



National Association of State Boards of Accountancy

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June 3, 2010

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario, Canada M5V 3H2

Via Email: 3dcomments@ifac.org

Re: Request for Comments on “A Consultation Paper on the Revision of International Education Standard 8: Competence Requirements for Audit Professionals”

Dear International Accounting Education Standards Board:

We appreciate the opportunity to offer comments to the International Accounting Education Standards Board (“IAESB”) on a Consultation Paper on the Revision of International Education Standard 8: Competence Requirements for Audit Professionals (“Consultation Paper”). The National Association of State Boards of Accountancy’s (“NASBA’s”) primary goal is to increase the effectiveness of U.S. State Boards of Accountancy. In furtherance of that goal, we offer the following comments on the Consultation Paper:

1. NASBA believes that a principles-based standard for defining competence for individuals performing engagements related to historical financial information is the appropriate manner in which the IAESB should approach the development of standards for competence of audit professionals. Therefore, expansion of the standard to include audit professionals for any attest and assurance engagement is appropriate.

The expansion of the term “audit professional” to all attest and assurance engagements would not have a negative impact on the “audit professionals” regulated by the Accountancy Boards, which are members of NASBA.

NASBA is using the term “attest engagement” to be any engagement where independence is required (audits and reviews) or is not required provided disclosure is made (compilations). NASBA is using the term “assurance engagement” to be any engagement where an audit professional provides assurance based on the procedures performed (reviews and audits).

2. NASBA also believes that any principles-based standard for defining the competence of auditors of historical financial information should recognize that different jurisdictions have different ways in which an individual can meet minimum requirements to be deemed a “professional accountant.” An “audit professional” is a “professional accountant” who is performing engagements related to historical financial information. Different jurisdictions have developed varied education, experience, and examination requirements for meeting the minimum requirements for determination as a “professional accountant” because of diverse legal, educational institution, enforcement, and cultural factors. A principles-based standard should recognize these alternative ways of meeting the requirements to be deemed as a “professional accountant” which are the minimum requirements to be an “audit professional.” In addition, this approach would allow the term “audit professional” to be applied to any engagement team member meeting the jurisdictional requirements as a “professional accountant.”

In a previous response to the International Ethics Standards Board for Accountants (October 8, 2008), NASBA noted that the definition to which the IESBA standards applied (to a “professional accountant”) required membership in an International Federation of Accountants’ (“IFAC’s”) member body. This definition clearly will not work in many jurisdictions, including the United States, where determination for meeting the minimum requirements is set by the licensing bodies and membership in an IFAC member body, a professional association, is not required.

3. NASBA believes that the different levels of judgment within attest and assurance engagements of historical financial information require consideration within a principles-based standard of attaining the competence to make the judgments required at that level and for that engagement. The different engagements performed (such as compilation, review and audit) and the differences in the accounting for different types of entities require specific preparation. Thus, NASBA believes that any principles-based standard of competence should clearly provide for different levels of competence based on the judgments to be made by an audit professional on a particular engagement. This approach would recognize that increased responsibilities within an engagement require individual development from continuing professional education and experience which would not necessarily be required for meeting the minimum requirements for designation as an audit professional.

Relating any competence standards to the types of judgments would obviate having to further define the term “significant judgment” and allow it to be replaced by a principles-based standard which relates the significance of the judgment to be made by an audit professional to the necessary competence of that audit professional.

4. NASBA believes that further clarification about “advanced level” competencies is not needed. The requirement for “advanced level” competencies for an audit professional depends on many factors, such as jurisdictional requirements, regulatory requirements, practice organization, and engagement organization. The expansion of the term “audit

professional” to all members of the engagement team for attest and assurance would mean that any requirement to have “advanced level” competencies based on the type of engagement would already be covered by a principles-based requirement for competency.

NASBA believes that only the general guidance currently included in International Education Standards 1 to 5 is appropriate with a requirement for competency based on the type of engagement. Thus, specifying particular competencies for different types of engagements would be cumbersome and inappropriate. Providing examples for particular classes of engagements might be appropriate if it was clear that these were examples and not standards.

The relationship of NASBA’s response to particular questions posed by the IAESB is summarized in an attachment to this letter.

We hope these responses will aid the IAESB in its consideration of the revision to International Education Standard 8.

Very truly yours,

A handwritten signature in black ink that reads "Billy M. Atkinson". The signature is written in a cursive style with a large, stylized "B" and "A".

Billy M. Atkinson, CPA
NASBA Chair

A handwritten signature in black ink that reads "David A. Costello". The signature is written in a cursive style with a large, stylized "D" and "C".

David A. Costello, CPA
NASBA President & CEO

Attachment

Relation of NASBA responses to particular questions posed by the IAESB:

- A. Expansion of the competency of “audit professionals” to all professionals meeting the minimum requirements to be a “professional accountant” in attest and assurance engagements is covered in response 1.
- B. The expansion of the term “audit professional” would not cause concern as noted in response 1. The consideration of how engagements should impact the definition is covered in response 2.
- C. The lack of a need to use “significant judgment” is covered in response 3.
- D. The need to consider shared responsibility is partially covered in response 2.
- E. The lack of a requirement to further consider “advanced level” competencies is covered in response 4.
- F. The lack of a requirement to further consider “advanced level” competencies is covered in response 4.
- G. Providing examples rather than rules concerning competencies is covered in response 4.
- H. No response.
- I. No response.
- J. No response except for the meeting minimum determination as an audit professional, those professional accountants involved in engagement related to historical financial statements, in response 2.
- K. The lack of impact on an audit professional regulated by member accountancy boards is in response 1.