



INTERNATIONAL EDUCATION STANDARD 8 (REVISED):
PROFESSIONAL DEVELOPMENT FOR ENGAGEMENT PARTNERS RESPONSIBLE
FOR AUDITS OF FINANCIAL STATEMENTS

RESPONSE FROM THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND
TO THE INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD

April 2014

INTRODUCTION

The Institute of Chartered Accountants of Scotland (ICAS) received its Royal Charter in 1854 and is the oldest professional body of accountants in the world. We were the first body to adopt the designation “Chartered Accountant” and the designatory letters “CA” are the exclusive privilege of Members of ICAS in the UK.

ICAS is a professional body for over 20,000 members who work in the UK and in more than 100 countries around the world. Our CA qualification is internationally recognised and respected. We are a Recognised Supervisory Body (RSB) and Recognised Qualifying Body (RQB) for statutory audit.

ICAS welcomes the opportunity to comment on the updated revision to International Education Standard (IES) 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements, as issued in December 2013.

The ICAS Charter requires ICAS to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members’ views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Key points

We support the International Accounting Education Standard Board’s (IAESB’s) drive to develop principles based standards based on a coherent framework. In particular:

- We recognise that the IAESB has listened to comments made on the previous Exposure Draft of IES 8;
- The revised version of IES 8 has addressed the majority of the concerns raised in our response to the previous draft in December 2012;
- The scope of the standard is now appropriate to apply to those conducting an audit engagement partner role, rather than aspiring engagement partners;
- The redrafted IES 8 improves readability and clarity; and
- ICAS supports the outcomes based approach, with the recognition that International Federation of Accountants (IFAC) member bodies may want to adapt the learning outcomes specified.

Background

ICAS responded to the consultation on the previous IES 8 Exposure Draft on 11 December 2012. A number of concerns were raised with this Exposure Draft, and ICAS is pleased to note that the majority of these issues have been addressed. Specifically:

- The term ‘aspiring engagement partner’ is no longer used, with the current draft of IES 8 making reference to the engagement partner only. We agree that the narrowing of the scope is appropriate and ensures the focus is on existing engagement partners, while allowing aspiring engagement partners to use the revised Standard as a guide;
- The previous draft required a ‘significant proportion of the practical experience of an individual aspiring to the role of engagement partner to be related to the audit of financial statements’ ICAS is pleased to note that this requirement has been removed, given the vast majority of audit engagement partners within the UK are general practitioners, heavily involved in non-audit work. In particular, we feel paragraph A12 in the current Explanatory Material is appropriate and helpful in confirming to audit partners that they must

undertake CPD 'appropriate to the complexity of the audits in which they serve as engagement partners'; and

- We note that the statement in the previous Exposure Draft that it was the objective of the IFAC member body to 'provide engagement partners with the professional development required to perform their role' has been removed. This recognises that it is up to an individual engagement partner and their firm to address CPD requirements, while the IFAC member body's responsibility is to assess the effectiveness of that training and development as part of the licensing and monitoring regime.

Our response in December 2012 noted that we had concerns over the prescriptive nature of the learning outcomes in the Standard, and these concerns remain. ICAS would prefer to see principles based, higher level approach taken in Table 1, and this is discussed further in our response to Question 3.

Finally, in the UK, ICAS and the Financial Reporting Council have jointly commissioned research into a review of audit competencies in the UK. This work is ongoing and is due to report in the summer of 2014. Therefore, in the UK we will have to factor in any changes resulting from that research along with the proposed changes to IES8. A principles based Standard would therefore allow IFAC bodies to address any additional national requirements.

SPECIFIC MATTERS FOR COMMENT

QUESTION 1

Is the Objective statement (see paragraph 9) of the proposed IES8 Exposure Draft (December 2013) appropriate and clear?

In the view of ICAS, it would be helpful if the word 'audit' was included in the objective to make it clear who this Standard applies to. By referring to 'engagement partner' rather than 'audit engagement partner' the Objective appears inconsistent with the title of the Standard. While the term 'engagement partner' is defined in the IAASB Glossary of terms, and this is included within the Explanatory Material, we feel it would be clearer to either refer to 'audit engagement partner' within the Objective or reflect the title of IES8 within the Objective paragraph. However, we acknowledge that this Revised Standard has been more closely aligned with the terminology used in the ISAs and therefore if the Objective were to remain, we would have no significant concerns.

QUESTION 2

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

Yes. ICAS recognises the amendments that have been made from the previous draft, and that the current Exposure Draft reflects the role of IFAC member bodies have in ensuring engagement partners maintain appropriate CPD. However, we have some concerns over the prescriptive nature of the learning outcomes which are noted in our response to Question 3.

QUESTION 3

Do you agree with the proposed learning outcomes provided in Table A?

In line with our previous response in December 2012, we agree with the learning outcomes based approach and that a tabular format is clear and easy to follow.

However, we consider that a more principles based approach should be adopted to Table 1 and that competence areas should be the only prescribed requirement. While

the learning outcomes have been revised since the previous draft, our initial concern that the detailed learning outcomes make the requirements more prescriptive than the original standard, remains. Our preference would be for the competence areas to remain as higher level principles, with the detailed outcomes set at a national level reflecting national requirements.

Should the learning outcomes remain, we have the following concerns.

Within section (a) Audit of financial statements, there are a large number of learning outcomes which come from different International Standards on Auditing (ISAs). However, not all requirements are included which means some requirements appear to be given more emphasis than others, when there is an equal requirement. Therefore, in line with our previous response, we would suggest having one overarching learning outcome in section (a) relating to the ISAs. We feel this is covered in learning outcome (ix) in section (a) 'Evaluate whether the audit was planned and performed in accordance with applicable auditing standards (e.g. ISAs) and with relevant laws and regulations.

If this learning outcome is met, it would therefore follow that the remaining learning outcomes in this section have been met and therefore we feel this single outcome would be sufficient.

We would also repeat our previous concern here regarding section (e) Taxation. We believe there is a risk in specifically referring to the audit of tax here as the engagement partner should be able to action this outcome for all audit areas relevant to the engagement. As such, it may be appropriate to expand this outcome to be more of a generic nature to cover all areas relevant to the audit.

QUESTION 4

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

Yes. In our previous response, we had concerns over the use of 'intermediate', 'advanced' and 'mastery'. We are pleased that this concern has been addressed, and that the current Exposure Draft allows proficiency levels to be considered at a national level.

Further, this allows engagement partners to exercise professional judgement in ascertaining the appropriate level of CPD depending on the nature and size of their portfolio of audit clients.

QUESTION 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?

As a graphic, Figure 1 does provide an accurate representation of the stakeholders who have such responsibilities. However, given each IFAC member body operates under different jurisdictions, with different terminology we would question whether this adds anything to the understanding of the application of IES8. However, if the final version retained this figure, we would have no significant concerns.

QUESTION 7

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

No, in the view of ICAS all terms used are appropriately explained, subject to our response to Question 3 above.

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)?

Presuming that the changes alluded to in Question 3 above are addressed, we cannot foresee any significant implications in implementing the new requirements.

We note that our previous concerns regarding the practical experience requirements and the definition of aspiring engagement partner have been removed and therefore these concerns have been addressed.

QUESTION 9

What topics or subject areas should implementation guidance cover?

In line with our previous response in December 2012, if the standard is principles based we do not see the need for guidance.



CA House 21 Haymarket Yards Edinburgh EH12 5BH
auditandpracticemonitoring@icas.org.uk +44 (0)131 347 0284 icas.org.uk