

May 15, 2013

Professor Arnold Schilder  
IAASB Chair  
International Auditing & Assurance Standards Board  
529 Fifth Avenue, 6th Floor,  
New York, New York, 10017 USA

### Re: A Framework for Audit Quality

Dear Professor Schilder,

The International Accounting Education Standards Board (IAESB) appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB) consultation paper entitled, *A Framework for Audit Quality*.

In general the IAESB supports the principles and concepts enunciated in the consultation paper, *A Framework for Audit Quality*. The IAESB is also fully supportive of IAASB's vision for the Framework, including its three objectives.

The IAESB has chosen to comment on only those questions that fall within the IAESB's remit of responsibility for professional accounting education and training. We provide comment on the following.

**QUESTION I. DOES THE FRAMEWORK COVER ALL OF THE AREAS OF AUDIT QUALITY THAT YOU WOULD EXPECT? IF NOT, WHAT ELSE SHOULD BE INCLUDED?**

In general the IAESB agrees that the proposed framework covers all of the areas of audit quality, subject to the following comments:

#### **Input Factor- Values, Ethics, and Attitudes at the Firm Level**

The IAESB supports the IAASB's view that the audit firm's culture has an important influence on the values, ethics, and attitudes of audit partners and staff of an engagement team. The

IAESB suggests that the key attributes identified to create audit quality can be enhanced by explicitly recognizing the need to promote the importance of, and a commitment to, Continuing Professional Development (CPD), especially with regards to the maintenance of values, ethics, and attitudes. Some of the ways that a firm could promote CPD include:

- Communicating the value of CPD regularly to professional accountants; and
- Promoting the variety of CPD opportunities available to professional accountants.

In recognizing the importance of life-long learning and the need to enforce mandatory CPD for professional accountants and auditors working within the engagement teams, firms can support a culture in which audit quality is valued.

The IAESB suggests that the following key attribute in relation to creating a culture of audit quality should be included in Paragraph 47:

- “The firm promotes a variety of CPD opportunities to build greater awareness to issues relating to the development of professional values, ethics, and attitudes.”

### **Input Factor- Knowledge, Experience and Time**

The IAESB supports the IAASB’s view that knowledge, experience, and time are important to achieve audit quality. The IAESB, however, suggests that this descriptor is limiting in scope and should be enhanced by including professional skills which includes interpersonal and communications skills. By recognizing these skills we acknowledge their importance to the auditor who is gathering evidence and reporting during the audit engagement. The inclusion of professional skills also aligns with the IAESB’s view that professional competence integrates technical competence, professional skills, and professional values, ethics, and values.

The IAESB suggests that the 2<sup>nd</sup> bullet of paragraph 24 should be amended to read:

- (b) “The knowledge, skills, and experience of auditors, and the time allocated for them to perform the audit.”

It is also suggested that the 2<sup>nd</sup> bullet of paragraph 31 should be amended to read:

- “Being sufficiently knowledgeable, skilled, experienced, and having adequate time allocated to them to undertake their work.”

**QUESTION 3. HOW DO YOU INTEND TO USE THE FRAMEWORK? ARE THERE CHANGES THAT NEED TO BE MADE TO THE FORM OR CONTENT OF THE FRAMEWORK TO MAXIMIZE ITS VALUE TO YOU?**

The IAESB intends to use the Framework as a reference when developing guidance for the implementation of IES 8, *Professional Development for Engagement Partners Responsible for Audits of Financial Statements*. Because the revised IESs identify competence areas which cover technical competence, professional skills, and professional values, ethics, and attitudes required for the development of the professional accountant and engagement partner, the IAASB should assist the reader in making the link to the required competence areas when discussing the engagement level of the audit. As a result the IAESB suggests that the IAASB should provide reference to these IESs and use terminology, whenever possible, that is common to both Boards to avoid confusion.

In reviewing the Framework for Audit Quality document for consistency in terminology the IAESB would like to raise the following issues with the aim of improving its clarity.

- Paragraph 18. Replace the 2<sup>nd</sup> bullet with the following:
  - Was sufficiently knowledgeable, skilled, experienced, and had sufficient time allocated to perform
- Paragraph 42. Amend the first bullet to read:
  - Developing and maintaining professional knowledge and skill at an appropriate level;
- Footnote 3. Delete the footnote and include the definition of capabilities in the body of the text because the IAESB no longer defines capabilities in its Glossary nor its pronouncements
- Paragraph 71. Delete wording and replace with  
“Revised IES 8 identifies the competence areas and learning outcomes for the engagement partner who is responsible for audits of financial statements.”
- Footnote 7. Replace the wording of the footnote with:  
“Competence areas and learning outcomes for the aspiring professional accountant are provided in 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*; while, competence areas and learning outcomes for the engagement partner are provided in IES 8, *Professional Development for Engagement Partners Responsible for Audits of Financial Statements*”
- Paragraph 88. Amend the first bullet to read:
  - Knowledge, skills, and experience;

**QUESTION 4. WHAT ARE YOUR VIEWS ON THE SUGGESTED AREAS TO EXPLORE? WHICH, IF ANY, SHOULD BE GIVEN PRIORITY AND BY WHOM? ARE THERE ADDITIONAL AREAS TO EXPLORE?**

**Area to Explore: Establishing a common understanding of capabilities, and how they are demonstrated and assessed, as they relate to audit quality for use by audit firms when recruiting, evaluating, promoting, and remunerating partners and staff.**

The IAESB supports the IAASB's view that audit quality can be improved through the competence and capabilities of professional accountants and auditors. The IAESB also agrees that the recruiting, evaluating, promoting, and remunerating of engagement partners and staff can be facilitated by harmonizing competence frameworks among audit firms. The IAESB recommends that the development of these competence frameworks should be based on the revised IESs.

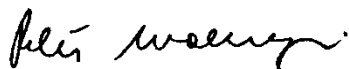
The suite of 8 International Education Standards is acknowledged as a global benchmark for aspiring professional accountants, professional accountants, and engagement partners to provide high quality financial statement reporting and auditing. The IESs prescribe not only the technical competence and professional skills that preparers and auditors of financial statements need, but also the technical competence and professional skills required for the many roles of professional accountants in business and other economic sectors.

IESs 2, 3, 4, and 8 set out the competence areas and learning outcomes required of an aspiring professional accountant and an engagement partner. Because these IESs identify the progression of competence development needed for the aspiring professional accountant to develop so as to perform the role of the engagement partner, they provide the basis to harmonize the development of competence frameworks among firms.

The IAESB suggests that Paragraph 50 can be enhanced by referring to the competence areas of the IESs as the basis to harmonize the development of competence frameworks among firms.

We hope these comments are helpful and look forward to the final version of the Framework document.

Yours sincerely,



Peter Wolnizer, IAESB Chair

Professor Emeritus, University of Sydney, Australia