

IAESB

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

Introduction

The two French professional bodies representing auditors, « **Compagnie Nationale des commissaires aux comptes** » (CNCC) and professional accountants, « **Conseil Supérieur de l'Ordre des Experts-comptables** » (CSOEC) welcome this consultation launched by the IAESB on its set of Education standards, and more particularly on the Revised International Education Standard n°8 "Professional Development for Engagement Partners Responsible for Audits or Financial Statements". They both bring their support to the outcomes-based approach adopted by the IAESB in the Revised IES 8.

Through this position letter, both bodies would like to first give their answers to the "requests for specific comments", aimed at collecting the respondents' opinions on significant issues related to the approach taken by the IAESB regarding technical competences and then also give some comments on the explanatory material part.

General Comments

IESs are addressed to IFAC member bodies but may be helpful to other stakeholders (§ 2). Member bodies (CNCC and CSOEC in France) have to implement or influence the regulator in order to meet the requirements according to the local standards.

The redrafting of the IESs requires achieving a result (learning outcome) but does not prescribe the inputs leading to the result (curricula, number of hours, etc.).

If the competency is the final objective, this principle based approach leads to practical difficulties. Requirements based on soft (or louse?) concepts as "sufficient" (§ 15), "significant" (§ 16), "appropriate" (§ 17 & 18), leave room for various interpretations. The explanatory material explains the standard but is not the standard itself and brings partly a

**Joint comments, French professional bodies, CNCC and CSOEC, on Revised IES 8
11/12/2012**

solution to these difficulties. Thus, for example, the explanatory material states that “practical experience of less than three years may not be sufficient”.

On the basis of the learning outcomes, as they are defined, it will be very difficult for IFAC to implement its Member Body Compliance Program.

Last, one may doubt that these standards could really lead to an international harmonization of the prerequisites to enter the profession.

Answers to questions “Request for specific comments”

During the 2010 Public Consultation on the extant IES 8 many respondents identified the need to focus the revised IES on eliminating confusion surrounding the subject of the IES -the ‘audit professional’ (those individuals ‘who have responsibility or have been delegated responsibility for significant judgments in an audit’). In order to resolve this issue, the IAESB is proposing that the revised IES 8 focuses the requirements on the widely understood and identifiable role of an Engagement partner. The audit professional definition will be removed from the proposed IES 8 (Revised).

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?

During the revision process of the proposed IES 8 (Revised), the IAESB has developed a table of learning outcomes (Table A) for a newly appointed engagement partner. These learning outcomes build, where appropriate, on the proposed learning outcomes identified in revised IESs 2, 3 and 4.

Yes, the objective is to set standards to become an auditor with the right to engage his responsibility and not to set standards for audit staff members.

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?

Appendix 1 of the proposed IES 8 (Revised) Exposure Draft provides a description for each of the four classifications of proficiency to help IFAC member bodies set learning outcomes for professional development programs. Examples of indicative verbs under each level of proficiency are also included to assist those who wish to develop additional learning outcomes. Appendix 1 is common to the proposed IESs 2, 3, and 4, which also focus on learning outcomes relating to all aspects of professional competence.

Yes. Table A is comprehensive and clear, considering the outcome approach.

**Joint comments, French professional bodies, CNCC and CSOEC, on Revised IES 8
11/12/2012**

CNCC and CSOEC suggest to complete the point (b) (iv) as follows : “Evaluate the accounting treatment and disclosure of transactions, including accounting estimates, **impairment tests** and the use of fair values”.

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 § 13 of the proposed IES 8 (Revised) ? If not, what changes do you suggest?

A lack of clarity in respect of the requirements for audit professionals involved in complex or transnational audits led the IAESB to rework the requirements in this area focusing on CPD requirements for those Engagement partners serving on audits involving more complex (a) industries, (b) operations (including international ones) or (c) reporting requirements.

Yes, the CNCC and the CSOEC approve the Appendix 1 which is an absolute necessity.

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)?

Yes, the CNCC and the CSOEC generally agree with these new requirements except that the word “complex” cannot be objectively defined.

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?

This reference to SMP is very important, as well as the concept of “Newly appointed engagement partner”, but it does appear only in the “explanatory material” and not in the standard itself. It would be desirable to include these references in the standard itself.

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)?

No, these new requirements should not have a significant impact on the prerequisites to enter the profession.

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

This guidance material should demonstrate how to link competencies and inputs. The input based approach is prevailing in a large number of jurisdictions. It is easier to apply and clearer for the stakeholders others than the professional bodies: educational organizations, the public, etc.

**Joint comments, French professional bodies, CNCC and CSOEC, on Revised IES 8
11/12/2012**

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 answer 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)?

The proposed IES 8 (Revised) has also been redrafted according to the guidelines provided in the IAESB Drafting Conventions.

Yes, the CNCC and the CSOEC would very much appreciate examples of current practice in developing competency models. The CSOEC for example is modernising its continuing professional development rules and will welcome all the best practices in this scope.

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

Yes, the CNCC and the CSOEC valid these objectives.

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?

First, the CNCC and the CSOEC have some difficulty to understand this question!

Secondly, “consistency” means in French either “continuity” (using the same rules over the time) or “coherence” (which implies an internal logic). In the context of the question n° 11, it means either that the standard is implemented continuously over a period of time, or that it is implemented without conflict with other standards of the professional body.

The plural way (member bodies) may mean that the consistency principle does apply to several member bodies. This would imply an international harmonization. As the standard is written, it is doubtful that this objective could be achieved due to the lack of precision (measurability and verifiability) of the competences as they are defined.

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.

Due to the difficulties to translate into French the word “consistency”, it would be appropriate to better define its meaning.