

15 June 2010

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto Ontario Canada M5V 3H2

Dear Sir/Madam,

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

The New Zealand Institute of Chartered Accountants (NZICA) welcomes the opportunity to comment on the Consultation Paper on the Revision of International Education Standard 8: Competence Requirements for Audit Professionals.

We have addressed particular questions in the consultation document. NZICA, in general, supports the aims of the revision.

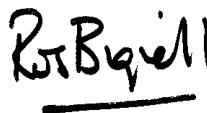
NZICA thanks the IAESB for the opportunity to comment on the proposal to revise. The initial round of consultation, we think, will be an effective way of ensuring more targeted feedback on the exposure draft.

We look forward to providing feedback on the exposure draft.

Yours sincerely



Bruce Bennett  
General Manager – Standards and Advocacy



Ros Bignell  
Director - Membership

## Issues of IES8 Implementation

### 1. Clarification of IES8 target audience

Q.A NZICA agrees that the IAESB has identified the critical issues in respect of 'whom' the IES8 requirements are aimed at. NZICA notes that throughout the consultation document, more general principles are mentioned, and suggests that these could be foregrounded more in the revision process:

- An underlying objective of improving and maintaining audit quality.
- Ensuring that member bodies regulate professional accountants to the extent that risks to audit quality are addressed, in this context, through competence of the auditor.
- Ensuring that the competences required of members of the audit engagement team are proportionate to the complexity, size and nature of the audit engagement.
- Ensuring that any imposition of controls is balanced against the need to ensure ongoing access to auditors by the general community.
- Consistency across standards.

Q.B NZICA agrees that there has been a lack of clarity about who is an audit professional. The standard of competences and scope of the role need to be understood in order to be clearly translated to member bodies.

IES8 places the audit professional above professional accountant (three year requirement) and below the engagement partner (in terms of competency, capabilities and experience). There is insufficient clarity about how senior/central a role the audit professional plays in the audit engagement.

The standard does not make it clear whether the audit professional is a senior member of the engagement team, or has a supervisory role over professional accountants and other 'foot soldiers' in the audit engagement team (who also may have delegated responsibility for making decisions).

NZICA supports the concept of the audit professional as being a senior member of an audit engagement team whose competence, capabilities and experience are critical to the successful completion of the audit engagement. One would expect the audit professional to be a supervisor (or one of the supervising auditors) in a larger audit team. They should be able to move into the engagement partner role when they have sufficient and appropriate practical experience.

Q.C As noted in the consultation paper, no definition of significant judgement is provided in IES8. This has created uncertainty, as to the requirements that should be placed upon the different professionals working within the audit team. NZICA's position is that making a significant judgement is not a sufficient definition of an audit professional. It should be the complexity, scope and nature of the audit engagement that drives the required standards of competence.

Q.D No comment.

## 2. Knowledge and Skills

Q.E-G. NZICA agrees that all audit professionals should be expected to demonstrate 'advanced' knowledge and skills commensurate with the nature of the engagement. We would not support multiple sets of competences for different types of audit engagements. Transnational audit competences and specific industry competences could be incorporated within the single (adaptable) set of competences. NZICA also supports the concept of building upon competences identified in IES 1-7.

## 3. Consistency with other pronouncements

Q.H-I. NZICA supports IAESB's approach to eliminating inconsistencies and ensuring harmonisation with other redrafted or revised IESs. To some extent the differences reflect the angle of focus. IES8 focuses on the requirement for member bodies to ensure competence is maintained through their processes (academic standards, practice review). Other standards (ISA 220, ISQC-1) focus on the responsibility of engagement partners to ensure the competence of their staff.

Q.J. NZICA supports recognition of the importance of practical experience in the development of the competence of an engagement partner in a larger complex audit, particularly in audits of listed companies, specialised industries and transnational audits. Competence is more likely to develop where an audit professional works consistently for a number of years on such audits (including review and evaluation of their performance) under the guidance of an engagement partner.

Q.K. NZICA would not want the revised standard to be so stringent that its application of which will result in reducing the supply of auditors. In the New Zealand context this is particularly relevant in relation to audits in the not for profit sector and those of small and medium sized entities, particularly in the provincial centres. Whilst, audits must be completed to required standards, any imposition of controls must be balanced against the need to ensure ongoing access to auditors by the general community.

