

## Exposure Draft

August 2012

*Comments due: December 11, 2012*

*Proposed International Education Standard  
(IES) 8*

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# Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised)

**IAESB**

International Accounting  
Education  
Standards Board

This Exposure Draft was developed and approved by 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).

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## REQUEST FOR COMMENTS

This Exposure Draft, *Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised)*, was developed and approved by the International Accounting Education Standards Board (IAESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by December 11, 2012.**

Respondents are asked to submit their comments electronically through the IAESB website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. Although IAESB prefers that comments are submitted via its website, comments can also be sent to David McPeak, IAESB Technical Manager at [davidmcpeak@iaesb.org](mailto:davidmcpeak@iaesb.org).

This publication may be downloaded free of charge from the IAESB website: [www.iaesb.org](http://www.iaesb.org). The approved text is published in the English language.

# EXPLANATORY MEMORANDUM

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## Introduction

This memorandum provides background to, and an explanation of, the proposed International Education Standard (IES) 8, *Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised)*, approved for exposure by the International Accounting Education Standards Board (IAESB) at its June 2012 meeting.

## Background

The extant version of IES 8 was published in July 2006 and became effective on July 1, 2008. The extant IES 8 prescribes the competence requirements for audit professionals, including those working in specific environment and industries.

In 2009 the IAESB completed its revision of the Framework document which sets out the underlying concepts and principles for the IESs. This new Framework document, *Framework for International Education Standards for Professional Accountants* (2009), identifies general education, professional accounting education, practical experience and assessment as components of the learning and development of a professional accountant. Learning and development occurs throughout an individual's career and ensures the development and maintenance of competence required for performing the various roles of professional accountants.

As part of its project to improve the clarity of its standards, the IAESB has undertaken the revision and redrafting of its IESs in accordance with its new clarity drafting conventions. At its October 2009 meeting the IAESB agreed that all eight standards should be revised with the aim of:

- improving clarity;
- ensuring consistency with concepts of the revised Framework document; and
- clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the Standards by IFAC member bodies.

This approach responds to the desire for all IESs to be consistently drafted, and subject to a single statement of their authority and effect. The drafting conventions used by the IAESB in revising IES 8 for exposure, and the authority and obligation attaching to those conventions, are established in the Appendix of the *Framework for International Education Standards for Professional Accountants*, approved by the IAESB in October 2009.

## Effective Date

The current timetable envisages that all IESs will have been revised and redrafted, or redrafted only, by the 3<sup>rd</sup> Quarter of 2013. The IAESB is expecting to finalize IES 8 in Q3 of 2013 and the Board has provisionally agreed that IES 8 will be effective for implementation for periods beginning on or after July 1<sup>st</sup>, 2015. This date will depend on satisfactory progress being made, and will be amended to a later date should that prove necessary. The IAESB believes that it is in the interest of member bodies and other interested stakeholders who use the IESs that the IESs be released as soon as they are approved so as to facilitate their implementation.

## Significant Issues

This section describes some of the issues and resulting decisions that the IAESB has taken in revising and redrafting of IES 8, and are summarized under the following headings.

## **IES 8, Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised).**

### *Proposed Title of IES 8*

The title of the extant IES 8, Competence Requirements for Audit Professionals, has been amended in the proposed IES 8 to, Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised). The proposed amendments to the title reflect the IAESB's views that the term, professional development, represents more accurately the progression of competence development which is needed for those aspiring to the role of the engagement partner within the context of a team. This also enables coverage of requirements for continuing professional development of serving engagement partners and those engagement partners serving on audits involving more complex (a) industries, (b) operations (including international ones), or (c) reporting requirements. The title identifies the engagement partner because it is the one common role within the engagement team irrespective of the nature, complexity, size, or type of audit. The engagement partner is the person held responsible by the regulators and other stakeholders within the profession for the quality of an audit. The title also assists in clarifying the scope of this IES by covering engagement partners responsible for audits of financial statements so as to differentiate between other roles that a professional accountant plays in relation to other assurance and related services. Although this IES applies to audits of financial statements, the prescribed learning outcomes may also be helpful when performing audits on other historical financial information in compliance with the International Standards of Auditing or other types of assurance and related services.

### *Outcomes Approach*

In the proposed IES 8 (Revised) the IAESB has adopted an outcomes approach to demonstrate professional competence required of a newly appointed engagement partner, rather than prescribing requirements on qualification as a professional accountant and the need of an undergraduate degree as indicated in the extant IES 8. Not only is it expected that the aspiring engagement partner will satisfy the requirements for learning outcomes on technical competence, professional skills, professional values, ethics, and attitudes, and practical experience specified in this IES, but also satisfy the requirements of the IESs to become a professional accountant<sup>1</sup>. Schedule 1 of the proposed IES 8 (Revised) illustrates the relationship between (a) development through experience, (b) applicable IESs, and (c) role progression from aspiring to serving engagement partner.

### *Learning Outcomes*

The IAESB has decided to adopt in the proposed IES 8 (Revised) learning outcomes to demonstrate professional competence, rather than prescribing subject areas for knowledge content, professional skills, and professional values, ethics, and attitudes as indicated in the extant IES 8. The learning outcome approach is consistent with the notion of developing principles-based IESs and with the content and

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<sup>1</sup> The requirements related to performing a role as a professional accountant are included in the IESs on: technical competence; professional skills; professional values; ethics, and attitudes; practical experience; assessment; and continuing professional development. To obtain the most recent information on these requirements the reader is asked to consult: IES 2, [\*Initial Professional Development—Technical Competence \(Revised\)\*](#); IES 3, [\*Initial Professional Development—Professional Skills \(Revised\)\*](#); IES 4, [\*Initial Professional Development—Professional Values, Ethics, and Attitudes\(Revised\)\*](#); IES 5, [\*Initial Professional Development—Practical Experience\(Revised\)\*](#); IES 6, [\*Initial Professional Development—Assessment of Professional Competence \(Revised\)\*](#); and IES 7, [\*Continuing Professional Development \(Revised\)\*](#).

terminology used in the IAESB Framework (2009) document which refers to the development of competence. The requirements of the extant IES 8 on knowledge content, professional skills, and professional values, ethics, and attitudes have been replaced with a requirement in Table A of the proposed IES 8 (Revised) that specifies the learning outcomes and minimum proficiency levels for various competence areas for technical competence, professional skills, and professional values, ethics, and attitudes. The proficiency levels have been described in the Appendix 1 of the proposed IES 8 (Revised) Exposure Draft. This Appendix will also be included in IESs 2, 3, and 4 with the aim of improving consistency when setting proficiency levels for learning outcomes across each of these IESs.

The Explanatory Material section of the proposed IES 8 (Revised) provides a description of Table A and its components (i.e., competence areas, learning outcome, and minimum proficiency levels). The section also explains how learning outcomes and their proficiency levels are to be used by IFAC member bodies. Particular attention has been given to professional skepticism and professional judgment because of their importance to engagement partners in determining an audit strategy and determining the reliability and sufficiency of the audit evidence. The Explanatory Material section also provides guidance on planning effective CPD in the areas of professional skepticism and professional judgment.

#### *Review of Professional Development Programs*

The IAESB has included a new requirement in the proposed IES 8 (Revised) that prescribes IFAC member bodies to regularly review and update their professional development programs that are designed to achieve the learning outcomes. The Board views this requirement as important because of the rapidly changing complex environment within which professional accountants operate.

#### *Assessment*

The IAESB has clarified its requirement on assessment by prescribing IFAC member bodies to establish appropriate assessment activities to assess the achievement of the technical competence, professional skills, and professional values, ethics, and attitudes of aspiring engagement partners. The Explanatory Material section encourages a facilitative approach to assessment of the aspiring engagement partner and provides examples of what appropriate assessment activities are when assessing professional competence. This section also discusses the monitoring of an engagement partner's CPD in terms of integrating it within an external quality assurance program or integrating it into the firm's internal inspection program.

#### *Practical Experience*

The IAESB has also clarified its requirements on practical experience by requiring IFAC member bodies to prescribe the sufficiency of and the environment within which practical experience is obtained by the aspiring engagement partner. IFAC member bodies shall also require that a significant proportion of the practical experience of an individual aspiring to the role of engagement partner be related to the audit of financial statements. The Explanatory Material section explains the sufficiency of and provides examples of appropriate environments within which practical experience is obtained. This section also explains how an input approach can meet the practical experience requirement and provides guidance on how small- and medium- practitioners can address professional development given that they may have fewer resources to organize formal professional development programs.

### *CPD for Those Serving as Engagement Partners*

The IAESB has clarified its CPD requirements by requiring engagement partners and those serving on audits involving more complex industries, operations (including international ones), or reporting requirements, to undertake CPD appropriate to their responsibilities. The Explanatory Material section provides (1) further explanation on what appropriate CPD is, and (2) examples of areas where IFAC member bodies may provide guidance to assist in planning appropriate CPD for those engagement partners assuming responsibility for more complex audits.

## **Guide for Respondents**

### **Request for General Comments**

The IAESB welcomes comments on all matters addressed in this proposed IES 8 (Revised) (See **APPENDIX 1**). Comments are most helpful when they refer to specific paragraphs, include the reason for the comments and, where appropriate, make specific suggestions for any proposed changes to wording to enable the IAESB to fully appreciate the respondent's position. Where a respondent agrees with proposals in the exposure draft (especially those calling for a change in current practice), it will be helpful for the IAESB to be made aware of this view.

### **Request for Specific Comments**

The IAESB is particularly interested in comments on the matters set out below:

During the 2010 Public Consultation on the extant IES 8 many respondents identified the need to focus the revised IES on eliminating confusion surrounding the subject of the IES - the 'audit professional' (those individuals 'who have responsibility or have been delegated responsibility for significant judgments in an audit'). In order to resolve this issue, the IAESB is proposing that the revised IES 8 focuses the requirements on the widely understood and identifiable role of an Engagement partner. The audit professional definition will be removed from the proposed IES 8 (Revised).

**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?**

During the revision process of the proposed IES 8 (Revised), the IAESB has developed a table of learning outcomes (Table A) for a newly appointed engagement partner. These learning outcomes build, where appropriate, on the proposed learning outcomes identified in revised IESs 2, 3 and 4.

**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?**

Appendix 1 of the proposed IES 8 (Revised) Exposure Draft provides a description for each of the four classifications of proficiency to help IFAC member bodies set learning outcomes for professional development programs. Examples of indicative verbs under each level of proficiency are also included to assist those who wish to develop additional learning outcomes. Appendix 1 is common to the proposed IESs 2, 3, and 4, which also focus on learning outcomes relating to all aspects of professional competence.



**Questions 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?**

A lack of clarity in respect of the requirements for audit professionals involved in complex or transnational audits led the IAESB to rework the requirements in this area focusing on CPD requirements for those Engagement partners serving on audits involving more complex (a) industries, (b) operations (including international ones) or (c) reporting requirements.

**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)?**

**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 toward the needs of SMPs?**

**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)?**

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

**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?**

**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 proposed IES 8 (Revised) has also been redrafted according to the guidelines provided in the IAESB Drafting Conventions.

**Question 10: Is the objective to be achieved by a member body, stated in the proposed revised IES 8, 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?<sup>2</sup>**

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<sup>2</sup> The IAESB has identified the following criteria for determining the requirements of a Standard:

- The requirement is necessary to achieve the objective stated in the Standard;
- The requirement is expected to be applicable in virtually all situations to which the Standard is relevant; and
- The objective stated in the Standard is unlikely to have been met by the requirements of other Standards.

In determining the requirements of a Standard, the IAESB will consider whether the requirements are proportionate to the importance of the subject matter of the Standard in relation to its objective.

The criteria, which are intended only to assist the IAESB in appropriately and consistently determining requirements, may be refined as further experience is gained.

**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.**

### **Comments on Other Matters**

*Translations*—Recognizing that many respondents intend to translate the final IESs for adoption in their own environments, the IAESB welcomes comment on potential translation issues noted in reviewing the proposed IES 8 (Revised).

*Developing Nations*—Recognizing that many developing nations have adopted or are in the process of adopting the IESs, the IAESB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in applying the proposed IES 8 (Revised) in a developing nation environment.

*Effective Date*—Recognizing that proposed IES 8 (Revised) is a revision of extant IES 8, the IAESB believes that an appropriate effective date for the IES would be 15-18 months after approval of the final revised IES. The IAESB welcomes comment on whether this would provide a sufficient period to support effective implementation of the final IES 8.

### **Supplement to the Exposure Draft**

To assist respondents in tracking changes, IAESB staff has mapped the material of the extant IES 8 to the proposed IES 8 (Revised).

This staff-prepared mapping document is available on the IAESB website at <http://www.ifac.org/Education/ExposureDrafts.php>. It is for information purposes only and does not form part of the exposure draft.

### **Proposed Conforming Amendments**

#### **IAESB Glossary of Terms**

**Add:**

<b>Aspiring engagement partner</b>	An aspiring professional accountant or professional accountant who is developing their competence consistent with the requirements and expectations of IES 8.
<b>Aspiring professional accountant</b>	An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD
<b>Partner authorization criteria</b>	All those factors, including but not limited to the requirements or auditor licensing regimes and audit firm promotion or appointment processes, which are preconditions for an individual to assume the role of engagement partner on an audit.
<b>Professional skills</b>	The intellectual, personal, interpersonal, communication, and organizational skills that a professional integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.
<b>Professional competence</b>	The ability to perform a role to a defined standard.

**Competence area**

A competence area is a category for which a set of related learning outcomes can be specified.

**Assessment activity**

Assessment activities are defined as those activities designed to assess elements of professional competence

**Technical competence**

Technical competence is the ability to apply professional knowledge to perform a role to a defined standard.

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

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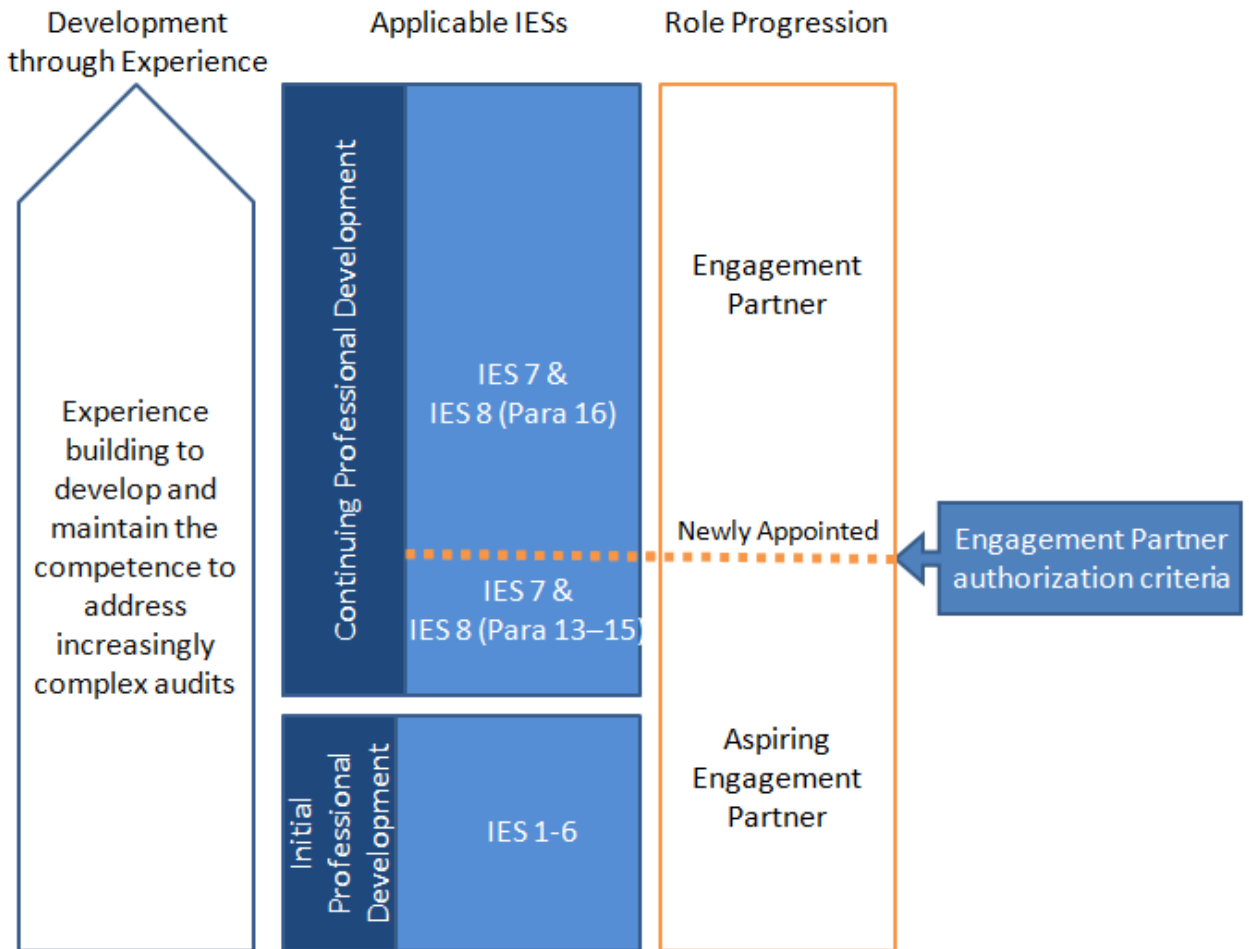
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## Introduction

### Scope of this Standard (Ref: Para A1 to A14)

1. This International Education Standard (IES) prescribes the professional development requirements for aspiring engagement partners and serving engagement partners who provide assurance services for audits of financial statements. This IES does not specify professional development for other roles that a professional accountant plays in relation to other assurance and related services.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for the professional development necessary to become an engagement partner. Other stakeholders may have responsibility for the appointment, or for licensing, of newly appointed engagement partners. As a consequence, this IES may also be helpful to firms, regulators, government authorities, educational organizations, those responsible for licensing regimes, and any other stakeholders who support the professional development of aspiring and serving engagement partners.
3. This IES specifies the learning outcomes that demonstrate the professional competence required to become an engagement partner. Licensing regimes, as well as the internal policies of firms, may set additional partner authorization criteria. These criteria are outside the scope of this IES. Each professional accountant who has demonstrated the professional competence prescribed in this IES may be subject to these additional criteria before assuming the role of an engagement partner (whether newly appointed or not).
4. This IES also specifies professional development requirements for those individuals who are already serving as engagement partners.
5. This IES is based on four assumptions:
  - (a) For those professional accountants who become engagement partners, the professional competence that is developed and assessed during Initial Professional Development (IPD) will be further developed as part of Continuing Professional Development (CPD) to become newly appointed engagement partners and, after this appointment, during their career;
  - (b) The minimum professional competence requirements for newly appointed engagement partners are those considered necessary to address less complex audits;
  - (c) The minimum professional competence requirements to become a newly appointed engagement partner have been framed in the context that aspiring engagement partners operate within an engagement team; and
  - (d) Irrespective of the size or nature of the audited entity and the firm of the engagement partner providing the audit, engagement partners progressively develop their professional competence by undertaking CPD appropriate to the complexity of the audit entities that they serve.
6. Schedule 1 below outlines the relationship between (a) development through experience, (b) applicable IESs, and (c) role progression from aspiring to serving engagement partner. This schedule is for illustrative purposes only and is not a substitute for reading this IES.

**Schedule 1: Relationship between experience, IESs, and the role of an Engagement Partner**



7. The responsibilities of individual professional accountants, employers, business entities, and regulators in enabling, assuming, or assigning the role of an engagement partner, are not within the scope of this IES. Many stakeholders and factors determine partner authorization criteria and whether a professional accountant can assume the role of engagement partner.
8. This IES sets professional development requirements for engagement partners providing assurance services for audits of financial statements. IFAC member bodies or other stakeholders may choose to apply the requirements of this IES to non-audit types of engagements (such as other assurance and related services) that (a) may require similar professional competence, and (b) might be subject to the scope of other pronouncements such as those issued by the International Auditing and Assurance Standards Board (IAASB).
9. This IES specifies the professional development of aspiring engagement partners, while:
  - *IES 2: Initial Professional Development—Technical Competence; IES 3: Initial Professional Development—Professional Skills and IES 4; Initial Professional Development—Professional Values, Ethics, and Attitudes*, specify the learning outcomes that demonstrate technical

competence, professional skills, and professional values, ethics, and attitudes of aspiring professional accountants by the end of IPD;

- *IES 5: Initial Professional Development—Practical Experiences*, specifies the practical experience during IPD;
- *IES 6: Initial Professional Development—Assessment of Professional Competence*, specifies the requirements for the assessing professional competence by the end of IPD; and
- *IES 7: Continuing Professional Development*, specifies CPD for professional accountants.

10. Definitions and explanations of the key terms used in the IESs and the *Framework for International Education Standards for Professional Accountants* are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms*. Additional terms obtained from IAASB pronouncements have also been included in Explanatory Materials.

**Effective Date**

11. This IES is effective from (a date to be agreed by IAESB, not before January 1, 2015).

**Objective** (Ref: Para A15)

12. The objective of an IFAC member body is to provide engagement partners with the professional development required to perform their role.

**Requirements**

**Professional Accountants who are aspiring to be, or are newly appointed to the role of, Engagement Partner** (Ref: Para A16 to A35)

**Expected Professional Competence** (Ref: Para A16 to A26)

13. IFAC member bodies shall prescribe the learning outcomes that demonstrate the professional competence of those individuals newly appointed to the role of engagement partner. These learning outcomes shall, at a minimum, include those listed in Table A.

**Table A—Learning Outcomes for a Newly Appointed Engagement Partner**

Competence Area	Learning Outcomes	Minimum Level of Proficiency
<b>Technical Competence</b>		
(a) Audit of financial statements	(i) Evaluate the risk of engagement continuance or acceptance. (ii) Evaluate the audit risk profile of an engagement in respect of components of audit risk. (iii) Approve or recommend an appropriate audit strategy in relation to the audit objective. (iv) Evaluate whether the applicable auditing standards (e.g., ISAs) and	<b>Advanced</b>

Competence Area	Learning Outcomes	Minimum Level of Proficiency
	<p>relevant laws and regulations have been appropriately applied on the audit engagement.</p> <p>(v) Lead the process of planning, performing, and completing the audit of financial statements.</p> <p>(vi) Identify and assess the risks of material misstatement of the financial statements, including fraud or error, and customize the audit strategy accordingly.</p> <p>(vii) Evaluate the sufficiency and appropriateness of audit evidence obtained.</p> <p>(viii) Identify significant deficiencies or other matters to be communicated.</p> <p>(ix) Prepare an appropriate audit report on the financial statements.</p>	
(b) Financial accounting and reporting	<p>(i) Analyze the presentation and disclosures of financial statements in the context of the relevant financial reporting framework.</p> <p>(ii) Evaluate accounting policies to determine whether an entity has adopted and presented them as required by the relevant financial reporting framework.</p> <p>(iii) Assess the reasonableness of financial statements when compared to the understanding and financial situation of an entity.</p> <p>(iv) Evaluate the accounting treatment and disclosure of transactions, including accounting estimates and the use of fair values.</p>	<b>Advanced</b>
(c) Governance and risk management	<p>(i) Manage communication with those charged with governance of an entity.</p> <p>(ii) Evaluate corporate governance structure, tools, and risk assessment processes to identify risks of material misstatement affecting an entity.</p> <p>(iii) Consider an entity's risk management process and the way it is monitored as</p>	<b>Advanced</b>



Competence Area	Learning Outcomes	Minimum Level of Proficiency
	part of the assessment of risks of material misstatements.	
(d) Internal control	(i) Develop an understanding of the control environment and evaluate the design and implementation of controls, to identify risks of material misstatement. (ii) Evaluate tests of operating effectiveness performed. (iii) Evaluate effects of deficiencies in internal control and communicate deficiencies to those charged with governance of an entity.	<b>Advanced</b>
(e) Business and organizational environment; Economics; Business management	(i) Analyze relevant industry, regulatory, and other external factors (e.g., market, competition, product technology, environmental requirements) that are used to form auditor expectations. (ii) Apply knowledge of the entity (e.g., group, parent, or components) in order to identify and assess the risks of material misstatement.	<b>Intermediate</b>
(f) Taxation	(i) Determine the procedures to be performed in the audit of taxation balances with, if appropriate, the assistance of a tax professional. (ii) Evaluate procedures performed to address the risks of material misstatement in respect of taxation, and assess the effect of the results of procedures on other areas of an audit.	<b>Intermediate</b>
(g) Information technology	(i) Evaluate the information technology (IT) environment to identify controls that relate to the financial statements. Assess the effect of IT controls on the audit strategy, and on the potential risks of material misstatements (ii) Determine which of the identified control deficiencies need to be communicated.	<b>Intermediate</b>
(h) Business laws and regulations	(i) Evaluate the impact on the audit of a potential breach of laws and regulations.	<b>Intermediate</b>

<b>Competence Area</b>	<b>Learning Outcomes</b>	<b>Minimum Level of Proficiency</b>
	(ii) Evaluate security and stock exchange regulations as they apply to the risks of material misstatements and presentation requirements of audit engagements.	
(i) Finance and Financial management	(i) Analyze the various sources of finance available to an audited entity to be able to understand the effect on the entity and plan appropriate testing and review procedures. (ii) Analyze an audited entity cash flow, budgets, and forecasts, as well as working capital requirements to assess going concern. (iii) Analyze the components of the cost of capital to determine their appropriateness in the areas of interest (iv) Analyze the various types of financial instruments used by the audited entity to design the corresponding audit strategy.	<b>Intermediate</b>
(j) Management accounting	(i) Analyze the most common types of cost and management control concepts and tools and determine their effect on an entity. (ii) Evaluate the risk that performance management systems will incentivize employees to override controls.	<b>Intermediate</b>
<b>Professional Skills</b>		
(k) Intellectual	(i) Evaluate the assertions of entity management on a range of audit and accounting matters. (ii) Resolve audit issues using (a) inquiry, abstract, and logical thought, and (b) critical analysis to consider alternatives and analyze outcomes during an audit.	<b>Advanced</b>
(l) Personal	(i) Promote and undertake lifelong learning to safeguard audit quality and, ultimately, the public interest. (ii) Act as a mentor or coach to aspiring engagement partners in respect of	<b>Advanced</b>

Competence Area	Learning Outcomes	Minimum Level of Proficiency
	developing professional competence.	
(m) Interpersonal and communication	<ul style="list-style-type: none"> <li>(i) Present, discuss, and defend views effectively.</li> <li>(ii) Resolve conflict through formal, informal, written, and spoken communication.</li> <li>(iii) Resolve audit issues, consulting when appropriate.</li> <li>(iv) Manage negotiations effectively.</li> </ul>	<b>Advanced</b>
(n) Organizational	<ul style="list-style-type: none"> <li>(i) Manage audit engagements by providing leadership of audit teams and project management.</li> <li>(ii) Initiate and manage changes in audit strategy.</li> </ul>	<b>Advanced</b>
<b>Professional Values, Ethics, and Attitudes</b>		
(o) Commitment to the public interest	(i) Assess the effect on the public interest, the profession, and wider society of a specific course of action in respect of an entity.	<b>Advanced</b>
(p) Professional skepticism and professional judgment	<ul style="list-style-type: none"> <li>(i) Adopt a skeptical mindset in light of the nature of an entity, management, and the evidence obtained during the audit.</li> <li>(ii) Exercise professional judgment in planning and performing an audit of financial statements, including (a) determining and assessing risks of material misstatement, (b) designing and executing audit procedures, and (c) reaching conclusions on which to base an auditor's opinion. Exercise professional judgment in respect of engagement acceptance and continuance, assessment of independence, and using the work of an expert.</li> <li>(iii) Act as a role model to aspiring engagement partners.</li> </ul>	<b>Advanced</b>
(q) Ethical Principles	<ul style="list-style-type: none"> <li>(i) Apply the ethical principles of integrity, objectivity, professional competence, due care, and professional behavior.</li> <li>(ii) Identify, consider and evaluate conflicts</li> </ul>	<b>Advanced</b>

Competence Area	Learning Outcomes	Minimum Level of Proficiency
	<p style="text-align: center;">of interest that can occur during an audit engagement</p> <p>(iii) Implement and maintain appropriate safeguards to ensure confidentiality of the audited entity's information.</p>	

**Review of Professional Development Programs** (Ref: Para A27)

14. IFAC member bodies shall regularly review and update professional development programs that are designed to achieve the learning outcomes as set out in this IES.

**Practical Experience** (Ref: Para A28-A32)

15. IFAC member bodies shall prescribe the sufficiency of, and the environment within which, practical experience is to be obtained by an individual aspiring to the role of an engagement partner.
16. IFAC member bodies shall require that a significant proportion of the practical experience of an individual aspiring to the role of engagement partner be related to the audit of financial statements.

**Assessment** (Ref: Para A33-A35)

17. IFAC member bodies shall establish appropriate assessment activities to assess the achievement of the technical competence, professional skills, and professional values, ethics, and attitudes of aspiring engagement partners.

**CPD for Those Serving as Engagement Partners** (Ref: Para A36-A41)

18. IFAC member bodies shall require that engagement partners undertake CPD appropriate to their responsibilities.
19. IFAC member bodies shall require that engagement partners serving on audits involving more complex (a) industries, (b) operations (including international ones), or (c) reporting requirements undertake CPD in these relevant areas.

**Explanatory Material**

**Scope of this Standard** (Ref: Para. 1-10)

*References to Definitions Contained within IFAC Pronouncements*

- A1. This IES builds on requirements the requirement for the development of professional competence of a professional accountant as outlined in IESs 2 through 5, and focuses on the professional competence required for one particular role a professional accountant might have: an engagement partner responsible for audits of financial statements. As a consequence, in prescribing the requirements, this IES uses terms already defined within the IAASB Glossary of Terms and IAASB pronouncements. Table B shows these terms and the current definitions in the IAASB Glossary of Terms and IAASB pronouncements.

**Table B—IAASB definitions adopted in this IES**

Defined Term	Source of Term	Definition in Use
Engagement Partner*	ISA 220** <i>Quality Control for an Audit of Financial Statements</i> , Paragraph 7 (e)	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.
Financial Statements	ISA 200 <i>Overall Objectives of the independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing</i> Paragraphs 4 and 13 (f)	A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time and of the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial framework, but can also refer to a single financial statement.  The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance.
Firm*	ISA 220, Paragraph 7 (e)	A sole practitioner, partnership or corporation or other entity of professional accountants.
Engagement Team <sup>3</sup>	ISA 220 Paragraph 7 (d)	All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform audit procedures on the engagement. This excludes an auditor's external expert engaged by the firm or a network firm.

<sup>3</sup> The International Ethics Standards Board for Accountants (IESBA) has proposed a revised definition of Engagement Team which is: "All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm. It also excludes individuals within an audit client's internal audit function providing direct assistance on the engagement in accordance with ISA 610, *Using the Work of Internal Auditors*." The revised term will be incorporated by way of conforming changes within IES 8 when this IESBA project has been approved as conforming to due process.

Professional Judgment	ISA 200 Paragraph 13 (k)	The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.
Professional Skepticism	IAASB Glossary of Terms <sup>4</sup>	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
Auditor's Expert	ISA 620 Paragraph 6 (a)	An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.
<p>*where relevant, should be read as also referring to their public sector equivalents.</p> <p>** International Standards on Auditing (ISAs)</p> <p>The ISA definitions detailed above have been published by the International Auditing and Accounting Standards Board (IAASB)—2012 IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.</p>		

*Focus on Engagement Partner*

A2. This IES focuses on the role of an engagement partner because it is the one common role within the engagement team irrespective of the nature, complexity, size, or type of audit. Satisfactory attainment of the requirements of this IES demonstrates the professional competence required to first assume responsibility as an engagement partner, and to also meet other authoritative requirements to practice as an auditor, as described below. The role of engagement partner is (a) clearly defined by ISAs, (b) easily understandable by firms and IFAC member bodies, and (c) publicly visible. The engagement partner is the person held responsible by the regulators and other stakeholders within the profession for the quality of an audit.

*Progressive Nature of Professional Competence*

- A3. Professional competence is the ability to perform a role to a defined standard. It consists of technical competence, professional skills, and professional values, ethics and attitudes.
- A4. The aspiring engagement partner demonstrates professional competence through the integration of technical competence with professional skills, and professional values, ethics and attitudes.

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<sup>4</sup> *Glossary of Terms, IAASB Handbook Of International Quality Control, Auditing, Review, Other Assurance, And Related Services Pronouncements – 2012 Edition.*

- A5. Only those professional accountants with a wide range of technical competence and professional skills will be able to deal with the complex situations that engagement partners may face during their careers. A professional accountant aspiring to be an engagement partner will usually serve for several years on engagement teams, and may progress through supervisory and managerial roles under the supervision of a serving engagement partner. These roles may be performed before, during, or after meeting requirements in paragraphs 13–17 of this IES. This progression through increasing levels of responsibility is the usual path by which a professional accountant prepares to assume the role of an engagement partner. Those serving as engagement partners continue to develop and enhance their professional competence through leading or serving on audit engagements, and through other professional development.
- A6. This IES does, however, recognize that there may be situations in which engagement partners operate within small- or medium-sized practices (SMPs), and may not progress through increasing levels of responsibility. In jurisdictions where SMPs are more common, the IFAC member body may consider how to set the professional competence requirements for newly appointed and serving engagement partners.

#### *Partner Authorization Criteria*

- A7. Appropriate professional development is critical for assuming the role of engagement partner, but the following factors, independent of professional development, also determine whether the role of engagement partner can be or has been assumed:

(a) Diversity of licensing regimes

In many jurisdictions, legislation, regulation, or a regulator (referred to collectively as a “licensing regime”) sets or enforces the requirements as to who may assume the role of an engagement partner. Licensing regimes vary widely in their requirements. Licensing is often not within the authority of the IFAC member body, but IFAC member bodies, and other stakeholders involved, may use their best endeavors to influence the licensing regime so that it can meet the professional competence requirements set out in this IES.

#### Role of firms

The firm, which by definition includes sole practitioners, determines who can sign an audit opinion as a legal representative of the firm. Most firms operate in a partnership structure, and the partners in the partnership decide who in that firm can assume the role of engagement partner. A professional accountant who has satisfied the requirements of this IES, and who has met the requirements of the applicable licensing regime may, however, not be selected as an engagement partner in a firm. Further, individuals who meet the requirements of this IES may establish their own practice, which might include audit engagements, subject to the requirements of the applicable licensing regime. In such cases, individuals assume the role of engagement partner of their own volition by choosing to practice as sole practitioners. These matters are usually not within the control or authority of an IFAC member body.

- A8. Accordingly, a professional accountant may meet the requirements of this IES, possibly for several years, before assuming the role of an engagement partner. Most professional accountants may never serve as engagement partners, depending on a range of factors, which may include:
- The prevailing legislative or regulatory environment; or

- Their career choices and progression.
- A9. As explained in paragraph 5(d), a newly appointed engagement partner may have already developed the appropriate professional competence and corresponding levels of proficiency in order to lead more complex audits. Factors that may indicate this include:
- The rate of development of an individual's professional competence within audit engagement teams;
  - Undertaking appropriate CPD; and
  - Practical experience gained on more complex audits.

#### *Engagement Partners, Audit Teams, and Sole Practitioners*

- A10. This IES assumes that an engagement partner most commonly works with an engagement team that he or she oversees as required by ISAs.<sup>5</sup> This engagement team can comprise individuals who perform less complex tasks, as well as specialists who will address some specific areas of the audit that require particular expertise (internal technical departments, valuation specialists, actuaries, IT professionals, etc.) The expected minimum learning outcomes described in paragraph 13, Table A have been defined in this context.
- A11. There are situations in which the engagement partner operates as a sole practitioner. In these situations, this may mean that the engagement partner may be operating without the support of an engagement team, including those engagement team members with specialist skills. As a consequence, the engagement partner may undertake a much wider range of tasks in performing the audit than would otherwise be the case. Irrespective of the size or nature of the audited entity, and the firm of the engagement partner providing the audit, this IES indicates that engagement partners continue to undertake CPD appropriate to the complexity of the audits in which they serve as engagement partners.

#### *Responsibilities of IFAC Member bodies*

- A12. Determining who is an engagement partner involves many factors. The responsibility of the IFAC member body is primarily focused on:
- The prescription of the learning outcomes, in accordance with the requirements in paragraph 13;
  - Appropriate CPD to help aspiring and newly appointed engagement partners maintain and, if necessary, further develop their professional competence; and
  - The assessment activities required in paragraph 17.
- A13. IFAC Member bodies may find that the detailed articulation of some learning outcomes to be developed by and assessed in aspiring engagement partners involves choosing a notional practice environment, for example, an audit firm environment with reliance on audit engagement team members and access to experts. IFAC member bodies should consider the best approach in light of:
- The prevalent practice environments of their members;

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<sup>5</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, paragraph 15



- The potential inefficiency of trying to over-engineer processes; and
- Consideration of how to best serve and protect the public interest.

#### *Audit of Financial Statements and Other Assurance Engagements*

A14. This IES is applicable to audits of financial statements. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Although this IES applies to audits of financial statements, the prescribed learning outcomes may also be helpful when performing audits on other historical financial information in compliance with the ISAs or other types of assurance and related services. Similarly, many of the learning outcomes required for an audit of financial statements may be relevant to those engagement partners responsible for assurance engagements relating to nonfinancial statement information, such as environmental or social measures.

#### **Objective** (Ref: Para 12)

A15. Requiring that aspiring and serving engagement partners achieve professional development through appropriate learning outcomes serves several purposes. First, the public interest is protected and the credibility of the audit profession is enhanced when only those who meet the audit profession’s learning outcomes become engagement partners. Second, IFAC member bodies and regulatory authorities have a responsibility to ensure that engagement partners have the learning outcomes expected of them by the public, employers, and clients. Third, engagement partners have a continuing duty to maintain professional competence to ensure that clients, employers, and relevant stakeholders, receive competent professional service.<sup>6</sup>

#### **Professional Accountants Aspiring, or Newly Appointed, to the role of Engagement Partner** (Ref: Para A16-A35)

##### *Developing Learning Outcomes*

A16. There are many different ways to describe and categorize professional competence. Within IES 2: Initial Professional Development—Technical Competence; IES 3: Initial Professional Development—Professional Skills; and IES 4: Initial Professional Development—Professional Values, Ethics, and Attitudes, professional competence is the ability to perform a role of a professional accountant to a defined standard. Professional competence consists of technical competence, professional skills, and professional values, ethics, and attitudes. Each area of professional competence is then further described by a set of learning outcomes in the relevant IES.

A17. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within technical competence include audit and assurance, taxation, and financial accounting and reporting; competence areas within professional skills include intellectual skills and organizational skills; and competence areas within professional values, ethics, and attitudes include ethical principles, professional skepticism, and professional judgment.

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<sup>6</sup> *Professional Code of Conduct, IESBA Handbook of the Code of Ethics for Professional Accountants, – 2012 Edition.*

- A18. Competence areas, learning outcomes and minimum levels of proficiency identified in Table A of this IES build on the professional competence components identified within IPD. As a result, the required learning outcomes may be achieved, in whole or in part, concurrently with the requirements of IPD or subsequently as part of CPD.
- A19. The requirements for technical competence, professional skills, and professional values, ethics, and attitudes are set out in the form of learning outcomes that establish the content and depth of knowledge, understanding, and application required for each specified competence area.
- A20. The learning outcomes are the minimum to be achieved by an individual appointed to the role of an engagement partner. The minimum learning outcomes are those that provide the base to enable professional accountants to develop a specialization such as an audit engagement partner.
- A21. Each learning outcome has been assigned a minimum level of proficiency that aspiring engagement partners are expected to demonstrate during professional development. There are many ways to classify and to describe proficiency levels of learning outcomes. The classification developed by the IAESB is described in Appendix 1.
- A22. IFAC member bodies may prescribe higher levels of proficiency than those required in Table A to better reflect practice requirements and expectations in their jurisdiction. As a consequence, an IFAC member body may choose to increase the minimum level of proficiency for some learning outcomes, and may develop additional learning outcomes that are not specified in Table A. This may occur, for example, when these are demanded by the local licensing regimes. The relative depth and weighting of the learning outcomes specified for any competence area may depend on the needs of individual IFAC member bodies and, in particular, on any requirements placed on them by regulatory authorities.
- A23. IFAC member bodies may establish a comprehensive and integrated program of IPD and CPD that includes the prescribed learning outcomes that are likely to benefit aspiring professional accountants who also aspire to become engagement partners. It is important that the professional development of an aspiring engagement partner includes the full range of learning outcomes, as described in Table A.

*Professional judgment and professional skepticism*

- A24. Audit engagements frequently require engagement partners and their teams to exercise professional judgment. Considering whether accounting standards are appropriately applied by an audit entity, as well as determining an appropriate audit strategy, requires a high level of professional judgment to be exercised by an engagement partner.
- A25. A key aspect of any audit is determining the reliability and sufficiency of the audit evidence gathered to support the conclusions on which the auditor's opinion is based. Applying the appropriate degree of professional skepticism to assess audit evidence gathered as evidence of management's representations is a key professional competence of the engagement partner. Because all organizations are operating in an ever increasingly complex and uncertain globalized economy, developing and applying professional skepticism is an essential professional competence for engagement partners.
- A26. Planning effective CPD in the areas of professional judgment and professional skepticism usually requires due care and may need innovative learning methods in which mentoring, reflection, time, and experience often play a key role.

### *Review of learning outcomes*

A27. The requirement to regularly review and update the prescribed learning outcomes is a reflection of the rapidly changing complex environment within which engagement partners operate.

### *Practical Experience*

A28. By building on the practical experience obtained under the requirements of IES 5, the practical experience prescribed by IFAC member bodies may cover each of the following:

- (a) Sufficiency<sup>7</sup>: balancing depth and breadth, duration (e.g., the time and experience required to achieve learning outcomes such as professional skepticism and professional judgment); and,
- (b) Environment: for example, the exposure to experiences under the guidance of an engagement partner to achieve learning outcomes, such as reviewing the impact on the public interest of a course of action.

A29. *IES 5: Initial Professional Development—Practical Experience*, specifies practical experience requirements during IPD. The principles of IES 5 provide useful guidance for IFAC member bodies and other stakeholders implementing this IES, including the content regarding the role of practical experience supervisors. Practical experience as an aspiring professional accountant obtained during IPD and, within the audit of financial statements, may also count, in whole or in part, as appropriate practical experience under the requirements of this IES.

A30. An IFAC member body choosing an input-based approach for its practical experience requirement might consider a period of at least three years to be sufficient to meet the requirements of this IES. The progressive development of professional competence required of a newly appointed engagement partner (as outlined in Table A) is such that practical experience of less than three years may not be sufficient to develop and demonstrate the professional competence required for the role of an engagement partner.

### *Appropriate Environments for obtaining Practical Experience*

A31. Organizations providing suitable practical experience for opportunities for developing professional competence may include private firms, governmental and other audit organizations. Appropriate environments are ones that:

- (a) Enable professional accountants to develop and demonstrate the prescribed professional competence; and
- (b) Provide experience in aspects of auditing financial statements while under the supervision of a serving engagement partner.

### *Practical Experience: Small- and Medium-Sized Entities*

A32. The professional competence required to serve as an engagement partner of small- and medium-sized entities may vary from those of an engagement partner for large entities. Audits for small- and medium-sized entities are usually provided by smaller firms that may have fewer resources to organize formal professional development programs. However, smaller firms may compensate with

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<sup>7</sup> *IES 6: Initial Professional Development—Assessment of Professional Competence*, defines sufficiency in the context of assessment; in IES 8, the concept of sufficiency is used but is not limited to assessment.

strong mentoring support or other approaches to assist with professional development. IFAC member bodies may directly provide appropriate professional development opportunities and programs for smaller firms. Alternatively, IFAC member bodies may facilitate access to such opportunities and programs through collaboration with larger firms, other audit organizations, other IFAC member bodies, or networks among smaller firms or sole practitioners.

#### *Assessment of Professional Competence*

- A33. IES 6: *Initial Professional Development—Assessment of Professional Competence*, provides useful guidance for the assessment of professional competence required in this IES. IFAC member bodies are encouraged to take a facilitative approach to assessment. For example, if assessment of an individual aspiring to be an engagement partner indicates that further professional development is necessary, then the IFAC member body may provide specific suggestions as to how, where, and when the aspiring engagement partner can access the professional development sufficient to address the shortfall. This facilitative approach might be most useful to professional accountants in smaller firms. A positive result from the assessment required means that a professional accountant has satisfied the professional development requirements of this IES. Actually assuming the role of an engagement partner, however, depends on many other factors.
- A34. Various assessment activities can be used by IFAC member bodies and other stakeholders to assess the professional competence of aspiring engagement partners in relation to technical competence, professional skills, and professional values, ethics, and attitudes. This may include written examinations and workplace assessment.
- A35. The monitoring of an engagement partner's CPD may, in part, be integrated with an external quality assurance program. Such a program may include a review of an engagement partner's CPD over a period of time, for example, a review of the last three years of CPD, to assess the appropriateness of that CPD in relation to the engagements on which that partner served as the engagement partner. In addition, a firm may integrate the monitoring of an engagement partner's CPD into the firm's internal inspection program, the results of which are usually made available to the IFAC member body or to those responsible for an external quality assurance program.

#### **CPD for those Serving as Engagement Partners** (Ref: Para A36-A41)

##### *Audit Professional competence for More Complex Audits*

- A36. Although all professional accountants undertake CPD appropriate to their role as a professional accountant, the requirements outlined in paragraphs 18 and 19 specify that the CPD for serving engagement partners shall be appropriate to the role of an engagement partner. The requirements in paragraphs 13 through 17 only apply to professional accountants aspiring or newly appointed as engagement partners.
- A37. Audit engagements vary in the complexity of accounting and auditing matters, the size of the entity, and in the organizational and operational complexity of the entity whose financial statements are being audited. Engagement teams, which may include the specialist team members, may vary in composition, geographic dispersal, and professional competence. It is critically important that engagement partners assuming responsibility for more complex audits undertake appropriate CPD, including the ability to integrate diverse professional competence and skills within the engagement team.

A38. Audits of entities within some specific industries or financial environments are ordinarily deemed to be more complex. The competence areas, learning outcomes, levels of proficiency and practical experience prescribed in paragraphs 13 to 17 will usually not be sufficient for serving engagement partners on more complex audits. Higher levels of proficiency, such as greater levels of professional judgment or professional skepticism, may also be more important learning outcomes for an engagement partner assuming responsibility for a more complex audit.

*Achieving Learning Outcomes for More Complex audits*

A39. Appropriate CPD to achieve the learning outcomes required to assume the role of engagement partner for more complex audits may include the following types of activities:

- Participating in appropriate learning and development activities, including progressively assuming more responsible roles on engagement teams and mentoring by more experienced engagement partners;
- Consultation with specialists and reflecting on the advice received; and
- Acting on feedback from a firm's system of quality control, or external quality assurance programs conducted by IFAC member bodies or regulators.

A40. IFAC member bodies are encouraged to develop guidance for engagement partners serving more complex audits to assist in planning appropriate CPD. Such guidance may direct serving engagement partners to consider aspects of their more complex engagements, including (a) the nature of the entity, (b) the complexity of managing the engagement, and (c) the accounting and auditing issues likely to be encountered. The following are examples of areas that may be relevant for a serving engagement partner to include in their CPD:

- Specific regulations in respect of the industry (e.g., natural resources or financial services entity audits);
- Corporate governance and listing requirements of public interest entities;
- Oversight of teams conducting audits of entities with international operations and component auditors<sup>8</sup> in several jurisdictions; and
- More complex organizational structures and the interpersonal skills required to navigate them successfully.

A41. If engagement partners do not undertake appropriate CPD in respect of their more complex audit engagements, the IFAC member body may refer the Requirements for the monitoring of CPD as set out in IES 7 *Continuing Professional Development*.

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<sup>8</sup> "Component auditors" as defined in ISA 600, *Special Considerations—Audits Of Group Financial Statements (Including The Work Of Component Auditors)*

**Appendix 1**  
 (Ref: Para A21)

**Classification of Proficiency Levels for Learning Outcomes**

The Classification of Proficiency Levels supports the IAESB’s use of learning outcomes in its publications such as, International Education Standards (IESs) 2, 3, 4, and 8. The classification includes descriptors of four levels of proficiency for learning outcomes. These descriptors will help to set learning outcomes to demonstrate technical competence, professional skills, and professional values, ethics, and attitudes in a variety of professional accounting roles and specializations. Examples of indicative verbs are also included to assist those who wish to develop additional learning outcomes.

In the present suite of IESs none of the learning outcomes are classified at Mastery level, however, this level has been included in the Classification in order to demonstrate the relative positioning of the Foundation through Advanced levels.

<b>Level of Proficiency</b>	<b>Description</b>
Foundation	<p>Learning outcomes focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes relate to work situations that are characterized by low levels of ambiguity, complexity and uncertainty.</p> <p>Indicative verbs used to construct learning outcomes typically include: define, describe, distinguish, explain, identify, illustrate, interpret, list, perform, recognize, solve, state, summarize.</p>
Intermediate	<p>Learning outcomes focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision; and</li> </ul>

<b>Level of Proficiency</b>	<b>Description</b>
	<ul style="list-style-type: none"> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes relate to work situations that are characterized by moderate levels of ambiguity, complexity and uncertainty.</p> <p>In addition to those verbs used at the Foundation level, indicative verbs used to construct learning outcomes typically include: analyze, apply, calculate, classify, compare, consider, prepare, prioritize, produce, select.</p>
Advanced	<p>Learning outcomes focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Anticipating, consulting appropriately and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders</li> </ul> <p>Learning outcomes at the advanced level relate to work situations that are characterized by high levels of ambiguity, complexity and uncertainty.</p> <p>In addition to those verbs used at the Foundation and Intermediate levels, indicative verbs used to construct learning outcomes typically include: act, advise, anticipate, appraise, construct, design, develop, evaluate, integrate, lead, manage, negotiate, plan, recommend.</p>
Mastery	<p>Learning outcomes focus on:</p> <ul style="list-style-type: none"> <li>• Integrating technical competence, professional skills, and professional values, ethics and attitudes to lead complex projects, resolve complex problems and advise internal and external stakeholders;</li> <li>• Acting as a role model within the accounting profession by behaving in accordance with required professional values, ethics and attitude;</li> <li>• Providing thought leadership in areas requiring experience and expertise; and</li> <li>• Communicating with impact to guide and convince internal and external stakeholders at a senior level on vision and strategy of the organization or business.</li> </ul> <p>Learning outcomes at the mastery level relate to situations that are characterized by high levels of ambiguity, complexity and uncertainty.</p> <p>Indicative verbs include all those listed for Foundation, Intermediate and Advanced levels.</p>





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Published by:





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