IMPLEMENTATION SUPPORT FOR INTERNATIONAL EDUCATION STANDARD (IES 8) PROFESSIONAL COMPETENCE FOR ENGAGEMENT PARTNERS RESPONSIBLE FOR AUDIT OF FINANCIAL STATEMENTS (REVISED)

This Questions & Answers (Q&A) publication has been developed by staff of the International Accounting Education Standards Board (IAESB).

The publication does not amend or override IES 8 (Revised), the text of which alone is authoritative. Reading this Q&A publication is not a substitute for reading IES 8 (Revised). This Q&A publication is not meant to be exhaustive and reference to the IES themselves should always be made.

This publication does not constitute an authoritative or official pronouncement of the IAESB.

Background

IES 8 (Revised) focuses on the professional competence requirement for engagement partners who have responsibility for audits of financial statements. A primary way the accountancy profession protects the public interest is by requiring that engagement partners develop and maintain the necessary skills and training to perform their roles effectively. The public expects that engagement partners are properly trained and can be relied upon to competently perform audits of financial statements throughout their careers.

The Q&As below have been drafted to support the implementation of IES 8 (Revised).
General Q&As

1. **When is the change taking effect?**
2. **Why was IES 8 revised?**
3. **What is different about IES 8 (Revised) from the previous version?**
4. **Who is the subject of IES 8 (Revised)?**
5. **To whom is IES 8 (Revised) addressed?**
6. **Does IES 8 (Revised) apply only to audit engagement partners?**
7. **Why does IES 8 (Revised) highlight the importance of professional competence within the requirements?**
8. **How does IES 8 (Revised) compare to the other IES?**
9. **What is the relationship between practical experience and CPD?**
10. **Why does IES 8 (Revised) not specify proficiency levels for competence areas?**

Member Body Q&As

11. **What should be done by those supporting implementation of IES 8 within an IFAC member body?**
12. **How might IFAC member bodies seek evidence that engagement partners have demonstrated the achievement of the learning outcomes?**
13. **For IFAC member bodies involved in the accreditation or provision of CPD, what activities could be conducted as part of implementation of IES 8 (Revised)?**
14. **How does an output-based approach differ from an input-based approach?**
15. **What are some examples of how a member body can apply a learning outcomes approach while using an input-based or combination approach to measuring CPD?**
16. **How can IFAC member bodies measure the achievement of learning outcomes using an output-based approach?**

Engagement Partner Q&As

17. **Who is the engagement partner?**
18. **Over what time period would an engagement partner need to develop the learning outcomes in Table A of IES 8 (Revised)?**
19. **Over what time period would an engagement partner need to maintain the learning outcomes in Table A of IES 8 (Revised)?**
20. **Do engagement partners need CPD every year to fulfil each learning outcome?**
21. **Does an engagement partner who has achieved good audit quality inspection findings and received favorable performance review feedback still need to complete at least 20 hours (or equivalent learning units) of CPD each year in situations where his or her firm/member body applies an input-based approach to the CPD?**

22. **How does IES 8 (Revised) relate to the responsibilities of an engagement partner and the quality control of audit firms described in the International Standard on Auditing (ISA) 220 and ISQC 1, respectively?**

**Audit Firm Q&As**

23. **How will IES 8 (Revised) affect my audit firm?**

24. **How might my audit firm’s processes and documentation around performance reviews be impacted?**

25. **Does IES 8 (Revised) establish entry requirements for admission to partnership at audit firms?**

26. **We have an input-based approach to CPD, does this mean my member body/firm has to change the way in which it documents and monitors completion of CPD?**

27. **Does IES 8 (Revised) create the need for additional CPD for sole practitioners or those engagement partners operating in small and medium practices (SMPs)?**
General Q&As

1. When is the change taking effect?

IES 8 (Revised) becomes effective on July 1, 2016 at which point the extant IES 8 will be withdrawn.

Back
2. **Why was IES 8 revised?**

The IAESB undertook a project to improve the clarity of its suite of IES. As part of this project IES 8 was revised to provide a closer link between the competence and capability requirements set out in International Standards on Auditing (ISA) 220 and International Standard on Quality Control (ISQC) 1 and to address issues regarding the use of the term ‘audit professional’, which was not commonly within every audit engagement. IES 8 was also revised in order to recognize that learning and development occurs throughout an individual’s career and development and maintenance of competence required for performing the roles of an engagement partner occurs over time. While a premise of IES 8 (Revised) is that engagement partners have already developed the professional competence to assume that role, IES 8 (Revised) acknowledges that engagement partners operate in an environment of significant change which is why this particular IES requires engagement partners to develop and maintain professional competence throughout their careers.
3. What is different about IES 8 (Revised) from the previous version?

IES 8 (Revised) is based on a learning outcomes approach, and is consistent with IES 2, 3, and 4, the IES which establish learning outcomes for Initial Professional Development (IPD). IES 2, 3, and 4 form the basis on which the Continuing Professional Development (CPD) standards (IES 7 and IES 8) are built. IES 8 (Revised) adopts a learning outcomes approach to demonstrate the professional competence required of a professional accountant performing the role of an engagement partner responsible for audits of financial statements.

IES 8 (Revised) is written for those professional accountants who are already performing the role of engagement partner. IES 8 (Revised) does not prescribe requirements about licensing, highlight the need for an undergraduate degree or set the minimum requirements in order to take on a particular role as required in the extant IES 8. Additionally, the extant IES 8 uses the term ‘audit professional’, which was a role that was open to different interpretations. As a result, IES 8 (Revised) focuses on the engagement partner, which is a role common to every audit engagement. Furthermore, transnational audits and specific industry audits are no longer covered by IES 8 (Revised).
4. Who is the subject of IES 8 (Revised)?

The engagement partner responsible for audits of financial statements, as defined by the International Auditing and Assurance Standard Board® (IAASB®), is the subject of IES 8 (Revised). During the development of IES 8 (Revised), it became clear that this is a role that is common to every audit engagement and, from a public interest perspective, the engagement partner has ultimate responsibility for the performance of the audit.

Under IES 7, IFAC member bodies are required to facilitate access to CPD for professional accountants, and promote a commitment to CPD and the maintenance of professional competence among professional accountants. Even though IES 8 (Revised) is addressed to IFAC member bodies, it recognizes that they share responsibility together with engagement partners, audit firms, and regulators as part of the system of quality control for engagement teams performing audits of financial statements. IES 8 (Revised) also acknowledges the personal responsibility of an engagement partner to develop and maintain their own professional competence by undertaking relevant CPD activities, which includes practical experience.
5. To whom is IES 8 (Revised) addressed?

IES 8 (Revised) is addressed to IFAC member bodies but recognizes their shared responsibility together with engagement partners, audit firms, and regulators as part of the system of quality control for engagement teams performing audits of financial statements, and the reality of different jurisdictions across the globe. Addressing IES 8 (Revised) to IFAC member bodies also supports the Statement of Membership Obligations (SMO) 1 aim of providing assistance to develop guidelines for comprehensive CPD programs.

It is the responsibility of the professional accountant performing the role of an engagement partner to develop and maintain professional competence by undertaking relevant CPD activities, which include practical experience.

Back

---

1 IFAC Statement of Membership Obligation 1, Quality Assurance
6. Does IES 8 (Revised) apply only to audit engagement partners?

Yes. IES 8 (Revised) requires professional accountants performing the role of an engagement partner to develop and maintain professional competence that is demonstrated by the achievement of learning outcomes specified in the IES. However, IFAC member bodies or other stakeholders may also apply the requirements of IES 8 (Revised) to professional accountants performing an equivalent role to that of an engagement partner on audits of other historical financial information in compliance with the ISAs or other types of engagements providing assurance and related services.

Additionally, many professional accountants who go on to perform the role of engagement partner have achieved many of the learning outcomes prior to becoming an engagement partner, but need to maintain the professional competence in IES 8 (Revised) to provide a quality audit. A professional accountant aspiring to be an engagement partner may serve for several years on engagement teams, and progress through supervisory and managerial roles under the supervision of an engagement partner. This concept recognizes the progression of professional competence and the importance of lifelong learning throughout the career of a professional accountant.
7. Why does IES 8 (Revised) highlight the importance of professional competence within the requirements?

The IAESB defines professional competence as the ability to perform a role to a defined standard. IES 8 (Revised) recognizes that only those professional accountants who develop and maintain the professional competence specified in IES 8 (Revised) will be able to deal with the complex situations that engagement partners face during their careers. By focusing on professional competence, IES 8 (Revised) helps to:

- Contribute to audit quality;
- Promote the credibility of the audit profession; and
- Protect the public interest.
8. How does IES 8 (Revised) compare to the other IES?

IES 8 and the other IES emphasize a learning outcomes approach and identify individual learning outcomes and competence areas. In comparing the other IES to IES 8 (Revised), the other IES specify: practical experience requirements, assessment requirements, or proficiency levels for the competence areas. IES 8 (Revised) does not specify these items because it expects that professional accountants, acting in the role of engagement partner, have already developed the required professional competence for their role.

Back
9. What is the relationship between practical experience and CPD?

CPD includes practical experience. Practical experience is workplace and other activities that are relevant to developing competence. IPD practical experience requirements are described in IES 5 which may be helpful when considering how to use practical experience to satisfy CPD requirements. Practical experience in IES 5 has to be:

- Of the necessary depth and breadth to develop and maintain professional competence; and
- Be measurable and verifiable.

For example, through practical experience, an engagement partner may develop an understanding of an industry an entity is operating in. This knowledge obtained through practical experience could be used to assess the business risks faced by the entity and to help inform audit risk assessments.

Back
10. Why does IES 8 (Revised) not specify proficiency levels for competence areas?

IES 8 (Revised) does not specify proficiency levels for the competence areas because it is expected that professional accountants, acting in the role of engagement partner, have already developed the required professional competence to perform the role of an engagement partner. This, combined with an ongoing ‘develop and maintain’ approach to engagement partner competence areas, contrasts with the approach adopted in IES 2, 3 and 4 which specify professional competence required of an aspiring professional accountant at a specific point in time (i.e., the end of IPD).
Member Body Q&As

11. What should be done by those supporting implementation of IES 8 within an IFAC member body?

In addition to reading IES 8 (Revised), activities for implementation include, but are not limited to:

- Reading IAESB guidance;
- Opening a dialogue with regulators and audit firms;
- Learning from other IFAC member bodies’ experiences;
- Aligning policies and content of CPD programs to focus on a learning outcomes approach;
- Communicating changes to members performing the role of engagement partner;
- Obtaining governance approval for proposed changes to policies or the content of CPD programs;
- Creating an implementation timeline.

Back
12. How might IFAC member bodies seek evidence that engagement partners have demonstrated the achievement of the learning outcomes?

Evidence that engagement partners have undertaken CPD to develop and maintain the professional competence required for their role as an engagement partner can be obtained in various ways (subject to any constraints that obligations to maintain confidentiality may impose). Examples include:

- Reviewing CPD records;
- Performing quality checks on the relevance of CPD completed;
- Internal or external quality control reviews;
- Reviewing personal development areas and learning completed as part of performance reviews; and
- Verifying that partners have performed a self-assessment of the practical experience they have obtained.

Back
13. For IFAC member bodies involved in the accreditation or provision of CPD, what activities could be conducted as part of implementation of IES 8 (Revised)?

IFAC member bodies can:

- Review programs they are providing or accrediting to consider the extent to which they cover the learning outcomes in Table A and the learning outcomes approach outlined in IES 8 (Revised).
- Consider revision of the content of any planned CPD programs so engagement partners can continue to have the opportunity to participate in appropriate CPD activities.
14. How does an output-based approach differ from an input-based approach?

An output-based approach is one that requires the demonstration of professional competence through the achievement of learning outcomes. In contrast, an input-based approach establishes an amount of learning activity required for professional accountants to develop and maintain professional competence.

For example – the recent changes made to Audit Reporting by the IAASB provide an example of engagement partners having to:

- Develop technical competence in respect of the new requirements for reporting on Key Audit Matters; and
- Maintain technical competence by updating their previously developed knowledge in respect of audit report formats.

If this learning was undertaken as part of CPD, then it might be achieved using:

- An input-based approach – engagement partners attend a learning event which has established the amount of learning activity that is required to be able to develop and maintain these skills (for instance 2-3 hours of instruction).
- An output-based approach – after completing a learning activity which is based on a series of learning outcomes, engagement partners are able to demonstrate that they have developed and maintained these skills (for instance by preparing a new audit report in a real client situation).
15. What are some examples of how a member body can apply a learning outcomes approach while using an input-based or combination approach to measuring CPD?

Examples of how a member body can apply a learning outcomes approach while using an input-based or combination approach may include using:

- Individual self-assessment to reflect on whether an engagement partner continues to develop and maintain the professional competence to perform the role of an engagement partner.
- Competency frameworks and mapping the learning objectives of IPD and CPD programs to these competency frameworks. This mapping can be used to demonstrate the learning outcomes that are intended to be achieved by completion of the learning activities.
- Assessment activities to assess the achievement of learning outcomes in Table A of IES 8 (Revised).
- A performance review process to demonstrate that input on an individual's performance, their inspection results performed under ISQC1 and professional development discussions demonstrate the development and maintenance of the learning outcomes in Table A of IES 8 (Revised).
- An individual's learning plan templates to reflect on whether an engagement partner planned to achieve the desired learning outcomes.
16. How can IFAC member bodies measure the achievement of learning outcomes using an output-based approach?

Evidence used by member bodies for an output-based approach must be verifiable and confirm that the outcome has been achieved or the competence has been developed and maintained. Examples of evidence include:

- Assessment of written material by a competent source;
- Periodic examination of competence;
- Consideration of a range of potential audit quality indicators (such as the results of external inspections or internal monitoring reviews performed under ISQC1); and
- Performance review processes.

Back
Engagement Partner Q&As

17. Who is the engagement partner?

As defined by the IAASB and outlined in IES 8 (Revised), Paragraph A1, the engagement partner is the partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor’s report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal, or regulatory body.
18. Over what time period would an engagement partner need to develop the learning outcomes in Table A of IES 8 (Revised)?

IES 8 (Revised) is written on the basis that engagement partners are presumed to have already developed the required professional competence prior to assuming the role as an engagement partner – this may mean that the ‘develop’ concept of IES 8 (Revised) was first achieved at an earlier stage of their career, perhaps when operating at an experienced audit senior or manager level. However, as indicated in A18 of IES 8 (Revised) engagement partners operate in an environment of significant change which may give rise to new learning outcomes or competence areas which will require engagement partners to further develop professional competence throughout their career as part of lifelong learning.

Back
19. Over what time period would an engagement partner need to maintain the learning outcomes in Table A of IES 8 (Revised)?

Engagement partners operate in an environment of significant change and are therefore required by IES 8 (Revised) to develop and maintain professional competence throughout their careers. As a consequence, many of the learning outcomes in IES 8 (Revised) focus on maintaining personal competence. Those learning outcomes that are more susceptible to regulatory changes (for example, financial reporting and audit learning outcomes), are likely to require more regular learning in order to preserve the professional competence of engagement partners.
20. Do engagement partners need CPD every year to fulfil each learning outcome?

No. The Table A learning outcomes when combined with the IES 7 concepts of develop and maintain indicate that CPD should be targeted to those aspects of the engagement partner role which are either new (i.e., the 'develop' part of CPD) or in need of update (i.e., the 'maintain' part of CPD). These concepts of develop and maintain are likely to lead to different timeframes which is why an annual focus on all learning outcomes is unlikely to be appropriate.
Does an engagement partner who has achieved good audit quality inspection findings and received favorable performance review feedback still need to complete at least 20 hours (or equivalent learning units) of CPD each year in situations where his or her firm/member body applies an input-based approach to the CPD?

Even though input-based approaches are often used as a proxy for measuring development of competence due to their ease of measurement and verification, the use of an output-based approach provides for a more direct link with CPD in order to measure the achievement of learning outcomes under IES 8 (Revised). Input-based approaches do not always measure the learning outcomes or competence developed. As outlined in IES 7, IFAC member bodies that have implemented an input-based approach shall require each professional accountant to:

(a) Complete at least 120 hours (or equivalent learning units) of relevant professional development activity in each rolling three-year period, of which 60 hours (or equivalent learning units) shall be verifiable,

(b) Complete at least 20 hours (or equivalent learning units) of relevant professional development activity in each year; and

(c) Measure learning activities to meet the above requirements.

However, when using an input-based approach some learning activities are measurable, but not verifiable and would not form part of the 60 hours of verifiable CPD in the three-year rolling period.
How does IES 8 (Revised) relate to the responsibilities of an engagement partner and the quality control of audit firms described in the International Standard on Auditing (ISA) 220 and ISQC 1, respectively?

One of the reasons for revising IES 8 was to provide a closer link between the competence and capability requirements set out in ISA 220 and ISQC 1 with the lifelong learning needs of engagement partners.

- ISA 220 requires engagement partners satisfy themselves that the engagement team, and any auditor’s experts who are not part of the team, collectively have the appropriate competence and capabilities to perform the audit and issue an appropriate audit report.

- ISQC 1 places a responsibility on firms to put in place policies and procedures that are designed to provide assurance that the firm has sufficient personnel with the competence, capabilities and commitment to ethical principles necessary to perform the audit and issue an appropriate audit report.

IES 8 (Revised) recognizes the unique role that an engagement partner performs in the context of ISA 220 and ISQC1 and outlines how the professional competence demonstrated by achievement of the learning outcomes can provide engagement partners with the necessary competence, and capabilities to lead their engagement teams. IES 8 (Revised) is also based on the concept that professional accountants progress through various levels of responsibility as they prepare for, and ultimately assume, the role of an engagement partner. Additionally, the engagement partner operating within an engagement team also supports the focus on the collective competence and capabilities which are required in ISA 220 and ISQC1.
23. How will IES 8 (Revised) affect my audit firm?

The extent of change will vary depending on:

- Your audit firm’s operating jurisdiction;
- The nature of the engagement partners role; and
- The balance of responsibilities between your audit firm, engagement partners, IFAC member bodies and regulators in your audit firm’s jurisdiction regarding the recording and monitoring of CPD.

The extent of any changes that will be required for the adoption of IES 8 (Revised) depends on how your audit firm’s existing policies and procedures ensure compliance under ISQC 1 regarding the capabilities and competence of those working on audits. If audit firms lack such policies and procedures, then the changes to adopt IES 8 (Revised) may be more extensive.

Secondly, audit firms may need to consider how IFAC member bodies or regulators will perform their reviews of CPD; there may be changes in the nature, extent and timing of IFAC member body or regulator reviews, which may also include the use of alternative sources of CPD evidence.

The move to a focus on a learning outcomes approach and the development and maintenance of professional competence may result in an increased focus by audit firms, IFAC member bodies or regulators on the specific nature of an engagement partner’s role and consideration of CPD (planned or completed) in a more practical context in order to demonstrate the achievement of learning outcomes.

Back
24. How might my audit firm’s processes and documentation around performance reviews be impacted?

IES 8 (Revised) prescribes that ‘IFAC member bodies shall require professional accountants performing the role of an engagement partner to undertake CPD that develops and maintains professional competence’. Professional competence is demonstrated by the achievement of learning outcomes.

The impact on an audit firm will depend on how current performance reviews operate and how factors such as job performance, audit quality inspection findings, and feedback from staff and peers is captured by the firm’s performance management system. Since IES 8 (Revised) is written from an outcomes perspective, some firms’ performance management systems may need to be updated to measure the achievement of the learning outcomes by an engagement partner. In other cases, audit firms that currently make an explicit link between professional competence, practical experience and the CPD undertaken by individual engagement partners may need to open a dialogue with their IFAC Member Body (or regulator) to establish the documentation and processes that inspectors or regulators are likely to want to review following implementation of the revised IES.
IES 8 (Revised) does not establish entry requirements for admission to partnership at audit firms or other audit engagement partner licensing bodies. However, a premise of IES 8 (Revised) is that an engagement partner has already developed the professional competence to perform the role of engagement partner effectively before becoming an engagement partner. Engagement partners having the necessary skills and training to perform their roles effectively and maintaining and further developing professional competence throughout their careers as part of CPD is a primary way the accountancy profession protects the public interest.
26. We have an input-based approach to CPD, does this mean my member body/firm has to change the way in which it documents and monitors completion of CPD?

IES 7 requires IFAC member bodies to establish an approach to measure CPD activities from output-based, input-based or a combination of these activities. CPD activities, therefore, can still be documented and monitored using an input-based approach. However, IES 8 (Revised) is still applicable even where CPD activities are documented and measured using input-based activities.

IES 8 (Revised) is based on a learning outcomes approach. Engagement partners are required to develop and maintain professional competence as demonstrated by the achievement of specified learning outcomes. Therefore, even though IES 7 allows for an input-based approach to CPD, a systematic process must be implemented to monitor whether professional accountants meet the CPD requirements. For example, a training course with learning outcomes that can be examined, tested or applied in a practical context, if linked to the learning outcomes in IES 8 (Revised), would satisfy the CPD requirements because this would demonstrate the achievement of learning outcomes.

The IAESB believes that the investment in implementing, maintaining and continuously improving a learning outcomes approach will deliver long term and sustainable benefits to the public interest, prepare professional accountants for successful careers, and enhance the success of program providers. This perspective was recently outlined in our Guiding Principles for Implementing a Learning Outcomes Approach.

Back
27. Does IES 8 (Revised) create the need for additional CPD for sole practitioners or those engagement partners operating in small and medium practices (SMPs)?

It depends on the facts and circumstances. IES 8 (Revised) acknowledges the different circumstances in which engagement partners may operate - one of which might be in a sole practitioner or small and medium practice (SMP) context. IES 8 (Revised) indicates that in these circumstances the ‘...the Engagement Partner may be operating without the support of an engagement team, including those engagement team members with specialized skills’. As a consequence, the Engagement Partner may have direct involvement in the completion of a wider range of audit activities than would otherwise be the case.

The balance between depth of learning outcomes and breadth of the competence area depends on an individual engagement partner’s work environment and the specific role they play as engagement partner on each audit. As a result, IFAC member bodies may include additional competence areas or require engagement partners to achieve additional learning outcomes for sole practitioners or SMPs over and above those contained within IES 8. There could also be other situations besides those engagement partners operating as sole practitioners or in SMPs (e.g., engagement partners working on listed entities or specific industries) where additional competence areas or learning outcomes are required.

Back
This document was prepared by the Staff of the International Accounting Education Standards Board (IAESB).

The IAESB develops education standards, guidance, and information papers on pre-qualification education, training of professional accountants, and continuing professional education and development.

The objective of the IAESB is to serve the public interest by setting high-quality education standards for professional accountants and by facilitating the convergence of international and national education standards.

--------------------

The structures and processes that support the operations of the IAESB are facilitated by the International Federation of Accountants (IFAC).

International Education Standards, Exposure Drafts, Consultation Papers, and other IAESB publications are published by, and copyright of, IFAC.

The IAESB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.


Copyright © December 2015 by the International Federation of Accountants (IFAC). All rights reserved. Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document. Contact permissions@ifac.org.