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Technical manager
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International Federation of Accountants
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Dear David

Response to IES 8 Consultation paper

SAICA welcomes the opportunity to comment on specific issues of IES 8 implementation.

1. Clarification of IES 8 target audience:

A. Do you consider that the IAESB has identified the critical issues in respect of “whom” the IES 8 requirements are aimed at?

We believe that it is appropriate for the revised IES 8 to be principle based, provided the revised standard is clear on the use of certain terminology and that further guidance is provided. It is clear that both the use of the term “professional accountant” and “audit professional” are vital to the revised standard being clear and implementable. It is important that the standard clarifies **who** the standard is aimed at in order to improve the quality of IES 8.

We do not however believe that the IAESB has correctly identified the critical issue in respect of the “whom” the IES requirements are aimed at (ie. auditors of historical information).

It is our suggestion that, as this statement is intended for members who are member bodies of IFAC, that the definitions should be consistent with other IFAC documentation. To this end, the title of this document should be amended to being “Requirements for Assurance Professionals” to bring it into alignment with the “International Framework for Assurance Engagements”. The Framework contains a definition of an “Assurance Engagement”. Definitions of an “Assurance Team” and an “Assurance Client” are to be found in the Code of Professional Conduct. These definitions do not limit the work performed by an auditor to “an audit of historical financial information” but allow for a far broader range of work to be performed by the “audit professional” e.g in the Framework, an Assurance Engagement is defined as “an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.”

Further, it would be important to include academics teaching auditing as one of the stakeholders and to provide additional guidance with regard to the teaching of auditing.

B. Would expansion of the “Audit Professional” definition cause concern, or would you broadly support this approach? Are there any additional factors that you think the IAESB should consider including as part of this definition?

We agree that the term “audit professional” requires further clarification. Further we support the expansion of the definition, since we believe that it should include all forms of assurance rather than just the audit of historical financial information.

The IAESB should consider basing the revised definition of an audit professional on the term “auditor” contained in the IFAC Glossary of terms : “Auditor is used to refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team ...” but should expand this to include all members of the audit team as we believe that cognisance should also be made of the term “Assurance Team” as per the Code of Professional Conduct where it is recognised that different members of the team may need different types and levels of skills.

The IAESB should also consider defining terms that correspond to the typical roles of audit professionals eg Audit Senior; Audit Supervisor; Audit Manager / Senior Manager / Associate Director; Audit Partner / Director.

C. Do you agree that any revision of IES 8 necessitates consideration of the use of the term “significant judgment”? If so, what advice would you give the IAESB on this matter?

Yes. Various levels of competence, capabilities and experience are required for the various team members on an audit. These attributes vary according to the complexity and nature of the audit engagement and to limit the definition only to a professional accountant who has responsibility for exercising “significant judgement” in the audit of historical financial information is insufficient. For example, as noted elsewhere in the standard, certain industries are highly regulated. Audit professionals in such circumstances require an advanced knowledge of the regulations in such industries despite the fact that significant judgements may not be required. This advanced level needs to be more clearly defined as it is above and beyond that of a “professional accountant”.

The IAESB should also consider specifying competence per level of team member (in broad terms) on an audit engagement from junior team members to the most senior member of the audit team, usually the audit partner.

Alternatively, consideration should be given to amending the term “significant judgment” to that of “professional judgment” as defined in the Glossary of Terms – i.e. “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.”

D. Are there any additional considerations that you would like the IAESB to consider when clarifying guidance on shared responsibilities among the stakeholders identified above?

The IAESB should consider providing clarity by way of guidance material in defining the breakdown of responsibilities between where competencies required for audit professionals are acquired such as academic programs, professional training programs and Continuing

Professional Development (CPD). It would also be useful to clarify whether any specific CPD is required for “audit professional” post qualification and what this should be.

In the first paragraph under the heading 1. Clarification of IES 8 target audience, the consultation paper refers to the fact that IES 8 is addressed to parties other than only member bodies, which include “other third parties”. The latter term is very unclear and should be clarified. Does it, for example, include tertiary education providers?

Further the inclusion of stakeholders other than IFAC member bodies could lead to member bodies not being able to comply fully with the standard as the role of the “audit professional” is often controlled by bodies other than the member body and it is not mandatory for such body to apply the IES’s. It is therefore important to provide clearer guidance on the role of the member body in such circumstances. It would not be worth defining “other stakeholders” responsibilities as neither IFAC nor the member body would be able to control this.

2. Clarification of the knowledge and skills required to work as a competent audit professional, and clarification of advanced level competences required by the identified target audience:

E. In considering the question of “advanced level” competences, do you believe that the IAESB has identified an area that requires further clarification? If so, how would you advise the IAESB to approach this matter?

Yes.

We believe that the term “advanced level” competences should be further clarified. In addition, examples of “advanced level” competences as opposed to other competences should be provided in the explanatory material. Advanced level is considered to be above and beyond that of a “professional accountant” (which again infers the need for a clearer definition of what is meant by a professional accountant and what levels of competence are required of such a person).

The range of soft skills required by “audit professionals” could be expanded upon. Clearly these competencies are more difficult to assess. Most Firms do so either through observation of behaviour in real life situations, or alternatively in role play scenarios. Again guidance on the assessment of these soft skills would be welcomed.

F. How would you guide the IAESB during its consideration of appropriate types and levels of competences?

Research will be required – potentially in the format of surveys amongst existing audit professionals – focusing on required knowledge and skills levels, how this can be obtained, how this can be assessed and maintained. Reference can also be made to various competency frameworks used by professional accounting bodies whose members qualify as auditors from around the world.

G. Do you believe that the IAESB should address competences for different types of audit engagements? If so, what types of audit engagement should the IAESB consider? Should these examples be limited to transnational and specialized engagements?

We do not believe that it is necessary to distinguish in IES 8 between different competencies required for different types of audit (and other assurance) engagements. It would be more appropriate to provide very clear guidelines on the core (key) competencies of an “audit professional” and then stating that additional specific competencies may be required depending on the complexities, risks and circumstances of the specific client – again aligned to ISQC 1.

The provision of guidance on additional competencies for an audit partner in the existing IES 8 (section 3) is useful. However providing additional guidance for specific examples, as is the case for transnational audits and specific industries in para. 73 – 81 of the existing IES 8, could be misleading and will not cover every eventuality.

The clarified and revised ISAs clearly demonstrate that the audit process (which includes team selection and therefore competency requirements) is directly related to the auditor’s assessment of the risk of the audit client. IES 8 will benefit from being aligned to this notion.

3. Consistency of IES 8 with IESs 1–7 and other relevant IFAC pronouncements. **Questions**

H. Are there any other definitional inconsistencies that you would like the IAESB to consider?

Nothing other than that already mentioned above in our response.

I. Do you agree with the IAESB’s approach to eliminating inconsistencies?

Yes we agree with the IAESB’s approach.

J. Are there any other areas you consider to be specific issues that you would like the IAESB to consider as part of its revision of IES 8?

No.

K. Finally, do you foresee any impact on your organization or the wider profession of the IAESB’s proposed changes to IES 8?

The proposed changes should not have any significant changes to audit firms and should provide increased clarity and reduce interpretive difficulties. This will hopefully improve consistency in the application of IES 8 throughout the profession.

We hope that the proposed changes to IES 8 will result in a stronger focus by auditing firms on the assessment of whether individual assurance team members meet the revised definitions and competency requirements. This, in turn, should ensure and/or improve the quality of assurance teams and, consequently, the quality of assurance engagement and the opinions on them.

Please do not hesitate to contact us if you have any matters in our response that you would like clarified.

Regards
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