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Submitted electronically

Brussels, 4<sup>th</sup> March 2019

Dear Sir,

**Response to IAESB Exposure Draft, *Proposed Revisions to IESs 2, 3, 4, and 8—Information and Communications Technologies and Professional Skepticism***

EFAA appreciates the opportunity to provide our comments to the IAESB® [Proposed Revisions to IESs 2, 3, 4, and 8—Information and Communications Technologies and Professional Skepticism](#), which have been prepared with input from our representative [Salvador Marin Hernandez](#) on the IAESB CAG.

EFAA [believes](#) that new technologies will have immense implications for small- and medium-sized practices (SMPs) We see the future success of the profession in general and in particular for SMPs lies in the ability to attract, retain and develop talent that can best leverage new technologies as well as lead multi-disciplinary teams. This necessitates a strong focus on professional skills, values, ethics, and attitudes.

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to small and medium-sized entities (“SMEs”) both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, tax and business advice) to SMEs. EFAA represents 16 national accounting, auditing and tax advisor organisations with more than 370 000 individual members.

**GENERAL OBSERVATIONS**

We strongly support this project to revise IESs 2, 3, 4, and 8 to better reflect both prevailing and emerging technologies and stakeholder expectations as well as anticipate future changes in technology and expectations. We believe the proposed revisions achieve this. Nevertheless, we do have some comments in response to the specific questions posed in the ED as set out below.

**SPECIFIC COMMENTS**

***Question 1. Do you support the proposed revisions to learning outcomes related to the areas of Information Communications & Technologies (“ICT”) and Professional Skepticism provided in Appendices A, B, C, and D? If not, what changes would you suggest?***

Yes we support the proposed revisions to learning outcomes.

We do, however, have the following suggestions:

## **IES 2**

Objective 6 - we suggest replacing “establish” by “define” since a standard might not be able to establish the desired competence but should in any case define it. Accordingly we suggest the corresponding change in A7.

Paragraph 7(a) – we suggest that “Financial Accounting and Reporting” in this context includes both financial and non-financial information. Consequently, we suggest removing “Financial” and reword (vi) as “Interpret reports that include financial and / or non-financial information”.

Paragraph 7(e) (ii) – in many jurisdictions SMEs, the vast majority of entities, are not required to have an audit and instead opt for another form of assurance such as a limited assurance / review engagement. In addition, we see an increasing need for assurance services in the future. As a consequence, we see a clear need for learning outcomes for both audit and assurance services. We therefore propose to use 7(e) (i) – (iv) and (vi) to describe the learning outcomes for audits by renumbering (vi) to (v). Extant (v) would become (vi) and reword to “Describe the objectives and stages involved in performing an assurance engagement.” A new (vii) would read “Apply relevant Assurance Standards and laws and regulations applicable to assurance engagements for financial and / or non-financial information”.

## **IES 3 / IES 4**

We note the IESBA project relating to the role and mindset of professional accountants. We strongly support the idea that the respective boards work closely together to ensure the revised Code and IESs are consistent.

Our comment above relating to the wording of the objective applies here also.

## **IES 4**

Professional values, ethics, and attitudes are defined in A3 as being the professional behaviour and characteristics that identify professional accountants as members of a profession. In our opinion the values, ethics, and attitudes should reflect the desired behaviour and characteristics rather than the actual situation which might display significant deficiencies.

## **IES 8**

In our opinion this standard should be scoped more widely than audit, targeted at partners responsible for assurance engagements or, wider still, professional service engagements. If this is within the remit of the project then we suggest the IES be titled ‘Professional Competence for Partners Responsible for Assurance Engagements’ or ‘Professional Competence for Partners Responsible for Professional Service Engagements’ and the IES include correspondingly more generic material to reflect this revised scope and, if necessary, more specific material for audit engagements.

***Question 2. Are there additional ICT and professional skepticism learning outcomes that you would expect from aspiring and professional accountants (See Appendix E)?***

No, we do not presently expect any additional learning outcomes.

***Question 3. Do you support the new definitions of Information and Communications Technologies, Intellectual Agility, and Professional Judgment added to the IAESB Glossary of Terms? If not, what changes would you suggest?***

Yes, we support the new definitions.

As indicated above we note the IESBA project relating to the role and mindset of professional accountants and remind the respective boards to work closely together to ensure the revised Code and IESs are consistent.

***Question 4. Are there any terms within the new and revised learning outcomes of IESs 2, 3, 4, and 8, which require further clarification (See Appendix E)? If so, please explain the nature of the changes?***

No, there are no terms requiring further clarification.

**CONCLUDING COMMENTS**

We trust that the above is clear, but should you have any questions on our comments, please do not hesitate to contact me.

Yours faithfully,

Bodo Richardt  
President

Paul Thompson  
Director