

Chartered Accountants Ireland

Comments on Consultation Paper on the Revision of International Education Standard (IES) 8: Competence Requirements for Audit Professionals

Introduction

Chartered Accountants Ireland welcomes the opportunity to comment on the Consultation Paper on IES 8. We believe that this preliminary consultation will provide a useful input into the revision project and hopefully will enable the clarification of the matters raised in the Paper.

There are several matters highlighted in the Consultation Paper and these are commented in turn.

Redrafting IES 8 in line with the Drafting Conventions

We are fully supportive of the rewriting of all of the Education Standards in line with a “clarity” and principles style format and in line with the recently approved Framework document. We are hopeful that this will result in the benefits identified namely improved clarity, elimination of possible ambiguities and improve guidance.

Specific Issues of IES 8 Implementation

Target Audience

The current IES are typically targeted at IFAC member bodies. In the case of IES 8, the responsibilities are aimed at a wider range of groups including not only IFAC member bodies but also audit organisations, regulators and other third parties. We do consider this to be a significant issue.

The formation and development of audit professionals requires the support and resources of many parties and any revised standard needs to reflect the various roles which each part of the education and regulatory stakeholders play. Given the wide range of target stakeholders, we would welcome additional clarification on the member body and other stakeholder responsibilities.

IFAC member bodies are typically subject to regulators which are empowered to establish requirements for auditors. In the context of the European Union (EU), these requirements are set at an EU level and then implemented at a national level. IFAC compliance processes are typically targeted at member bodies and it is not clear how any variance in practice arising from a regulator perspective might be accommodated.

Definition of ‘Audit Professional’

We welcome the proposal to clarify the definition of the term ‘*audit professional*’. The development of audit professionals takes place over a period of time in which professionals are exposed to a range of clients and industries in a way that is supportive of the development of appropriate competencies. The original IES 8 attempted to recognise this developmental process and to address the standard at a wider range of professionals than just the audit partner. It is recognised that such a wide definition may not be in line with the normal auditing standards. In the broadest sense we are supportive of a revised standard being aligned to the pronouncements of the IAASB. However as an Education Standard, any revision should cover the competence developmental needs of a wider range of audit staff rather than the audit partner alone.

The Consultation Paper indicates that it is the intention of any revision to clarify who an audit professional is as well as considering the impact of the complexity of audits, the use of specialists etc. We are supportive of this additional clarification.

The current audit professional definition is dependant on “*significant judgements*”. The Consultation Paper suggests that any revision may include additional guidance on the term “*significant judgements*” or the reliance on an alternative criterion. Again we are supportive of this development.

We do not have any additional issues which we would wish you to consider as part of this revision.

Knowledge and Skills Requirement

IES 8, as noted in the Consultation Paper, identifies a number of areas where skills are required at an advanced level. We do consider that some additional clarification is needed as:

- No clarification or guidance is provided at present on what is meant by either basic or advanced knowledge and skill levels;
- Any list of skills without any additional clarification is somewhat subjective. Such a list may be subject to change over time or over a career;
- Different legal and professional requirements may prevail in different countries particularly at an sectoral level;
- Any mandatory list needs to accommodate the varying needs of audit client size, industry complexity and other areas which may be more significant. Complexity alone is unlikely to be a sufficient differentiator.

The range and scale of audit assignments makes it difficult to imagine that a simple framework of knowledge and skills could be easily created which accommodates all circumstances and all possible career paths. Any checklists on its own without additional guidance may not be sufficient to enable consistent implementation.

If the IAESB wishes to retain a list of areas where knowledge and skills, we would be supportive of additional guidance being provided once the matters raised above are considered.

In terms of audit professional development (typically having met the needs for professional membership), there is a need to consider such things as the training needs of each individual, the areas in which they are operating and their previous work experience. The results of such a training needs analysis will determine the required education and experience developments that will be required.

Feedback from peers and on the job assessments is likely to play an important role in the development of an audit professional’s skills. The training firm is likely to play a key role in this area. These important activities are ones which an IFAC member body will not have direct influence over and may raise issues under the IFAC compliance programme (which is typically targeted at the member body).

Expanding the standard (or supporting guidance) to cover a range of assignments from transnational audit to specialised engagements (such as financial services) is likely to prove extremely challenging, as these can be impacted by differing legal and regulatory requirements and sophistication. We would question if this expansion (however desirable from say a developing nation viewpoint) would be an effective use of the Board's time and resource.

Consistency with other Education Standards

We welcome the planned efforts of the IAESB to ensure greater consistency with other Education Standards and IFAC pronouncements and to eliminate inconsistencies where appropriate.

We consider that the Consultation Paper has identified all the significant matters which have arisen since the original standard was adopted. We do not have any additional areas where we believe the IAESB should focus its efforts.

Conclusion

Finally we commend the IAESB for providing stakeholders with the opportunity to be consulted at this early stage in the revision project. We would be happy to clarify or amplify on our comments if desired. In the meantime we wish the Board every success with this important project.