



Private & Confidential

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West, 4th Floor
Toronto Ontario Canada M5V 3H2

14 April 2014

Dear Sir,

**IFAC International Accounting Education Standards Board (IAESB) – Proposed
International Education Standard (IES) 8, Professional Competence for Engagement
Partners Responsible for Audits of Financial Statements (Revised)**

We appreciate the opportunity to respond to the December 2013 IAESB's Exposure Draft on the proposed changes to IES 8: Professional Competence for Engagement Partners Responsible for Audits of Financial Statements. This response is made on behalf of PwC. PwC refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We recognise that IES 8 Revised is intended to serve public interest in establishing standards to better ensure the competence of professional accountants, and in particular on audit engagements.

The efforts taken to remove ambiguity from the August 2012 Exposure Draft are welcome, particularly in changes made to focus on the role of the engagement partner as opposed to the aspiring engagement partner.

The need for a separate standard is however not clear. While IES 8 Revised evidently complements the existing IES1-7, the extent of duplication with IES2-4 and IES7 makes it difficult to see a specific value in IES 8 Revised, particularly in the absence of any prescribed assessment, measurement and monitoring requirements.

While being role specific, IES 8 Revised seems only to prescribe certain aspects of IES 7 to individuals performing the role of the engagement partner on audits of financial statements; (eg. an outcomes basis of measurement and a definition of the expected competencies for the specific role). On this basis, we would recommend that the content of this standard be distilled into an Appendix to IES7.

Our response below answers the questions raised in the Request for Comments section of the Exposure Draft. All paragraph references (Para XX) are to the December 2013 IES 8 Exposure Draft unless otherwise indicated.



Question 1: Is the Objective statement of the proposed Exposure Draft (see paragraph 9) appropriate and clear?

The revised objective of the standard in addition to IES 7 is unclear. Please see general comments above.

In addition, we believe that the scope of the standard should be limited to those performing the role of the engagement partner *on audit engagements*, congruent with the name of the revised standard. Many engagement partners on other assurance engagements are specialists in their particular field and are not always qualified accountants who have been subject to any of the competency requirements of IES1-7. The competency requirements of this standard may therefore not be directly applicable.

Question 2: Is the requirement (see paragraph 10) appropriate and clear?

The revised requirement is appropriate in that it is consistent with IES 7 while being role specific to the engagement partner.

It is clear and focuses on the responsibilities of the IFAC member bodies. It is not clear from paragraph 10 or the supporting explanatory paragraphs how IFAC member bodies would be expected monitor compliance with that requirement.

Question 3: Do you agree with the proposed learning outcomes in Table A?

In general, we support the learning outcomes listed in Table A subject to understanding/resolution of the matters listed below:

1. The need to have learning outcomes for many of the ISA requirements is questionable. Where a learning outcome is in line with a specific ISA requirement we recommend it should be deleted. Instead there should be one learning outcome that refers to the engagement partner having appropriate level of competence to comply with all ISA requirements which are applicable to the engagement partner's responsibility. Such a change will ensure that there are no inconsistencies between ISAs & IES 8 Revised over time.
2. Should specific ISA requirements remain in Table A, the listed learning outcomes should include the assessment of competence and capabilities of the engagement team to perform the audit and the subsequent determination of appropriate levels of review and supervision (ISA220).
3. How has the completeness of the list of competencies for each category been determined?
4. Learning outcome (i) in (g) *Business laws and regulations* should be reworded to "Evaluate the impact on the audit of a potential breach of laws and regulations *which are relevant to the financial statements*".

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

The removal of proficiency levels and the related content of Appendix 1 in the prior Exposure Draft remove ambiguity in the expected competencies of engagement partners.

This creates appropriate flexibility to consider the competencies in light of the complexity of specific engagements on which engagement partners serve, better supporting the consistent application of the standard to all engagement partners, irrespective of the size of organisation they work in.



Question 5: Are there any additional explanatory paragraphs needed to better explain the requirement of the proposed IES 8 Exposure Draft (December 2013)?

As per Para 4, the standard is addressed to IFAC member bodies. Further explanations may be required to support them in implementation of the standard including descriptions of:

- Possible measurement and assessment techniques to evidence learning outcomes, and by implication sufficiency of CPD.
- How the achievement of learning outcomes may be monitored

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?

The diagram illustrates stakeholders with responsibilities impacting the professional competence of engagement partners. IES 8 Revised does not feature in the diagram however.

Specific questions/comments on the diagram include:

1. Where does IES 8 Revised fit into Figure 1?
2. The implications of variations in “jurisdiction specific relationships” between the Firm, Regulator and IFAC member body on IES 8 Revised is unclear from the diagram and the standard.
3. It is unclear from the diagram whether the Firm and the IFAC member body impact only engagement partners, or whether the line passing through the Professional Accountant section means that they too are impacted by these stakeholders.
4. Is Para. A9 accurate insofar as it implies that by following IFAC member body CPD, firms can comply with ISQC 1 and individuals with ISA 220?

Question 7: Are there any terms within the proposed IES 8 Exposure Draft (December 2013) which require further clarification? If so, please explain the deficiencies?

With the exception of describing the “defined standard” included in para. A2, there are no further clarifications of terminology required.

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

Ultimately it is the IFAC members who would assess and monitor compliance with IES 8 Revised, and the role as the firm would be to support individuals in providing information to them to evidence their CPD.

Without a fuller understanding of the areas noted in response to question 5, we cannot conclude on the impact or implications on our organisation.

As noted above, Para. A11 provides the option to IFAC member bodies to extend the requirements to non audit types of engagements. We feel this option may be onerous and is not in keeping with the standard which is focused on the audit engagements.



Question 9: What topic or subject areas should implementation guidance cover?

See our response to question 5 above.

Other areas for comment: *Glossary terms*

We have no comment on glossary terms.

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Susan Gore, Global Assurance Learning and Education Partner at 646- 471-1029.

Yours sincerely,

PricewaterhouseCoopers LLP