



11 November 2012

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
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CANADA

Dear Sir

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

The Institute of Chartered Accountants Australia (ICAA) thanks you for the opportunity to comment on the Exposure Draft of the proposed revised IES 8: *Professional Development for Engagement Partners Responsible for Audits of Financial Statements*.

Overall we support the updating of IES 8 and commend the IAESB for undertaking the project to revise all the International Education Standards.

**Scope**

The focus of this Standard is on audits of financial statements, which remains of vital importance. We also note in the draft standard references that it may be applicable to practitioners providing other assurance services. Stakeholders are increasingly demanding reporting of non-traditional information such as emissions data, integrated reporting, or in Australia, water accounting. Assurance is being sought and provided on many of these non-traditional reports, and separate consideration of the skills and development required for these services may be appropriate.

Our responses to the Request for Specific Comments are set out below.

**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.**

The purpose of the extant IES 8 was to 'prescribe competence requirements for audit professionals, including those working in specific environments and industries' whereas the proposed IES 8 (Revised) 'prescribes the professional development requirements for aspiring engagement partners and serving engagement partners who provide assurance services for audits of financial statements.' The change does not have a substantial impact on clarity or effectiveness.

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**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?**

Table A provides a useful reference and aligns with the approach taken in IES 2 3 and 4 so that there is consistency across all these Standards.

We suggest that Competence Area (g) Information Technology should be aligned with (d) Internal Control and at an Advanced level of proficiency given the interdependence of IT environments and the controls within businesses.

Competence Area (h) Business Laws and Regulations may need to be clarified further; if the financial frameworks under which the entity is reporting is a part of the business laws and regulations this should be set at an Advanced to Mastery level of proficiency for a newly appointed audit partner. If the financial reporting framework is outside the business laws then it may be possible to argue that an Intermediate level of proficiency is appropriate. However, we consider that the financial reporting framework is of such fundamental importance that in our view the proficiency requirement should be set at the Advanced to Mastery level, regardless.

Competence Area (i) Finance and Financial Management, currently set at an Intermediate level of proficiency should be set as Advanced. Given that the assessment of going concern falls within this Competence Area, and going concern issues are a focus point on auditing proficiency there is no justification for ranking this proficiency any lower than the core proficiencies as set out in the table from (a) to (d).

We also suggest that Competence Area (j) Management Accounting should be uplifted to an Advanced level of proficiency rather than Intermediate.

**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?**

Appendix 1 is clear and straightforward, and aligns with the Appendix used in the Exposure Drafts for IES 2, 3 and 4 earlier this year. It is useful and appropriate to have this alignment across all IESs pertaining to both Initial Professional Development and Continuing Professional Development.

**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 Standard seems to suggest that all small clients lack complexity, and that audits of small firms are the domain of smaller audit firms only. Neither statement is necessarily the case.

In our view it would not be appropriate for an IFAC member body to deem an audit as complex, or non complex. This is properly a matter for the professional judgement of the auditor. The issue of what is complex flows throughout the Standard, and Paragraph A40 introduces a concept of “more complex” audits (as distinct from “complex audits” discussed elsewhere in the standard). Paragraph A40 should be refined to make it clearer that when we are dealing with complexity we are discussing audit risk and use terms consistent with an audit risk evaluation.

**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 to the needs of SMPs?**

The ICAA has no further recommendations.

**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)?**

As a member body, currently ICAA does not prescribe the sufficiency of practical experience for individuals aspiring to the role of an engagement partner. In Australia, this is set by legislation and administered by the regulator. Consequently the relevance of this requirement needs to be considered.

Aspiring auditors can register as auditors without input from the ICAA at present, and the Standard would suggest that where the member body is not the audit regulator, the member body should introduce a continuous assessment regime on its members who are auditors (Paragraph 17).

The ICAA does not believe that further accreditation in addition to the statutory accreditation is appropriate. Paragraphs A12 and A33-A35 in IES 8 (Revised) need to address this.

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

The ICAA believes that changes are required to the Standard (as set out in this response) and these changes need to be considered before implementation guidance can be agreed.

**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.**

The ICAA believes that changes are required to the standard, in particular in relation to the role of the member firm (as set out in this response), and these need to be considered before implementation guidance can be agreed.

**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 ICAA supports a principles-based approach and has concerns that some of the suggestions move away from this foundation.

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

Whilst the standard purports to deal with aspiring partners and existing partners, there is very little, other than ongoing CPE requirements in it for existing audit partners. The concepts of professional development and competence seem confused in the standard.

Professional bodies are able to run professional development courses, and can assess professional competence (if they do licensing) but they cannot have responsibility for the professional development necessary to become an engagement partner – that has to be the responsibility of the firm as much of it is on the job experience.

Therefore it is the view of ICAA that the objective to be achieved by a member body as set out in Paragraph 12 is not appropriate.

**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?**

Yes, overall the criteria identified by the IAESB for determining whether a requirement should be specified have been applied appropriately and consistently.

**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.**

The ICAA supports the aims of the redrafting project and in particular the approach for all IESs to be consistently drafted, and subject to a single statement of their authority and effect.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lee White', written in a cursive style.

Lee White  
Chief Executive Officer