

INTERNATIONAL EDUCATION STANDARD
IES 8
COMPETENCE REQUIREMENTS FOR
AUDIT PROFESSIONALS

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SECTION 1: GENERAL

Introduction

1. Auditing is a structured process that:
 - (a) involves the application of analytical skills, professional judgment and professional skepticism;
 - (b) is usually performed by a team of professionals, directed with managerial skills;
 - (c) uses appropriate forms of technology and adheres to a methodology;
 - (d) complies with all relevant technical standards, such as International Standards on Auditing (ISAs), International Standards on Quality Control (ISQCs), International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), and any applicable international, national or local equivalents; and
 - (e) complies with required standards of professional ethics.
2. Auditing is also an integral part of the evolving systems of accountability and responsibilities within organizations and society worldwide. Although audits of historical financial information may be mandated by regulation and laws, they may also be required as a condition of borrowing, a matter of contract, or for other reasons. In addition, organizations may voluntarily undertake audits to evaluate the fairness of financial representations and assertions or to provide a credible report of the financial stewardship of their resources to their stakeholders.
3. Entities subject to audit operate with diverse organizational structures in public, private and not-for-profit sectors. Auditing has to adapt to complex and changing environments. Within an audit assignment, many factors must be understood and evaluated appropriately, including:
 - (a) The entity and its environment;
 - (b) The industry, and regulatory and other external factors; and
 - (c) The applicable financial reporting framework.
4. Globalization of business has dramatically increased the need for consistent and high-quality financial reporting within countries and across borders. This directly affects both accounting and auditing. Many stakeholders in today's global business environment expect compliance with recognized international standards in accounting and auditing. Establishing internationally accepted benchmarks for the competence of audit professionals¹ will help to promote internationally accepted standards in accounting and auditing.

¹ The term "audit professional" is defined in Paragraph 9.

Purpose of this Standard

5. This International Education Standard (IES) prescribes competence requirements for audit professionals, including those working in specific environments and industries. IFAC member bodies need to establish policies and procedures that will allow members to satisfy the requirements of this IES before they take on the role of an audit professional. The responsibility for the development and assessment of the required competence is shared by IFAC member bodies, audit organizations, regulatory authorities, and other third parties.
6. A specific IES for audit professionals is necessary not only because of the specialist knowledge and skills required for competent performance in this area, but also because of the reliance the public and other third parties place on the audit of historical financial information.² This IES is based on the platform for all professional accountants established by IES 1 to 7.
7. The aim of this IES is to ensure that professional accountants acquire and maintain the specific capabilities required to work as competent audit professionals.

Definitions

8. Terms used in this IES which have already been defined by either the International Accounting Education Standards Board (IAESB) or other IFAC groups are set out below. Definitions and explanations of other key terms used in this IES are set out in the *Framework for International Education Standards for Professional Accountants* and the *IAESB Glossary of Terms*.

Capabilities: The professional knowledge; professional skills; and professional values, ethics, and attitudes required to demonstrate competence.

Explanation: *Capabilities are the attributes held by individuals that enable them to perform their roles, whereas competence refers to the actual demonstration of performance. The possession of capabilities gives an indication that an individual has the ability to perform competently in the workplace. Capabilities include content knowledge; technical and functional skills; behavioral skills; intellectual abilities (including professional judgment); and professional values, ethics, and attitudes. They are sometimes referred to, in other literature, as competencies, capacities, abilities, key skills, core skills, fundamental skills and values, attitudes, distinguishing characteristics, pervasive qualities, and individual attributes.*

² The IAASB distinguishes between engagements reporting on historical financial information and assurance engagements dealing with information other than historical financial information. (*IAASB Terms of Reference*). IES 8 prescribes requirements for professional accountants assuming the role of audit professionals and having responsibility for significant judgments in an audit of historical financial information.

Competence: Being able to perform a work role to a defined standard, with reference to real working environments.

Explanation: *Competence refers to the demonstrated ability to perform relevant roles or tasks to the required standard. Whereas capability refers to the attributes held by individuals that give them the potential to perform, competence refers to the actual demonstration of performance. Competence may be assessed by a variety of means, including workplace performance, workplace simulations, written and oral tests of various types, and self-assessment.*

Engagement partner is the partner or other person in the audit organization who is responsible for the engagement and its performance, and for the audit report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Explanation: *This term is consistent with that established by the International Auditing and Assurance Standards Board (IAASB).*

Professional accountant is a person who is a member of an IFAC member body.

9. The following definition has been created for the purpose of this IES:

Audit professional is a professional accountant who has responsibility, or has been delegated responsibility, for significant judgments in an audit of historical financial information.

Explanation: *The engagement partner retains overall responsibility for the audit. The definition of audit professional does not apply to experts who undertake specific tasks within an audit (e.g., taxation, information technology or valuation experts).*

Effective Date

10. This IES is effective from July 1, 2008 for all audit professionals. Earlier adoption is encouraged.

Scope of this Standard

11. International Education Standards prescribe standards of generally accepted “good practice” in learning and development for professional accountants. They establish the essential elements of the content and process of education and development of professional accountants (e.g. subject matter, skills, ethics and practical applications) at a level that is aimed at gaining international recognition, acceptance and application. Although they cannot override authoritative local pronouncements, they are prescriptive in nature.

12. This IES prescribes the minimum competence requirements IFAC member bodies are expected to require any members to obtain before they take on the role of an audit professional.
13. This IES also prescribes the minimum levels of professional knowledge; professional skills; and professional values, ethics and attitudes audit professionals require. It does not address the full range of capabilities and competence needed by the entire audit engagement team. Audit professionals may work as a member of an audit team, or as an individual with sole responsibility in smaller audit assignments. Different levels of responsibility within an audit assignment will demand different levels of competence.
14. Consulting with experts within or outside the audit organization is often required during an audit assignment. Capability and competence requirements for such experts are covered in IAASB standards and guidance and are not addressed in this IES.
15. Section 2 of this IES applies to all audit professionals. Section 3 discusses the competence requirements for engagement partners. Section 4 applies to audit professionals involved in specific environments and industries, including transnational audits.
16. This IES is consistent with the requirements and guidance contained in the various standards and statements in the International Framework for Assurance Engagements developed by the IAASB and through pronouncements such as *International Standard on Quality Control 1*. These specify the requirements and responsibilities of the organization and professional accountants regarding the competence of engagement teams to perform audit and assurance engagement functions.
17. IFAC member bodies may impose specific requirements for professional accountants working as audit professionals beyond those required in this IES. In particular, IFAC member bodies may consider prescribing specific CPD activities for audit professionals.

Professional Accountants and Audit Professionals

18. Although some professional accountants deliver a wide range of accounting and business-related services, others will choose to specialize in one or more areas. No one professional accountant can master all areas of accountancy. Specialization is necessary to ensure services can be provided by professional accountants having sufficient depth of knowledge and expertise.
19. One area of specialization is in audit of historical financial information. Competence in this area requires a higher level of education and training in audit and related areas than is required of other professional accountants.
20. Audit professionals involved in audits of historical financial information in specific industries may be more specialized. The nature of the industry, and

applicable laws and accounting treatments, may require levels of knowledge and skills beyond those required for other audit professionals.

21. Audit engagements vary in complexity and size, requiring different experience and competence levels. An audit team could include the engagement partner, other audit professionals, other professional accountants, individuals working towards qualification as professional accountants, and other support staff who do not intend to qualify as professional accountants. The engagement partner is responsible for ensuring that the work of all individuals assigned to an audit engagement is appropriately reviewed by other members of the engagement team to provide reasonable assurance that the work meets appropriate standards of quality.

Developing and Maintaining Capabilities and Competence

22. The International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) requires all professional accountants to take steps to ensure that they, and those working under their authority in a professional capacity, have appropriate training and supervision and are competent to undertake the work they perform.
23. To acquire the capabilities and competence required of audit professionals, individuals may need further education and development beyond that needed to qualify as professional accountants. These additional education and development requirements can be met during the education and development program for qualifying as a professional accountant, or after.²⁴ Education and development for acquiring and maintaining the capabilities of audit professionals can include:
 - (a) Advanced professional education pursued at academic institutions or through the programs of professional bodies
 - (b) On-the-job training and experience programs
 - (c) Off-the-job training
 - (d) Continuing professional development (CPD) courses and activities.
25. IFAC recognizes that each member body needs to determine not only how best to comply with this IES, but also what emphasis to place on the various parts of the education and development process.
26. In addition to acquiring the necessary knowledge and skills, professional accountants will have to be assessed (as outlined in paragraphs 63 and 64) to demonstrate the capabilities and competence needed to take on responsibility for significant judgments in an audit of historical financial information. The IAESB recognizes that when assessing capabilities measuring output is likely to be superior to measuring inputs. Output-based approaches concentrate on measuring the development and maintenance of competence actually achieved

through learning, rather than measuring the various learning activities.

27. Audit professionals will need further development to progress, through supervisory and managerial roles, to acting as the engagement partner.
28. All professional accountants are obliged to engage in lifelong learning to keep up-to-date on developments influencing the profession and the quality of the services they provide, as outlined in IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*.

SECTION 2: COMPETENCE REQUIREMENTS FOR AUDIT PROFESSIONALS

General

29. **Member bodies should require individuals to:**
- (a) **Qualify as a professional accountant**
 - (b) **Hold an undergraduate degree, or its equivalent**
 - (c) **Satisfy all other requirements prescribed in this section**
- before these individuals take on the role of an audit professional.**
30. The appropriate level of education and learning of the intellectual and personal skills necessary to become an audit professional is generally found in a combination of undergraduate degree and professional education programs. Where a member body does not require an undergraduate degree, the member body needs to be able to demonstrate that the intellectual and personal skills have been developed to the required level in other ways.³
31. The requirements in paragraph 29 (c) may be met at the same time as the requirements in paragraph 29 (a) and (b), or after.

Knowledge Content

32. **The knowledge content within the education and development program for audit professionals should include the following subject areas:**
- (a) **audit of historical financial information at an advanced level (refer to paragraph 36);**
 - (b) **financial accounting and reporting at an advanced level (refer to paragraph 38); and**
 - (c) **information technology (refer to paragraph 40).**
33. IES 2, *Content of Professional Accounting Education Programs*, sets out the knowledge requirements for professional accountants. “Advanced level” refers to a level of knowledge that is deeper and broader than what is prescribed for individuals qualifying as professional accountants in IES 2.
34. IFAC member bodies may determine the levels of depth and breadth of knowledge, and the means for gaining that knowledge, as appropriate for their environment.

³ The reference to undergraduate degrees in this standard is in line with the principles of the Bologna Declaration, agreed by 29 European countries in 1999. Further details may be found at: http://ec.europa.eu/education/policies/educ/bologna/bologna_en.html

Reference sources comparing the standard of qualifications throughout the world are listed in the note which forms part of IES 1.

35. Audit professionals are expected to have sufficient knowledge of current developments in the field of audit of historical financial information to respond to issues in the business environment. It is important, therefore, that education and continuing development programs for audit professionals include coverage of relevant current issues and developments.
36. **The knowledge content of the audit of historical financial information subject area should include the following at an advanced level:**
- (a) **best practices in the audits of historical financial information, including relevant current issues and developments; and**
 - (b) **International Standards on Auditing (ISAs) and International Auditing Practice Statements (IAPSS); and/or**
 - (c) **any other applicable standards or laws.**
37. In addition to the knowledge listed in paragraph 36, audit professionals may also require knowledge of International Standards on Quality Control (ISQCs), International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs), and International Standards on Related Services (ISRSs), or local equivalents.
38. **The knowledge content of the financial accounting and reporting subject area should include the following at an advanced level:**
- (a) **financial accounting and reporting processes and practices, including relevant current issues and developments; and**
 - (b) **International Financial Reporting Standards (IFRSs);⁴ and/or**
 - (c) **any other applicable standards or laws.**
39. If an audit client is required to prepare financial reports in accordance with standards specific to the public sector, statements equivalent to those listed in paragraph 38 will include International Public Sector Accounting Standards (IPSAS) and any applicable international, national and/or local equivalents of these.
40. **The knowledge content of the information technology subject area should include the following:**
- (a) **information technology systems for financial accounting and reporting, including relevant current issues and developments; and**
 - (b) **frameworks for evaluating controls and assessing risks in accounting and reporting systems as appropriate for the audit of historical financial information.**

⁴ The term “International Financial Reporting Standards” refers to IFRSs, IFRIC Interpretations, IASs and SIC Interpretations.

41. Further information on the information technology knowledge and competences for professional accountants can be found in IES 2, *Content of Professional Accounting Education Programs*.

Professional Skills

42. **The skills requirement within the education and development program for audit professionals should include:**
- (a) **Applying the following professional skills in an audit environment:**
 - (i) **identifying and solving problems;**
 - (ii) **undertaking appropriate technical research;**
 - (iii) **working in teams effectively;**
 - (iv) **gathering and evaluating evidence;**
 - (v) **presenting, discussing, and defending views effectively through formal, informal, written, and spoken communication; and**
 - (b) **Developing the following professional skills at an advanced level in an audit environment:**
 - (i) **applying relevant audit standards and guidance;**
 - (ii) **evaluating applications of relevant financial reporting standards;**
 - (iii) **demonstrating capacity for inquiry, abstract logical thought, and critical analysis;**
 - (iv) **demonstrating professional skepticism;**
 - (v) **applying professional judgment; and**
 - (vi) **withstanding and resolving conflicts.**
43. 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.
44. IFAC member bodies may determine the appropriate levels of skills development and the means for developing those skills.

Professional Values, Ethics and Attitudes

45. **Individuals should be able to apply the required professional values, ethics and attitudes in an audit environment before taking on the role of an audit professional.**

46. IES 4, *Professional Values, Ethics and Attitudes*, sets out the professional values, ethics and attitudes professional accountants must have. IFAC member bodies need to establish a program of education that provides a framework for exercising professional judgment and for acting ethically in the best interests of both society and the profession.
47. All professional accountants need a thorough understanding of the potential ethical implications of professional and managerial decisions. They need to be aware that decision-makers can be under tremendous pressure when it comes to upholding ethical principles.
48. Audit professionals, like all professional accountants, are expected to apply the professional values, ethics and attitudes outlined in IES 4 throughout their professional careers. During their period of practical experience, they should receive guidance on the:
 - (a) professional approach to ethics;
 - (b) practical application of the fundamental principles;
 - (c) consequences of unethical behavior; and
 - (d) resolution of ethical dilemmas.
49. Learning about professional ethics needs to continue after qualification. Audit professionals need to see this as a career-long process.
50. The fundamental ethical principles that apply to all professional accountants have an added dimension in the audit domain, because of the heavy public reliance on and public interest in this aspect of the profession worldwide.
51. These fundamental principles are essential to the development of the profession and society as a whole. The IESBA Code sets out these fundamental principles:
 - (a) *Integrity*;
 - (b) *Objectivity*;
 - (c) *Professional competence and due care*;
 - (d) *Confidentiality*; and
 - (e) *Professional behavior*.
52. In addition, the IESBA Code requires all members of assurance teams and organizations to be independent of assurance clients. All members of assurance teams and organizations are required to apply the independence conceptual framework outlined therein.
53. It is important that audit professionals are
 - (a) aware of potential new ethical dimensions and conflicts in their work; and

- (b) keep current on the expectations of their professional accounting bodies and the public in terms of professional ethics.

Practical Experience

- 54. **Professional accountants should complete a period of relevant practical experience before taking on the role of an audit professional. This period should be long enough and intensive enough to permit them to demonstrate that they have acquired the necessary professional knowledge; professional skills; and professional values, ethics, and attitudes. A substantial proportion of the period of practical experience should be in the area of audit of historical financial information.**
- 55. IES 5, *Practical Experience Requirements*, sets out the practical experience requirements for all professional accountants. Professional accountants assuming the role of an audit professional are also required to demonstrate application of the knowledge and skills specifically required by this section of IES 8, and in an audit environment in accordance with the professional values, ethics and attitudes set out in IES 4.
- 56. Practical experience that contributes to the competence of an audit professional needs to be relevant to the type and size of audit assignments audit professionals are, or are likely to be, involved in. The period of experience should permit them to:
 - (a) apply, in a properly supervised environment, the requisite knowledge and skills; and
 - (b) develop and demonstrate the competence required by this IES.
- 57. The period of practical experience relevant to an audit professional may come during or after qualification as a professional accountant. Practical experience gained for the purposes of meeting the requirements of IES 5, *Practical Experience Requirements*, may contribute to the requirements prescribed in this IES.
- 58. A period of practical experience relevant to an audit professional would normally be not less than three years, of which at least two years should normally be spent in the area of audit of historical financial information under the guidance of an engagement partner. Where a member body does not require the completion of this minimum period of experience, the member body needs to be able to demonstrate that the application of the knowledge and skills specifically required by this IES has been achieved in an audit environment and has resulted in candidates developing the necessary competence and capability to apply professional judgment in the audit assignment.
- 59. **The required audit experience should be obtained with an organization that can provide suitable audit experience under the guidance of an engagement partner.**

60. Organizations making available suitable audit experience may include private and public sector audit organizations. IFAC member bodies need to be satisfied that audit organizations providing experience have in place policies and procedures that will provide an appropriate environment. An appropriate environment is one that allows individuals to develop and demonstrate the professional knowledge; professional skills; and professional values, ethics and attitudes that will permit them to take on responsibility for making significant judgments in an audit of historical financial information.

Continuing Professional Development

61. IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*, sets out the CPD requirements for all professional accountants, including audit professionals.
62. Professional accountants seeking to become audit professionals may rely on CPD activities to help them meet some of the competence requirements set out in this IES. CPD will also be necessary to ensure that audit professionals develop and maintain further competence. IFAC member bodies may consider prescribing specific CPD activities for audit professionals or professional accountants seeking to become audit professionals.

Assessment

63. **Professional capabilities and competence should be assessed before individuals take on the role of audit professionals.**
64. **The assessment should be comprehensive enough to permit demonstration of the professional knowledge; professional skills; and professional values, ethics and attitudes required to competently perform the work of audit professionals.**
65. The assessment of the capabilities and competence of audit professionals may be carried out by:
- (a) the IFAC member body of which an individual is a member (including through the member body's peer review process);
 - (b) another IFAC member body;
 - (c) a third party (e.g., education or training organization, government or regulatory authority, or workplace assessor under the authority of the member body);
 - (d) an audit organization (including through the organization's quality control systems); or
 - (e) a combination of these.

Where external agencies are responsible for qualifying audit professionals, member bodies should encourage them to adopt IFAC standards.

SECTION 3: THE ENGAGEMENT PARTNER

General

66. Specific professional, legal or regulatory requirements exist which govern the scope, performance and conduct of the audit engagement. In some instances, specific requirements regulate who may act as the engagement partner on an audit engagement. Such requirements are referred to below as licensing regimes. This term is used to refer to the range of instances where the authority or permission to act as the engagement partner is restricted to certain individuals who meet specific requirements. These specific requirements may be set by a professional, legal or regulatory body.
67. Audit licensing regimes differ. Where IFAC member bodies have the legal authority to license auditors, it is expected that professional accountants will have met the requirements prescribed in Section 2 of this IES to be issued with an audit license or be permitted to sign reports of audits of historical financial information. Where other bodies license auditors, IFAC member bodies are obliged to notify their legislative, regulatory or licensing authorities about this IES, encouraging its adoption.
68. In some jurisdictions, professional accountants are licensed to sign audit reports at the time of qualification, but may not have gained the practical experience prescribed in this IES. In such cases, IFAC member bodies need to make sure that individuals with responsibility for making significant judgments in an audit of historical financial information have the required practical experience and competence. This obligation may be fulfilled through a member body's quality assurance review program (i.e., practice inspections) or through an audit organization's quality control procedures.
69. It is expected that audit professionals permitted to sign statutory audit reports will acquire practical audit experience beyond what this IES prescribes. All audit professionals have a professional and ethical obligation to develop and maintain competence appropriate to their professional responsibilities.
70. IFAC recognizes the different types, size and complexities of audits of historical financial information, and the different levels of professional competence required to perform such engagements. It is the obligation of individual professional accountants to comply with the IESBA Code by not accepting assignments they are not competent to perform.

Competence Requirements for the Engagement Partner

71. To assume the greater responsibilities of the engagement partner will require the development of additional professional knowledge; professional skills; and professional values, ethics and attitudes. An engagement partner would be expected to demonstrate a comprehensive understanding of the audit process and an ability to communicate a wide range of matters to a broad range of parties.

72. As audit professionals progress into positions such as engagement partners, they will need to demonstrate competence in the following areas:
- (a) Leadership responsibility for the quality of audits;
 - (b) Formation of conclusions on compliance with applicable independence requirements;
 - (c) Acceptance and continuation of client relationships and specific audit engagements
 - (d) Assignment of engagement teams, ensuring the collective capabilities and competence to perform the engagement and issue an audit report;
 - (e) Direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements;
 - (f) Consultation, review and discussion of work performed; and
 - (g) Development of the audit report that is appropriate and supported by sufficient appropriate audit evidence.

SECTION 4: COMPETENCE REQUIREMENTS FOR AUDIT PROFESSIONALS IN SPECIFIC ENVIRONMENTS AND INDUSTRIES

General

73. IFAC member bodies and audit organizations need to make sure that audit professionals responsible for significant judgments in an audit of historical financial information of specific environments or industries have the required professional knowledge and practical experience relevant to that environment or industry.
74. When professional accountants have acquired the capabilities and demonstrated the competence required of audit professionals, they may need further development before they take on responsibility for making significant judgments in an audit of historical financial information of a specific industry (such as banking and finance, extractive industries and insurance) or environment (such as transnational audits).

Transnational Audits

75. Transnational audits are, or may be, relied upon outside the entity's home jurisdiction for purposes of significant lending, investment or regulatory decisions; this will include all companies with listed equity or debt and other public interest entities which attract particular public attention because of their size, products or services provided.⁵
76. **Before individuals take on the role of an audit professional in transnational audits of historical financial information they should:**
 - (a) **satisfy the requirements to take on the role of an audit professional (Section 2 of this IES); and**
 - (b) **satisfy the requirements in paragraph 77.**
77. **The knowledge content of the education and development program for audit professionals involved in transnational audits should cover the following subject areas, for the jurisdictions for which the transnational audit is conducted:**
 - (a) **applicable financial reporting and auditing standards;**
 - (b) **controlling of multi-location and group audits;**
 - (c) **applicable listing requirements;**
 - (d) **applicable corporate governance requirements;**
 - (e) **applicable national regulatory frameworks; and**

⁵ TAC Guidance Statement 1—revised April 2006

(f) **the global and local economies and business environments.**

78. Audit professionals engaged in transnational audits may find that the application of professional values, ethics and attitudes can be complicated by multiple cultural contexts (e.g., norms, customs, behaviors and expectations).

Specific Industries

79. Some entities operate in heavily regulated industries (such as banks and chemical companies). Laws and regulations governing financial statements may vary considerably in specific industries and environments. Furthermore, accounting treatments may differ, resulting in different recognition and measurement practices.
80. It is not practicable to prescribe the additional knowledge required of those operating in specific industries. IFAC member bodies, individual professional accountants and audit organizations share the responsibility for ensuring that audit professionals have the required competence for their roles.

Practical Experience

81. Audit professionals need practical audit experience in a specific environment or industry before assuming responsibility for making judgments in an audit of historical financial information in that environment or industry. This experience needs to be long enough and intensive enough to permit audit professionals to demonstrate:
- (a) the necessary knowledge; and
 - (b) that they can apply the necessary skills and the professional values, ethics and attitudes required to competently perform the work in that specific environment or industry.

This practical experience may be in addition to what is prescribed elsewhere in this IES.