

BY EMAIL

17 April 2014

Ref: # 464812

Mr David McPeak
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International Accounting Education Standards Board (IAESB)
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Dear Mr McPeak

IAESB REQUEST FOR COMMENT: IES 8

Thank you for inviting us to comment on the exposure draft on IES 8. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to provide input into the work being undertaken by the IAESB and would like to offer our feedback on the exposure draft as follows:

Introduction

We refer to the IAESB request for comment issued in December 2013 for which comment is due by 17 April 2014.

We note that the proposed IES 8 identifies the role of engagement partner as one of the roles which a professional accountant might play, and is not specifically identified as a post-qualification specialisation. It follows, therefore, that the proposed IES 8 requires that professional development of an engagement partner is through CPD. However in some jurisdictions this role may be regarded as a specialisation (after qualifying as a professional accountant) with professional development through further education and training with attendant assessment. This is the case in South Africa where chartered accountants require further 'professional' experience and there is further assessment before registration as an auditor.

When is a professional accountant competent to be an engagement partner?

Paragraphs 1, 3, A3, 9 and 10 of the proposed standard and p. 7 of the Explanatory Memorandum, when read together, create uncertainty regarding the point at which an individual is professionally competent as an engagement partner. Paragraph 1 suggest that this competence is acquired only after qualifying as a

professional accountant, while paragraph 3 and page 7 suggest that a professional accountant is already competent.

We note that “the IAESB has not included proficiency levels for the competence areas because it is expected that a professional accountant, acting in the role of engagement partner, has already achieved the required professional competence, and now needs to maintain and further develop professional competence through relevant CPD” (refer p. 7 of the explanatory memorandum). This suggests that the professional accountant is competent to be an engagement partner at the point of qualification as a professional accountant and **maintains** and **further** develops this competence through CPD. This interpretation is supported by the second sentence of paragraph 3 of the proposed standard.

We recommend that this matter is clarified.

Professional accountant competent to be an engagement partner

Our analysis of page 7 of the explanatory memorandum (see above) is that a professional accountant, at the point of qualification, is competent to be an engagement partner. We suspect that this is the point of departure for the proposed IES 8 (but refer above for clarity on this point). If this is so we make the following observations:

- Professional accountants possess the competence to be an engagement partner. CPD will maintain and further develop this competence;
- The same requirement for maintenance and development of competence applies to all other post-qualification professional tasks/specialisations (refer IES 7).
- We understand why professional competence for engagement partners is the subject of a separate IES. However, we believe that the standard should identify the reasons for this - why is this post qualification specialisation singled out for attention through an IES when others are not?
- We note that a professional accountant would be considered to be professionally competent as an engagement partner (refer above) irrespective of the nature of professional experience in IPD. We are of the view that professional experience in IPD for those aspirant engagement partners should include appropriate auditing experience. It is inconceivable that an engagement partner could have no experience at all in an audit environment.

Recommendations

1. Clarity – point at which an engagement partner is considered competent: We recommend that this matter be clarified.
2. Should a professional accountant be considered competent to be an engagement partner at the point of qualification as a professional accountant, we recommend that there be a requirement for relevant pre-qualification experience in an audit environment.

QUESTION 1: IS THE OBJECTIVE STATEMENT (SEE PARAGRAPH 9) OF THE PROPOSED IES 8 EXPOSURE DRAFT (DECEMBER 2013) APPROPRIATE AND CLEAR?

Please refer to our comments under the introduction paragraph above. We are unsure whether CPD is necessary to gain competence as an engagement partner or is only necessary to maintain and further develop this competence.

QUESTION 2: IS THE REQUIREMENT (SEE PARAGRAPH 10) OF THE PROPOSED IES 8 EXPOSURE DRAFT (DECEMBER 2013) APPROPRIATE AND CLEAR?

In South Africa, the responsibility for professional development of an engagement partner is not the sole responsibility of the member body. This responsibility is shared with the statutory body responsible for the audit and assurance function. The responsibility for CPD for an engagement partner is also shared with the licencing authority (The Independent Regulatory Board for Auditors – "IRBA"). Thus paragraph 10 of the proposed IES 8 is not entirely appropriate for SAICA. It is likely that similar circumstances pertain in other jurisdictions.

In addition the point of becoming a Registered Auditor (RA) is not necessarily the same point at which a SAICA member who is also an RA becomes an engagement partner at a firm. The appointment to the engagement partner role varies significantly from firm to firm.

The circumstances in South Africa make would make it very difficult for the member body (SAICA) to ensure that the learning outcomes listed in the Table A are achieved before becoming an engagement partner. In other words it would be difficult for SAICA to comply fully with paragraph 10 which requires that the member body 'shall require professional accountants performing the role of an engagement partner to undertake CPD ...'

It is suggested that, in jurisdictions where responsibility for the professional development and assessment of aspiring engagement partners is shared with the licensing authority, the member body should satisfy itself that those aspects of professional development which are the responsibility of the licencing authority are being carried out by the licencing authority in accordance with IES 8.

QUESTION 3. DO YOU AGREE WITH THE PROPOSED LEARNING OUTCOMES PROVIDED IN TABLE A?

We have the following suggestions to make with respect to the Table A.

(a)(vii)- Proposed wording changes	"Evaluate significant deficiencies in internal control and in other matters to be communicated to those charged with governance <u>identified during the audit.</u> "
(a)(viii)- Proposed wording changes	"Evaluate the sufficiency and appropriateness of audit evidence obtained and of the related documentation in <u>supporting the audit opinion expressed.</u> "

(b)(ii)- Proposed wording changes	"Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements <u>in accordance with the applicable financial reporting framework.</u>
(d)(i)- Proposed wording changes	"Formulate auditor expectation using relevant information on industry, regulatory and other external factors, including <u>(but not limited to) market. ."</u>
(g) – Additional proposed learning outcome	"Identify the relevant and applicable laws and regulations."
(h) -Finance and financial management: Request for clarity	The context for these two learning outcomes is not clear. Does it only relate to those instances where the financial statements may be used to obtain funding and/or to assess the entity's ability to continue as a going concern?
(i)(i) Proposed wording changes	"Evaluate the accounting estimates, including fair value estimates made by management <u>for reasonableness.</u> "
(l) Additional proposed learning outcome	"Allocate staff to the engagement team with the appropriate competence and capabilities."
(o)(i) Proposed wording changes	"Apply the ethical principles of integrity, objectivity, ... and professional behaviour to ethical dilemmas <u>identified</u> in the context of an audit ..."
(o)(ii) Proposed wording changes	"Identify, consider, and evaluate threats to objectivity and independence that can occur during an audit engagement <u>and take appropriate action where necessary.</u> "

We also recommend that the learning outcomes include reference to an engagement partner's responsibility to obtain knowledge of his/her firm's quality control measures for audit engagements and to adhere to these. This may fit well with the competence area "Organizational".

QUESTION 4. DO YOU AGREE THAT LEVELS OF PROFICIENCY FOR THE COMPETENCE AREAS SHOULD NOT BE INCLUDED IN TABLE A?

Yes

QUESTIONS 5. ARE THERE ANY ADDITIONAL EXPLANATORY PARAGRAPHS NEEDED TO BETTER EXPLAIN THE REQUIREMENT OF THE PROPOSED IES 8 EXPOSURE DRAFT (DECEMBER 2013)?

Refer to our comments in the introduction above

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?

Yes

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?

Refer to our comments in the introduction above

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)?

No, with the exception of our comment at question 2.

QUESTION 9. WHAT TOPICS OR SUBJECT AREAS SHOULD IMPLEMENTATION GUIDANCE COVER?

No specific comments on this at this stage.

Please do not hesitate to contact us should you have any further points you wish us to clarify.

Regards

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