

**Submitted 7<sup>th</sup> March 2016**

**AAT response to IAESB Consultation:** Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities

**Q1 What enhancements, if any, do you feel should be made to the existing International Education Standards (IESs)?**

- AAT feels that the standards might benefit from a review as an entire suite for clarity and consistency now that the overall approach to standard setting has been determined and each standard is more or less finalised.
- Additionally enhancements could be made to increase the likelihood of adoption by those PAO's who have not yet done so. Enhancements would therefore reflect and satisfy the reason for non-adoption ie increased clarity within the standard or provide implementation guidance and case study examples. However this relies on the reasons for non-adoption being clarified first, rather than any assumptions being made.

**Q2 How can the requirements of IAESB IES 7, Continuing Professional Development (2014) support the learning outcomes approach of the other IESs, including IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)?**

Other than a full revision of the standard to adopt a learning outcomes based approach it will be interesting to see the suggestions of the established task force.

**Q3 What action, if any, should the IAESB take to improve professional competence related to the appropriate exercise of professional scepticism and professional judgement?**

It is unlikely that the importance of both professional scepticism and professional judgement will diminish in the near future. Professional competence should be improved through both awareness and understanding of these concepts. One approach could be to issue an "education" piece which explores both concepts in detail. It could take the form of an expanded guidance note or similar featuring explanations and case studies. The note could outline:

- the concepts
- the importance of the concepts
- how to apply them in response to a situation which could be to modify the approach to the audit or obtain further evidence for example
- the circumstances when professionals may be challenged in meeting the concepts such as working with a longstanding and trusted client, when trying to build a long term engagement and when audit assignments are time pressured
- the culture required in the firm to support the concepts, such as tone at the top, audit supervision and training.

**Q4 What new IESs, if any, do you suggest be developed to address emerging matters relation to the education of aspiring professional accountants and professional accountants?**

There is a difficult balance to strike between creating standards to respond to emerging matters and ensuring the existing standards are sufficiently broad in concept to embrace the same.

The profession will soon experience significant change in the skills and competencies required of both aspiring and professional accountants. The challenges faced by big data and the impact of this on the work of the accountant and auditor cannot be underestimated. This when coupled with the impact of auditing companies which are early adopters of emerging technologies or issues around cloud computing will all need consideration. However AAT is not convinced that new IESs are necessarily required (see comments below in response to question 5).

**Q5 What other activities, if any, do you suggest the IAESB prioritise for the period 2017-2021 (for example, implementation support; guidance, communications, thought leadership publications)?**

The time is right for the IAESB to prioritise supplementary materials that seek to support the implementation of the existing standards. This could include practical examples of good practice and case studies to explore aspects of specific standards. These mechanisms could also be used to respond to new or emerging issues that don't warrant the creation of a new standard. Aspects of this support could be tailored to provide support directly to the smaller accounting firms themselves to create awareness of best practice in the education and training of their employees.

A wider range of communication media could be employed to reach audiences in different ways such as pod or video casts providing commentary on topics.

One mechanism through which the board could raise its external profile could be through the creation of "thought leadership" pieces by experts. These, as with the examples above, could respond to new or emerging issues or provide updates on existing concepts contained within current standards.