associated with becoming an engagement partner. Responsibility for assessment of readiness to assume the responsibilities of an engagement partner lies primarily within the firm.

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?

Again, this is difficult to address in the U.S. circumstance because most of these requirements would have to be applied by non-member bodies and promoting consistency would be a challenging task.

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.

No.

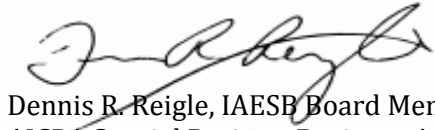
Respectfully Submitted,

Handwritten signature of Bruce Behn in black ink.

Bruce Behn, Chair
Pre-Certification Education Executive Committee

Handwritten signature of John Hepp in black ink.

John Hepp, IAESB Response Task Force Chair
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