

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, NY 10017  
USA

15 June 2010

Dear Sir

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

We are pleased to comment on the above-referenced consultation paper (the Paper). We support the efforts of the International Accounting Education Standards Board (IAESB) in seeking views on a number of specific issues that require consideration in relation to the IAESB's planned revision of *International Education Standard (IES) 8: Competence Requirements for Audit Professionals*, and we understand that these views also will inform the development of implementation guidance for this standard. Additionally, we are fully supportive of the redrafting of IES 8 in line with the IAESB's *Framework for International Education Standards for Professional Accountants* and *IAESB Drafting Conventions*.

We initially raised concerns with a number of significant aspects of IES 8 during its exposure period in our comment letter dated 15 August 2005. While some of our comments on the exposure draft were addressed in finalizing the proposed standard, some were not, and accordingly are repeated below as appropriate.

We believe that the revision process will effectively address the considerations outlined in the Paper, and we look forward to the revision, re-exposure and re-issuance of IES 8. In the interim, however, we encourage the IAESB to withdraw the existing standard as we believe it is confusing, if not counterproductive, to require its implementation while simultaneously undertaking a public consultation on its proposed revision. If for some reason the existing standard cannot be withdrawn, we urge the IAESB to issue a special communication to all member bodies highlighting the revision process and permitting suspension of implementation efforts due to the standard's impending revision.

### **Specific Issues of IES 8 Implementation**

#### **1. Clarification of IES 8 target audience**

We are generally supportive of the IAESB:

- recommending that IES 8 become a principles-based standard directed towards auditors of historical financial information

- clarifying who is an “Audit Professional,” and considering other criteria such as the relationship between an auditor’s level of experience, the complexity and nature of an audit engagement, the use of specialists, and the audit professional’s role during the engagement
- revising the definition of an “Audit Professional” including consideration of whether “significant judgment” requires further definition as a required component of the definition of “Audit Professional,” or if there are other criteria that would better define to whom the Standard applies, and
- clarifying how the shared responsibility among IFAC member bodies, audit organizations, regulatory authorities, and other third parties for developing audit professionals may be considered in practice.

We agree that the current standard is unclear and at times inconsistent with respect to “whom” IES 8 requirements are aimed at, and we believe that the Paper adequately outlines the critical issues to be considered in clarifying the intended target audience for the standard.

We believe the term “significant judgment” needs clarification in the context of the definition of “Audit Professional.” In our view, every audit professional applies some professional judgment in executing audit procedures and fulfilling the requirements of the International Standards on Auditing (ISAs). This is inherent in gathering and evaluating audit evidence. The manner in which they do it, and the degree to which auditor judgment comes into play, is a function of the nature and complexity of any task they perform.

As pointed out in the Paper, IES 8 implies that “significant judgment” is only applied by more experienced professionals and/or that the standard is only intended to apply to competency requirements of those more experienced professionals. At a minimum, a revised IES needs to be clearer and more explicit with respect to both of these matters. Moreover, we challenge whether a reference to “significant judgment” is needed at all in the definition of “Audit Professional.” Many are calling for a more robust professional judgment “framework” and, if one were to be developed, it would fall under the purview of the IAASB.

While we have not performed a comprehensive review of the ISAs and other IFAC standards to determine where and how the terms “Audit Professional” and “significant judgment” are used (e.g., the definition of an “Audit Professional” would not only apply to this standard but also to the independence standards promulgated by the IESBA), collectively we should ensure that the consultation process does not result in different, and potentially contradictory, terminology across all IFAC standards.

Given that this is the first IES not addressed specifically to member bodies, we agree that there is a need to clarify member body and other stakeholder responsibilities relative to the implementation of the standard in order to ensure that audit professionals acquire and maintain the specific capabilities and competence required in their role.

## **2. Clarification of the knowledge and skills required to work as a competent audit professional, and clarification of advanced level competences required by the identified target audience.**

We are generally supportive of the IAESB:

- considering the definition of “advanced level” competences
- considering whether the types of competences and degree of proficiency currently included in IES 8 for audit professionals are appropriate and consistent with experience levels, and
- considering whether the expansion of specific competences beyond those required in transnational audits and audits in specialized industries is necessary.

As stated in our initial comment letter, we believe the standard should define the typical roles of an audit engagement team and, for each role, specify the proficiency level (including advanced) expected for the competences. This approach would better reflect the progressive acquisition of knowledge and skills that are expected throughout the work life of audit professionals.

We agree that within the current standard audit competences are generally defined relative to audit scenarios of increasing complexity, and that the choice of scenarios and competence requirements may require clarification. While we support considering competency requirements for other types of entities (e.g., complex engagements at a national level), we question the practicality of extensive consideration given the myriad entities that exist.

## **3. Consistency of IES 8 with IESs 1–7 and other relevant IFAC pronouncements.**

We are generally supportive of the IAESB:

- comparing terminology, definitions, and competences within IES 8 to other IESs and IFAC pronouncements, and publications from regulators, to identify inconsistencies
- eliminating inconsistencies where appropriate, and
- ensuring harmonization with other redrafted or revised IESs.

As noted previously in this letter, we are not supportive of a revised IES 8 that attempts to define terms and/or address matters that are clearly the purview of other IFAC standard setting boards, particularly the IAASB and IESBA. We believe that IES 8 (and all IAESB standards) should be strictly educational in scope.

### **Impact Analysis of IES 8 Revision**

In general we believe that the Paper sets out a positive approach for revising IES 8 and that the considerations therein will lead to a better understanding and more effective implementation of a revised standard.

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We would be pleased to discuss our comments with members of the IAESB or its staff. If you wish to do so, please contact Emma Bembridge (216-583-1579).

Yours sincerely,

(Signed) Ernst & Young Global Ltd