

BOARD NOTICE

BOARD NOTICE 122 OF 2010



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EXPOSURE DRAFT ON THE REGISTRATION REQUIREMENTS FOR AUDITORS

Pursuant to the provisions of sections 6(1)(a) and 7 read together with sections 10(1)(a) and 10(2)(a) of the Auditing Profession Act 26 of 2005 ("the Act"), the Independent Regulatory Board for Auditors (IRBA) publishes for public information and public comment the following:

"THE REGISTRATION REQUIREMENTS FOR AUDITORS".

The Exposure Draft on the Registration Requirements for Auditors sets out proposals for changes to the Accreditation Model (as prescribed on 24 August 2007, Notice 84, Gazette No. 30179) and proposes a strategy for the development and assessment of professional competence for professional accountants wishing to specialise and register as auditors.

The IRBA is cognisant that further consultation needs to take place before implementation of the final policy and in this regard transitional provisions may be considered and implemented on just and equitable grounds.

To ensure that all relevant stakeholders are consulted, interested and affected stakeholders are invited to submit **written** comment to the IRBA. The Education, Training and Professional Development Committee (EDCOM) will consider all comments received on the proposed registration requirements for auditors prior to adoption of the final policy. All comments received will be regarded as being on public record unless confidentiality is requested.

Please submit written comments, preferably by e-mail, to:

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Closing date for comment: Tuesday, 16 November 2010



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REGISTRATION REQUIREMENTS FOR AUDITORS

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PART A**A1. KEY TERMS**

1.1 The following key terms will, unless expressly otherwise stated or inconsistent with the context in which they appear, have the following meanings:

- 1.1.1 **Academic programme:** The academic programme develops the core competence of a student to apply the concepts and principles of a defined technical body of knowledge, skills and professional values in an integrated and analytical manner to a standard that provides a foundation appropriate for further professional development.
- 1.1.2 **Competence:** Describes knowledge, skills and attitudes (with some behaviour) that collectively account for the ability to perform activities to the level expected within a specified profession.
- 1.1.3 **Core assessment programme:** The core assessment programme assesses the core competence of a candidate to apply the concepts and principles of a defined technical body of knowledge, skills and professional values in an integrated and analytical manner appropriate for further professional development.
- 1.1.4 **Education programme:** The education programme develops the professional competence of a student to apply integrated knowledge, skills and professional values appropriate to the practice of a Registered Auditor and to enable the student to continue to learn and adapt to change throughout his or her professional life.
- 1.1.5 **Training programme:** The training programme develops professional competence through practical experience gained in a Registered Auditor firm. Development of professional competence in training complements that gained through the Education Programme.
- 1.1.6 **Professional accountant:** A person who is a member of an IFAC member body accredited by the IRBA.
- 1.1.7 **Professional experience:** Work experience undertaken by a qualified professional accountant that is relevant to the work of a Registered Auditor. The work experience enables the individual's development of professional competence (including behaviours) in

the workplace and provides a means whereby individuals can demonstrate the achievement of professional competence in a Registered Auditor firm.

1.1.8 **Registered Auditor (RA):** Means an individual registered as an auditor with the IRBA

1.1.9 **Registered audit firm:** Means a firm of Registered Auditors registered with the IRBA

A2. INTRODUCTION

The audit profession has experienced significant changes over the past ten years. In light of these changes and in terms of the IRBA's policy of on-going reflection, the Education, Training and Professional Development Committee (EDCOM) of the IRBA investigated the education, training and professional development of aspirant Registered Auditors (RAs) and made recommendations to the Board in this regard.

In order to understand the current situation and the changes recommended in this document, it is important that the reader has knowledge and an understanding of the following:

- Statutory framework in which the IRBA functions and its associated history;
- Development and implementation of the Accreditation Model;
- Changes to SAICA's¹ delivery model; and
- The International Federation of Accountants (IFAC) International Education Standards (IES).

A3. STATUTORY FRAMEWORK

The regulatory framework for auditors in South Africa is established through the Auditing Professions Act, Act 26/2005 [the "Act"]. In terms of the Act, the IRBA is responsible for, *inter alia*, the registration, regulation and discipline of registered auditors [RAs].

The IRBA's role in ensuring quality of entry into the audit profession has been reflected on and adapted over the years. In 1998, after the release of the Draft Accountancy Profession Bill in 1997, the Public Accountants' and Auditors' Board [PAAB]² took a strategic decision to recognise the education, training and assessment programmes of professional bodies for the purposes of educating, training and assessing auditors. At the time, however, interpretation of the Public Accountants' and Auditors' Act, 1991, precluded recognition of the final test of professional competence for auditors; referred to as the Public Practice Examination [PPE]. In anticipation of the new act the PAAB prepared itself to fully recognise the programmes [including the final test of professional competence] of professional bodies. However, during the period 1998 to 2005, South Africa and the world experienced a spate of corporate failures which called the auditing profession into question. One of the major deficiencies highlighted by the accumulation of corporate failures was the regulatory structure of the auditing profession. Ineffective regulation was cited as one of the key factors detracting from the effectiveness of the audit function thereby undermining public confidence in the profession as a whole.

¹ SAICA is currently the only professional body accredited by the IRBA

² The PAAB became the IRBA in 2006 with the promulgation of the Auditing Professions Act, 2005

In 2001 the Nel commission was constituted to investigate the affairs of the Master Bond group and investor protection in South Africa. In view of the findings of the Nel commission, the [then] Minister of Finance stated that he was not convinced that the Draft Accountancy Profession Bill, 2001 sufficiently addressed the problems inherent in the system. The Bill was withdrawn and a ministerial panel was appointed in December 2002 to revise the proposed legislation. The Auditing Profession Act, 2005 was the outcome of this review. The Act was signed into legislation in January 2006 and became effective on 1 April 2006.

The Act proved to be very enabling for the IRBA in terms of education, training and assessment. It provided the IRBA with the option to either provide the education, training and assessment programmes of potential auditors directly [direct provision], or to accredit professional bodies to conduct all or some of such education, training and assessment programmes [See Accreditation Model: 1-5 partial and full accreditation]. The Act further provided the IRBA with the option of conducting the final test of professional competence for registered auditors [RAs] directly or accrediting professional bodies to conduct such a test of competence for auditors. In light of the heightened regulatory environment and the fact that auditing is not the core business of professional bodies, the IRBA took the strategic decision in 2006 to:

- I. Accredit professional bodies to conduct the relevant education, training and assessment programmes;
- II. Not recognise the examinations of professional bodies as constituting the final test of professional competence required for the purpose of registering as an auditor; and
- III. Continue to set and administer the PPE (final test of professional competence) itself.

In response to the decision to accredit professional bodies, the IRBA published the Accreditation Model [2007] which sets out the IRBA's objectives for the development, assessment and maintenance of the professional competence of auditors. In terms of the Accreditation Model, a professional body seeking accreditation must demonstrate, to the satisfaction of the IRBA, that:

- a) It complies with the prescribed requirements for professional development and the achievement of professional competence through the recognised programmes, namely;
 - i. Academic programme;
 - ii. Core assessment programme;
 - iii. Education programme; and
 - iv. Training programme
- b) It has appropriate mechanisms to ensure that its members participate in CPD as recognised by the IRBA;
- c) It has mechanisms to ensure that its members are disciplined where appropriate;
- d) It is, and is likely to continue to be, financially and operationally viable for the foreseeable future;
- e) It keeps a register of all its members in the form prescribed by the IRBA;
- f) It has in place appropriate programmes and structures to ensure that it is actively endeavouring to achieve the objective of being representative of all sectors of the South African population; and

- g) It meets any other requirements prescribed by the IRBA from time to time.
 - i. In this regard, the professional body must have appropriate technical support and guidance available to its members who are RAs.

Currently, SAICA is the only professional body accredited by the IRBA to conduct the education, training and assessment programmes which permit entry to the final test of professional competence for RAs; the PPE.

A4. THE ACCREDITATION MODEL

Accreditation is the status granted by the IRBA to professional bodies that meet and continue to meet the prescribed accreditation standards.

In terms of the Accreditation Model, accreditation standards describe the fundamental characteristics that should be present to realise the IRBA's stated objectives. However, the mere existence of such characteristics is not an assurance that the required standards will be achieved, but rather that the institution or its programme have the necessary resources that, if effectively applied, are likely to achieve the stated objectives. All accredited professional bodies are subject to annual monitoring by the IRBA.

The accreditation standards are intentionally general. Their generality enables the IRBA to focus on the particular circumstances relevant to a specific professional body, rather than on establishing measures of conformity. The widely diverse purposes and scope of professional bodies demands that the accreditation standards be sufficiently broad to encompass this diversity, and thereby support innovation. At the same time, the accreditation standards must be sufficiently clear so as to promote quality.

In determining the extent to which an accreditation standard has been met, certain indicators, that provide guidance on how the standard may be achieved in practice, are included in the Accreditation Model.

The Curriculum Framework

The IRBA prescribes accreditation standards for the purpose of recognising the academic, core assessment, education and training programmes of professional bodies. The Curriculum Framework identifies the competencies an individual should be able to demonstrate on entering the profession and thus provides the basis upon which these programmes can be assessed in order to determine the extent to which the relevant accreditation standards have been met.

Professional bodies seeking recognition of their programmes are required to demonstrate to the IRBA the extent to which the competencies defined by the IRBA in the Curriculum Framework are developed and assessed within their own relevant programmes. Recognition is based on an appropriate degree of match with the IRBA's requirements, rather than on absolute conformity. The Curriculum Framework is, therefore, sufficiently flexible in its design to cater for diverse modes of implementation. Because the Curriculum Framework focuses on specific competencies at entry point, it allows professional bodies to adopt a wide variety of different methodologies to develop and assess the required competencies.

Core and professional competence

Professionals are expected to possess core competencies that, together with fundamental skills and values, enable them to demonstrate professional competence. Professional competence is the ability to perform the tasks and roles expected of an RA to standards that are appropriate locally and comparable internationally.

Core competence is the ability to apply the concepts and principles of a defined technical body of knowledge, skills and professional values in an integrated and analytical manner to a standard that provides a foundation appropriate for further professional development.

The IRBA's Accreditation Model is focused on the development of professional competence with appropriate emphasis on the development and assessment of core competence with regards to potential RAs. In this regard:

- The academic programme develops core competence;
- The core assessment programme assesses core competence;
- The training programme which is conducted in public practice, with at least 40% of time being spent in audit, develops professional competence; and
- The education programme which is an audit specialism course develops professional competence.

A5. THE PUBLIC PRACTICE EXAMINATION

In terms of section 7(1) [b] the IRBA may recognise or withdraw the right of accredited professional bodies to conduct the final qualifying examination for registration purposes. Given that the IRBA must in terms of section 7 (1) [f], prescribe competency requirements, it considers itself well positioned to assess the competence of potential RAs against the prescribed requirements. The IRBA does, therefore, not recognise the examinations of professional bodies as constituting the final assessment of professional competence required for the purposes of registering as an auditor. The IRBA assumes full responsibility for conducting this assessment, currently referred to as the PPE. The IRBA takes full responsibility for the final test of competence for RAs due to its regulatory function and the fact that professional bodies are not exclusively concerned with audit and may, therefore, not have an appropriate audit focus.

Currently, the PPE [audit specialism] is recognised by SAICA as the final test of professional competence for qualification as a CA. SAICA's other specialist examination, the Part II [financial management] examination, is conducted entirely by SAICA.

A6. SAICA's NEW DELIVERY MODEL

SAICA's Competency Framework was approved by the SAICA Board in November 2008. The implications and application of the Framework and the delivery model are currently being investigated. Within this context, SAICA has resolved to discontinue specialist routes to qualification as a CA and have a single final test of professional competence.

Although SAICA is still in the process of finalising its delivery model, the following has been communicated to the IRBA:

- I. The Competency Framework aims to develop a "leader with ...a background in professional accounting". The new model will shift away from '*too much emphasis on Audit*' [No specialist routes];
- II. SAICA will conduct its own final test of competence for professional accountants [CA] [proposed implementation by 2014];
- III. The final test of competence for professional accountants will, in accordance with the IES 6 requirements, be as "near as practicable to the end of the pre-qualification period";
- IV. The training programme will offer five electives [tax, audit, financial management, management decision making and risk management and governance] but all core areas are still covered in the training model; and
- V. There will be only one CA qualification [one examination].

SAICA is very aware of the implications of these proposed changes for the IRBA and the PPE and plans to communicate closely [and has already done so] with the IRBA on these matters.

A7. THE INTERNATIONAL FEDERATION OF ACCOUNTANTS

IFAC's mission is "*the worldwide development and enhancement of an accountancy profession with harmonised standards able to provide services of consistently high quality in the public interest*". In demonstrating this aspect of its mission, IFAC has an Education Committee which drafts and publishes International Education Standards and Guidelines [IES]. The IESs prescribe, to member bodies, certain fundamental elements that education, training and assessment programmes for professional accountants should contain. The IRBA is not a member body of IFAC, yet it subscribes to the IFAC standards and consequently requires accredited professional bodies to adhere to these standards. Although IFAC's focus is on the professional accountant, some IESs refer to the specialist work of auditors.

IES 5: Practical experience requirements

IES 5 prescribes the practical experience IFAC member bodies should require their members to obtain before qualification as professional accountants. Within this context, IES 5 states that "further development may be required after qualification to bring candidates up to the level of a statutory auditor or some other form of specialisation" [IES 5: Paragraph 3].

IES 8: Competence requirements for audit professionals

IES 8 prescribes competence requirements for audit professionals. According to IFAC 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 judgements of auditors. IES 8 [paragraph 18] further recognises that, 'Although some professional accountants deliver a wide range of accounting and business-related services, others will choose to specialise in one or more areas. No one professional accountant can master all areas of accountancy. Specialisation is necessary to ensure services can be provided by professional accountants having sufficient depth of knowledge and expertise'.

PART B

FOUNDATIONAL GUIDELINES

This section highlights foundational guidelines that have influenced and guided the EDCOM's deliberations. The EDCOM is aware that in some cases the foundational guidelines may not always be complementary and, therefore, that judgement must be used in their application.

B1. IRBA'S REGULATORY ROLE

The primary objective of the IRBA as established in terms of section 2 of the Auditing Profession Act, 2005 ("the Act") is to protect the public in the Republic through regulation of the auditing profession. Such regulation is intended to advance the development and maintenance of internationally comparable ethical and auditing standards and to advance the implementation of appropriate standards of competence and good ethics. The EDCOM has focused on its role and duty related to competence at entry to the audit profession.

B2. QUALITY OF AUDITING AND REPORTING STANDARDS IN SOUTH AFRICA

The IRBA prides itself on maintaining high standards of auditing and reporting in South Africa. SA was recently voted second in the world for its auditing and reporting standards on the Global Competitive Index. The point of departure adopted by the EDCOM is that standards of competence of auditors should not be compromised [Refer B3 below].

B3. STANDARD OF COMPETENCE FOR REGISTRATION

The standard of competence required of a registered auditor will not be compromised. The EDCOM remained cognisant of the competence requirements at entry to the profession and the IRBA's responsibility to ensure a standard of competence appropriate to carry out its statutory obligations [Refer B1]. The level of assurance with regards to competency sought by the IRBA has been pivotal in the EDCOM's deliberations.

B4. SUSTAINABILITY OF THE PROFESSION

The IRBA has identified the need to increase the number of auditors in South Africa in order to service the requirements of the economy appropriately. The EDCOM recognised this imperative and remained aware of matters related to access, mobility, recruitment and retention.

B5. MOBILITY WITHIN THE PROFESSION

It is an established policy of the IRBA that the approach to education, training and assessment required for registration as an auditor should "tolerate and encourage diverse and innovative means of achieving...objectives" [Accreditation Model; 4.5, 1-11]. The EDCOM remained cognisant of the need for mobility and flexibility when deliberating on the qualification process and registration of RAs.

B6. ACCESS AND TRANSFORMATION

The IRBA is committed to providing access to the auditing profession for those who meet the required standards. More specifically the number of persons registered with the IRBA to perform the statutory audit function is not representative of all racial groups. The EDCOM recognised the importance of this

imperative within the context of the profession and South Africa and sought to ensure flexible routes of entry to the profession.

B7. PROVISION OF PROGRAMMES THAT DEVELOP AND ASSESS CORE AND PROFESSIONAL COMPETENCE

The IRBA regards the provision of programmes that develop core and professional competence to be best delivered by professional bodies accredited for this purpose by the IRBA [Accreditation Model]. This is due to the partnership relationship established through the process of accreditation whereby the IRBA's objectives are supported by accredited professional bodies that have complied and continue to comply with the requirements for accreditation. The EDCOM remained cognisant of this accreditation philosophy.

B8. DEVELOPMENT OF CORE COMPETENCE

The development of core competence is best achieved through a formal academic programme and assessment is most appropriate through formal written examination. The EDCOM remained cognisant of this accreditation philosophy.

B9. DEVELOPMENT OF PROFESSIONAL COMPETENCE

Professional competence is best developed through practical experience supported by appropriate educational intervention. The EDCOM remained cognisant of this accreditation philosophy.

B10. ASSESSMENT OF PROFESSIONAL COMPETENCE

Professional competence is best assessed through a combination of written examination and on the job assessment. On the job assessment should be performed by experienced professionals in the field. The EDCOM remained focused on the most appropriate means of assessing professional competence.

B11. AUDIT AS A POST PROFESSIONAL ACCOUNTANT SPECIALISATION

According to IFAC [IES 5] *"further development may be required after qualification [as a professional accountant] to bring candidates up to the level of a statutory auditor"*. IFAC also prescribes competence requirements for auditors because it acknowledges the *"specialist knowledge and skills required for competent performance in [audit] and because of the reliance the public and third parties place of the judgements of auditors"*.

The IRBA considers the competencies of the professional accountant to be appropriate for registration as an auditor but only when provided with the opportunity to apply these competencies to the level of a specialist within the context of public practice. The EDCOM supported the addition of a professional experience period after qualification as a professional accountant.

PART C**REFLECTION ON CURRENT PRACTICE**

This section outlines the EDCOM's reflection on current practice and views on best practice in light of Part A and B of the document.

C1. DEVELOPMENT AND ASSESSMENT OF PROFESSIONAL COMPETENCE**i. Development of professional competence**

The development of professional competence is currently through the education and training programmes. Development of professional competence through these programmes is appropriate for a professional accountant. However, the EDCOM is of the view that a period of post professional accountant specialisation is required in order to register as an auditor. This is because the competencies of a professional accountant should be exercised in an audit environment in order to create specialist ability in their application.

ii. Assessment of professional competence

Professional competence is currently assessed largely through a written examination with some assessment being conducted in the training programme. The EDCOM is of the view that professional competence is best assessed through written examination supplemented with significant on the job assessment. This is because the nature of professional competence is such that it is best exhibited when applied in practice.

The PPE has proved to be effective in assessing professional competence within the limited context of a written examination. However, the EDCOM is of the view that professional competence is more effectively assessed through practical experience. The EDCOM also recognises that the current PPE and education programme include a significant element of core competence.

C2. DEVELOPMENT AND ASSESSMENT OF CORE COMPETENCE**i. Development of core competence**

With the exception of elements of audit, core competence [all disciplines] is currently developed in the academic programme. The EDCOM considered core competence to be most effectively developed and assessed in the academic programme. This view is held because the nature of core competence is such that it requires a formal academic environment for its acquisition. This view is consistent with international best practice.

ii. Assessment of core competence

With the exception of elements of audit, core competence [all disciplines] is currently assessed in the core assessment programme. The EDCOM considered core competence to be most effectively assessed in the core assessment programme. This view is held because the nature of core competence is such that it requires a written examination for its assessment. This view is consistent with international best practice.

C3 BENCHMARKING

The Act provides the IRBA with the option to recognise the programmes of accredited professional bodies or to provide the programmes directly itself. The IRBA adopted a policy of recognising, where appropriate, programmes of accredited professional bodies, other than the final test of professional competence for RAs [Refer 1-11, 4.6].

Recognition of individual programmes requires application of the Accreditation Model and also requires a benchmark for assessing content and standard of programmes. The benchmark for all programmes currently recognised is informed by the content and standard of the relevant programmes provided by the IRBA [then PAAB] until 1999. This approach to accreditation was considered appropriate as the programmes of the only accredited professional body were not significantly amended since responsibility for the programmes was transferred to SAICA. The benchmark was, therefore, established through a *comprehensive institutional memory*. Application of this benchmark, through the monitoring process since 2002, has proved effective.

SAICA is to introduce significant changes to all of the recognised programmes systematically from 2010. The EDCOM is, therefore, of the opinion that the benchmarks used to date in the monitoring process should be reassessed. The EDCOM considers this to be an appropriate time to reassess given the proposed changes to SAICA's recognised programmes.

PART D**EDCOM RECOMMENDATIONS**

This section sets out the EDCOM's proposals for changes to the Accreditation Model and its proposed strategy for the development and assessment of professional competence.

D1. AUDIT AS A POST PROFESSIONAL ACCOUNTANT SPECIALISATION

The EDCOM is of the view that audit is a post professional accountant specialisation. The EDCOM's view is supported by IFAC and international best practice.

IFAC's IES 5, states that *"further development may be required after qualification [as a professional accountant] to bring candidates up to the level of a statutory auditor"*. IFAC also prescribes competencies for auditors because it acknowledges the *"specialist knowledge and skills required for competent performance in [audit] and because of the reliance the public and third parties place on the judgements of auditors"*.

An investigation into the practices of comparable countries indicates that audit as a post professional accountant specialisation is well accepted internationally. All the countries investigated³ require auditors to specialise through a practical work experience period, after qualifying as a professional accountant.

In accepting that audit is a post professional accountant specialisation the EDCOM acknowledges that the core and professional competence developed through the professional accountant education and training programmes is appropriate as a foundation for specialisation in audit. In determining the appropriateness of the quality and standard of programmes that develop and assess core and professional competence at the professional accountant level, the EDCOM considered the current situation [Accreditation Model] and proposes certain adaptations and inclusions where it is of the opinion that a higher level of assurance needs to be obtained by the IRBA in fulfilling its mandate to ensure competence at entry to the RA profession.

1. Development and assessment of core competence

Core competence is developed in a formal academic environment [Accreditation Model, 3-15]. The EDCOM confirms that the acquisition of core competence must take place in the academic programme. Taking the importance of the core disciplines into account for the development of a professional accountant and as the basis on which to develop an RA; the EDCOM is of the view that comprehensive coverage of the Curriculum Framework should be given to each of the core disciplines in the academic programme.

By requiring comprehensive coverage of each of the core disciplines the IRBA achieves the following:

- Candidates' perceptions of the core disciplines are influenced and consequently so is their study approach;

³ England and Wales, Ireland, Scotland, Australia, New Zealand, Hong Kong and Canada.

- Communication to candidates and providers that all four disciplines are important for the development of a professional accountant and as a foundation for specialisation as an RA; and
- All disciplines are well embedded for the development of professional competence.

The EDCOM recommends that the Accreditation Model is adapted to include comprehensive coverage of all core disciplines and that each of the core disciplines be passed (i.e. at least 50%) in assessments carried out in the academic programme. Particular scrutiny will be placed on the coverage and the nature of assessment of audit.

Core competence is assessed in the core assessment programme. The EDCOM confirms that the assessment of core competence is best achieved through a written examination. Currently, there is no sub-minimum requirement on any of the core disciplines in the core assessment programme. Given the views of the EDCOM expressed above and the reasons provided for comprehensive coverage and assessment of the four disciplines in the academic programme, it follows that equal emphasis must be placed on the core disciplines in the core assessment programme.

The EDCOM recommends that:

- The core disciplines receive equal coverage [in terms of time and mark allocation] in the core assessment programme; and
- 40% sub-minimum is required for each of the core disciplines.

2. Development and assessment of professional competence [Professional Accountant]

The Accreditation Model acknowledges that the development of professional competence is best achieved through on the job training coupled with comprehensive learning interventions [Accreditation Model, 3-40 and 3-52]. The core competence developed in the academic programme provides a foundation upon which professional competence can be developed. It is through on the job training and comprehensive learning programmes [education programme] that professional accountants develop professional attributes, characteristics and attitudes and, through their practices and behaviours, become aware of and comply with the standards of competence of the profession.

Due to the importance of the training and education programmes in the development and assessment of professional competence, the EDCOM places additional emphasis on the training programme and the allied education programme to provide appropriate learning opportunities and to draw on a range of assessment methodologies in order to assess professional competence in all its elements.

For the purpose of registration as an RA, the IRBA only recognises training programmes that are conducted in an office of an RA who is engaged in public practice and who is registered with the

IRBA. The training contract must provide the candidate the opportunity to complete at least 40% of his time directly in audit and assurance activities.

The Accreditation Model provides guidance on the development of professional competence within the training contract. However, the Accreditation Model has no specific requirement for comprehensive on the job assessment [training programme]. Due to the importance of the training programme in the development and assessment of professional competence and the EDCOM's strong view that professional competence is best assessed through on the job evaluation, the EDCOM recommends that assessment within the training programme is formalised through the development of a specific standard to address this aspect of professional competence.

The Accreditation Model has a separate programme for comprehensive learning interventions; namely, the Education Programme. The training programme and the education programme complement each other in the development of professional competence. Currently, the education programme is an audit specialisation programme. However, in light of the EDCOM's recommendation that audit be a post professional accountant specialisation and the consequent emphasis on the development of a professional accountant [audit focus], the EDCOM recommends that, for purposes of the Accreditation Model, the education programme is incorporated into the training programme to facilitate the development of professional competence. The EDCOM is of the opinion that comprehensive learning programmes that complement the training programme can be achieved and facilitated in a myriad of ways within the professional accountant qualification and do not, therefore, require separate identification in the Accreditation Model.

The EDCOM is of the strong opinion that the assessment of professional competence should consist of a range of assessment methodologies from continual assessment [on the job and education programme] to a final summative assessment [final test of professional competence]. In line with the IFAC requirement [IES 6], the EDCOM supports the view that a significant portion of the assessment of professional competence should be in recorded form.

The Accreditation Model, currently, does not accommodate a final test of professional competence for professional accountants because, currently, professional accountants qualify as RAs. However, in light of the EDCOM's recommendation that audit be a post professional accountant specialisation and within the context of the level of assurance sought by the IRBA on the programmes that develop and assess core and professional competence, the EDCOM recommends that a "new section" on the assessment of professional competence for professional accountants is added to the Accreditation Model. The proposed section will provide professional bodies with the IRBA's expectations relating to professional assessment and will be sufficiently flexible to accommodate a variety of assessment methodologies.

D2. FINAL ASSESSMENT OF PROFESSIONAL COMPETENCE FOR ASPIRANT AUDITORS

The EDCOM is of the view that the PPE is, and has been, effective as an assessment of professional competence [RAs] within the constraints inherent in a written examination and within a context where development of professional competence for the professional accountant and an RA has been concurrent. It is widely acknowledged that professional competence is best assessed on the job rather than only through written assessment. Within the context of audit being a post professional accountant specialisation and the best assessment of professional competence being on the job evaluation, the EDCOM **recommends** that a period of relevant [audit] professional experience is required in order to develop the competence of a professional accountant to that required of an RA. The professional work experience period provides aspirant RAs with the opportunity to develop, exercise and extend their professional competence to a level considered appropriate for entry level auditors [See Part E below].

Successful completion of the professional experience period coupled with on job assessment gained in the training programme will provide the IRBA with assurance of an individual's professional competence at entry to the RA profession.

D3. BENCHMARKING

Given the proposed changes to SAICA's recognised programmes [refer section C3] and the consequent need to reassess benchmarks, the EDCOM **recommends**:

i Development of professional competence

A competency framework is prepared to guide accredited professional bodies and provide sufficient flexibility to accommodate a range of approaches. The competency framework will identify and detail the competencies of an entry level auditor and will, therefore, inform the syllabus to be developed for the academic programme and in turn inform the content for the core assessment programme. The competency framework will also inform the content of programmes that develop and assess professional competence.

ii. Academic Programme

A curriculum and syllabus be established which provides sufficient detail to guide accredited professional bodies and sufficient flexibility to accommodate a range of approaches.

ii. Core Assessment Programme

An assessment of core competence be prepared [written examination] with mark plans, suggested solutions and marking approach. This will provide a benchmark for the accreditation process and also the opportunity to use this instrument, where appropriate, in cases where the assessment of core competence of an accredited professional body is not recognised.

PART E

THE PROFESSIONAL EXPERIENCE PERIOD

The requirements set out in this section provide the professional experience requirements for professional accountants wishing to specialise and register as auditors.

Please note that only professional accountants who have qualified through a professional body accredited by the IRBA will have their professional experience recognised by the IRBA.

E1. RECOGNITION OF PROFESSIONAL EXPERIENCE

In order to have the professional experience period recognised by the IRBA, a candidate must have:

- Successfully completed the following programmes recognised by the IRBA:
 - A recognised academic programme;
 - A recognised core assessment programme;
 - A recognised training programme; and
 - A recognised professional assessment programme [Refer D1]
- Successfully completed a professional accounting qualification through a professional body accredited by the IRBA.

E2. DEVELOPMENT OF COMPETENCY

The strength of the professional experience period lies in the partnership between the IRBA and RA firms. The professional experience period provides qualified professional accountants the opportunity to specialise as an auditor by gaining exposure to a broad range of issues faced by RAs in practice and to develop and enhance their:

- Professional competence and judgement;
- Ethical values; and
- Lifelong learning skills and attitudes

The professional experience period is defined in terms of both the duration [time] and the depth and breadth of competency developed in a public practice environment. The professional experience period must provide aspirant RAs with increasingly complex work that requires, over time, that the candidate assumes increasing responsibility. Tasks must increase in complexity and level of responsibility as the RA candidate progresses through the professional experience period.

By the end of the professional experience period, aspirant RAs are expected to have acquired and to have demonstrated competence at a level *senior* to that of an entry level professional accountant. The supervising RA will be required to make a recommendation to the IRBA regarding the aspirant RA's registration with the IRBA.

E3. MINIMUM PRESCRIBED TERM OF PROFESSIONAL EXPERIENCE

The IRBA prescribes that a minimum term of professional experience appropriate for the development and demonstration of the competency requirements of an entry level RA is two years post professional accountant qualification in an RA firm. Within the minimum two year post professional accountant qualification period aspirant RAs must complete a minimum of 1500 billable hours⁴ in audit and assurance services. (It is acknowledged that, in some cases, completion of the 1500 billable hours may require more than two years) Billable hours provide evidence of the nature of work undertaken and some indication of its quality. Candidates who wish to register as an auditor, and completed an elective other than audit and assurance, will be required to complete a minimum of three years and 2250 billable hours in audit and assurance.

E4. AUDIT ENVIRONMENT

Professional Experience must be obtained through work activities that require the development of knowledge, skills and professional values appropriate to the public practice environment. Such experience should be gained in the office of an RA and under the direction and supervision of an RA in audit and related service engagements.

In terms of IFAC, auditing is a structured process that:

- a) Involves the application of analytical skills, professional judgement and professional scepticism;
- 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 (ISQC), 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.

Auditing is an integral component of evolving systems of accountability within organisations and society. Although an audit may be mandated by statute, it may also be a condition to borrowing or a matter of contract. In addition, it may be undertaken voluntarily by an organisation as a means of ascertaining the fairness of representations, the degree of compliance with rules and regulations or the efficiency, effectiveness and economy of operations.

Auditing should therefore be viewed as a subject that extends beyond the statutory audit of financial statements to include the broader attest function and other reporting engagements.

ASPIRANT RAs AND THE RA FIRM

Candidates who undertake the professional experience period to become audit specialists are required to take responsibility for their own professional development and seek opportunities to progress through

⁴ It is not anticipated that a candidate will submit time sheets in support of this requirement. It is acknowledged that often an audit engagement can include other services. The 1500 billable hours should be in direct audit work. The supervisor will confirm the time spent on audit work.

defined positions within an RA firm. Such positions will provide opportunity for increasing competency development and offer assignments of increasing complexity and increasing levels of responsibility.

RA firms must meet the following responsibilities to the IRBA and the candidate:

- Registration with the IRBA [Firm and professional oversight RA];
- Provide an environment conducive to the development, enhancement and demonstration of professional competence;
- Ensure that each potential RA is provided sufficient and appropriate support during the professional experience period;
- Foster commitment to life-long learning and skills development;
- Encourage potential RAs to become involved in work that challenges their skills in a variety of contexts;
- Foster the ethics, values, independence and objectivity appropriate for the RA profession; and
- Offer progress of work to increasing complexity and requiring increasing levels of responsibility and knowledge and expertise.

E5. PROFESSIONAL OVERSIGHT REQUIREMENTS

The professional experience period is designed to complement and run parallel with the internal structures, performance review and evaluation process of the RA firm. The RA firm must ensure that each RA candidate is assigned to a specific professional oversight RA. The professional oversight RA will be an RA who has been registered with the IRBA for a minimum of three years at the outset of the professional experience period⁵.

Responsibilities of the Professional Oversight RA

It is the responsibility of the professional oversight RA to ensure that the professional experience period provides the candidate with the quality and range of experience to enhance and develop his professional abilities, skills and values to a level appropriate for registration with the IRBA. Professional oversight is necessary to ensure that RA candidates are provided with the opportunity to develop their competencies, produce work of a high quality, and undertake work at progressive levels of responsibility. The professional oversight RA will be responsible for, inter alia, the following:

- Collection and co-ordination of performance appraisal information and any other relevant information on the candidate's performance and competencies.
- Reflection, interpretation and assessment of the candidate's progress using the information referred to above.
- Consultation based on the information presented in the performance appraisal reports with both the candidate and the line managers, direct supervisors and any other relevant person.
- Provide regular and meaningful feedback on the development the candidate's professional competence.

⁵ The IRBA will consider circumstances for relaxation of this time requirement on a case by case basis.

- Regular reporting to the IRBA on the development the candidate's professional competence. This report should be accompanied by relevant documentation (performance appraisal, reports and any other information). A reporting template will be supplied by the IRBA.
- A signed testimonial, on completion of the two year programme that confirms, amongst other things (See E8), that the candidate has developed his professional competence to a level appropriate for registration with the IRBA. A standard template will be provided by the IRBA.

The IRBA recognises that the professional oversight RA may not necessarily be the direct supervisor of the candidate. It is, however, anticipated that the professional oversight RA is a senior member of staff who is able to invest the appropriate amount of time and commitment to the responsibilities outlined above. The professional oversight RA will take responsibility for supplying the IRBA with information on the candidate's professional development. The IRBA will place significant reliance on the information and reports provided by the professional oversight RA. It is, therefore, incumbent on the professional oversight RA to ensure that the information provided to the IRBA is valid and reliable.

The responsibility to identify a suitable professional oversight RA rests with the RA firm. The professional oversight RA must accept the responsibility outlined above [clear guidelines will be published]. Once the professional oversight RA/candidate relationship has been mutually agreed to, the professional oversight RA and the candidate will sign an agreement (Standard agreement to be published). The signed agreement must be forwarded to the IRBA for registration. The IRBA will check the eligibility of the RA to act as a professional oversight RA and the candidate to participate in the professional experience period. Registration of the professional experience period provides the IRBA with information on the number of potential RAs in the pipeline and also protects the professional oversight RA and candidate by formalising the relationship.

In circumstances where a candidate has not registered with the IRBA for the professional experience period, the candidate must submit certain supporting evidence and an identified professional oversight RA must sign a testimonial confirming the candidates experience, position and suitability for registration with the IRBA [Refer E8]. The IRBA will evaluate such circumstances on a case by case basis and may grant the professional experience period retrospectively.

E7. PRACTICE MANAGEMENT WORKSHOP

All RA candidates are required to attend a two day Practice Management Workshop [PMW]. The PMW will provide candidates with information and resources on establishing and managing an RA firm. Credit for the course will be on an attendance basis only. Candidates will cover, inter alia, the following topics:

- Human resources;
- The Code of Conduct;
- Practice Review;
- CPD;
- Acts and laws
- Practice management; and

- IT solutions

E8. DEVELOPMENT OF SPECIALISED PROFESSIONAL COMPETENCE

Regular, constructive performance assessment is an integral element of effective professional development. Learning can be activated through the process of assessment and transferred to the workplace. The professional experience period is developmental in nature and provides candidates with the opportunity to develop their professional competency to a level where the experience gained will permit them to take on responsibilities that involve making significant judgements in an audit as defined in IES 8 – Competence Requirements for Audit Professionals.

Once a candidate has completed the two year professional experience period, has achieved the 1500 billable hours in audit and the professional oversight RA is satisfied that the candidate has demonstrated competency to a level appropriate for registration with the IRBA, the professional oversight RA will provide a testimonial that confirms:

- The candidate has had two years of professional experience;
- The candidate has had 1500 billable hours during the period of professional experience;
- The position/s held during the period of professional experience; and
- That nothing has come to the professional oversight RA's attention that suggests that the aspirant RA is not suitable for registration with the IRBA.

E9. ASSESSMENT OF PROFESSIONAL COMPETENCE

The final assessment of whether an RA candidate has met the requirements to register with the IRBA as an RA is the responsibility of the IRBA. The IRBA will appoint a panel of experienced practitioners and academics to make an assessment based on the following documented evidence:

- Successful completion of a recognised academic programme;
- Successful completion of a recognised core assessment programme;
- Successful completion of a professional development programme (with all assessments conducted during training);
- Successful completion of a recognised professional assessment programme;
- Successful completion of a professional accounting qualification from a professional body accredited by the IRBA;
- Successful completion of the professional experience period (with all the professional oversight RA's reports and supporting documentation);
- The signed testimonial from the professional oversight RA; and
- Completion of a Practice Management Workshop (PMW).

The panel will, on a regular basis, review the reports and reserves the right to request additional information and/or contact the candidates and/or professional oversight RAs for an interview should there be any queries or concerns regarding the development of the candidate's professional competence. The panel is ultimately responsible for making the final decision with regards to a candidate's eligibility to register with the IRBA as an RA.

E10. PRACTICE REVIEW

Practice Reviews are performed in terms of Section 47 of the Auditing Profession Act, 2005. Functions of the IRBA include promoting the integrity of the auditing profession through conducting practice reviews. Not all RAs will conduct audits of "public interest entities" and may therefore not be subject to a firm review. However, once an RA registers with the IRBA, Practice Review will schedule an "introductory visit" within 12 months from registration. The purpose of the introductory visit is to educate, assist and provide guidance to new RAs. The introductory visit also provides the IRBA with additional assurance that the RA is aware of and fully compliant with the IRBA's requirements to practice and remain professionally competent.

The introductory visit will offer Practice Review the opportunity to:

- Ensure that the RA's offices are professional in presentation;
- View the RAs client list;
- Ensure that the RA is aware of and familiar with the IRBA's Practice Review and registration requirements;
- Ensure that the RA is aware of and compliant with the IRBA's CPD policy;
- Ensure that the RA is aware of and compliant with any new regulations and Acts;
- Ensure that the RA is aware of and familiar with the IRBA's Code of Conduct; and
- Provide an opportunity for the RA to gain information from the IRBA

If the outcome of the introductory visit is such that there is concern about the RA's ability to practice the IRBA may take necessary steps, including scheduling a formal practice review.
