

**ICAI-SAFA Comments on the Revision of IES-8 ‘Competence Requirement for Audit Professionals’**

**Specific Issues on which comments are invited**

<b>Specific Issue 1.</b>	<b>Clarification of IES 8 target audience</b>	
		<b>Comments</b>
<b>A</b>	<b>Do you consider that the IAESB has identified the critical issues in respect of “whom” the IES 8 requirements are aimed at?</b>	<p>In our opinion no critical issue has been identified. The structure of Professional Accountants, Audit Professional and Engagement Partner need to be clearly defined and provided for.</p> <p>It should be clarified that IES 8 applies to General Purpose Audit and/or Financial Audit/Special Purposes Audit besides Assurance Review.</p>
<b>B</b>	<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?</b>	<p>In our opinion ‘Audit Professional’ should be a qualified Chartered Accountant/Certified Public Accountants. Cost Accountants &amp; Management Accountants who do not have necessary qualification and experience for conduct of financial audit/General Purpose Audit should be excluded. Further 2 years experience with an Audit firm should be made compulsory for ‘Audit Professionals’. This experience could be pre qualification or post qualification.</p> <p>Further for competent ‘Audit Professional’, he</p>

		<p>should have the expert knowledge of</p> <ul style="list-style-type: none"> <li>▪ Business Laws</li> <li>▪ Taxation</li> <li>▪ Accounting Standards</li> <li>▪ Auditing Standards</li> <li>▪ Finance and Treasury Management</li> <li>▪ Quality Assurance Standards</li> <li>▪ Management Information and Control Systems</li> <li>▪ Ethical Standards</li> </ul> <p>Therefore we suggest that members of only those member bodies would be treated as ‘Audit Professional’ whose syllabus is focusing on expert level knowledge of abovementioned subjects.</p>
<b>C</b>	<b>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?</b>	“Significant judgment” will depend on the level of Audit to be performed and the size of the organization. Any further elaboration is not required.
<b>D</b>	<b>Are there any additional considerations that you would like the IAESB to consider when clarifying guidance on shared responsibilities among the stakeholders identified above?</b>	IAESB should think of designing an international benchmark curriculum and that would cover all subjects in addition to training guide. Local tax and corporate laws subjects should be included for which also a guideline of level of knowledge i.e. expert level of knowledge be prescribed. It is suggested that all member bodies should comply with the proposed international

		<p>curriculum and only members of IFAC member bodies that would comply with proposed international curriculum, will be treated as 'Audit Professional'. This will also enable cross border movement of Audit Professionals.</p> <p>IAESB should review and approve the syllabus and level of examination and training of member bodies.</p> <p>Further the meaning of 'Engagement Partner', 'Audit Professional', and Quality Review Partner' need to be clearly defined. This will also need clear defining of their responsibilities from disciplinary angle.</p>
<b>Specific Issue 2.</b>	<b>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</b>	
		<b>Comments</b>
<b>E</b>	<b>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</b>	No. Infact in the absence of a benchmark level of qualification, training and experience being put in place the entire accounting professionals suffering.
<b>F</b>	<b>How would you guide the IAESB during its consideration of appropriate types and levels of competences?</b>	We feel that there is no need to define types of competences required for audit professionals. The syllabi of IFAC member bodies & the practical training requirement for members of IFAC member

		bodies should be such to make them competent to perform any kind of Audit whether of big, small or medium sized organization or Transnational Audit.
<b>G</b>	<b>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?</b>	<p>No, we feel that the IAESB should not address competences for different type of audit engagements.</p> <p>We feel that for performing any type of Audit assignment prior direct experience is not required and it should be left on the market forces to select the ‘Audit Professional’ based on the competencies showcased while dealing with the clients or based on existing experience, if any with the clients..</p> <p>Moreover undertaking different kind of Audit assignment will only help in developing better competencies and will improve auditor’s capabilities. Therefore we feel that as a regulator we need not create separate classes of ‘Audit Professionals’.</p>
<b>Specific Issue 3.</b>	<b>Consistency of IES 8 with IESs 1–7 and other relevant IFAC pronouncements.</b>	
		<b>Comments</b>
<b>H</b>	<b>Are there any other definitional inconsistencies that you would like the IAESB to consider?</b>	We feel that the definition of Audit Professional, ‘Engagement Partner’ needs to be redefined. We suggest that only CA/CPA should be termed as ‘Audit Professional’ for General Purpose Audit and financial

		Audit and Management Accountants/Cost Accountants should be excluded from the definition of 'Audit Professional' except for specialized Cost Audit.
<b>I</b>	<b>Do you agree with the IAESB's approach to eliminating inconsistencies?</b>	No we suggest revision in the IAESB's approach.
<b>J</b>	<b>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?</b>	<p>Responsibilities of Audit Professional, Engagement Partner, Audit Team, Quality Review team need to be clearly defined and fixed up. We suggest that Audit Team should be responsible to Audit Professional but no disciplinary action can be taken against the Audit Team except when it consists of qualified Chartered Accountant. The unqualified/semi-qualified professionals should also be considered for issuing warning or blacklisting.</p> <p>Engagement Partner and Audit Professional should be under the purview of disciplinary action. In case Engagement Partner has taken due care while performing audit and there is no fault from his end then in such a case the responsibility of any professional negligence may be shifted to Audit Professional. This should be subject to strict monitoring by the disciplinary process and subject to establishment that all due diligence and care was taken by the</p>

		<p>Engagement Partner.</p> <p>We also feel that the scope of the standard should also be extended to projections being used for Audit estimates and valuation also, considering the significance of projections required in current Audit environment with respect to computation of fair market value, financial institution for loans, taxation and other authorities for various requirements.</p>
<b>K</b>	<b>Finally, do you foresee any impact on your organization or the wider profession of the IAESB's proposed changes to IES 8?</b>	We feel that changes to IES 8 as proposed by IAESB needs reconsideration in light of the above views.