

SUPPLEMENT TO EXPOSURE DRAFT,

PROPOSED IES 8 (REVISED):

MAPPING & TRACKED CHANGES DOCUMENT

This supplement to the International Accounting Education Standards Board (IAESB) Exposure Draft, Proposed IES 8 (Revised), “*Professional Development for Engagement Partners Responsible for Audits of Financial Statements*,” has been prepared by IAESB staff to demonstrate how the text of extant IES 8 (which may have been reworded as necessary) maps to proposed IES 8 (Revised). The highlighted text identifies material that is proposed to be deleted. An explanation of the proposed deletion and other comments are provided, where appropriate.

The material included herein is provided only to assist readers of the Exposure Draft of Proposed IES 8 (Revised). It is for information purposes only and does not form part of the Exposure Draft. The IAESB has not approved, disapproved, or otherwise acted upon this supplement. It is neither authoritative nor an official pronouncement nor statement of the IAESB.

Exhibit 1: Mapping Document

Note: Highlighting indicates material that has been deleted, unless otherwise noted.

Extant IES 8	New Para Ref	Comment on proposed deletion of highlighted material, significant edits, and other notes
Introduction		
1. Auditing is a structured process that: (a) involves the application of analytical skills, professional judgment and professional skepticism; (b) is usually performed by a team of professionals, directed with managerial skills; (c) uses appropriate forms of technology and adheres to a methodology; (d) complies with all relevant technical standards, such as International Standards on Auditing (ISAs), International Standards on Quality Control (ISQCs), International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), and any applicable international, national or local equivalents; and (e) complies with required standards of		Paragraph deleted; The content of this paragraph does not align with the guidelines of the Drafting Conventions on what content should be included in the scope and objective.

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professional ethics.		
<p>2. Auditing is also an integral part of the evolving systems of accountability and responsibilities within organizations and society worldwide. Although audits of historical financial information may be mandated by regulation and laws, they may also be required as a condition of borrowing, a matter of contract, or for other reasons. In addition, organizations may voluntarily undertake audits to evaluate the fairness of financial representations and assertions or to provide a credible report of the financial stewardship of their resources to their stakeholders.</p>		<p>Paragraph deleted; The content of this paragraph does not align with the guidelines of the Drafting Conventions on what content should be included in the scope and objective.</p>
<p>3. Entities subject to audit operate with diverse organizational structures in public, private and not-for-profit sectors. Auditing has to adapt to complex and changing environments. Within an audit assignment, many factors must be understood and evaluated appropriately, including:</p> <ul style="list-style-type: none"> (a) the entity and its environment; (b) the industry, and regulatory and other external factors; and (c) the applicable financial reporting framework. 		<p>Paragraph deleted; The content of this paragraph does not align with the guidelines of the Drafting Conventions on what content should be included in the scope and objective.</p>
<p>4. Globalization of business has dramatically increased the need for consistent and high-quality financial reporting within countries and across borders. This directly affects both accounting and auditing. Many stakeholders in today's global business environment expect compliance with recognized international standards in accounting and auditing. Establishing internationally accepted benchmarks for the competence of audit professionals¹ will help to promote internationally accepted standards in accounting and auditing.</p>		<p>Paragraph deleted; The content of this paragraph does not align with the guidelines of the Drafting Conventions on what content should be included in the scope and objective.</p>

¹ The term "audit professional" is defined in Paragraph 9.

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Purpose of this Standard		
5. This International Education Standard (IES) prescribes competence requirements for audit professionals, including those working in specific environments and industries. IFAC member bodies need to establish policies and procedures that will allow members to satisfy the requirements of this IES before they take on the role of an audit professional. The responsibility for the development and assessment of the required competence is shared by IFAC member bodies, audit organizations, regulatory authorities, and other third parties.		Paragraph deleted; The proposed IES 8 now focuses on professional development requirements for aspiring engagements partners and serving engagement partners who provide assurance services for audits of financial statements.
6. A specific IES for audit professionals is necessary not only because of the specialist knowledge and skills required for competent performance in this area, but also because of the reliance the public and other third parties place on the audit of historical financial information. ² This IES is based on the platform for all professional accountants established by IES 1 to 7.		Paragraph deleted; The content of this paragraph does not: (1) support the requirements of IES 8 nor (2) align with the IAESB Drafting Conventions on Scope.
7. The aim of this IES is to ensure that professional accountants acquire and maintain the specific capabilities required to work as competent audit professionals.		Paragraph deleted; The content of this paragraph does not: (1) support the requirements of IES 8 nor (2) align with the IAESB Drafting Conventions on Scope.
Definitions		
8. Terms used in this IES which have already been defined by either the International Accounting Education Standards Board (IAESB) or other IFAC groups are set out below. Definitions and explanations of other key terms used in this IES are set out in the <i>Framework for International</i>		Paragraph deleted; Some of the paragraph's content related to the definition of engagement partner is captured in Para A1.

² The IAASB distinguishes between engagements reporting on historical financial information and assurance engagements dealing with information other than historical financial information. (*IAASB Terms of Reference*). IES 8 prescribes requirements for professional accountants assuming the role of audit professionals and having responsibility for significant judgments in an audit of historical financial information.

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<p><i>Education Pronouncements.</i></p> <p>Capabilities: The professional knowledge; professional skills; and professional values, ethics, and attitudes required to demonstrate competence.</p> <p>Explanation: <i>Capabilities are the attributes held by individuals that enable them to perform their roles, whereas competence refers to the actual demonstration of performance. The possession of capabilities gives an indication that an individual has the ability to perform competently in the workplace. Capabilities include content knowledge; technical and functional skills; behavioral skills; intellectual abilities (including professional judgment); and professional values, ethics, and attitudes. They are sometimes referred to, in other literature, as competencies, capacities, abilities, key skills, core skills, fundamental skills and values, attitudes, distinguishing characteristics, pervasive qualities, and individual attributes.</i></p> <p>Competence: Being able to perform a work role to a defined standard, with reference to real working environments.</p> <p>Explanation: <i>Competence refers to the demonstrated ability to perform relevant roles or tasks to the required standard. Whereas capability refers to the attributes held by individuals that give them the potential to perform, competence refers to the actual demonstration of performance. Competence may be assessed by a variety of means, including workplace performance, workplace simulations, written and oral tests of various types, and self-assessment.</i></p> <p>Engagement partner is the partner or other person in the audit organization who is responsible for the engagement and its performance, and for the audit report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.</p>		

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<p>Explanation: This term is consistent with that established by the International Auditing and Assurance Standards Board (IAASB).</p> <p>Professional accountant is a person who is a member of an IFAC member body.</p>		
<p>9. Relevant skills can give professional accountants a competitive edge in the market place and are useful throughout an individual's career. Not all these skills will, however, be fully developed at the point of qualification. Some may be the focus of continuing professional development.</p>		<p>Paragraph deleted; The content of this paragraph does not: (1) support the requirements of IES 8 nor (2) align with the IAESB Drafting Conventions on Scope.</p>
<p>10. The following definition has been created for the purpose of this IES:</p> <p>Audit professional is a professional accountant who has responsibility, or has been delegated responsibility, for significant judgments in an audit of historical financial information.</p> <p>Explanation: The engagement partner retains overall responsibility for the audit. The definition of audit professional does not apply to experts who undertake specific tasks within an audit (e.g., taxation, information technology or valuation experts).</p>		<p>Paragraph deleted; The term, audit professional, has been removed with the focus of the Standard on the engagement partner.</p>
Effective Date		
<p>11. This IES is effective from January 1, 2005.</p>	<p>Para 5</p>	<p>Date amended in Para 11 to reflect new effective date.</p>
Scope of this Standard		
<p>12. International Education Standards prescribe standards of generally accepted "good practice" in education and development for professional accountants. They establish the essential elements of the content and process of education and development of professional accountants (e.g. subject matter, skills, ethics and practical applications) at a level that is aimed at gaining international recognition, acceptance and application. Although they cannot override</p>		<p>Paragraph deleted; The content of proposed IES 8 now emphasizes professional development for the aspiring engagement and serving engagement partner who provide assurance services for audits of financial statements..</p>

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authoritative local pronouncements, they are prescriptive in nature.		
13. This IES prescribes the minimum competence requirements IFAC member bodies are expected to require any members to obtain before they take on the role of an audit professional.		Paragraph deleted; New paragraph 13 prescribes learning outcomes that demonstrate the professional competence of those individuals newly appointed to the role of engagement partner.
14. This IES also prescribes the minimum levels of professional knowledge; professional skills; and professional values, ethics and attitudes audit professionals require. It does not address the full range of capabilities and competence needed by the entire audit engagement team. Audit professionals may work as a member of an audit team, or as an individual with sole responsibility in smaller audit assignments. Different levels of responsibility within an audit assignment will demand different levels of competence.		Paragraph deleted; New paragraph 13 prescribes learning outcomes for technical competence; professional skills; and professional values, ethics and attitudes.
15. Consulting with experts within or outside the audit organization is often required during an audit assignment. Capability and competence requirements for such experts are covered in IAASB standards and guidance and are not addressed in this IES.		Paragraph deleted; Proposed IES 8 does not specify professional development for other roles that a professional accountant plays in relation to other assurance and related services.
16. Section 2 of this IES applies to all audit professionals. Section 3 discusses the competence requirements for engagement partners. Section 4 applies to audit professionals involved in specific environments and industries, including transnational audits.		Paragraph deleted; The content of proposed IES 8 has been re-organized and aligns with guidelines of IAESB Drafting Conventions (2009).
17. This IES is consistent with the requirements and guidance contained in the various standards and statements in the International Framework for Assurance Engagements developed by the IAASB and through pronouncements such as International Standard on Quality Control 1.		Paragraph deleted; Some of the content appears in (1) Para. 7 which describes the minimum learning outcomes for the development of organizational skills and (2)

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These specify the requirements and responsibilities of the organization and professional accountants regarding the competence of engagement teams to perform audit and assurance engagement functions.		IES 2 when describing Technical Competence.
18. IFAC member bodies may impose specific requirements for professional accountants working as audit professionals beyond those required in this IES. In particular, IFAC member bodies may consider prescribing specific CPD activities for audit professionals.		Paragraph deleted; Some of content now appears in paragraphs A6 and A11.
Professional Accountants and Audit Professionals		
19. Although some professional accountants deliver a wide range of accounting and business-related services, others will choose to specialize in one or more areas. No one professional accountant can master all areas of accountancy. Specialization is necessary to ensure services can be provided by professional accountants having sufficient depth of knowledge and expertise.		Paragraph deleted; Some of content now appears in paragraph A20.
20. One area of specialization is in audit of historical financial information. Competence in this area requires a higher level of education and training in audit and related areas than is required of other professional accountants.		Paragraph deleted; New Paragraph 13 identifies learning outcomes and minimum proficiency levels for various competence areas.
21. Audit professionals involved in audits of historical financial information in specific industries may be more specialized. The nature of the industry, and applicable laws and accounting treatments, may require levels of knowledge and skills beyond those required for other audit professionals.		Paragraph deleted; Some of the content is captured in new paragraph A40, for example specific regulations in respect of an industry.
22. Audit engagements vary in complexity and size, requiring different experience and competence levels. An audit team could include the engagement partner, other audit professionals, other professional accountants, individuals working towards qualification as professional accountants, and other support staff who do not		Paragraph deleted; Some of the content is captured in paragraphs A37 and A38, especially with respect to audit complexity and issues faced by the those engagement partners

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<p>intend to qualify as professional accountants. The engagement partner is responsible for ensuring that the work of all individuals assigned to an audit engagement is appropriately reviewed by other members of the engagement team to provide reasonable assurance that the work meets appropriate standards of quality.</p>		<p>responsible for such audits.</p>
Developing and Maintaining Capabilities and Competence		
<p>23. The International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i> (IESBA Code) requires all professional accountants to take steps to ensure that they, and those working under their authority in a professional capacity, have appropriate training and supervision and are competent to undertake the work they perform.</p>		<p>Paragraph deleted; Some of the content is captured in paragraphs A37 and A38.</p>
<p>24. To acquire the capabilities and competence required of audit professionals, individuals may need further education and development beyond that needed to qualify as professional accountants. These additional education and development requirements can be met during the education and development program for qualifying as a professional accountant, or after.</p>		<p>Paragraph deleted; Some of the content is captured in paragraphs 5, 6, and A5, as well as Schedule 1 of paragraph 6.</p>
<p>25. Education and development for acquiring and maintaining the capabilities of audit professionals can include:</p> <ul style="list-style-type: none"> (a) advanced professional education pursued at academic institutions or through the programs of professional bodies; (b) on-the-job training and experience programs; (c) off-the-job training; and (d) continuing professional development (CPD) courses and activities. 		<p>Paragraph deleted; Some of the content is captured in paragraphs 13 , A4, and A5.</p>
<p>26. IFAC recognizes that each member body needs to determine not only how best to comply with this IES, but also what emphasis to place on the</p>		<p>Paragraph deleted; Some of the content of this paragraph is captured in paragraphs</p>

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various parts of the education and development process.		A12 and A13.
27. In addition to acquiring the necessary knowledge and skills, professional accountants will have to be assessed (as outlined in paragraphs 63 and 64) to demonstrate the capabilities and competence needed to take on responsibility for significant judgments in an audit of historical financial information. The IAESB recognizes that when assessing capabilities measuring output is likely to be superior to measuring inputs. Output-based approaches concentrate on measuring the development and maintenance of competence actually achieved through learning, rather than measuring the various learning activities.		Paragraph deleted; Some of the content of this paragraph is captured in new paragraphs 17 and A34.
28. Audit professionals will need further development to progress, through supervisory and managerial roles, to acting as the engagement partner.		Paragraph deleted; Some of the content of this paragraph is captured in new paragraph A5.
29. All professional accountants are obliged to engage in lifelong learning to keep up-to-date on developments influencing the profession and the quality of the services they provide, as outlined in IES 7, <i>Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence</i> .		Paragraph deleted; Some of the content of this paragraph is captured in new paragraph 13 (l)(i)
Section 2: Competence Requirements for Audit Professionals		
General		
30. Member bodies should require individuals to: (a) qualify as a professional accountant; (b) hold an undergraduate degree, or its equivalent; and (c) satisfy all other requirements prescribed in this section before these individuals take on the role of an audit professional.		Paragraph deleted; Paragraphs 13 and A5 emphasize an outcomes-based approach to the development of professional competence.
31. The appropriate level of education and learning		Paragraph deleted; Some of

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<p>of the intellectual and personal skills necessary to become an audit professional is generally found in a combination of undergraduate degree and professional education programs. Where a member body does not require an undergraduate degree, the member body needs to be able to demonstrate that the intellectual and personal skills have been developed to the required level in other ways.³</p>		<p>the content of this paragraph is captured in paragraphs A1 and A29.</p>
<p>32. The requirements in paragraph 29 (c) may be met at the same time as the requirements in paragraph 29 (a) and (b), or after.</p>		<p>Paragraph deleted. The content of this paragraph does not align with the requirements.</p>
Knowledge Content		
<p>33. The knowledge content within the education and development program for audit professionals should include the following subject areas:</p> <ul style="list-style-type: none"> (a) audit of historical financial information at an advanced level (refer to paragraph 36); (b) financial accounting and reporting at an advanced level (refer to paragraph 38); and (c) information technology (refer to paragraph 40). 		<p>Paragraph deleted; Paragraphs 13 and A5 emphasize an outcomes-based approach to the development of following competence areas: Audit of financial statements; financial accounting and reporting; and information technology.</p>
<p>34. IES 2, <i>Content of Professional Accounting Education Programs</i>, sets out the knowledge requirements for professional accountants. “Advanced level” refers to a level of knowledge that is deeper and broader than what is prescribed for individuals qualifying as professional accountants in IES 2.</p>		<p>Paragraph deleted; Paragraph 13 specifies the minimum proficiency level for each competence and paragraph A21 explains the minimum level of proficiency assigned to each learning outcome.</p>
<p>35. IFAC member bodies may determine the levels</p>		<p>Paragraph deleted; Some of</p>

³ The reference to undergraduate degrees in this standard is in line with the principles of the Bologna Declaration, agreed by 29 European countries in 1999. Further details may be found at: http://ec.europa.eu/education/policies/educ/bologna/bologna_en.html. Reference sources comparing the standard of qualifications throughout the world are listed in the note which forms part of IES 1.

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of depth and breadth of knowledge, and the means for gaining that knowledge, as appropriate for their environment.		the content is captured in paragraphs A18 and A22
36. Audit professionals are expected to have sufficient knowledge of current developments in the field of audit of historical financial information to respond to issues in the business environment. It is important, therefore, that education and continuing development programs for audit professionals include coverage of relevant current issues and developments.		Paragraph deleted. The content of this paragraph does not align with the requirements.
37. The knowledge content of the audit of historical financial information subject area should include the following at an advanced level: (a) best practices in the audits of historical financial information, including relevant current issues and developments; and (b) International Standards on Auditing (ISAs) and International Auditing Practice Statements (IAPSS); and/or (c) any other applicable standards or laws.		Paragraph deleted; Some of the content is captured by learning outcomes identified in paragraphs A13 (a) (iv)
38. In addition to the knowledge listed in paragraph 36, audit professionals may also require knowledge of International Standards on Quality Control (ISQCs), International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs), and International Standards on Related Services (ISRSs), or local equivalents.		Paragraph deleted. The content of this paragraph does not align with the requirements.
39. The knowledge content of the financial accounting and reporting subject area should include the following at an advanced level: (a) financial accounting and reporting processes and practices, including relevant current issues and		Paragraph deleted; Some of the content is captured by learning outcomes identified in paragraphs A13 (b) (i), (ii)

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<p>developments; and</p> <p>(b) International Financial Reporting Standards (IFRSs);⁴ and/or</p> <p>(c) any other applicable standards or laws.</p>		
<p>40. If an audit client is required to prepare financial reports in accordance with standards specific to the public sector, statements equivalent to those listed in paragraph 38 will include International Public Sector Accounting Standards (IPSAS) and any applicable international, national and/or local equivalents of these.</p>		<p>Paragraph deleted. The content of this paragraph does not align with the requirements.</p>
<p>41. The knowledge content of the information technology subject area should include the following:</p> <p>(a) information technology systems for financial accounting and reporting, including relevant current issues and developments; and</p> <p>(b) frameworks for evaluating controls and assessing risks in accounting and reporting systems as appropriate for the audit of historical financial information.</p>		<p>Paragraph deleted; Some of the content is captured by learning outcomes identified in paragraphs A13 (g) (i), (ii)</p>
<p>42. Further information on the information technology knowledge and competences for professional accountants can be found in IES 2, <i>Content of Professional Accounting Education Programs</i>.</p>		<p>Paragraph deleted; Some of content captured in paragraph A1.</p>
Professional Skills		
<p>43. The skills requirement within the education and development program for audit professionals should include:</p> <p>(a) Applying the following professional skills in an audit environment:</p> <p>(i) identifying and solving problems;</p> <p>(ii) undertaking appropriate technical research;</p>		<p>Paragraph deleted; Some of the content is captured by learning outcomes identified in paragraphs A13 (g)-(n)</p>

⁴ The term "International Financial Reporting Standards" refers to IFRSs, IFRIC Interpretations, IASs and SIC Interpretations.

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<ul style="list-style-type: none"> (iii) working in teams effectively; (iv) gathering and evaluating evidence; (v) presenting, discussing, and defending views effectively through formal, informal, written, and spoken communication; and (b) Developing the following professional skills at an advanced level in an audit environment: <ul style="list-style-type: none"> (i) applying relevant audit standards and guidance; (ii) evaluating applications of relevant financial reporting standards; (iii) demonstrating capacity for inquiry, abstract logical thought, and critical analysis; (iv) demonstrating professional skepticism; (v) applying professional judgment; and (vi) withstanding and resolving conflicts. 		
<p>44. IES 3, <i>Professional Skills and General Education</i>, sets out the professional skills requirements for professional accountants. In the context of IES 8, “advanced level” refers to a level of skill that is higher than that prescribed for individuals qualifying as professional accountants in IES 3.</p>		<p>Paragraph deleted; Paragraph 13 specifies the minimum proficiency level for each competence and paragraph A21 explains the minimum level of proficiency assigned to each learning outcome.</p>
<p>45. IFAC member bodies may determine the appropriate levels of skills development and the means for developing those skills.</p>		<p>Paragraph deleted; Some of the content is captured in paragraphs A18 and A22</p>
Professional Values, Ethics and Attitudes		
<p>46. Individuals should be able to apply the required professional values, ethics and attitudes in an audit environment before</p>		<p>Paragraph deleted; Some of the content is captured by learning outcomes identified</p>

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taking on the role of an audit professional.		in paragraphs A13 (o)-(q)
47. IES 4, <i>Professional Values, Ethics and Attitudes</i> , sets out the professional values, ethics and attitudes professional accountants must have. IFAC member bodies need to establish a program of education that provides a framework for exercising professional judgment and for acting ethically in the best interests of both society and the profession.		Paragraph deleted; Some of content captured in paragraph A1.
48. All professional accountants need a thorough understanding of the potential ethical implications of professional and managerial decisions. They need to be aware that decision-makers can be under tremendous pressure when it comes to upholding ethical principles.		Paragraph deleted. The content of this paragraph does not align with the requirements.
49. Audit professionals, like all professional accountants, are expected to apply the professional values, ethics and attitudes outlined in IES 4 throughout their professional careers. During their period of practical experience, they should receive guidance on the: (a) professional approach to ethics; (b) practical application of the fundamental principles; (c) consequences of unethical behavior; and (d) resolution of ethical dilemmas.		Paragraph deleted. The content of this paragraph does not align with the requirements.
50. Learning about professional ethics needs to continue after qualification. Audit professionals need to see this as a career-long process.		Paragraph deleted. The content of this paragraph does not align with the requirements.
51. The fundamental ethical principles that apply to all professional accountants have an added dimension in the audit domain, because of the heavy public reliance on and public interest in this aspect of the profession worldwide.		Paragraph deleted. The content of this paragraph does not align with the requirements.
52. These fundamental principles are essential to the development of the profession and society as a whole. IESBA Code sets out these fundamental		Paragraph deleted; Some of the content is captured by learning outcomes identified

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principles: (a) <i>Integrity</i> ; (b) <i>Objectivity</i> ; (c) <i>Professional competence and due care</i> ; (d) <i>Confidentiality</i> ; and (e) <i>Professional behavior</i> .		in paragraphs A13 (q),(i)
53. In addition, the IESBA Code requires all members of assurance teams and organizations to be independent of assurance clients. All members of assurance teams and organizations are required to apply the independence conceptual framework outlined therein.		Paragraph deleted. The content of this paragraph does not align with the requirements.
54. It is important that audit professionals are (a) aware of potential new ethical dimensions and conflicts in their work; and (b) keep current on the expectations of their professional accounting bodies and the public in terms of professional ethics.		Paragraph deleted. The content of this paragraph does not align with the requirements.
Practical Experience		
55. Professional accountants should complete a period of relevant practical experience before taking on the role of an audit professional. This period should be long enough and intensive enough to permit them to demonstrate that they have acquired the necessary professional knowledge; professional skills; and professional values, ethics, and attitudes. A substantial proportion of the period of practical experience should be in the area of audit of historical financial information.		Paragraph deleted; Some of the content is captured in paragraph 16.
56. IES 5, <i>Practical Experience Requirements</i> , sets out the practical experience requirements for all professional accountants. Professional accountants assuming the role of an audit professional are also required to demonstrate application of the knowledge and skills specifically required by this section of IES 8, and		Paragraph deleted; Some of the content is captured in paragraph A29.

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in an audit environment in accordance with the professional values, ethics and attitudes set out in IES 4.		
<p>57. Practical experience that contributes to the competence of an audit professional needs to be relevant to the type and size of audit assignments audit professionals are, or are likely to be, involved in. The period of experience should permit them to:</p> <ul style="list-style-type: none"> (a) apply, in a properly supervised environment, the requisite knowledge and skills; and (b) develop and demonstrate the competence required by this IES 		Paragraph deleted; Some of the content is captured in paragraphs A28 and A31.
<p>58. The period of practical experience relevant to an audit professional may come during or after qualification as a professional accountant. Practical experience gained for the purposes of meeting the requirements of IES 5, <i>Practical Experience Requirements</i>, may contribute to the requirements prescribed in this IES.</p>		Paragraph deleted; Some of the content is captured in paragraphs A28 and A29.
<p>59. A period of practical experience relevant to an audit professional would normally be not less than three years, of which at least two years should normally be spent in the area of audit of historical financial information under the guidance of an engagement partner. Where a member body does not require the completion of this minimum period of experience, the member body needs to be able to demonstrate that the application of the knowledge and skills specifically required by this IES has been achieved in an audit environment and has resulted in candidates developing the necessary competence and capability to apply professional judgment in the audit assignment.</p>		Paragraph deleted; Some of the content is captured in paragraph A30.
<p>60. The required audit experience should be obtained with an organization that can provide suitable audit experience under the guidance of an engagement partner.</p>		Paragraph deleted; Some of the content is captured in paragraph A31.

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61. Organizations making available suitable audit experience may include private and public sector audit organizations. IFAC member bodies need to be satisfied that audit organizations providing experience have in place policies and procedures that will provide an appropriate environment. An appropriate environment is one that allows individuals to develop and demonstrate the professional knowledge; professional skills; and professional values, ethics and attitudes that will permit them to take on responsibility for making significant judgments in an audit of historical financial information.		Paragraph deleted; Some of the content is captured in paragraph A31.
Continuing Professional Development		
62. IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence, sets out the CPD requirements for all professional accountants, including audit professionals.		Paragraph deleted; some of the content captured in paragraph 9.
63. Professional accountants seeking to become audit professionals may rely on CPD activities to help them meet some of the competence requirements set out in this IES. CPD will also be necessary to ensure that audit professionals develop and maintain further competence. IFAC member bodies may consider prescribing specific CPD activities for audit professionals or professional accountants seeking to become audit professionals.		Paragraph deleted; Some of the content is captured in paragraphs A36 and A37.
Assessment		
64. Professional capabilities and competence should be assessed before individuals take on the role of audit professionals.		Paragraph deleted. Paragraph 17 prescribes assessment to assume the role of an engagement partner.
65. The assessment should be comprehensive enough to permit demonstration of the professional knowledge; professional skills; and professional values, ethics and attitudes		Paragraph deleted. Some of the content is captured in paragraph 17

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required to competently perform the work of audit professionals.		
<p>66. The assessment of the capabilities and competence of audit professionals may be carried out by:</p> <ul style="list-style-type: none"> (a) the IFAC member body of which an individual is a member (including through the member body's peer review process); (b) another IFAC member body; (c) a third party (e.g., education or training organization, government or regulatory authority, or workplace assessor under the authority of the member body); (d) an audit organization (including through the organization's quality control systems); or (e) a combination of these. <p>Where external agencies are responsible for qualifying audit professionals, member bodies should encourage them to adopt IFAC standards.</p>		Paragraph deleted. Some of the content is captured in paragraph A34
Section 3: The Engagement Partner General		
<p>67. Specific professional, legal or regulatory requirements exist which govern the scope, performance and conduct of the audit engagement. In some instances, specific requirements regulate who may act as the engagement partner on an audit engagement. Such requirements are referred to below as licensing regimes. This term is used to refer to the range of instances where the authority or permission to act as the engagement partner is restricted to certain individuals who meet specific requirements. These specific requirements may be set by a professional, legal or regulatory body.</p>		Paragraph deleted; Some of the content is captured in paragraph A7.
<p>68. Audit licensing regimes differ. Where IFAC member bodies have the legal authority to license auditors, it is expected that professional</p>		Paragraph deleted; Some of the content is captured in

Extant IES 8	New Para Ref	Comment on proposed deletion of highlighted material, significant edits, and other notes
<p>accountants will have met the requirements prescribed in Section 2 of this IES to be issued with an audit license or be permitted to sign reports of audits of historical financial information. Where other bodies license auditors, IFAC member bodies are obliged to notify their legislative, regulatory or licensing authorities about this IES, encouraging its adoption.</p>		<p>paragraph A7.</p>
<p>69. In some jurisdictions, professional accountants are licensed to sign audit reports at the time of qualification, but may not have gained the practical experience prescribed in this IES. In such cases, IFAC member bodies need to make sure that individuals with responsibility for making significant judgments in an audit of historical financial information have the required practical experience and competence. This obligation may be fulfilled through a member body's quality assurance review program (i.e., practice inspections) or through an audit organization's quality control procedures.</p>		<p>Paragraph deleted, Some of content captured by paragraphs A35 and A36.</p>
<p>70. It is expected that audit professionals permitted to sign statutory audit reports will acquire practical audit experience beyond what this IES prescribes. All audit professionals have a professional and ethical obligation to develop and maintain competence appropriate to their professional responsibilities.</p>		<p>Paragraph deleted; Some of the content of this paragraph is captured in A15.</p>
<p>71. IFAC recognizes the different types, size and complexities of audits of historical financial information, and the different levels of professional competence required to perform such engagements. It is the obligation of individual professional accountants to comply with the IESBA Code by not accepting assignments they are not competent to perform.</p>		<p>Paragraph deleted; Some of the content of this paragraphs is captured in A11, A32, and A37.</p>
Competence Requirements for the Engagement Partner		
<p>72. To assume the greater responsibilities of the engagement partner will require the development of additional professional knowledge;</p>		<p>Paragraph deleted; Some of the content is captured by learning outcomes identified</p>

Extant IES 8	New Para Ref	Comment on proposed deletion of highlighted material, significant edits, and other notes
<p>professional skills; and professional values, ethics and attitudes. An engagement partner would be expected to demonstrate a comprehensive understanding of the audit process and an ability to communicate a wide range of matters to a broad range of parties.</p>		<p>in paragraphs 13, A1, and A5.</p>
<p>73. As audit professionals progress into positions such as engagement partners, they will need to demonstrate competence in the following areas:</p> <ul style="list-style-type: none"> (a) Leadership responsibility for the quality of audits; (b) Formation of conclusions on compliance with applicable independence requirements; (c) Acceptance and continuation of client relationships and specific audit engagements (d) Assignment of engagement teams, ensuring the collective capabilities and competence to perform the engagement and issue an audit report; (e) Direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements; (f) Consultation, review and discussion of work performed; and (g) Development of the audit report that is appropriate and supported by sufficient appropriate audit evidence. 		<p>Paragraph deleted; Some of the content is captured by learning outcomes identified in paragraph 13.</p>
<p>Section 4: Competence Required for Audit Professionals in Specific Environments and Industries</p> <p>General</p>		
<p>74. IFAC member bodies and audit organizations need to make sure that audit professionals responsible for significant judgments in an audit of historical financial information of specific environments or industries have the required</p>		<p>Paragraph deleted; Some of the content is captured by learning outcomes identified in paragraphs 18, 19, and A38.</p>

Extant IES 8	New Para Ref	Comment on proposed deletion of highlighted material, significant edits, and other notes
professional knowledge and practical experience relevant to that environment or industry.		
75. When professional accountants have acquired the capabilities and demonstrated the competence required of audit professionals, they may need further development before they take on responsibility for making significant judgments in an audit of historical financial information of a specific industry (such as banking and finance, extractive industries and insurance) or environment (such as transnational audits).		Paragraph deleted; some of the content is captured by learning outcomes identified in paragraphs A38 and A40.
Transnational Audits		
76. Transnational audits are, or may be, relied upon outside the entity's home jurisdiction for purposes of significant lending, investment or regulatory decisions; this will include all companies with listed equity or debt and other public interest entities which attract particular public attention because of their size, products or services provided. ⁵		Paragraph deleted; IAESB has decided to focus on audits involving more complex (a) industries, (b) operations (including international ones), or (c) reporting requirements
77. Before individuals take on the role of an audit professional in transnational audits of historical financial information they should: (a) satisfy the requirements to take on the role of an audit professional (Section 2 of this IES); and (b) satisfy the requirements in paragraph 77.		Paragraph deleted; IAESB has decided to focus on Continuing Professional Development for engagement partners serving on audits involving more complex (a) industries, (b) operations (including international ones), or (c) reporting requirements.
78. The knowledge content of the education and development program for audit professionals involved in transnational audits should cover the following subject areas, for the jurisdictions for which the transnational audit is conducted: (a) applicable financial reporting and auditing standards;		Paragraph deleted; IAESB has decided to provide examples of CPD activities that can achieve learning outcomes required to assume the role of an engagement partner serving on audits involving more complex (a) industries, (b) operations

⁵ TAC Guidance Statement 1 – revised April 2006.

Extant IES 8	New Para Ref	Comment on proposed deletion of highlighted material, significant edits, and other notes
(b) controlling of multi-location and group audits; (c) applicable listing requirements; (d) applicable corporate governance requirements; (e) applicable national regulatory frameworks; and (f) the global and local economies and business environments.		(including international ones), or (c) reporting requirements.
79. Audit professionals engaged in transnational audits may find that the application of professional values, ethics and attitudes can be complicated by multiple cultural contexts (e.g., norms, customs, behaviors and expectations).		Paragraph deleted. IAESB has decided to focus on Continuing Professional Development for engagement partners serving on audits involving more complex (a) industries, (b) operations (including international ones), or (c) reporting requirements.
Specific Industries		
80. Some entities operate in heavily regulated industries (such as banks and chemical companies). Laws and regulations governing financial statements may vary considerably in specific industries and environments. Furthermore, accounting treatments may differ, resulting in different recognition and measurement practices.		Paragraph deleted; Some of the content of this paragraph is captured in paragrapg A40.
81. It is not practicable to prescribe the additional knowledge required of those operating in specific industries. IFAC member bodies, individual professional accountants and audit organizations share the responsibility for ensuring that audit professionals have the required competence for their roles.		Paragraph deleted. . IAESB has decided to focus on Continuing Professional Development for engagement partners serving on audits involving more complex (a) industries, (b) operations (including international ones), or (c) reporting requirements.
Practical Experience		
82. Audit professionals need practical audit		Paragaph deleted. Some of

Extant IES 8	New Para Ref	Comment on proposed deletion of highlighted material, significant edits, and other notes
<p>experience in a specific environment or industry before assuming responsibility for making judgments in an audit of historical financial information in that environment or industry. This experience needs to be long enough and intensive enough to permit audit professionals to demonstrate:</p> <ul style="list-style-type: none"> (a) the necessary knowledge; and (b) that they can apply the necessary skills and the professional values, ethics and attitudes required to competently perform the work in that specific environment or industry. <p>This practical experience may be in addition to what is prescribed elsewhere in this IES.</p>		<p>the content of this paragraph is captured in paragraph A39.</p>

Exhibit 2: Tracked Changes Document

PROPOSED INTERNATIONAL EDUCATION STANDARD 8

PROFESSIONAL DEVELOPMENT FOR ENGAGEMENT PARTNERS RESPONSIBLE FOR AUDITS OF FINANCIAL STATEMENTS (REVISED)

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SECTION 1: GENERAL

Introduction

1. ~~Auditing is a structured process that:~~
 - ~~(a) involves the application of analytical skills, professional judgment and professional skepticism;~~
 - ~~(b) is usually performed by a team of professionals, directed with managerial skills;~~
 - ~~(c) uses appropriate forms of technology and adheres to a methodology;~~
 - ~~(d) complies with all relevant technical standards, such as International Standards on Auditing (ISAs), International Standards on Quality Control (ISQCs), International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), and any applicable international, national or local equivalents; and~~
 - ~~(e) complies with required standards of professional ethics.~~
2. ~~Auditing is also an integral part of the evolving systems of accountability and responsibilities within organizations and society worldwide. Although audits of historical financial information may be mandated by regulation and laws, they may also be required as a condition of borrowing, a matter of contract, or for other reasons. In addition, organizations may voluntarily undertake audits to evaluate the fairness of financial representations and assertions or to provide a credible report of the financial stewardship of their resources to their stakeholders.~~
3. ~~Entities subject to audit operate with diverse organizational structures in public, private and not-for-profit sectors. Auditing has to adapt to complex and changing environments. Within an audit assignment, many factors must be understood and evaluated appropriately, including:~~
 - ~~(a) the entity and its environment;~~
 - ~~(b) the industry, and regulatory and other external factors; and~~
 - ~~(c) the applicable financial reporting framework.~~
4. ~~Globalization of business has dramatically increased the need for consistent and high-quality financial reporting within countries and across borders. This directly affects both accounting and auditing. Many stakeholders in today's global business environment expect compliance with recognized international standards in accounting and auditing. Establishing internationally accepted benchmarks for the competence of audit professionals⁺ will help to promote internationally accepted standards in accounting and auditing.~~

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

5. ~~This International Education Standard (IES) prescribes competence~~the professional development requirements for ~~audit professionals, including those working in specific environments and industries. IFAC member bodies need to establish policies and procedures that will allow members to satisfy the requirements of this IES before they take on the role of an audit professional. The responsibility for the development and assessment of the required competence is shared by IFAC member bodies, audit organizations, regulatory authorities, and other third parties.~~
6. ~~A specific IES for audit professionals is necessary not only because of the specialist knowledge and skills required for competent performance in this area, but also because of the reliance the public and other~~

⁺ The term "audit professional" is defined in Paragraph 9.

third parties place on the audit of historical financial information.² This IES is based on the platform for all professional accountants established by IES 1 to 7.

7. The aim of this IES is to ensure that professional accountants acquire and maintain the specific capabilities required to work as competent audit professionals.

Definitions

8. Terms used in this IES which have already been defined by either the International Accounting Education Standards Board (IAESB) or other IFAC groups are set out below. Definitions and explanations of other key terms used in this IES are set out in the *Framework for International Education Pronouncements*.

Capabilities: The professional knowledge; professional skills; and professional values, ethics, and attitudes required to demonstrate competence.

Explanation: Capabilities are the attributes held by individuals that enable them to perform their roles, whereas competence refers to the actual demonstration of performance. The possession of capabilities gives an indication that an individual has the ability to perform competently in the workplace. Capabilities include content knowledge; technical and functional skills; behavioral skills; intellectual abilities (including professional judgment); and professional values, ethics, and attitudes. They are sometimes referred to, in other literature, as competencies, capacities, abilities, key skills, core skills, fundamental skills and values, attitudes, distinguishing characteristics, pervasive qualities, and individual attributes.

Competence: Being able to perform a work role to a defined standard, with reference to real working environments.

Explanation: Competence refers to the demonstrated ability to perform relevant roles or tasks to the required standard. Whereas capability refers to the attributes held by individuals that give them the potential to perform, competence refers to the actual demonstration of performance. Competence may be assessed by a variety of means, including workplace performance, workplace simulations, written and oral tests of various types, and self assessment.

1. **Engagement partner** is the partner or other person in the audit organization who is responsible for the aspiring engagement and its performance, and for the audit report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. 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.

Explanation: This term is consistent with that established by the International Auditing and Assurance Standards Board (IAASB).

Professional accountant is a person who is a member of an IFAC member body.

9. The following definition has been created for the purpose of this IES:

Audit professional is a professional accountant who has responsibility, or has been delegated responsibility, for significant judgments in an audit of historical financial information.

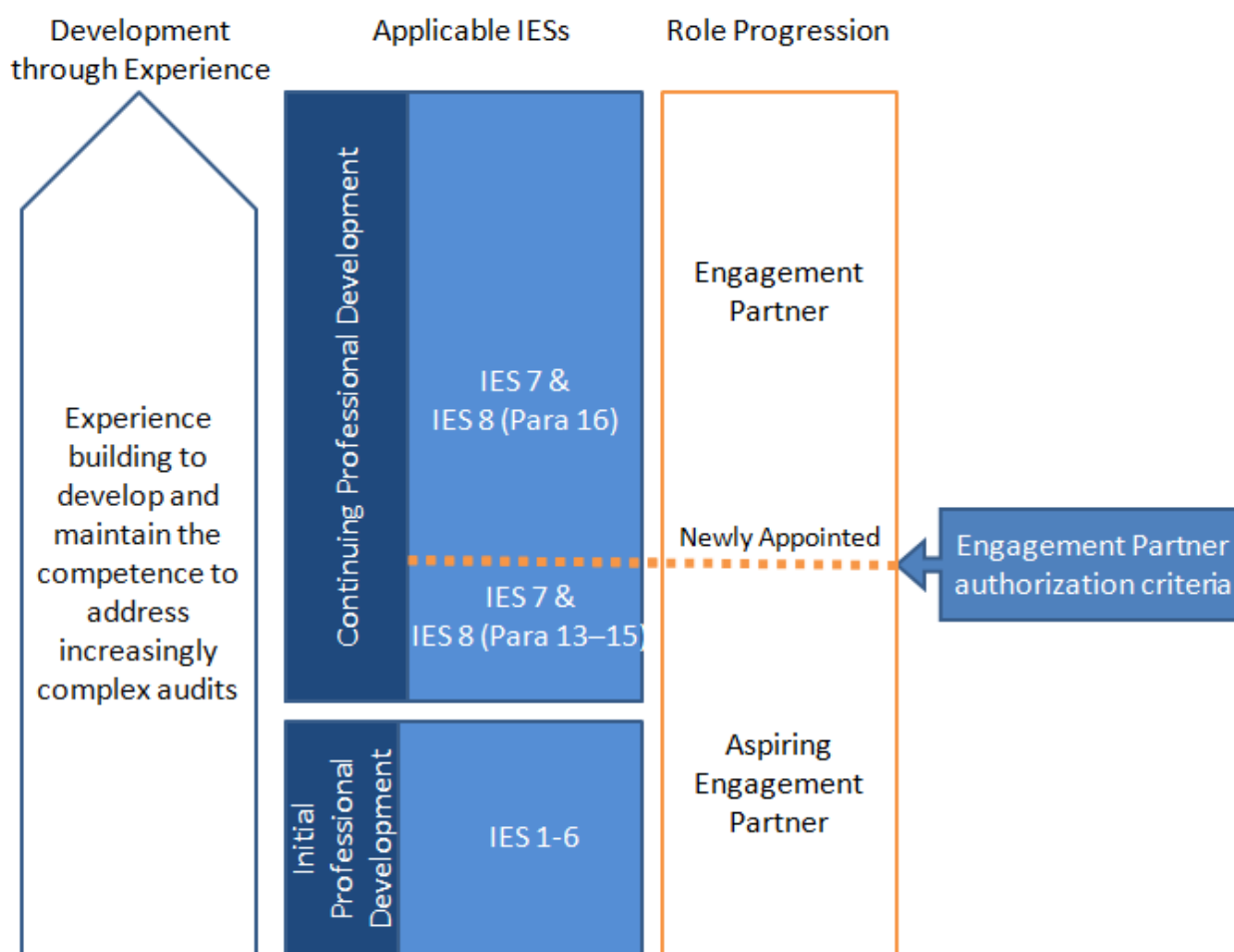
² The IAASB distinguishes between engagements reporting on historical financial information and assurance engagements dealing with information other than historical financial information. (IAASB Terms of Reference). IES 8 prescribes requirements for professional accountants assuming the role of audit professionals and having responsibility for significant judgments in an audit of historical financial information.

~~**Explanation:** The engagement partner retains overall responsibility for the audit. The definition of audit professional does not apply to experts who undertake specific tasks within an audit (e.g., taxation, information technology or valuation experts).~~

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. 10. This IES is effective from (a date to be agreed by IAESB, not before July 15, 2014).

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^{1, 2008}

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 all audit professionals. Earlier adoption is encouraged. a Newly Appointed Engagement Partner

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
<u>Technical Competence</u>		
<u>(a) Audit of financial statements</u>	<u>(i) Evaluate the risk of engagement continuance or acceptance.</u> <u>(ii) Evaluate the audit risk profile of an engagement in respect of components of audit risk.</u> <u>(iii) Approve or recommend an appropriate audit strategy in relation to the audit objective.</u> <u>(iv) Evaluate whether the applicable auditing standards (e.g., ISAs) and relevant laws and regulations have been appropriately applied on the audit engagement.</u> <u>(v) Lead the process of planning, performing, and completing the audit of financial statements.</u> <u>(vi) Identify and assess the risks of material misstatement of the financial statements, including fraud or error, and customize the audit strategy accordingly.</u> <u>(vii) Evaluate the sufficiency and appropriateness of audit evidence obtained.</u> <u>(viii) Identify significant deficiencies or other matters to be communicated.</u> <u>(ix) Prepare an appropriate audit report on the financial statements.</u>	<u>Advanced</u>
<u>(b) Financial accounting and reporting</u>	<u>(i) Analyze the presentation and disclosures of financial statements in the context of</u>	<u>Advanced</u>

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
	<p><u>the relevant financial reporting framework.</u></p> <p><u>(ii) Evaluate accounting policies to determine whether an entity has adopted and presented them as required by the relevant financial reporting framework.</u></p> <p><u>(iii) Assess the reasonableness of financial statements when compared to the understanding and financial situation of an entity.</u></p> <p><u>(iv) Evaluate the accounting treatment and disclosure of transactions, including accounting estimates and the use of fair values.</u></p>	
<u>(c) Governance and risk management</u>	<p><u>(i) Manage communication with those charged with governance of an entity.</u></p> <p><u>(ii) Evaluate corporate governance structure, tools, and risk assessment processes to identify risks of material misstatement affecting an entity.</u></p> <p><u>(iii) Consider an entity's risk management process and the way it is monitored as part of the assessment of risks of material misstatements.</u></p>	<u>Advanced</u>
<u>(d) Internal control</u>	<p><u>(i) Develop an understanding of the control environment and evaluate the design and implementation of controls, to identify risks of material misstatement.</u></p> <p><u>(ii) Evaluate tests of operating effectiveness performed.</u></p> <p><u>(iii) Evaluate effects of deficiencies in internal control and communicate deficiencies to those charged with governance of an entity.</u></p>	<u>Advanced</u>
<u>(e) Business and organizational environment; Economics; Business management</u>	<p><u>(i) Analyze relevant industry, regulatory, and other external factors (e.g., market, competition, product technology, environmental requirements) that are used to form auditor expectations.</u></p> <p><u>(ii) Apply knowledge of the entity (e.g.,</u></p>	<u>Intermediate</u>

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
	<u>group, parent, or components) in order to identify and assess the risks of material misstatement.</u>	
<u>(f) Taxation</u>	<u>(i) Determine the procedures to be performed in the audit of taxation balances with, if appropriate, the assistance of a tax professional.</u> <u>(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.</u>	<u>Intermediate</u>
<u>(g) Information technology</u>	<u>(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</u> <u>(ii) Determine which of the identified control deficiencies need to be communicated.</u>	<u>Intermediate</u>
<u>(h) Business laws and regulations</u>	<u>(i) Evaluate the impact on the audit of a potential breach of laws and regulations.</u> <u>(ii) Evaluate security and stock exchange regulations as they apply to the risks of material misstatements and presentation requirements of audit engagements.</u>	<u>Intermediate</u>
<u>(i) Finance and Financial management</u>	<u>(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.</u> <u>(ii) Analyze an audited entity cash flow, budgets, and forecasts, as well as working capital requirements to assess going concern.</u> <u>(iii) Analyze the components of the cost of capital to determine their appropriateness in the areas of interest</u>	<u>Intermediate</u>

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
	<i><u>(iv) Analyze the various types of financial instruments used by the audited entity to design the corresponding audit strategy.</u></i>	
<i><u>(j) Management accounting</u></i>	<i><u>(i) Analyze the most common types of cost and management control concepts and tools and determine their effect on an entity.</u></i> <i><u>(ii) Evaluate the risk that performance management systems will incentivize employees to override controls.</u></i>	<u>Intermediate</u>
<u>Professional Skills</u>		
<i><u>(k) Intellectual</u></i>	<i><u>(i) Evaluate the assertions of entity management on a range of audit and accounting matters.</u></i> <i><u>(ii) Resolve audit issues using (a) inquiry, abstract, and logical thought, and (b) critical analysis to consider alternatives and analyze outcomes during an audit.</u></i>	<u>Advanced</u>
<i><u>(l) Personal</u></i>	<i><u>(i) Promote and undertake lifelong learning to safeguard audit quality and, ultimately, the public interest.</u></i> <i><u>(ii) Act as a mentor or coach to aspiring engagement partners in respect of developing professional competence.</u></i>	<u>Advanced</u>
<i><u>(m) Interpersonal and communication</u></i>	<i><u>(i) Present, discuss, and defend views effectively.</u></i> <i><u>(ii) Resolve conflict through formal, informal, written, and spoken communication.</u></i> <i><u>(iii) Resolve audit issues, consulting when appropriate.</u></i> <i><u>(iv) Manage negotiations effectively.</u></i>	<u>Advanced</u>
<i><u>(n) Organizational</u></i>	<i><u>(i) Manage audit engagements by providing leadership of audit teams and project management.</u></i> <i><u>(ii) Initiate and manage changes in audit strategy.</u></i>	<u>Advanced</u>

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
<u>Professional Values, Ethics, and Attitudes</u>		
<i><u>(o) Commitment to the public interest</u></i>	<i><u>(i) Assess the effect on the public interest, the profession, and wider society of a specific course of action in respect of an entity.</u></i>	<u>Advanced</u>
<i><u>(p) Professional skepticism and professional judgment</u></i>	<i><u>(i) Adopt a skeptical mindset in light of the nature of an entity, management, and the evidence obtained during the audit.</u></i> <i><u>(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.</u></i> <i><u>(iii) Act as a role model to aspiring engagement partners.</u></i>	<u>Advanced</u>
<i><u>(q) Ethical Principles</u></i>	<i><u>(i) Apply the ethical principles of integrity, objectivity, professional competence, due care, and professional behavior.</u></i> <i><u>(ii) Identify, consider and evaluate conflicts of interest that can occur during an audit engagement</u></i> <i><u>(iii) Implement and maintain appropriate safeguards to ensure confidentiality of the audited entity's information.</u></i>	<u>Advanced</u>

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)

- ~~11. International Education Standards prescribe standards of generally accepted “good practice” in education and development for professional accountants. They establish the essential elements of the content and process of education and development of professional accountants (e.g. subject matter, skills, ethics and practical applications) at a level that is aimed at gaining international recognition, acceptance and application. Although they cannot override authoritative local pronouncements, they are prescriptive in nature.~~

~~12. This IES prescribes the minimum competence requirements IFAC member bodies are expected to require any members to obtain before they take on the role of an audit professional.~~

13. This IES also prescribes the minimum levels of professional knowledge;*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

<u>Defined Term</u>	<u>Source of Term</u>	<u>Definition in Use</u>
<u>Engagement Partner*</u>	<u>ISA 220**</u> <u>Quality Control for an Audit of Financial Statements, Paragraph 7 (e)</u>	<u>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.</u>

<u>Financial Statements</u>	<u>ISA 200</u> <u>Overall Objectives of the independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing</u> <u>Paragraphs 4 and 13 (f)</u>	<u>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.</u> <u>The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance.</u>
<u>Firm*</u>	<u>ISA 220,</u> <u>Paragraph 7 (e)</u>	<u>A sole practitioner, partnership or corporation or other entity of professional accountants.</u>
<u>Engagement Team³</u>	<u>ISA 220</u> <u>Paragraph 7 (d)</u>	<u>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.</u>

³ [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 Terms⁴	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.
*where relevant, should be read as also referring to their public sector equivalents. ** International Standards on Auditing (ISAs) 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.		

[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

⁴ [Glossary of Terms, IAASB Handbook Of International Quality Control, Auditing, Review, Other Assurance, And Related Services Pronouncements – 2012 Edition.](#)

(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—audit professionals require. It does not address.

A4. The aspiring engagement partner demonstrates professional competence through the integration of technical competence with professional skills, and professional values, ethics and attitudes.

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.⁵ 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

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

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;
- 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.⁶

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.
- 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.

⁶ Professional Code of Conduct, IESBA Handbook of the Code of Ethics for Professional Accountants, – 2012 Edition.

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 capabilities and competence needed by the entire audit engagement team. Audit professionals may work as a member of an audit team, or as an individual with sole responsibility in smaller audit assignments. Different levels of responsibility within an audit assignment will demand different levels of competence learning outcomes, as described in Table A.

14. Consulting with experts within or outside the audit organization is often required during an audit assignment. Capability and competence requirements for such experts are covered in IAASB standards and guidance and are not addressed in this IES.

15. Section 2 of this IES applies to all audit professionals. Section 3 discusses the competence requirements for engagement partners. Section 4 applies to audit professionals involved in specific environments and industries, including transnational audits.

16. This IES is consistent with the requirements and guidance contained in the various standards and statements in the International Framework for Assurance Engagements developed by the IAASB and through pronouncements such as International Standard on Quality Control 1. These specify the requirements and responsibilities of the organization and professional accountants regarding the competence of engagement teams to perform audit and assurance engagement functions.

17. IFAC member bodies may impose specific requirements for professional accountants working as audit professionals beyond those required in this IES. In particular, IFAC member bodies may consider prescribing specific CPD activities for audit professionals.

Professional Accountants judgment and **Audit Professionals**

18. Although some *professional* accountants deliver a wide range of accounting and business-related services, others will choose to specialize in one or more areas. No one professional accountant can master all areas of accountancy. Specialization is necessary to ensure services can be provided by professional accountants having sufficient depth of knowledge and expertise.

19. One area of specialization is in audit of historical financial information. Competence in this area requires a higher level of education and training in audit and related areas than is required of other professional accountants.

20. Audit professionals involved in audits of historical financial information in specific industries may be more specialized. The nature of the industry, and applicable laws and accounting treatments, may require levels of knowledge and skills beyond those required for other audit professionals.

21. Audit engagements vary in complexity and size, requiring different experience and competence levels. An audit team could include the engagement partner, other audit professionals, other professional accountants,

individuals working towards qualification as professional accountants, and other support staff who do not intend to qualify as professional accountants. The engagement partner is responsible for ensuring that the work of all individuals assigned to an audit engagement is appropriately reviewed by other members of the engagement team to provide reasonable assurance that the work meets appropriate standards of quality.

Developing and Maintaining Capabilities and Competence

22. ~~The International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) requires all professional accountants to take steps to ensure that they, and those working under their authority in a professional capacity, have appropriate training and supervision and are competent to undertake the work they perform.~~
23. ~~To acquire the capabilities and competence required of audit professionals, individuals may need further education and development beyond that needed to qualify as professional accountants. These additional education and development requirements can be met during the education and development program for qualifying as a professional accountant, or after.~~ 24. ~~Education and development for acquiring and maintaining the capabilities of audit professionals can include:~~
- ~~(a) advanced professional education pursued at academic institutions or through the programs of professional bodies;~~
 - ~~(b) on-the-job training and experience programs;~~
 - ~~(c) off-the-job training; and~~
 - ~~(d) continuing professional development (CPD) courses and activities.~~
25. ~~IFAC recognizes that each member body needs to determine not only how best to comply with this IES, but also what emphasis to place on the various parts of the education and development process.~~
26. ~~In addition to acquiring the necessary knowledge and skills, professional accountants will have to be assessed (as outlined in paragraphs 63 and 64) to demonstrate the capabilities and competence needed to take on responsibility for significant judgments in an audit of historical financial information. The IAESB recognizes that when assessing capabilities measuring output is likely to be superior to measuring inputs. Output-based approaches concentrate on measuring the development and maintenance of competence actually achieved through learning, rather than measuring the various learning activities.~~
27. ~~Audit professionals will need further development to progress, through supervisory and managerial roles, to acting as the engagement partner.~~
28. ~~All professional accountants are obliged to engage in lifelong learning to keep up-to-date on developments influencing the profession and the quality of the services they provide, as outlined in IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*.~~

SECTION 2: COMPETENCE REQUIREMENTS FOR AUDIT PROFESSIONALS

General

29. **Member bodies should require individuals to:**
- (a) qualify as a professional accountant;**
 - (b) hold an undergraduate degree, or its equivalent; and**
 - (c) satisfy all other requirements prescribed in this section**
- before these individuals take on the role of an audit professional.**

30. ~~The appropriate level of education and learning of the intellectual and personal skills necessary to become an audit professional is generally found in a combination of undergraduate degree and professional education programs. Where a member body does not require an undergraduate degree, the member body needs to be able to demonstrate that the intellectual and personal skills have been developed to the required level in other ways.⁷~~

31. ~~The requirements in paragraph 29 (c) may be met at the same time as the requirements in paragraph 29 (a) and (b), or after.~~

Knowledge Content

32. ~~The knowledge content within the education and development program for audit professionals should include the following subject areas:~~

~~(a) audit of historical financial information at an advanced level (refer to paragraph 36);~~

~~(b) financial accounting and reporting at an advanced level (refer to paragraph 38); and~~

~~(c) information technology (refer to paragraph 40).~~

33. ~~IES 2, *Content of Professional Accounting Education Programs*, sets out the knowledge requirements for professional accountants. “Advanced level” refers to a level of knowledge that is deeper and broader than what is prescribed for individuals qualifying as professional accountants in IES 2.~~

34. ~~IFAC member bodies may determine the levels of depth and breadth of knowledge, and the means for gaining that knowledge, as appropriate for their environment.~~

35. ~~Audit professionals are expected to have sufficient knowledge of current developments in the field of audit of historical financial information to respond to issues in the business environment. It is important, therefore, that education and continuing development programs for audit professionals include coverage of relevant current issues and developments.~~

36. ~~The knowledge content of the audit of historical financial information subject area should include the following at an advanced level:~~

~~(a) best practices in the audits of historical financial information, including relevant current issues and developments; and~~

~~(b) International Standards on Auditing (ISAs) and International Auditing Practice Statements (IAPs); and/or~~

~~(c) any other applicable standards or laws.~~

37. ~~In addition to the knowledge listed in paragraph 36, audit professionals may also require knowledge of International Standards on Quality Control (ISQCs), International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs), and International Standards on Related Services (ISRSs), or local equivalents.~~

38. ~~The knowledge content of the financial accounting and reporting subject area should include the following at an advanced level:~~

~~(a) financial accounting and reporting processes and practices, including relevant current issues and developments; and~~

~~(b) International Financial Reporting Standards (IFRSs);⁸ and/or~~

⁷ —The reference to undergraduate degrees in this standard is in line with the principles of the Bologna Declaration, agreed by 29 European countries in 1999. Further details may be found at: http://ec.europa.eu/education/policies/educ/bologna/bologna_en.html. Reference sources comparing the standard of qualifications throughout the world are listed in the note which forms part of IES 1.

⁸ —The term “International Financial Reporting Standards” refers to IFRSs, IFRIC Interpretations, IASs and SIC Interpretations.

- ~~(c) any other applicable standards or laws.~~
39. ~~If an audit client is required to prepare financial reports in accordance with standards specific to the public sector, statements equivalent to those listed in paragraph 38 will include International Public Sector Accounting Standards (IPSAS) and any applicable international, national and/or local equivalents of these.~~
40. ~~The knowledge content of the information technology subject area should include the following:~~
- ~~(a) information technology systems for financial accounting and reporting, including relevant current issues and developments; and~~
- ~~(b) frameworks for evaluating controls and assessing risks in accounting and reporting systems as appropriate for the audit of historical financial information.~~
41. ~~Further information on the information technology knowledge and competences for professional accountants can be found in IES 2, *Content of Professional Accounting Education Programs*.~~

Professional Skills

42. ~~The skills requirement within the education and development program for audit professionals should include:~~
- ~~(a) Applying the following professional skills in an audit environment:~~
- ~~(i) identifying and solving problems;~~
- ~~(ii) undertaking appropriate technical research;~~
- ~~(iii) working in teams effectively;~~
- ~~(iv) gathering and evaluating evidence;~~
- ~~(v) presenting, discussing, and defending views effectively through formal, informal, written, and spoken communication; and~~
- ~~(b) Developing the following professional skills at an advanced level in an audit environment:~~
- ~~(i) applying relevant audit standards and guidance;~~
- ~~(ii) evaluating applications of relevant financial reporting standards;~~
- ~~(iii) demonstrating capacity for inquiry, abstract logical thought, and critical analysis;~~
- ~~demonstrating 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.

~~(iv) Practical Experience~~**applying professional judgment; and**

~~(v) withstanding and resolving conflicts.~~

~~43. IES 3, Professional Skills and General Education, sets out the professional skills requirements for professional accountants. In the context of IES 8, “advanced level” refers to a level of skill that is higher than that prescribed for individuals qualifying as professional accountants in IES 3.~~

~~44. IFAC member bodies may determine the appropriate levels of skills development and the means for developing those skills.~~

~~Professional Values, Ethics and Attitudes~~

~~45. Individuals should be able to apply the required professional values, ethics and attitudes in an audit environment before taking on the role of an audit professional.~~

~~46. IES 4, Professional Values, Ethics and Attitudes, sets out the professional values, ethics and attitudes professional accountants must have. IFAC member bodies need to establish a program of education that provides a framework for exercising professional judgment and for acting ethically in the best interests of both society and the profession.~~

~~47. All professional accountants need a thorough understanding of the potential ethical implications of professional and managerial decisions. They need to be aware that decision makers can be under tremendous pressure when it comes to upholding ethical principles.~~

~~48. Audit professionals, like all professional accountants, are expected to apply the professional values, ethics and attitudes outlined in IES 4 throughout their professional careers. During their period of practical experience, they should receive guidance on the:~~

~~(a) professional approach to ethics;~~

~~(b) practical application of the fundamental principles;~~

~~(c) consequences of unethical behavior; and~~

~~(d) resolution of ethical dilemmas.~~

~~49. Learning about professional ethics needs to continue after qualification. Audit professionals need to see this as a career long process.~~

~~50. The fundamental ethical principles that apply to all professional accountants have an added dimension in the audit domain, because of the heavy public reliance on and public interest in this aspect of the profession worldwide.~~

~~51. These fundamental principles are essential to the development of the profession and society as a whole. IESBA Code sets out these fundamental principles:~~

- ~~(a) Integrity;~~
- ~~(b) Objectivity;~~
- ~~(c) Professional competence and due care;~~
- ~~(d) Confidentiality; and~~
- ~~(e) Professional behavior.~~

52. ~~In addition, the IESBA Code requires all members of assurance teams and organizations to be independent of assurance clients. All members of assurance teams and organizations are required to apply the independence conceptual framework outlined therein.~~

53. ~~It is important that audit professionals are~~

- ~~(a) aware of potential new ethical dimensions and conflicts in their work; and~~
- ~~(b) keep current on the expectations of their professional accounting bodies and the public in terms of professional ethics.~~

Practical Experience

54. ~~Professional accountants should complete a period of relevant practical experience before taking on the role of an audit professional. This period should be long enough and intensive enough to permit them to demonstrate that they have acquired the necessary professional knowledge, professional skills, and professional values, ethics, and attitudes. A substantial proportion of the period of practical experience should be in the area of audit of historical financial information.~~

55. IES 5, *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) Sufficiency⁹: 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

⁹ 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.

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

~~Provide experience in aspects of auditing financial statements while~~ **Requirements** ~~, sets out the practical experience requirements for all professional accountants. Professional accountants assuming the role of an audit professional are also required to demonstrate application of the knowledge and skills specifically required by this section of IES 8, and in an audit environment in accordance with the professional values, ethics and attitudes set out in IES 4.~~

~~56. Practical experience that contributes to the competence of an audit professional needs to be relevant to the type and size of audit assignments audit professionals are, or are likely to be, involved in. The period of experience should permit them to:~~

~~(a) apply, in a properly supervised environment, the requisite knowledge and skills; and~~

~~(b) develop and demonstrate the competence required by this IES.~~

~~57. The period of practical experience relevant to an audit professional may come during or after qualification as a professional accountant. Practical experience gained for the purposes of meeting the requirements of IES 5, *Practical Experience Requirements*, may contribute to the requirements prescribed in this IES.~~

~~58. A period of practical experience relevant to an audit professional would normally be not less than three years, of which at least two years should normally be spent in the area of audit of historical financial information under the guidance of an engagement partner. Where a member body does not require the completion of this minimum period of experience, the member body needs to be able to demonstrate that the application of the knowledge and skills specifically required by this IES has been achieved in an audit environment and has resulted in candidates developing the necessary competence and capability to apply professional judgment in the audit assignment.~~

~~59. The required audit experience should be obtained with an organization that can provide suitable audit experience under the guidance of an engagement partner.~~

~~60. Organizations making available suitable audit experience may include private and public sector audit organizations. IFAC member bodies need to be satisfied that audit organizations providing experience have in place policies and procedures that will provide an appropriate environment. An appropriate environment is one that allows individuals to develop and demonstrate the professional knowledge; professional skills; and professional values, ethics and attitudes that will permit them to take on responsibility for making significant judgments in an audit of historical financial information.~~

Continuing Professional Development

61. ~~IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*, sets out the CPD requirements for all professional accountants, including audit professionals.~~
62. ~~Professional accountants seeking to become audit professionals may rely on CPD activities to help them meet some of the competence requirements set out in this IES. CPD will also be necessary to ensure that audit professionals develop and maintain further competence. IFAC member bodies may consider prescribing specific CPD activities for audit professionals or professional accountants seeking to become audit professionals.~~

Assessment

63. ~~Professional capabilities and competence should be assessed before individuals take on the role of audit professionals.~~
64. ~~The assessment should be comprehensive enough to permit demonstration of the professional knowledge, professional skills, and professional values, ethics and attitudes required to competently perform the work of audit professionals.~~
65. ~~The assessment of the capabilities and competence of audit professionals may be carried out by:~~
- ~~(a) the IFAC member body of which an individual is a member (including through the member body's peer review process);~~
 - ~~(b) another IFAC member body;~~
 - ~~(c) a third party (e.g., education or training organization, government or regulatory authority, or workplace assessor under the authority supervision of the member body);~~
 - ~~(d) an audit organization (including through the organization's quality control systems); or~~
 - ~~(e) a combination of these.~~

~~Where external agencies are responsible for qualifying audit professionals, member bodies should encourage them to adopt IFAC standards.~~

SECTION 3: THE ENGAGEMENT PARTNER

General

66. ~~Specific professional, legal or regulatory requirements exist which govern the scope, performance and conduct of the audit engagement. In some instances, specific requirements regulate who may act as the engagement partner on an audit engagement. Such requirements are referred to below as licensing regimes. This term is used to refer to the range of instances where the authority or permission to act as the engagement partner is restricted to certain individuals who meet specific requirements. These specific requirements may be set by a professional, legal or regulatory body.~~
67. ~~Audit licensing regimes differ. Where IFAC member bodies have the legal authority to license auditors, it is expected that professional accountants will have met the requirements prescribed in Section 2 of this IES to be issued with an audit license or be permitted to sign reports of audits of historical financial information. Where other bodies license auditors, IFAC member bodies are obliged to notify their legislative, regulatory or licensing authorities about this IES, encouraging its adoption.~~
68. ~~In some jurisdictions, professional accountants are licensed to sign audit reports at the time of qualification, but may not have gained the practical experience prescribed in this IES. In such cases, IFAC member bodies need to make sure that individuals with responsibility for making significant judgments in an audit of historical financial information have the required practical experience and competence. This obligation may be fulfilled through a member body's quality assurance review program (i.e., practice inspections) or through an audit organization's quality control procedures.~~

69. ~~It is expected that audit professionals permitted to sign statutory audit reports will acquire practical audit experience beyond what this IES prescribes. All audit professionals have a professional and ethical obligation to develop and maintain competence appropriate to their professional responsibilities.~~

70. ~~IFAC recognizes the different types, size and complexities of audits of historical financial information, and the different levels of professional competence required to perform such engagements. It is the obligation of individual professional accountants to comply with the IESBA Code by not accepting assignments they are not competent to perform.~~

Competence Requirements for the Engagement Partner

71. ~~To assume the greater responsibilities of the engagement partner will require the development of additional professional knowledge; professional skills; and professional values, ethics and attitudes. An answering engagement partner would be expected to demonstrate a comprehensive understanding of the audit process and an ability to communicate a wide range of matters to a broad range of parties.~~

72. ~~As audit professionals progress into positions such as engagement partners, they will need to demonstrate competence in the following areas:~~

- ~~(a) Leadership responsibility for the quality of audits;~~
- ~~(b) Formation of conclusions on compliance with applicable independence requirements;~~
- ~~(c) Acceptance and continuation of client relationships and specific audit engagements~~
- ~~(d) Assignment of engagement teams, ensuring the collective capabilities and competence to perform the engagement and issue an audit report;~~
- ~~(e) Direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements;~~
- ~~(f) Consultation, review and discussion of work performed; and~~
- ~~(g) Development of the audit report that is appropriate and supported by sufficient appropriate audit evidence.~~

SECTION 4: COMPETENCE REQUIRED FOR AUDIT PROFESSIONALS IN SPECIFIC ENVIRONMENTS AND INDUSTRIES

General

73. ~~IFAC member bodies and audit organizations need to make sure that audit professionals responsible for significant judgments in an audit of historical financial information of specific environments or industries have the required professional knowledge and practical experience relevant to that environment or industry.~~

74. ~~When professional accountants have acquired the capabilities and demonstrated the competence required of audit professionals, they may need further development before they take on responsibility for making significant judgments in an audit of historical financial information of a specific industry (such as banking and finance, extractive industries and insurance) or environment (such as transnational audits).~~

Transnational Audits

75. ~~Transnational audits are, or may be, relied upon outside the entity's home jurisdiction for purposes of significant lending, investment or regulatory decisions; this will include all companies with listed equity or~~

~~debt and other public interest entities which attract particular public attention because of their size, products or services provided.⁴⁰~~

~~76. Before individuals take on the role of an audit professional in transnational audits of historical financial information they should:~~

- ~~(a) satisfy the requirements to take on the role of an audit professional (Section 2 of this IES); and~~
- ~~(b) satisfy the requirements in paragraph 77.~~

~~77. The knowledge content of the education and development program for audit professionals involved in transnational audits should cover the following subject areas, for the jurisdictions for which the transnational audit is conducted:~~

- ~~(a) applicable financial reporting and auditing standards;~~
- ~~(b) controlling of multi-location and group audits;~~
- ~~(c) applicable listing requirements;~~
- ~~(d) applicable corporate governance requirements;~~
- ~~(e) applicable national regulatory frameworks; and~~
- ~~(f) the global and local economies and business environments.~~

~~78. Audit professionals engaged in transnational audits may find that the application of professional values, ethics and attitudes can be complicated by multiple cultural contexts (e.g., norms, customs, behaviors and expectations).~~

Specific Industries

~~79. Some entities operate in heavily regulated industries (such as banks and chemical companies). Laws and regulations governing financial statements may vary considerably in specific industries and environments. Furthermore, accounting treatments may differ, resulting in different recognition and measurement practices.~~

- ~~(a)(b) 80. It is not practicable to prescribe the additional knowledge required of those operating in specific industries. IFAC member bodies, individual professional accountants and audit organizations share the responsibility for ensuring that audit professionals have the required competence for their roles.~~

Practical Experience: Small- and Medium-Sized Entities

81. 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 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

⁴⁰ TAC Guidance Statement 1—revised April 2006.

- 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 professionals need 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 audit experience in a specific environment or 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 before assuming responsibility for making judgments in an audit of historical financial information in that environment or industry. This experience needs to be long enough and intensive enough to permit (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 auditors¹¹ 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 professional engagements, the IFAC member body may refer the Requirements for the monitoring of CPD as set out in IES 7 *Continuing Professional Development*.

¹¹ "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.

(a) — the necessary knowledge; and

(b) — that they can apply the necessary skills and the professional values, ethics and attitudes required to competently perform the work in that specific environment or industry.

This practical experience may be in addition to what is prescribed elsewhere in this IES.

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.

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

<u>Level of Proficiency</u>	<u>Description</u>
	<p><u>theories from relevant areas of technical competence to complete work assignments and make decisions;</u></p> <ul style="list-style-type: none"> <u>Combining technical competence and professional skills to complete work assignments;</u> <u>Applying professional values, ethics, and attitudes to work assignments;</u> <u>Assessing, researching, and resolving complex problems with limited supervision; and</u> <u>Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</u> <p><u>Learning outcomes relate to work situations that are characterized by moderate levels of ambiguity, complexity and uncertainty.</u></p> <p><u>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.</u></p>
<u>Advanced</u>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <u>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;</u> <u>Integrating technical competence and professional skills to manage and lead projects and work assignments;</u> <u>Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</u> <u>Anticipating, consulting appropriately and developing solutions to complex problems and issues; and</u> <u>Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders</u> <p><u>Learning outcomes at the advanced level relate to work situations that are characterized by high levels of ambiguity, complexity and uncertainty.</u></p> <p><u>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.</u></p>
<u>Mastery</u>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <u>Integrating technical competence, professional skills, and professional values, ethics and attitudes to lead complex projects, resolve complex problems and advise internal and external stakeholders;</u> <u>Acting as a role model within the accounting profession by behaving in accordance with required professional values, ethics and attitude;</u> <u>Providing thought leadership in areas requiring experience and expertise; and</u>

<u>Level of Proficiency</u>	<u>Description</u>
	<ul style="list-style-type: none"> Communicating with impact to guide and convince internal and external stakeholders at a senior level on vision and strategy of the organization or business. <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>