



June 15, 2010

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International Accounting Education Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, ON M5V 3H2

**Re: A Consultation Paper on the Revision of
International Education Standard 8: Competence Requirements for Audit Professionals**

We are pleased to have this opportunity to provide our comments and views on the IAESB's planned redrafting and where appropriate, revision of International Education Standard 8: Competence Requirements for Audit Professionals (IES 8).

We strongly support the redrafting of IES 8 in accordance with the IAESB's *Framework for International Education Standards for Professional Accountants* (Framework) and *IAESB Drafting Conventions* (Drafting Conventions) and the expected outcome:

- a revised structure that clearly sets out the objective of the IES, clarifies obligations imposed on member bodies, eliminates ambiguity about the requirements, and improves the explanation and guidance to support consistent application of IES 8's requirements; and
- an IES that is consistent with the other IESs, because it will be based on a common set of concepts relevant to the accounting education of professional accountants.

In our view, the IAESB is asking the right questions in the Consultation Paper. In particular we believe the IAESB will need to be very clear in its understanding of the answers to two questions:

1. To whom is IES 8 addressed; and
2. How is IES 8 intended to be used?

A second objective of this project as stated in the Consultation Paper is to consider revisions to IES 8 for a number of specific issues regarding its implementation – issues that have been identified by IAESB members, member bodies, and other stakeholders since its introduction in 2006.

We fully support making revisions to IES 8 to the extent that they are needed to meet the clarity objectives noted above. To that end we have attached detailed comments for your consideration. We also believe that there is a lot that is right about the current IES 8 and would be concerned if the revision process turned into a significant change in direction for the Standard (see our comments on “expansion of the Audit Professional definition” and providing “guidance on shared responsibilities among stakeholders”). We agree with the IAESB's stated intention to redraft the current IES 8 and revise it “for issues that may advance or impede the practical application of this IES.”

Finally we note that the IAESB is seeking views/comments on the potential impact of changes to this IES on relevant stakeholders. Although it is difficult to address this issue at this early stage – no specific changes are in fact being proposed by the Consultation Paper – we have noted your request and have provided some high-level comments on this issue.

We look forward to the outcomes of this project.

Sincerely yours,

A handwritten signature in black ink, reading 'T. Forristal'. The signature is written in a cursive, flowing style with a large, prominent initial 'T'.

Tim W. Forristal, CA
Vice President, Education
The Canadian Institute of Chartered Accountants

cc: Mr. Kevin Dancy
President and CEO
The Canadian Institute of Chartered Accountants

ATTACHMENT

**CICA’s Detailed Comments
On
The IAESB’s Consultation Paper
on the
Revision of International Education Standards 8: Competence
Requirements for Audit Professionals**

I. Targeted Audience

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

We believe that the IAESB has identified the critical issues in respect of the “whom” for IES 8.

We would add that in our view the phrase “targeted audience” has at least four elements to it that we believe should be ‘unpacked’ in this discussion. In answering the “targeted audience” question the IAESB needs to ask:

- a) Who is the primary audience of an IES and IES 8?
- b) What are the needs of the primary audience?
- c) Are there other stakeholders? What are their needs related to IES 8? and
- d) To whom do the IES 8 competence requirements apply?

The IAESB’s *Framework for International Education Standards for Professional Accountants* is clear that the Framework and IESs are intended to assist IFAC member bodies.

Individual IFAC member bodies determine the competences and criteria for membership that are appropriate to the professional accountancy roles their members undertake. The Audit Professional is one of those roles.

It is also clear that there are other stakeholders who may not only have an interest in competency requirements of an Audit Professional but potentially play a role in an individual’s learning and development as an Audit Professional. As noted in the Framework:

(The Framework) “should also enhance the understanding of the work of the IAESB by a wide range of stakeholders including:

- Universities, employers, and other stakeholders who play a part in the design, delivery, or assessment of education programs for accountants;*

- *Regulators who are responsible for oversight of the work of the accountancy profession;*
- *Government authorities with responsibility for legal and regulatory requirements related to accounting education;*
- *Accountants and prospective accountants who undertake their own learning and development; and*
- *Any other parties interested in the work of the IAESB and its approach to developing publications on accounting education.” (paragraph 5, Framework).*

We agree that the needs of these stakeholders and the direct or indirect impact of revised IES 8 requirements on these stakeholders need to be taken into account in the redrafting process. At the same time, the IAESB should consider carefully the notion of “expanding on other stakeholder responsibilities” and providing for “shared responsibilities among the stakeholders”. This wording could suggest intended or unintended obligations or requirements on these stakeholders – obligations that may be beyond the intended scope of an IES as defined in the recently issued Framework and obligations that may not be enforceable by IFAC.

The IAESB should keep the Requirements section of IES 8 principle-based and written in a way that assists IFAC member bodies while providing an understanding but not obligations to other stakeholders.

As for the actual subject or individual to whom the competency requirements of IES 8 apply, the IES should have the following attributes:

- a) *IES 8 should be clear on the circumstances to which it applies.* On this point, we believe the current IES 8 is clear - the audit of historical financial statements.
- b) *IES 8 competence requirements should be principle-based, written in such a way as to apply to audits of any size.* The desire by some to have competence statements that apply to audits of varying size and/or complexity e.g. audits of an SME, audits of a multi-national corporation, audits of a financial institution, etc. may be more appropriately be dealt with through supporting guidance – not Requirements.
- c) *IES 8 should be clear as to which members of the audit team it applies.* It should not extend to the many experts and staff one finds on today’s multi-disciplined audit teams; on this point, we believe the current IES 8 is clear – it applies to Professional Accountants.
- d) *IES 8 should be clear as to which Professional Accountant on the audit team it applies.* The current qualifying criteria of “significant judgement” in our view is an imprecise point in the learning and development cycle of a Professional Accountant. We note that in ISQC1 the only distinction in staffing on an audit team is between “Partner” and “Staff”. ISQC1 defines a “Partner” as “any individual with authority to bind the firm with respect to the performance of a professional services engagement.” This role is clearly defined and understood and in many ways would be the most useful point of focus for Member Bodies such as ours.

- e) *IES 8 should complement, not compete with, other IFAC requirements of auditors* as outlined in other pronouncements such as the IFAC Code of Ethics for Professional Accountants, ISQCs, the International Framework for Assurance Engagements and the International Standards on Auditing.

In our view, audit or accounting technicians should be excluded from the scope of IES 8. If the targeted individual for IES 8 is indeed a Professional Accountant with authority to bind the firm with respect to the performance of a professional services engagement, the issue of technicians may well not arise. But to be clear, to attempt to draft competence requirements in such a way as to include the range of required competences from audit or accounting technicians to Audit Partner, in our view, would add an unnecessary burden on the drafters of IES 8 and potentially limit the usefulness of the resulting IES. Competence requirements of accounting or audit technicians on an audit team could be the subject of a separate publication.

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

We probably would not have used the word ‘expansion’ to describe what needs to be done with the definition of Audit Professional. We agree that the issues raised in the Consultation Paper strongly suggest that a clarification of this definition is required, that ambiguities and inconsistencies need to be fixed. In our view this would be better accomplished through a combination of revising the current definition, improving the consistency of wording used throughout the document when referring to role and including appropriate references to other IFAC pronouncements to provide context for the competence of an individual auditor within the scope of an audit engagement. This would not be an “expansion” of the definition; rather it would be a clarification.

The IAESB should keep in mind its’ targeted audience - the Professional Accountant – in revising the definition. It is understood that in today’s world of audit professionals, Firms employ teams of audit professionals with varying skills and disciplines, not just accountancy skills. The inclusion of all members of an audit team in this key definition or even the inclusion of just those who call themselves audit professionals but are not a Professional Accountant would expand the application of the IES well beyond that intended by the Framework. The IAESB’s primary concern has to be with the competence requirements of the Professional Accountant on an audit team.

We agree that there are inconsistencies among sentences in the current IES 8 as to which Professional Accountant the Standard applies. Sometimes it seems to be a Partner, other times Staff. These inconsistencies need to be corrected. We suggest that the IAESB consider redrafting the IES in terms of the competency requirements of a defined role.

We further recommend that the IAESB consider the defined role for IES 8 to be that of the Partner. The Partner role is the role of primary interest to a number of stakeholders. Most regulators,

governments, member bodies and licensing authorities are interested in the competencies of the individual ultimately responsible for an engagement. Any other roles and the associated competency requirements leading up to Partner can be highly variable. We acknowledge that this progression of audit competence may be of interest to some but we suggest that it would be more appropriate as guidance material e.g. competency requirements at entry level to an audit team, Audit Senior, Audit Manager and Partner rather than form part of an IES requirement. We expect that there would be a number of member bodies and Firms that would share such guidance or good practice material.

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

We understand that the introduction of the concept of “significant judgement” underlies much of the concern that has been raised with the implementation of IES 8 and to whom IES 8 applies. By its very nature, it describes an imprecise point in the learning and development cycle of a Professional Accountant. Although it has been accepted by some users of the standard, it does not appear to meet the needs of all stakeholders.

The most effective way to eliminate these uncertainties in our view would be to eliminate the concept altogether from IES 8 – to address the competency requirements at a level of responsibility that is generally understood. The point at which one has “significant judgement” is a very difficult, if not impossible, level of competence to define and have understood by everyone.

Can we learn from the other IFAC standard setters? ISQC1 for example distinguishes only between Partner and Staff. Partner is defined as “any individual with authority to bind the firm with respect to the performance of a professional services engagement.”

In our view the IAESB should consider redrafting IES 8 in terms of the competence requirements of the Partner – a defined and generally understood role on the audit team.

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

The IAESB should keep in mind the purpose and objectives of the IESs as recently described in the new *Framework for International Education Standards for Professional Accountants* when clarifying “guidance on shared responsibilities”. Defining specific obligations for stakeholders other than member bodies, would be inconsistent with the Framework and would be difficult to enforce. We believe that the standards should be written per the Framework to assist member bodies and to enhance the understanding of other stakeholders.

II. Knowledge and Skills Requirement

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

We agree that this is an area that requires further clarification. It is a fundamental issue that affects not only the redrafting of IES 8 but the redrafting of IES 2 to IES 4.

Currently the ‘core’ knowledge and skills required of all IFAC member bodies is included in IES 2 to IES 4. Skills required for an audit specialty are included in IES 8 as additional or “advanced” knowledge, skills and competence over and above those articulated in IES 2 to IES 4.

We suggest that the IAESB consider approaching the articulation of knowledge, skills and competence in absolute terms rather than comparative terms as it is done now. Rather than expressing competence as “an advanced level” of something else, IES 8 should articulate the competency requirements of an audit professional in absolute terms in a format that is consistent with IES 2 to IES 4 (see below). The competence requirements should express directly what is expected of an audit professional.

We expect that examples of such competence statements exist today among many member bodies and the Firms.

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

The answer to the question of appropriate types and levels of competencies will ultimately be based on the expectations of the stakeholders of IES 8. It may well be that the IAESB will need to consider various levels of competency articulation – at a principle-based level for an IES and at a more detailed level for guidance and support materials.

We provide the following guidance to the IAESB during its consideration of appropriate types and levels of competences.

Decide on a level of detail appropriate for the Requirement section of an IES. Competency requirements today are expressed at various levels and there are many examples to choose from. Competence statements can be expressed in half a page, five pages or even two hundred pages depending upon the required needs of the user. The good news is that there are a variety of models in the market place today – within member bodies and Firms – to which the IAESB can refer.

We would not be a supporter of two hundred pages of detailed competency requirements in an IES. If audiences need this level of detail, it can always be made available through guidance or support

materials from the IAESB. Our view would be that to remain true to a principle-based approach, the articulation of competencies in the IESs themselves need not be significantly longer than is in the IESs today – perhaps four or five pages, expressed differently than today but not in a significantly longer way. The IAESB also has now an Explanatory Materials section of an IES that can be used to ‘explain’ the principle-based Requirement.

Determine the scope of the competency statements and to what extent underlying knowledge needs to be included. In determining the scope of the competencies, the IAESB should again look to existing audit competency requirements as defined by Firms, member bodies and other organizations and to the needs of the users of IES 8. Existing ‘competency maps’ include the full range of technical and non-technical/professional skills, competencies and knowledge currently addressed in IES 2 to 4.

The IAESB will need to take a position on the inclusion or not of knowledge or knowledge lists that underlie the competency requirements. To some users, knowledge lists are a critical component of competency requirements; to others they are not. One factor to consider in including knowledge lists is that knowledge tends to change much more frequently than skills and competencies thereby impacting the shelf-life of a standard.

Focus on the competences of an individual – not the audit team or auditing standards. In defining the competency requirements of the individual, the IAESB will need to ensure that the line is not crossed into setting/modifying auditing standards. See our response to Question H below re: relationship with other IFAC standards.

Be consistent with IES 2 to 4. The same issues being faced by the IAESB with respect to IES 8 competence statements will need to also be addressed in IES 2 to IES 4. The IAESB will need to ensure that there is consistency in the approach to redrafting the IESs.

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

We believe that IES 8 should focus on the competencies required of an audit professional regardless of the size of the audit.

For audits of a particular size or complexity or even for audits in specialized industries or sectors, it is primarily additional specialized knowledge and/or interpretation or application of the general Requirements of the audit professional that is generally required. In our view this additional information would be more appropriately part of guidance or support materials. We also expect that many of the so-called ‘competency requirements’ that might be required in transnational and specialized engagements are not individual competencies at all and might already be found in other IFAC pronouncements such as the IFAC Code of Ethics for Professional Accountants, ISQCs, the International Framework for Assurance Engagements and the International Standards on Auditing.

III. Consistency

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

The IESs should avoid any wording that causes ambiguities or uncertainties between education standards and the obligations and requirements of professional accountants, auditors and the Firms in the provision of audit services as defined by the IEASB’s Code of Ethics for Professional Accountants, the International Standards on Quality Control (ISQCs), the International Framework for Assurance Engagements and the International Standards on Auditing. We expect that the redrafting of IES 8 in accordance with the recently issued *Drafting Conventions* will identify and eliminate the inconsistencies identified in the Consultation Paper as well as any others, should they exist.

The IESs should only establish education standards.

“IESs establish essential elements (e.g., subject matter, methods and techniques) that education and development programs are expected to contain.” (paragraph 6, Framework).

Good drafting will be required to avoid mixing these objectives.

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

Yes.

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

We believe that the IAESB will also need to consider how it will treat the following two specific references to learning and development processes in a revised IES 8:

1. An audit professional must hold a university degree or its equivalent (paragraph 29);
And
2. An audit professional must have practical experience (paragraph 54), The IES goes further in gray lettering to specify a minimum amount of practical experience (paragraph 58).

The principle for the IAESB here is where and to what extent should the IESs address how to learn and develop the required competencies rather than the required competencies. Both of the above references place emphasis on the process of learning and development as a surrogate for obtaining competence rather than the competences to be developed. This same issue will come up in IES 7, IES 5 and to some extent in IES 1 to 4.

The recent Framework states that there is more than one way to acquire and demonstrate competence:

An individual becomes competent through learning and development. The term “learning and development” is used by the IAESB to incorporate all the different processes, activities, and outcomes contributing to the achievement of competence.(paragraph 16)

Competence can be achieved through a number of different forms of learning and development.(paragraph 17)

Learning and development is an ongoing process of acquiring, maintaining, and renewing competence at an appropriate level throughout a professional accountant’s career. The extent to which each of the different forms of learning and development are used may vary.(paragraph 19)

In redrafting IES 8 the IAESB will need to consider how these existing two references to a learning and development process should be dealt with. And again, this issue is not specific to IES 8. There will need to be some discussion of consistency in the way references to specific learning and development processes are included in any of the IESs.

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

As we view this as primarily a redrafting and clarification project we do not see a revised IES 8 adding new obligations or responsibilities in any significant way to our organization, our members or the wider profession. Clarity should only be positive.

However, it is difficult to say at this point in time what the impact of changes will be as this is only a Consultation Paper; no specific changes are proposed.

In redrafting and revising IES 8 should there be significant changes to the intended target audience, the definition of an Audit Professional and/or the knowledge and skill levels required of an audit professional, there may be positive and/or negative consequences. The following are our thoughts on the list of potential impacts that will need to be considered.

Individual IFAC member bodies determine the competences and criteria for membership that are appropriate to the professional accountancy roles their members undertake. To the extent that an Audit

Professional is one of those roles, significant changes to IES 8 may impact on the professional education programs and assessments for membership.

In many jurisdictions, **governments or other licensing authorities** determine the competences and criteria appropriate for the licensing of individuals and/or Firms to perform audits. Although IES 8 has not been developed as criteria for licensing, changes to IES 8 may impact existing criteria and a professional accountant's or a Firm's ability to be licensed.

Audit Firms staff assignments and audit teams with partners and staff that have the competence to perform the work. To the extent that IES 8 requirements differ from a Firm's definition of competence e.g. the need for a university degree requirement, changes to IES 8 may impact staffing of assignments.

Regulators responsible for the review of the quality of audits might include in their review, the staffing, scheduling and HR policies of the Firms. Changes to IES 8 may impact review programs and their results.

Universities and academics offer programs and courses to prepare students to become professional accountants and audit professionals. Changes to IES 8 may impact on these programs.