

IAESB™

Professional Skepticism Task Force - Behavioral Competence: An Update

IAESB Meeting

Nairobi, Kenya

April 18-20, 2018

Agenda

- Background.
- The problem statement and objectives to be achieved.
- Defining Behavioral Competence.
- How is Behavioral Competence defined by other organisations?
- A review of other organizations' competency frameworks.
- Feedback from outreach with Regulators.
- Review of the current IESs with respect to behavioral competence.
- The Skills Buckets.
- Way Forward.

Background

- Paragraph 1 – 9 (Pages 1 – 2)

Background

- Professional Skepticism Working Group (IAASB / IESBA / IAESB)
- IAESB
 - PSTF – Literature Review
 - PSTF – Stakeholder Engagement
 - PSTF – Behavioral Competence (the Task Force)
- Task Force Members
 - Bernard Agulhas (Chair), Robert Zwane (Secretary), David McPeak (IFAC Staff), Sue Flis, Manil Jayesinghe, Mienkie Etcheverrigaray, and Elizabeth Gammie, Yoshinori Kawamura, and Edwin Makori.

Background Cont.

- Possible output:
 - Additional explanatory material.
 - Providing Guidance.
 - Amendments to IESs competence areas or learning outcome.
 - Developing new IESs.

Background Cont.

- Work to date:
 - 3 Teleconferences
 - 1 Teleconference with ICT and PSTF Task Force Chairs.
 - Exploratory work to date (a deeper understanding):
 - Developing an **initial** definition of behavioral competence.
 - An **initial** review of other organizations' competency frameworks.
 - Targeted outreach with a **limited** number of Regulators.
 - Considered the work of the PSTF – Literature Review

The problem statement

- Paragraph 10 – 18 (Pages 2 - 3)

The Problem Statement

- Initial objective of the Task Force:
 - To consider any perceived gaps in behavioral competence in the standards as it related to the application of professional skepticism.
- Feedback from IAESB – November 2017 Meeting:
 - More exploratory work on broader concept of behavioral competencies.
 - Report back to the Board in April 2018.

The Problem Statement Cont.

- A focus on Behavioral Competence is required:
 - Dynamic environment and increasing pace of change in the business arena.
 - The needs and expectations from those who use and rely on the services of professional accountants.
 - Many corporate and audit failures seem to be linked to aspects that are beyond the professional accountants' technical abilities.

The Problem Statement Cont.

- Other Task Forces seem to have also identified the importance of Behavioral Competence:
 - ICT
 - PSTF – Literature Review
- Therefore, to obtain an understanding of Behavioral Competence the Task Force:
 - Prepared an initial definition of Behavioral Competence.
 - Has done an initial review of the IESs and other competency frameworks.
 - Has had initial engagement with a limited number of Regulators.

Defining Behavioral Competence

- Paragraph 19 - 21 (Page 4)

Defining Behavioral Competence

- The Task Force has developed an initial definition
 - An attempt in better understanding what we are dealing with.
 - An attempt to capture both IPD and CPD aspects.
 - Need for refinement.

Behavioral Competences comprise any behaviors, attributes and qualities that an individual is expected to demonstrate in fulfilling their role as a professional accountant. Behavioral competences encompass knowledge, skills, values, attitudes, and actions that contributes to the development and maintenance of professional competence to enable professional accountants to continue to perform their roles competently.

Action Requested:

- A. Does the Board support the development of a definition of behavioral Competence? If not, why?
- B. Does the Board have any further suggestions on the ‘initial’ definition of behavioral competence?
- C. If the Board supports the development of a definition for behavioral competence, what other actions should the Taskforce take to further develop this definition?
- D. If the Board supports the development of a definition for behavioral competence, how should this definition be incorporated into the IESs?

How is Behavioral Competence defined by other organisations?

- Paragraph 22 - 25 (Pages 4 - 5)

How is Behavioral Competence defined by other organisations?

- The following definition seem to be a widely used definition:

Any behavioral attribute such as knowledge, skill set, teamwork, leadership skills, technical know-how, etc. which contributes to the development of an individual in the organisation to take up bigger roles is known as behavioral competency. It can be applied to individuals at all levels, which simply means that it is not restricted to just top, middle, or lower level. Behavioral competency is used to enhance the competency of employees at all the positions in the organisation for smoother transition of workflow. It is not just limited to career, but personal life as well. It involves traits which an individual has or should have to be successful.

A review of other organizations' competency frameworks

- Paragraph 26 - 40 (Pages 5 - 10)

Other Competency Frameworks

- To get a better understanding
- Not just competency frameworks from accountancy organizations:
 - National Research Council of Canada
 - Canada Mortgage and Housing Corporation
 - The South African Institute of Chartered Accountants
 - The ACCA
 - The Independent Regulatory Board for Auditors
 - ICAEW

Other Competency Frameworks Cont.

- What have we found:
 - Used by others to refer to all non-technical competencies.
 - Others call them ‘pervasive qualities and skills’.
 - Others call them ‘professional development skills’.
 - Others have made these role specific and describe the requirements to move from one level to another in these roles.
- Further analysis of these competencies required to identify possible learning outcomes that are not addressed by the IESs.

Action Requested:

- E. Does the Board believe the concept of behavioural competency needs to be more visible in the IESs?
- F. Does the Board believe the review of the competency frameworks of other organizations is a useful approach in identifying potential shortcomings in the IESs? If not, what other approaches would the Board suggest to identify shortcomings in the IESs?
- G. If the Board believes that reviewing the competency framework of other organizations is a useful approach, does the Board know of any additional competency frameworks to be considered by the Task Force?

Feedback from outreach with Regulators

- Paragraph 41 - 47 (Pages 11 - 12)

Feedback from outreach with Regulators

- To obtain an understanding from a regulatory perspective.
 - Limited number of regulators contacted (6) and 5 responses were received.
- The Following questions were asked:
 - What is your understanding of the concept of Behavioral Competence?
 - Do you have evidence of inspection failures linked to issues of behavioral competence?
 - Do you believe that the IESs sufficiently address the concept of behavioral competences? Please elaborate.
 - Do you have views on how the Task Force can deal with the issue of Behavioural Competence in the education standards?

Feedback from outreach with Regulators Cont.

- Refer to the following paragraphs for some feedback from the regulators:
 - Paragraph 43: On their understanding of behavioral competencies.
 - Paragraph 44: On whether they have any evidence of the impact of behavioral competence on their inspections results.
 - Paragraph 45: On whether the current IES sufficiently address behavioral competences.
 - Paragraph 46: On how the Task Force could deal with the issue of behavioral competences.

Action Requested:

- H. Based on the initial outreach with regulators, does the Board agree with the Taskforce that there is a need for the IAESB to focus on behavioural competence? If not, why?
- I. Does the Board believe that additional regulators should be engaged based on the initial feedback from the few regulators? If so, what additional regulators should be engaged?
- J. If the Board believes that additional regulators should be engaged, what form should the further inquiry and analysis take?

Review of the current IESs

- Paragraph 48 - 55 (Pages 13 - 14)

Review of the current IESs

- The Task Force reviewed:
 - Framework
 - IES 3
 - IES 4
- The aim of was to obtain an understanding of the extent to which the current standards deal with behavioral competence

Review of the current IESs Cont.

- The Framework
 - Definition of Professional Competence

Professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

- No direct reference to behavioral competence
 - Seem to be indirectly addressed in definition of ‘Professional Skills’ and ‘Professional Values, Ethics and Attitudes’.

Review of the current IESs Cont.

- IES 3 – Professional Skills
 - *Professional skills - Intellectual, interpersonal and communication, **personal**, and organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.*
 - *Interpersonal and communication skills - Skills relating to the ability of a professional accountant to work and interact effectively with others*
 - *Personal skills - Skills relating to the personal attitudes and behavior of a professional accountant.*
- IES 3 does seem to have embedded the concept of behavioral competence in the standard.

Review of the current IESs Cont.

- IES 4 – Professional Values, Ethics, and Attitudes:
 - *Professional values, ethics, and attitudes - The characteristics that identify professional accountants* as members of a profession. They include the principles of conduct (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, professional behavior.*
- IES 4 does seem to have embedded the concept of behavioral competence in the standard.
 - But the question that arises is whether the highlighted concepts are the same as behavioral competence and whether the learning outcomes do sufficiently address behavioral competence.

Action Requested:

- K. Does the Board agree that the definitions and concepts need to be further analysed and reconciled to arrive at a common understanding of the different definitions and concepts which appear in the IES? If not, why?

The Skills Buckets

- Paragraph 56 - 58 (Pages 14 - 15)

The Skills Buckets

- The skills bucket was developed with a focus on professional skepticism.
- The Skills Buckets combine:
 - Key skills required to enhance the application of Professional Skepticism.
 - Environmental factors that may affect the application of Professional Skepticism.
- Since the PSTF – Literature Review is focusing on professional scepticism, there may be overlaps if this Task Force was to proceed with the Bucket Skills.

Action Requested:

- L. Does the Board support the Task Force recommendation to submit the skills buckets to the PSTF – Literature Review?

Way Forward

- Paragraph 59 - 60 (Page 16)

Way Forward

The Task Force will consider the IAESB CAG and Board's responses to the guidance requested, as well as their advice and suggestions, and present a timeline for completion of the agreed upon action items at the next Board meeting.

Thank you