

**IAESB Consultation Paper on the Revision of International
Education Standard 8 (March 2010)**

Competence Requirements for Audit Professionals

Response and Comments

from

The Institute of Certified Public Accountants in Ireland

June 2010

Response to a Consultation Paper on the Revision of International Education Standard 8:

Competence Requirements for Audit Professionals

The comments and / or suggestions of the Institute of Certified Public Accountants in Ireland (CPA Ireland) are in sequence below with the Consultation Paper issued in March 2010.

The Institute of Certified Public Accountants in Ireland (CPA) is one of the main Irish accountancy bodies with in excess of 5,000 members and students working in 32 countries around the world. The Institute is active in the profession at national and international level participating in the Consultative Committee of Accountancy Bodies – Ireland – CCAB (I) and together with other leading accountancy bodies the Institute was a founding member of the International Federation of Accountants (IFAC). The Institute is also a member of the Fédération des Experts Comptables Européens (FEE), the representative body for the main accountancy bodies in 25 European countries.

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

Response A. CPA Ireland considers that the critical issues have been identified. However, in the context of note 2 to paragraph 6 of IES 8 consideration should be given to expanding the title of this IES. It could be renamed “Competence requirements for audit professionals engaged in the audit of historical information”.

Question 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?*

Response B. CPA Ireland supports this approach and suggests that further clarification of the term “significant judgement” is required; please see the answer to Question C below.

Question 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?*

Response C. CPA Ireland agrees that any revision of IES 8 necessitates consideration of the use of the term “significant judgment and that the term ‘significant judgement’ requires definition or replacement. Suggestions include:

- i “significant judgement impacts on the conclusion(s) drawn on the basis of risk or materiality” ,
- ii “A significant judgement is a judgement that may affect a stakeholder’s understanding of the financial position and or financial performance of an audited entity and may influence the decision of the stakeholder”.
- iii Alternatively, ‘*professional judgement*’ could be substituted for ‘*significant judgement*’, or
- iv ‘*Significant*’ could be omitted.

Question 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?*

Response D. The CPA Institute considers the reference to “other third parties” to be too broad and that it should be narrowed as much as possible to relevant stakeholders. For example other stakeholders should include training practices and educators.

Question 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?*

Response E (i). Paragraph 43 of IES 8 says “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.”

The only reference to “competent audit professional” in IES 8 is in paragraph 7. It is unclear as to where the distinction between ‘competent audit professional’ and ‘audit professional’ referred to in IES 8 and in Section 2 of the consultation document is derived from or if there is any intention to create such a distinction.

The use of the word ‘competent’ is open to interpretation. Paragraph 7 IES 8 could be reworded as follows to achieve what may be the intended interpretation: “The aim of this IES is to ensure that professional accountants acquire and maintain the specific capabilities to work competently as audit professionals.”

Alternatively, the description ‘competent audit professional’ could be removed from paragraph 7 of IES 8 and replaced by “audit professional”. An audit professional is defined as: “*A professional accountant who has responsibility, or has been delegated responsibility, for significant judgments in an audit of historical financial information.*” (Page 24 IAESB Framework for International Education Pronouncements and paragraph 9 IES 8.)

The removal of the word ‘competent’ could be compensated by the extension of the definition of an audit professional to include a reference to professional judgment.

A suggested revised definition of an audit professional follows: “*An audit professional is a professional accountant who has responsibility, or has been delegated responsibility, for significant judgments in an audit of historical financial information and who has the competence to discharge this responsibility through the application of professional judgment.*”

Professional judgment is already defined in the International Standards on Auditing as “*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.*” see paragraph 13 (K) ISA 200.

Response E (ii). CPA Ireland agrees that the area of “advanced level” competences requires further clarification.

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

Response F. Examples of complex scenarios and the requisite advanced level competences should be provided.

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

Response G. CPA Ireland is of the opinion that the issue of competences for different types of audit engagements should be addressed. For example, this should include the competences required for the audit of public interest entities. Section 4 of IES 8 should be expanded to add to the transnational and specialised engagements referred to therein.

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

Response H (i). The second paragraph on page 10 of the consultation document refers to the qualifications required of an individual wishing to take on the role of an audit professional. It says that these include the holding of an undergraduate degree. The reference in IES 8, paragraph 30 - note 3, to the Bologna Declaration reference should be retained in this regard.

Response H (ii). Responses C and E above refer to definitional issues.

Response H (iii). There is an inconsistency used in the language in paragraphs 19 and 20 of IES 8. Paragraph 19 refers to “a higher level of education and training” and paragraph 20 refers to “knowledge and skills”. Either, or both, paragraphs should be reworded to ensure consistency.

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

Response I. CPA Ireland agrees with the approach adopted.

Question 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.*

Response J. CPA Ireland would like public interest entities considered as part of the revision of IES 8.

Question I. *Do you foresee any impact on your organisation or the wider profession of the IAESB’s proposed changes to IES 8?*

Response I. CPA Ireland observes that with the raising of the audit exemption that appropriate training opportunities for public auditors are more difficult to secure. This will have implications for the future availability of audit professionals.

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