

International Accounting Education Standards Board

International Education Standards 1-8



International Federation
of Accountants

International Accounting Education Standards Board
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The mission of the International Federation of Accountants (IFAC) is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant.

The IAESB, an independent standard-setting board within IFAC, develops standards and guidance on pre-qualification education, training, and continuing professional education and development for all members of the accountancy profession. The international Public Interest Oversight Board (PIOB) for the accountancy profession oversees the activities of the IAESB.

This publication may be downloaded free-of-charge from the IFAC website: <http://www.ifac.org>. The approved text of these pronouncements is published in the English language.

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**INTERNATIONAL EDUCATION STANDARDS
FOR PROFESSIONAL ACCOUNTANTS**

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Preface

The *Framework for International Education Statements (Framework)*, *Introduction to International Education Standards (Introduction)*, and *International Education Standards (IESs) 1 to 6* were originally approved for publication in October 2003 by the then Education Committee (now the International Accounting Education Standards Board (IAESB)) of the International Federation of Accountants (IFAC). In 2007 the IAESB undertook a project to update the *Framework*, *Introduction*, and IESs 1 through 8 to:

- Correct outdated references;
- Update the Glossary for key definitions introduced since its original publication;
- Reflect changes in its Terms of Reference and due process approved in 2006; and
- Correct grammatical errors and outdated terminology.

No changes of substance have been made in the *Framework*, *Introduction* or the IESs.

FRAMEWORK FOR INTERNATIONAL EDUCATION PRONOUNCEMENTS

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Introduction

Objectives and Terms of Reference

1. The mission of the International Federation of Accountants (IFAC), as set out in its constitution is “to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of international economies by establishing and promoting adherence to high quality professional standards, furthering international convergence of such standards, and speaking out on public interest issues where the profession’s expertise is most relevant.”
2. In pursuing this mission, the IFAC Board has established the International Accounting Education Standards Board (IAESB) to function as an independent standard-setting body under the auspices of IFAC and subject to the oversight of the Public Interest Oversight Board (PIOB).
3. The IAESB develops and issues, in the public interest and under its own authority, pronouncements including, International Education Standards (IESs), International Education Practice Statements (IEPSs), Information Papers and other information documents on pre-qualification education and training of professional accountants and on continuing professional education and development for members of the accountancy profession. The IFAC Board has determined that designation of the IAESB as the responsible body, under its own authority and within its stated terms of reference, best serves the public interest in achieving this aspect of its mission.
4. The IAESB acts as a catalyst in bringing together the developed and developing nations, as well as nations in transition, and assisting in the advancement of accountancy education programs worldwide, particularly where this will assist economic development. The IAESB’s role is focussed on developing the professional knowledge, skills and professional values, ethics and attitudes of the accountancy profession to serve the overall public interest.
5. Member bodies should notify their members of all pronouncements issued by the IAESB. Member bodies should use their best endeavors:
 - (a) To incorporate the essential elements of the content and process of education and development on which IESs are based into their national education and development requirements for the accountancy profession, or where responsibility for the development of national education and development requirements lies with third parties, to persuade those responsible to incorporate the essential elements of IESs in those requirements; and
 - (b) To assist with the implementation of IESs, or national education and development requirements that incorporate IESs.

International Education Standards and Practice Statements

6. IESs establish essential elements (e.g., subject matter, methods and techniques) that education and development programs are expected to contain and that have the potential

for international recognition, acceptance and application. Although these IESs cannot override authoritative local pronouncements, they are prescriptive in nature. IEPSs assist in the implementation of good practice or provide advice. They may also provide examples or guidance on the best practices or the most effective methods for dealing with the issues being addressed.

7. The IAESB is conscious of the wide diversity of culture, language, and educational, legal, and social systems in the countries of the member bodies and of the variety of functions performed by accountants. Therefore, it is for each individual member body to determine the detailed requirements of the pre-qualification and post-qualification education and development programs. Accordingly, IESs are intended to establish only the essential elements on which those programs for all professional accountants should be founded.
8. The IAESB acknowledges that some member bodies are subject to legal or regulatory authorities within their jurisdictions. IESs cannot legally override the requirements or restrictions placed on individual member bodies by such laws or regulations. However, member bodies must consider the IESs (and should consider the recommended practice in the IEPSs) in developing their education and development programs. Member bodies are also obliged to advise legislative and regulatory authorities of IESs and IEPSs and seek, to the extent possible, to harmonize authoritative local pronouncements with those IESs and IEPSs.

Language

9. The approved text of a statement is that published by the IAESB in the English language. In all instances, American English spelling conventions are followed. After obtaining IFAC approval, and at their own cost, member bodies of IFAC are authorized to prepare translations of such statements to be issued in the language of their own countries as appropriate. These translations should indicate the name of the body that prepared the translation and that it is a translation of the approved text. If disputes arise, the original (American) English language text will prevail.

IAESB Mission and Strategic Objectives

Mission

10. The mission of the IAESB is to “serve the public interest by strengthening the worldwide accountancy profession through the development and enhancement of education.”

Strategic Objectives

11. The IAESB’s objectives are to serve the public interest by:
 - Establishing a series of IESs and other pronouncements reflecting good practice in pre- and post-qualification professional accountancy education and development;
 - Establishing education benchmarks for IFAC’s compliance activities; and
 - Fostering international debate on emerging issues relating to the education and development of professional accountants.

Nature, Scope, and Authority of Pronouncements

Functions of IAESB Pronouncements

12. Each of the IAESB’s pronouncements is intended to fulfill one of the following three functions:
 - (a) Prescribe “good practice” (i.e., establish standards for member bodies to achieve and be measured against);
 - (b) Provide guidance, interpretation, discussion, illustration, examples of application, or in any other way assist member bodies to achieve “good practice;” and
 - (c) Discuss, promote or facilitate debate on education issues; reveal facts; present research or survey findings (i.e., describe situations); or promote awareness of issues.
13. All three functions (prescribe, provide guidance, discuss/present findings) are valid in achieving the IAESB’s mission. Different issues are best dealt with in different ways depending on, for example:
 - The nature of the issue;
 - Its level of importance;
 - The level of detail being dealt with;
 - The degree to which broad compliance could be expected; and
 - Whether an issue is in its infancy or has reached maturity and broad consensus.

Types of IAESB Pronouncements

14. The three different functions are expressed through three different types of pronouncements:
 - International Education Standards (IESs) for Professional Accountants;
 - International Education Practice Statements (IEPSs) for Professional Accountants; and
 - Information Papers for Professional Accountants.
15. The three types of pronouncements reflect, in descending order, the authoritative nature of the publications, in line with their intended functions. IESs prescribe good practice and are thus more authoritative than IEPSs, which provide guidance (for example, on how to achieve good practice). The IEPSs are, in turn, more directive than Information Papers, which discuss issues (including emerging issues) or present findings.

Black and gray lettering

16. Within IESs, the “standard” paragraphs are in bold type-face (i.e., “black letter”). Commentary paragraphs, which may elaborate on or assist in the interpretation of the standard paragraphs, appear in plain type-face (i.e., “gray letter”). To comply with IESs,

member bodies will need to demonstrate that they meet the requirements of the “black letter” paragraphs.

17. Gray-letter commentary within IESs serves the function of explaining or elaborating on the standard paragraphs written in bold type-face. As such, these commentary paragraphs are restricted in scope to providing an explanation of the specific standard paragraphs to which they relate. By contrast, IEPSs do not contain bold type-face paragraphs because they present guidelines only (including recommended practice), rather than prescribe practice that is expected to be followed. However, an IEPS could be issued on a topic related to a IES; if so, then the IEPS could interpret or elaborate on the IES in greater depth, provide illustrations or advice on how the IES could be met, or suggest recommended practice that is wider or deeper than the practice prescribed in the IES.
18. The IAESB considers the black/gray letter distinction to be useful and appropriate for the nature of IESs. The IAESB will, nevertheless, maintain a watching brief on future developments in approaches to standard setting in other areas of the profession.

Definitions and Explanations of Pronouncements

<i>Definition</i>	<i>Explanation</i>
<p>19. <u>International Education Standards for Professional Accountants</u> prescribe standards of generally accepted “good practice” in education and development for professional accountants.</p>	<p>International Education Standards (IESs) express the benchmarks that member bodies are expected to meet in the preparation and continual development of professional accountants. The IESs establish the essential elements of the content and process of education and development at a level that is aimed at gaining international recognition, acceptance and application. Hence, member bodies must consider these requirements. (The gray-letter paragraphs within the IESs are intended to help explain the prescriptions within the black-letter, standard paragraphs.) IESs cannot legally override local laws and regulations but will provide an authoritative reference for informing and influencing local regulators regarding generally accepted “good practice.”</p>
<p>20. <u>International Education Practice Statements for Professional Accountants</u> assist in the implementation of generally accepted “good practice” in the education and development of professional accountants by providing advice or guidance on how to achieve “good practice” or current “best practice.”</p>	<p>International Education Practice Statements (IEPSs) may interpret, illustrate, or expand on matters related to IESs. In this function, the IEPS assist member bodies to implement and achieve “good practice” as prescribed in IESs. The IEPS may also recommend practice that is wider or deeper than the practice prescribed in an IES. Alternatively, they may outline commendable methods or practices, including those that are recognized as current “best practice,” which member bodies may wish to adopt.</p>

<i>Definition</i>	<i>Explanation</i>
<p>21. Information Papers for Professional Accountants promote discussion or debate on education and development issues affecting the accountancy profession, present findings, or describe situations of interest relating to education and development issues affecting the accountancy profession.</p>	<p>Information Papers may raise discussion within the accountancy profession to a level whereby issues may be progressed or eventually resolved. As such, the Information Papers may explain, examine, analyze, or otherwise critically assess education issues and practices. The aim of such Information Papers is to provoke consideration of the issues and to encourage comment and feedback so that the issues can be advanced. In this way, they may be useful for exposing views, approaches and methods that are in early stages of development and thus may be useful forerunners to IESs and IEPSs. Alternatively, the Information Papers may be simply descriptive in nature. In this function, they aim to promote awareness of, and to transfer knowledge and information on, education and development issues or practices relating to the accountancy profession.</p>

Due Process

22. While the IAESB is ultimately responsible for selecting the subject matter to be addressed by its pronouncements, suggestions and proposals are encouraged from IFAC member bodies, other professional bodies, and interested individuals and organizations.
23. A rigorous due process followed by the IAESB is critical to ensure that the views of those affected by its pronouncements are thoroughly considered. The process outlined below is applicable to the development of all IAESB pronouncements.
- **Research and consultation**—A project task force is established with the responsibility to develop a draft IES, IEPS or Information Paper. The task force develops its positions based on appropriate research and consultation. Task forces are always chaired by an IAESB member but may include persons who are not members of the IAESB or of a member body of IFAC.
 - **Transparent debate**—A proposed IES, IEPS or Information Paper is presented as an agenda paper for discussion and debate at an IAESB meeting, which is open to the public.
 - **Exposure for public comment**—Exposure drafts of proposed IESs and IEPSs are placed on the IAESB’s website and are widely distributed for public comment. The exposure period is ordinarily no shorter than 90 days.

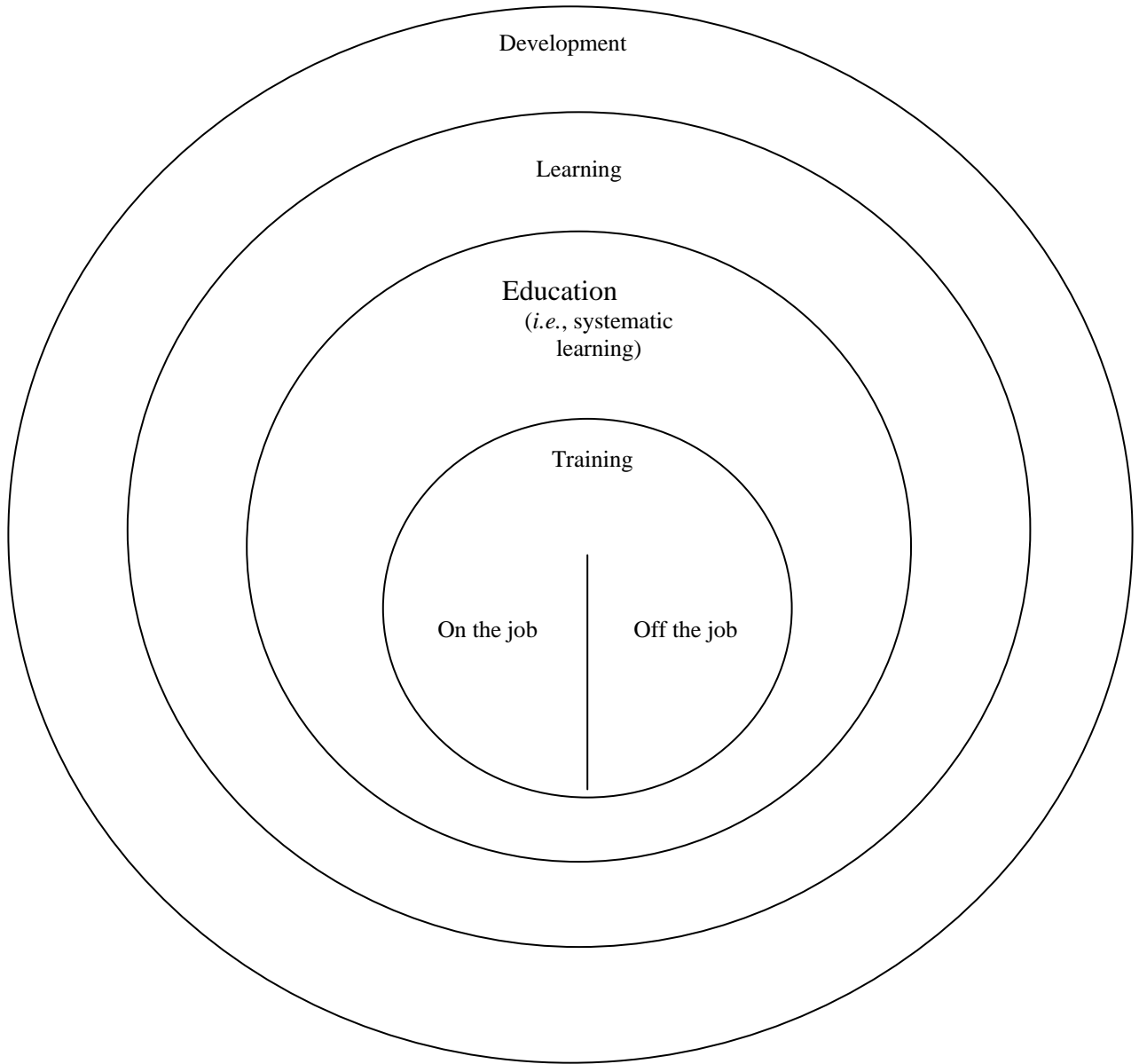
- **Consideration of comments received on exposure**—The comments and suggestions received as a result of exposure are considered at an IAESB meeting, which is open to the public, and the exposure draft is revised as appropriate. If the changes made after exposure are viewed by the IAESB to be so substantive as to require re-exposure, the document is reissued for further comment.
 - **Affirmative approval**—Approval of exposure drafts, re-exposure drafts, IESs, IEPSs, and Information Papers is made by the affirmative vote of at least two-thirds of the members.
24. The PIOB oversees the public interest activities of IFAC. The objective of the PIOB is to increase confidence of investors and others that such activities, including the setting of IESs by the IAESB, are properly responsive to the public interest. PIOB members are nominated by international institutions and regulatory bodies.
 25. The IAESB Consultative Advisory Group (CAG) is comprised of representatives of regulators, accounting academics, accounting examination and accreditation bodies, international development agencies and other international organizations who are interested in the development of high quality international standards on accountancy education and continuing professional development. Through active consultation, the CAG provides input to the IAESB on its agenda and project timetable, including project priorities, offering valuable public interest input.
 26. The IAESB welcomes and considers all comments received on Exposure Drafts and makes such modifications as it considers appropriate. It also continues to consider any comments submitted on finalized IESs and IEPSs for input to future revisions. Likewise, comments received on Information Papers are considered for future revisions and the advancement of issues.

Development Concepts as Used by the IAESB

27. The following diagram illustrates the relationships among key terms relating to education and development concepts, as used by the IAESB. Some of these terms are defined in the Glossary of Terms later in this publication. The following discussion explains what is meant by the various terms and how they fit together as subsets of the development process.
28. Readers' own interpretations and usage of such terms may differ slightly from the way they are explained in the following paragraphs. The IAESB does not insist that the following discussion represents the only "true meaning" of these terms; rather, the following paragraphs explain how the terms are used in the IAESB's pronouncements, together with the underlying thinking and the inter-relationships among them.
29. "Development" is both a process (as depicted in the diagram) and an outcome. English language dictionaries (e.g., Oxford and Collins) take care to explain that "development" means to "bring to" (i.e., process) or to "come to" (i.e., outcome) a more advanced state. Hence, development can refer to an individual who "is being developed" (process) as well as to an individual who "has been developed" (outcome – the finished state).

30. As a process, “development” is the over-arching term used by the IAESB, encapsulating every process by which an individual grows. It refers to the growth of capabilities that contribute to competence, however achieved. Most (but not all) development, in a professional sense, comes about through learning.
31. “Learning” refers to the main processes by which individuals acquire capabilities (i.e., professional knowledge; professional skills; and professional values, ethics, and attitudes). Learning can be systematic and formal, or unsystematic and informal. When individuals learn through a systematic process, it is referred to as “education.” By contrast, there are many valuable learning processes other than “education,” such as self-directed and unstructured gaining of knowledge, experience, observation, reflection, and other non-programmed activities aimed at developing capabilities.
32. “Education” refers to those learning processes that are systematic, structured, and often formal. The processes are therefore programmed to a significant extent. Education includes a form of developmental process referred to as training.
33. “Training” is a particular type of education, which focuses on how the individual does the job. Training is usually a mix of instruction and practice. It is experience related, and thus has a more practical or applied element than other forms of education. Training may be “on the job” (i.e., while the trainee is performing real tasks in the workplace) or “off the job” (i.e., which takes place while the trainee is not actually performing work).
34. Throughout this publication, reference is made to the work of the IAESB in terms of the “education and development” of professional accountants. In this sense, the phrase relates to “education” as the main process and to “development” as the outcome.

Subsets of the Development Process



Relationship Between Capability and Competence

35. The concepts of capability and competence may be described as being the two sides of a coin. The following is an elaboration on terms used in the Glossary of Terms (next section).
36. Capabilities are the professional knowledge; professional skills; and professional values, ethics, and attitudes required to demonstrate competence. Capabilities are the attributes held by individuals that enable them to perform their roles.
37. The possession of capabilities gives an indication that an individual has the ability to perform competently in the workplace.
38. Competence is being able to perform a work role to a defined standard, with reference to real working environments. It refers to the actions that individuals undertake to determine whether they can actually perform to the required standard. When an individual draws on capabilities to perform the required tasks to the required standard, competence is deemed to have been achieved (i.e., the individual is competent).

CAPABILITY	COMPETENCE
<i>Key concepts</i>	
Attributes	Actions
Potential	Actual
Possess	Demonstrate
<i>Can be expressed as learning outcomes</i>	<i>Can be expressed as performance outcomes</i>
<i>Types of capability</i>	<i>Types of competence</i>
<ul style="list-style-type: none"> • Professional knowledge • Professional skills (e.g., intellectual, technical, non-technical, organizational, personal, interpersonal) 	<ul style="list-style-type: none"> • Includes the range of performance outcomes relating to practice standards (e.g., functional, managerial, and inter-personal)
<ul style="list-style-type: none"> • Professional values, ethics, and attitudes (e.g., ethical values, professional manner, commitment to high technical standards, skeptical attitude, commitment to continual improvement and life-long learning, appreciation of public interest and social responsibility) 	<ul style="list-style-type: none"> • Includes the range of performance outcomes relating to behavioral standards (e.g., ethical and professional conduct, demonstrating appropriate skepticism, performance in relation to professional development)

Glossary of Terms

39. This glossary comprises a collection of defined terms, many of which have been specifically defined within existing IAESB pronouncements. Some of the existing terms may be modified, and other terms added to the glossary, as they are (re)defined in future publications.
40. The IAESB acknowledges that terms may be understood to have different common meanings, nuances of meaning, and applications among the various countries in which member bodies operate. The glossary does not prescribe the use of terms by member bodies. Rather, the glossary is a list of defined terms, with special meanings, for their use within the IESs, IEPSs and Information Papers produced by the IAESB.
41. Words marked with an asterisk (*) indicate terms that are defined elsewhere in the glossary.

Assessment All forms of tests of professional competence,* whether in writing or otherwise, including examinations, carried out at any time throughout the learning process.

Audit professional 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).

Best practice Practices considered to be exemplary, of the highest order, the most advanced, or leading in a particular area in the education of professional accountants.*

Explanation:

“Best practice” refers to the best examples of established practice in the preparation of professional accountants. “Best practice” will often go beyond “good practice” and, as such, is at a higher level than the considered minimum requirements. Statements and examples of “best practice” are essential for the advancement of accountancy education and provide useful guidance to member bodies for the continual improvement of their education programs.

Candidate	<p>Any individual who is enrolled for assessment as part of a professional accountancy education program.</p> <p><u>Explanation:</u> <i>A candidate is an individual who is undergoing, or about to undergo, a formal assessment as part of accountancy education. The term refers to an individual who is still in the process of demonstrating the capabilities or competences required for a particular purpose (e.g. professional examination). The assessment may relate to either a program for qualifying as a professional accountant or a post-qualifying education program. The term does not relate to an individual at the stage following completion of an education program (i.e., it excludes those who have completed the requirements for membership of a professional body and are in the process of applying for membership).</i></p>
Capabilities	<p>The professional knowledge;* professional skills;* and professional values, ethics, and attitudes* required to demonstrate competence.*</p> <p><u>Explanation:</u> <i>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.</i></p>
Competence	<p>Being able to perform a work role to a defined standard, with reference to real working environments.</p> <p><u>Explanation:</u> <i>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.</i></p>

Continuing professional development (CPD) Learning* activities for developing and maintaining the capabilities* of professional accountants to perform competently within their professional environments.

Explanation:

Continuing professional development is aimed at the post-qualification development and maintenance of professional competence. It involves the development of capabilities through either formal and verifiable learning programs (sometimes referred to as “continuing professional education” – CPE) or informal learning activity.

Development

1. The acquisition of capabilities,* which contribute to competence.*
2. The state at which capabilities have been acquired.

Explanation:

Development, as a process, refers to the growth of capabilities, which contribute to competence, however achieved. Individuals may develop their abilities through a wide range of processes such as learning, including education and training; experience; reflection; observation or receipt of information; or through natural growth over time.

Development may also refer to the final stage of growth at which an individual is considered to be fully developed, as a result of the development process. However, it is recognized that, with the need for continual learning, the process of developing one’s capabilities and the subsequent reaching of a targeted stage of development are not fixed or permanent states.

Distributed learning An education process in which either the majority of the instruction is delivered at a different time from when the instruction is received or when the instructor and student are in different places.

Explanation:

A primary feature of distributed learning is that instructors and students are not required to be in the same place at the same time. “Distributed learning” includes, but is not restricted to, “distance learning.” Distributed learning can take place over short or long distances, whereas distance learning implies distribution across only significant distances.

Education	<p>A systematic process aimed at developing knowledge, skills, and other capabilities* within individuals. It includes “training.”*</p> <p><i><u>Explanation:</u></i> <i>Education is a systematic learning process whereby individuals develop capabilities considered desirable by society. Education is usually characterized by the growth of an individual’s mental and practical abilities, as well as maturing in attitude, resulting in an enhanced ability of the individual to function and contribute to society, in either specific or non-specific contexts. While often conducted in academic environments, education also includes systematic learning processes in other environments, such as on-the-job and off-the-job training. Education is, by nature, somewhat planned and structured and therefore excludes casual, unsystematic learning and developmental processes.</i></p>
Engagement partner	<p>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.</p> <p><i><u>Explanation:</u></i> <i>This term is consistent with that established by the International Auditing and Assurance Standards Board (IAASB).</i></p>
Formal education	<p>The non-workplace based component of an accounting education program.</p>
Good practice	<p>Those elements considered essential to the education* and development* of professional accountants* and performed at a standard necessary to the achievement of competence.*</p> <p><i><u>Explanation:</u></i> <i>“Good practice” relates not only to the range of content and processes of education and development programs, but also to the level or standard at which they are performed (i.e., the depth and quality of the programs). The IAESB is conscious of the wide diversity of culture; language; and educational, legal, and social systems in the countries of the member bodies and of the variety of functions performed by accountants. Different factors within these environments may vary the ability of member bodies to adopt some aspects of “good practice.” Nevertheless, member bodies should continuously aspire to “good practice” and achieve it wherever possible.</i></p>

Higher education	<p>Education* beyond secondary school level, usually at universities or colleges.</p> <p><i><u>Explanation:</u></i> <i>Primary and secondary education refer to the mainly compulsory element of schooling required by the governments of many countries. “Higher” education refers to a third order of education, which succeeds secondary education and for which a secondary education qualification (or equivalent) is often a prerequisite. It is at a higher level than “higher secondary” or “upper secondary” education and is sometimes referred to as “tertiary education.”</i></p>
Information technology	<p>Hardware and software products, information system operations and management processes, and the human resources and skills required to apply those products and processes to the task of information production and information system development, management and control.</p>
Learning	<p>A broad range of processes whereby an individual acquires capabilities.*</p> <p><i><u>Explanation:</u></i> <i>Learning can be achieved by systematic and relatively formal processes such as education (including training) or processes such as day-to-day work experience, reading published material, observation, and reflection, for which the process of acquiring capabilities tends to be less systematic and relatively informal.</i></p>
Mentor	<p>Professional accountants who are responsible for guiding and advising trainees and for assisting in the development of the trainees’ competence.*</p>
Post-qualification	<p>The period after qualification* as an individual member of an IFAC member body.</p> <p><i><u>Explanation:</u></i> <i>The term “post-qualification” is usually associated with activities and requirements relating to the professional development of those who have already obtained a professional qualification. It is often associated with action relating to the maintenance or further development of professional competence. While “post-qualification” refers to the period after qualifying as a professional accountant, the term is not restricted to formal qualifications obtained after qualifying as a professional accountant.</i></p>

Practical experience (or professional experience) Work experience, undertaken by a trainee* or a qualified professional accountant* that is relevant to the work of professional accountants.* The program of experience enables the individuals' development of professional competence* (including professional behavior) in the workplace and provides a means whereby individuals can demonstrate the achievement of professional competence in the workplace.

Explanation:

Practical experience refers to the on-the-job execution of tasks that are relevant to the field of accountancy. The practical experience part of the qualifying process is intended to facilitate the development and direct application of professional knowledge; professional skills; and professional values, ethics, and attitudes. Ultimately, it is through practical experience that trainees will demonstrate their competence to perform the roles of professional accountants. Practical experience also refers to the ongoing experience of professional accountants in the accountancy field. Practical experience is sometimes referred to as "professional experience" and has the same meaning as that term.

Pre-qualification The period before qualification* as an individual member of an IFAC member body.

Explanation:

The term "pre-qualification" is usually associated with activities and requirements relating to the development of those who have not yet obtained a professional qualification.

Professional Accountant A person who is a member of an IFAC member body.

Professional Accountancy Education Education* that builds on general education* and imparts professional knowledge;* professional skills;* and professional values, ethics, and attitudes.* It may or may not take place in an academic environment.

Professional Knowledge Those topics that make up the subject of accountancy as well as other business disciplines that, together, constitute the essential body of knowledge for professional accountants.*

- Professional skills** The various types of abilities required to apply professional knowledge, and professional values, ethics, and attitudes* appropriately and effectively in a professional context.
- Explanation:*
Professional accountants are required to possess a range of skills, including technical and functional skills, organizational and business management skills, personal skills, interpersonal and communication skills, a variety of intellectual skills, and skills in forming professional judgments.
- Professional values, ethics and attitudes** The professional behavior and characteristics that identify professional accountants* as members of a profession. They include the principles of conduct (i.e., ethical principles) generally associated with, and considered essential in defining the distinctive characteristics of, professional behavior.
- Explanation:*
Professional values, ethics, and attitudes include a commitment to technical competence, ethical behavior (e.g., independence, objectivity, confidentiality, and integrity), professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability), pursuit of excellence (e.g., commitment to continual improvement and life-long learning), and social responsibility (e.g., awareness and consideration of the public interest).
- Qualification** Qualification as a professional accountant* means, at a given point in time, an individual is considered to have met, and continues to meet, the requirements for recognition as a professional accountant.*
- Explanation*
Qualification is the formal recognition of an individual as having attained a professional designation, or having been admitted to a class of professional membership, that signifies the individual is a professional accountant. Qualification implies that the individual has been assessed as competent in terms of meeting the requirements prescribed for obtaining professional accountant status. While the term “qualification” can be applied to various stages of professional development and classes of membership, its usage in IAESB documents (unless otherwise indicated) relates to the benchmark for recognition as a professional accountant.
- Relevant experience** Participation in work activities in an environment appropriate to the application of professional knowledge;* professional skills;* and professional values, ethics, and attitudes.*

Specialization	<p>The formal recognition by a member body of a group of its members possessing distinctive competence* in a field, or fields, of activity related to the work of the professional accountant.*</p>
Student	<p>An individual following a course of study, including a trainee.*</p> <p><u>Explanation:</u> <i>In the context of professional education, a student is an individual undertaking a course or program of study deemed necessary for the education of professional accountants, whether general or professional in nature.</i></p>
Technical accounting staff	<p>Staff engaged in technical accounting work who are directed by or support professional accountants.*</p> <p><u>Explanation:</u> <i>“Technical accounting staff” includes staff customarily known as “accounting technicians” and covers staff engaged in technical support roles across all areas of accountancy. The term does not refer to trainees who are in the process of qualifying as professional accountants.</i></p>
Trainee	<p>An individual undertaking pre-qualification* work experience and training* within the workplace.</p> <p><u>Explanation:</u> <i>A trainee is an individual who is undertaking a practical experience or workplace training program for qualification as a professional accountant.</i></p>
Training	<p>Pre- and post-qualification* educational activities, within the context of the workplace, aimed at bringing a student* or professional accountant* to an agreed level of professional competence.*</p> <p><u>Explanation</u> <i>Training includes workplace-based education and experience activities for developing an individual’s competence to perform tasks relevant to the role of the professional accountant. Training may be undertaken while performing actual tasks (on-the-job training) or indirectly through instruction or workplace simulation (off-the-job training). Training is conducted within the context of the workplace, with reference to the specific roles or tasks performed by professional accountants. It can include any activity purposefully designed to improve the ability of an individual to fulfill the practical experience requirements for qualification as a professional accountant.</i></p>

INTRODUCTION TO INTERNATIONAL EDUCATION STANDARDS
CONTENTS

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Purpose of this document

1. This document provides background information to the development of International Education Standards (IESs) for Professional Accountants, describes the scope of issues covered within the IESs, and discusses the ways in which the IESs may be adopted and applied to the education programs of IFAC member bodies.

International Education Standards for Professional Accountants

2. IESs prescribe standards of generally accepted ‘good practice’ in the education and development of professional accountants. IESs express the benchmarks that member bodies are expected to meet in the preparation and continual development of professional accountants. They establish the essential elements of the content and process of education and development at a level that is aimed at gaining international recognition, acceptance and application. The gray-letter paragraphs within the IESs are intended to help explain the prescriptions within the black-letter, standard paragraphs.
3. IESs cannot legally override local laws and regulations but will provide an authoritative reference for informing and influencing local regulators regarding generally accepted “good practice.”
4. All IFAC member bodies are expected to comply with IESs, and the IESs are directed primarily at IFAC member bodies rather than individuals. Member bodies are expected to use their best endeavors to:
 - work towards implementation of all IESs; and
 - incorporate in their education programs the essential elements of the content and process of education on which IESs are based, or, where responsibility for the education program lies with third parties, persuade those responsible for the educational requirements for the accountancy profession to incorporate the essential elements in that program.

[see Statement of Membership Obligations #2]

5. IFAC recognizes that member bodies may be at different stages in their development. Some may have already addressed most or all of the requirements in the IESs. Others may find them challenging. IFAC will review its requirements from time to time, because of changes to the profession’s environment, cultures and flexibility of approaches.
6. The individual IESs need to be read in conjunction with the *Framework for International Education Pronouncements*, and the related commentary and implementation material contained in this document.

Background

7. The goal of accounting education and experience is to produce competent professional accountants capable of making a positive contribution over their lifetimes to the profession and society in which they work. In the face of the increasing changes that accountants meet, it is essential that accountants develop and maintain an attitude of learning to learn, to maintain professional competence.

8. Learning to learn involves developing skills and strategies that help individuals to learn more effectively and to use these effective learning strategies to continue to learn throughout life. It is a process of acquiring understanding and using a variety of strategies to improve the ability to attain and apply knowledge. This process results from, and leads to, and enhances a questioning spirit and a lifelong desire to learn.
9. The education and practical experience of professional accountants should provide a foundation of professional knowledge, professional skills, and professional values, ethics and attitudes that enable them to continue to learn and adapt to change throughout their professional lives. These capabilities will enable professional accountants to identify problems, know what knowledge is required to solve problems, know where to find this knowledge and how to apply it in an ethical manner to achieve appropriate solutions. The balance of these elements may vary but what is required is to develop the knowledge base and strong skills in order to produce competent professional accountants with appropriate values and attitudes.
10. The IAESB considers that it is appropriate to issue individual IESs, dealing with each major element of professional accounting education (see paragraph 24) in a separate IES. The international accountancy profession is creating agreed sets of Accounting and Auditing Standards, and Education Standards complement this body of technical and professional Standards.
11. IESs build on and update the International Education Guidelines (IEG) previously issued by IFAC, specifically IEG 9, *Prequalification Education, Assessment of Professional Competence and Experience Requirements of Professional Accountants*, and IEG 10, *Professional Ethics for Accountants: The Educational Challenge and Practical Application*. This is in recognition of the fact that the global profession is increasingly expected to formulate and live up to standards of competence that meet public expectations.

The Importance of Accounting Education

12. All cultures exist in an environment of significant change. Increasingly, today's professional accountants need to be technical experts with excellent communication skills and they need to be able to meet the reporting and information needs of the new knowledge economy. In addition to acquiring technical accounting knowledge and skills, professional accountants need skills that enable them to be, when appropriate, business advisors; financial analysts; excellent communicators; capable negotiators; and first-class managers. At the same time, integrity, objectivity and willingness to take a firm stand are essential attributes of professional accountants. Professional values and ethics are integral to being a professional accountant.
13. A program of accounting education and practical experience needs to go beyond the traditional approach. This approach emphasized "transfer of knowledge," with learning defined and measured strictly in terms of knowledge of principles, standards, concepts, facts and procedures at a given point in time.

14. Increased emphasis needs to be placed on a set of professional knowledge, professional skills, and professional values, ethics and attitudes broad enough to enable adaptation to constant change. Individuals who become professional accountants should have a constant desire to learn and apply what is new.
15. Accountancy is a profession that plays an important role in all societies. As the world moves toward global market economies, and with investments and operations crossing borders to an ever greater extent, professional accountants need a broad global outlook to understand the context in which businesses and other organizations operate.
16. Rapid change has been the main characteristic of the environment in which professional accountants work. Pressures for change are coming from many sources including: globalization, digitization, and the expansion of stakeholder groups, including regulators and oversight boards. Professional accountants are now expected to serve the needs not only of investors and creditors but also the information needs of many other users of financial and non-financial information.
17. Businesses and other organizations are engaging in ever more complex arrangements and transactions. Risk management has become more important. Information technology continues to advance at a rapid pace and the internet has revolutionized global communications. Trade and commerce have become more transnational. Privatization has become an increasingly important trend in many countries. Legal action has become more usual in many societies, while in others it is the legal framework that defines the profession's responsibilities. Concern for the environment and sustainable development has grown.
18. These trends lead to the need for greater accountability and, as a result, in all cultures demands on the profession are high and continue to rise. It is the profession's capacity to satisfy these demands that determines its value to society.
19. These trends challenge professional accountants to make greater contributions to society than ever before, and they also present a challenge to maintaining competence. The viability of accountancy as a profession depends on the ability and willingness of its individual members to accept responsibility for meeting these challenges. It is the responsibility of the member bodies of IFAC to ensure their members are equipped to fulfill these responsibilities.
20. To meet these challenges, the profession needs to ensure that individuals who become professional accountants achieve an agreed level of competence, which is then maintained. The means by which individuals develop and maintain competence is through education and practical experience, followed by continuing professional development. The profession, therefore, needs to set and meet high standards in these three areas.

Scope of International Education Standards for Professional Accountants

21. IESs are intended to advance the profession of accountancy by establishing benchmarks for the minimum learning requirements of qualified accountants, including education, practical experience and continuing professional development.
22. One of the aims of the IESs is to identify the subjects that need to be covered, rather than to suggest actual courses that should be taken. That is because the subjects identified are described differently in different parts of the world. It is recognized that some member bodies require a greater range of subjects; others may place greater emphasis on certain subjects to meet the specific purposes for which their students are being trained. Professional values, ethics and attitudes, however, run through all areas and may be integrated with many of the other subjects.
23. IFAC recognizes that member bodies may be at different stages in their development. The required level of understanding may also vary in different professional accountancy bodies and over different time periods. One important defining factor of the curriculum is the set of professional knowledge, professional skills, and professional values, ethics and attitudes relevant to a particular country, region, culture or professional body while continuing to recognize the broader global view. While the IESs need to be complied with, the gray lettering takes into account the different circumstances around the world.
24. IESs prescribe the learning and development requirements of professional accountants under the following IESs:
 - *IES 1, Entry Requirements to a Program of Professional Accounting Education;*
 - *IES 2, Content of Professional Accounting Education Programs;*
 - *IES 3, Professional Skills and General Education;*
 - *IES 4, Professional Values, Ethics and Attitudes;*
 - *IES 5, Practical Experience Requirements;*
 - *IES 6, Assessment of Professional Capabilities and Competence;*
 - *IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence; and*
 - *IES 8, Competence Requirements for Audit Professionals.*

The Application of International Education Standards for Professional Accountants

25. The overall goal is to produce competent professional accountants by combining the parts of an education program in a suitable fashion. The exact combination of parts may vary as long as this goal is achieved. Different combinations exist in various parts of the world.

26. Professional education prepares accountants to be able to maintain competence throughout their professional careers. Professional education may be pursued at academic institutions or through the programs of professional bodies or both.
27. Although the requirements set out in paragraph 24 are listed in the order shown, they are not necessarily acquired in that order. For example, professional education may be gained at the same time as general education, that is, while pursuing a university degree or other program of study leading to a professional accountancy qualification. Alternatively, professional education may be obtained by advanced study after completing another program of study at a higher education level.
28. Practical experience may be obtained after a program of study, at the same time as a program of study, or by some combination of these methods. However, the quality of experience needs to meet the requirements set out in IES 5, *Practical Experience Requirements*.
29. The educational process may take place on a part-time or full-time basis. It may be beneficial if it takes place during the same period of time or partly the same period of time as practical experience is obtained. Regardless of how candidates choose to obtain their education, they need to complete all elements of professional accountancy education as set out in IES.
30. It is understood that the education and practical experience needs — as well as the institutional and cultural environment — in different countries and regions will differ. Those responsible for the development of accountants will need to adapt their requirements to these needs. While IES need to be complied with, it is acknowledged needs vary and the IES may be complied with in a variety of different but equivalent ways.
31. IFAC recognizes that each professional body will need to determine not only how to best comply with the IESs, but also what emphasis to place on the various parts. Furthermore, the profession is dynamic. Care needs to be taken to continually monitor the environment in which each body operates to ensure that the education process remains relevant and professional values are upheld.
32. Admission to membership of an IFAC member body is recognition that, at a given point in time, a person is deemed to have met the requirements for qualification as a professional accountant. In a time of continuous change, however, development of professional competence and lifelong learning is critical to meet the needs of the users of professional services.
33. The process of lifelong learning commences early and continues throughout the individual's career. Continuing professional development may be seen as an extension of the education program leading to qualification as a professional accountant. The professional knowledge, professional skills and professional values, ethics and attitudes gained continue to develop and are refined appropriate for the professional activities and responsibilities of the individual. The issue of post-qualification continuing professional development is addressed in IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*.

34. IFAC has recognized that 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.¹ IES 8, *Competence Requirements for Audit Professionals* is based on the platform for all professional accountants established by IES 1 to 7.
35. Much work is being done on the concept of competence assessment. Member bodies need to have regard to the concept of competence assessment and how it can best be incorporated into their own systems.
36. To demonstrate competence at work, professional accountants need to have a defined set of professional knowledge, professional skills, professional values and attitudes. This set is wide and is increasing. Competence is gained through a mix of study, work and training. Although the combination of these parts may vary, it should lead to equally valid education and practical experience programs which develop the required competence for the profession.
37. Educators delivering professional accounting education programs will need to respond to the changing needs of the international accountancy profession as well as individual professional accountants. During pre-qualification education, teaching methods should focus on providing students with the tools for self-directed learning after qualification. Educators are free to adopt the methods that work best in their particular cultures. However, educators may need to be trained and encouraged to use a broad range of learner-centered teaching methods that include:
 - (a) using case studies, projects and other means to simulate work situations;
 - (b) working in groups;
 - (c) adapting instructional methods and materials to the ever-changing environment in which the professional accountant works;
 - (d) pursuing a curriculum that encourages self learning so that students learn to learn on their own and carry this skill with them after qualification;
 - (e) using technology creatively and quality issues for e-learning;
 - (f) encouraging students to be active participants in the learning process;
 - (g) using measurement and evaluation methods that reflect the changing knowledge, skills, and professional values and ethics required of professional accountants;
 - (h) integrating knowledge, skills, professional values and ethics across topics and disciplines to address many-sided and complex situations typical of professional demands;

¹ 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.

- (i) emphasizing problem identification and problem-solving, which encourages identifying relevant information, making logical assessments and communicating clear conclusions;
- (j) exploring research findings; and
- (k) stimulating students to develop professional skepticism and professional judgment.

Education programs need to include reflection when students are required to consider an experience, what went well, what did not work and what approach should be taken in future in similar circumstances.

38. Delivering all of these teaching methods in a purely academic environment is not the only solution. Integration of education and practical experience can bring benefits by drawing on work-based examples to enable students to apply knowledge. A well-designed program of on-the-job training can deliver many of the required experiences. Supervisors, mentors and others involved in practical experience may need to be trained in the most effective way of planning practical experience.
39. Other methods include:
 - (a) working in groups and in-office environments;
 - (b) integration of professional knowledge, professional skills, and professional values, ethics and attitudes across topics and practice in problem solving; and
 - (c) reflection and post-implementation work reviews as a means of learning.
40. Achieving the goal of providing a foundation for lifelong learning requires a grounding in the professional knowledge, professional skills, and professional values, ethics and attitudes essential to professional competency. Providing students with such a grounding needs to be the focus of a program of professional accountancy education as well as practical experience. Educators and academics are often required to work with employers to ensure that programs are both relevant and logically sequential. Member bodies may wish to consider the provision of professional knowledge and practical experience alongside each other.
41. Member bodies will also be aware of the growing movement toward international reciprocity and the comparability of qualifications.

INTERNATIONAL EDUCATION STANDARD

IES 1

**ENTRY REQUIREMENTS TO A PROGRAM OF PROFESSIONAL ACCOUNTING
EDUCATION**

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Purpose and Scope of this Standard

1. This Standard (IES) lays down the entry requirements for an IFAC member body's program of professional accounting education and practical experience. It also provides some commentary on how to assess entry-level qualifications.
2. The aim of this IES is to ensure that students hoping to become professional accountants have an educational background that enables them to have a reasonable possibility of achieving success in their studies, qualifying examinations and practical experience period. To fulfill this requirement, member bodies may require certain entrants to take pre-entry proficiency tests.

Introduction

3. Fundamentally, the quality of a profession cannot be maintained and improved if the individuals who enter it are not prepared to meet the necessary standards. All IFAC member bodies should try to attract the best quality individuals to the study of accountancy. Ultimately, the quality of the profession depends on the quality of the candidates it can attract. Entry requirements are the first step in this process. Higher entry requirements may allow professional education and practical experience requirements to be met in a shorter period of time.
4. Definitions and explanations of the key terms used in the IESs are set out in the *Framework for International Education Pronouncements*.

Effective Date

5. This IES is effective from January 1, 2005.

Entry Requirements to a Program of Professional Accounting Education

6. **For an individual seeking to begin a program of professional accounting education leading to membership of an IFAC member body, the entry requirement should be at least equivalent to that for admission into a recognized university degree program or its equivalent.**
7. An individual needs to bring to a program of professional accounting education an appropriate level of prior education and learning to provide the foundation necessary to acquire the professional knowledge, professional skills, and professional values, ethics and attitudes needed to become a professional accountant.
8. Candidates starting on a program of professional accountancy education will have a certain mix of knowledge, skills, and professional values, ethics and attitudes. The extent of these capabilities will determine the entry point of candidates into professional programs. The lower the requirement at the point of entry, the more the program of professional accounting education has to cover.

9. The starting point of a program of professional accounting education can vary. Many programs of professional accounting education start at the post-graduate level. Other programs start at the immediate post-secondary education level or at some point at a higher education level that is below that of an undergraduate degree. Many of these programs are organized by professional bodies themselves rather than by universities or colleges. Some programs recognize work experience, mature students, candidates joining the program part way through their career, and other types of learning.
10. Whichever route is chosen, the entry requirements adopted should fit together consistently with the overall program of professional accounting education laid down by the professional body concerned. It is important that candidates from all possible educational routes, whether starting from secondary, further or higher education, achieve a comparable level of professional competence at the point of qualification. The entry level needs to be high enough to provide assurance of an individual's likely success in the program of professional accounting education.
11. The assessment of equivalence of qualifications to university degree entry standard should be cross-checked with standard reference sources, together with information available to the member bodies of IFAC (see note below). Even with these aids, evaluating qualifications can be complicated and difficult, with an accurate evaluation possible only after reviewing specific, detailed information about courses and curricula.
12. University degree programs may be recognized by statute, an approved non-statutory body or the market. Recognition and evaluation of degree programs can focus on the content, length and other quality aspects.

Note:

The length of degree programs can vary. In an attempt to standardise practice, the Bologna Declaration, signed by 29 European countries in 1999, supported the adoption of two main types of degrees - undergraduate and graduate. Undergraduate degrees are expected to take at least three years to complete. The NARIC database compares the standard of qualifications to degree entry standards, undergraduate degrees and postgraduate degrees (see below).

Standard reference sources used by member bodies include the following:

International Comparisons, published by the National Academic Recognition Information Centre in the UK (NARIC), under contract to the UK government. It includes both secondary and higher-level qualifications worldwide and covers some 180 countries. NARIC helps to identify qualifications that are equivalent to a university degree and those that are equivalent to a university entry standard. The UK NARIC is part of a network of NARICs throughout the European Union.

The World of Learning, published by Europa Publications, lists institutions worldwide that are considered to be higher education institutions, including universities and colleges.

In a large number of countries, "Country Education Profiles" together with an indication of the standard of the degrees, are published by the National Office of Overseas Skills Recognition (NOOSR), a branch of the Australian Commonwealth Department of Education, Science and Training.

INTERNATIONAL ACCOUNTING STANDARD

IES 2

CONTENT OF PROFESSIONAL ACCOUNTING EDUCATION PROGRAMS

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Purpose and Scope of this Standard

1. This Standard (IES) prescribes the knowledge content of professional accounting education programs that candidates need to acquire to qualify as professional accountants.
2. The aim of this IES is to ensure that candidates for membership of an IFAC member body have enough advanced professional accountancy knowledge to enable them to function as competent professional accountants in an increasingly complex and changing environment. The issue of maintaining this competence is dealt with in IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*.
3. The primary knowledge part of professional accounting education programs is shown under three major headings:
 - (a) accounting, finance and related knowledge;
 - (b) organizational and business knowledge; and
 - (c) information technology knowledge and competences.

The professional skills required and the content of general education, professional values, ethics and attitudes, and the requirements related to practical experience are set out in IES 3, *Professional Skills and General Education*, IES 4, *Professional Values, Ethics and Attitudes* and IES 5, *Practical Experience Requirements*.

Introduction

4. Professional accounting education may take place in an academic environment or in the course of studying for a professional qualification but should be at least equivalent to degree level study. Candidates need to acquire the professional knowledge, professional skills, and professional values, ethics and attitudes, and need to be able to integrate these elements.
5. The knowledge component of professional accounting education programs can also be used to develop professional skills. Current knowledge may be obsolete later in a career. Therefore, a surface approach to learning knowledge across a very broad range of subjects is not in the long-term interests of prospective professional accountants and the profession. The intellectual skills required include understanding, application, analysis and evaluation. Over a lifetime's career, professional skills, values, ethics and attitudes are more important than the professional knowledge base obtained at the point of qualification.
6. Just as important is the development of skills to identify problems, and to know what knowledge is required to both identify and to solve problems. Instilling a commitment to lifelong learning is, in the long run, more important than any piece of knowledge. Lifelong learning is a skill that needs to be acquired, an attitude of mind that needs to be developed and a value that society endorses.

7. The body of knowledge professional accountants need to acquire to function competently is constantly changing and expanding. Local conditions also call for variations in the knowledge base required. In addition, professional accountants will specialize during their careers. For these reasons, this IES sets out only broad subject headings on the premise that professional accountants will need to continually update their knowledge.
8. While this IES focuses mainly on the professional knowledge required to function as a professional accountant, it also includes competences for the IT component of the program.
9. Definitions and explanations of the key terms used in the IESs are set out in the *Framework for International Education Pronouncements*.

Effective Date

10. This IES is effective from January 1, 2005.

Content of Professional Accounting Education Programs

11. **Professional accounting study should be a part of the pre-qualification program. This study should be long enough and intensive enough to permit candidates to gain the professional knowledge required for professional competence.**
12. **The professional accountancy knowledge component of pre-qualification education should consist of at least two years of full-time study (or the part-time equivalent).**
13. **Students should pursue a degree in accounting, or a professional qualification, to gain this knowledge.**
14. **The content of professional accounting education should consist of:**
 - (a) **accounting, finance and related knowledge;**
 - (b) **organizational and business knowledge; and**
 - (c) **information technology knowledge and competences.–**
15. The professional knowledge component complements the non-professional knowledge, and the intellectual, personal, interpersonal, communication, and organizational and management skills developed in general education.
16. The subjects discussed in this IES are not necessarily intended to be completed in the order shown. For example, professional accounting education may be gained alongside general education, while pursuing a university degree, or it may be obtained in advanced study after completing another program of study at university degree level. Students may take non-accounting degrees, or no degrees at all, and then acquire the necessary knowledge of professional accountancy subjects through studying for the examinations of a professional body. In this case, the syllabus of the professional body needs to cover all the subject content listed here. In addition, the subjects and elements of the program may be integrated, for example, incorporating aspects of IT knowledge in specific accounting courses. This may assist the learning process and help candidates understand how the individual components are interrelated.

17. The professional accountancy knowledge component is only part of the pre-qualification education program. It may or may not be acquired in an academic environment. Some degree programs may, in addition to requiring up to two years of general studies, devote at least another two years to accounting studies. More specialist accounting degrees may incorporate general studies within a three-year program. The exact combination of general studies, accounting studies and practical experience may differ from one program to another as long as the equivalent professional competences are achieved.
18. Accounting, finance and related knowledge provide the core technical foundation essential to a successful career as a professional accountant. The mix of topics may differ according to the sectors or locations in which individuals work. The accounting curriculum is itself changing and will continue to change in response to rapidly changing market demands. New topics are entering the curriculum and the relative emphasis among topics is altering. Member bodies may wish to add topics, or alter the balance of their programs, to meet the needs of their particular environments.
19. Organizational and business knowledge provides the context in which professional accountants work. A broad knowledge of business, government and not-for-profit organizations is essential for professional accountants. Organizational and business knowledge includes: how businesses are organized, financed and managed, and the global environment in which business operates.
20. Information technology has transformed the role of the professional accountant. The professional accountant not only uses information systems and exercises IT controls skills, but also plays an important role as part of a team in the evaluation, design and management of such systems.
21. The weighting of subjects can vary from one program to another. The three knowledge areas are not set out to indicate relative importance or order. A competency study is a useful way of deciding the relative weighting of subjects.
22. The subjects listed below represent the minimum subject areas in professional accounting education programs. However, the relative depth and weighting of coverage will depend on the needs of individual IFAC member bodies and any restrictions placed on them by statutory authorities.
23. **The accounting, finance and related knowledge component should include the following subject areas:**
 - (a) **financial accounting and reporting;**
 - (b) **management accounting and control;**
 - (c) **taxation;**
 - (d) **business and commercial law;**
 - (e) **audit and assurance;**
 - (f) **finance and financial management; and**
 - (g) **professional values and ethics.**

24. The accounting, finance and related knowledge part further develops and integrates the knowledge, skills and professional values, ethics and attitudes from elsewhere into the subject areas all professional accountants need to study. It gives students the necessary theoretical and technical accounting knowledge and intellectual skills, including an understanding of professional values and ethics. This part needs to be delivered at least at the level of an accounting degree. This part includes:
- (a) history of the accountancy profession and accounting thought;
 - (b) content, concepts, structure and meaning of reporting for organizational operations, both for internal and external use, including the information needs of financial decision makers and a critical assessment of the role of accounting information in satisfying those needs;
 - (c) national and international accounting and auditing standards;
 - (d) the regulation of accounting;
 - (e) management accounting, including planning and budgeting, cost management, quality control, performance measurement, and benchmarking;
 - (f) the concepts, methods and processes of control that provide for the accuracy and integrity of financial data and safeguarding of business assets;
 - (g) taxation and its impact on financial and managerial decisions;
 - (h) a knowledge of the business legal environment, including securities and companies law, appropriate for the role of the profession in the particular country;
 - (i) the nature of auditing and other assurance services, including risk assessment and fraud detection, and the intellectual and procedural bases for performing them;
 - (j) a knowledge of finance and financial management, including financial statement analysis, financial instruments, capital markets — both domestic and international — and managing resources;
 - (k) ethical and professional responsibilities of a professional accountant in relation to both the professional and wider public environment (see also IES 4, *Professional Values, Ethics and Attitudes*);
 - (l) governmental and not-for-profit accounting issues; and
 - (m) the use of non-financial performance measures in business.
25. **The organizational and business knowledge component should include the following subject areas:**
- (a) **economics;**
 - (b) **business environment;**
 - (c) **corporate governance;**
 - (d) **business ethics;**
 - (e) **financial markets;**

- (f) **quantitative methods;**
 - (g) **organizational behavior;**
 - (h) **management and strategic decision making;**
 - (i) **marketing; and**
 - (j) **international business and globalization.**
26. Organizational and business education equips prospective professional accountants with knowledge of the environment in which employers and clients operate. It also provides the context for the application of all the professional skills acquired during the pre-qualification process. Being able to understand is different from having the ability and experience to undertake, participate in and contribute to organizational and business management.
27. Organizational and business education provides:
- (a) a knowledge of macro- and micro-economics;
 - (b) a knowledge of business and financial markets and how they operate;
 - (c) the application of quantitative methods and statistics to business problems;
 - (d) an understanding of the role of the professional accountant in corporate governance and business ethics;
 - (e) an understanding of organizations and of the environments in which they operate, including the major economic, legal, political, social, technical, international and cultural forces and their influences and values;
 - (f) an understanding of environmental issues and sustainable development;
 - (g) an understanding of interpersonal and group dynamics in organizations, including the methods for creating and managing change in organizations;
 - (h) an understanding of personnel and human resource issues, managing people, project management, and marketing;
 - (i) an understanding of decision support and strategy, including business advice, strategic management and general management;
 - (j) an understanding of organizational and operational risk;
 - (k) a basic knowledge of international trade and finance and the ways in which international business is conducted, as well as the processes of globalization; and
 - (l) an ability to integrate the above components in accomplishing strategic objectives.
28. **The information technology component should include the following subject areas and competences:**
- (a) **general knowledge of IT;**
 - (b) **IT control knowledge;**

- (c) **IT control competences;**
 - (d) **IT user competences; and**
 - (e) **one of, or a mixture of, the competences of, the roles of manager, evaluator or designer of information systems.**
29. As part of their pre-qualification education, all professional accountants are expected to participate in at least one of the roles of manager, designer or evaluator of information systems, or, a cluster of these roles.
 30. At the point of qualification, candidates are expected to have a knowledge and understanding of the competency elements in at least one of these roles. This may be evidenced by the ability to describe or explain the significance of the issues related to the listed competences in a relevant business setting. A candidate needs to be able to participate effectively in the activities listed in this section as part of a team or under supervision, but would not to be expected to demonstrate proficiency in all the competences.
 31. Users of the various information technologies employ information systems tools and techniques to help them meet their own objectives and to help others meet their objectives. The following broad areas of competency relate to the user role:
 - (a) apply appropriate IT systems and tools to business and accounting problems;
 - (b) demonstrate an understanding of business and accounting systems; and
 - (c) apply controls to personal systems.
 32. The information technology knowledge component may be provided in a variety of ways, perhaps as separate courses or by integrating the subject into the organizational and business knowledge component or into the accounting and accounting-related knowledge component. Competence may also be acquired through work experience in addition to the IT knowledge component. For the formal IT education component, case studies, interactions with experienced professionals and similar techniques should be used to enhance the presentation of subject matter and to help students develop practical skills, in combination with relevant IT work experience.

INTERNATIONAL ACCOUNTING STANDARD
IES 3
PROFESSIONAL SKILLS AND GENERAL EDUCATION

CONTENTS

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Purpose and Scope of this Standard

1. This Standard (IES) prescribes the mix of skills that candidates require to qualify as professional accountants. Part of the purpose of this IES is to show how a general education, which may be gained in a variety of ways and within different contexts, can contribute to the development of these skills.
2. The aim of this IES is to ensure that candidates for membership of an IFAC member body are equipped with the appropriate mix of skills (intellectual, technical, personal, interpersonal and organizational) to function as professional accountants. This enables them to function throughout their careers as competent professionals in an increasingly complex and demanding environment.
3. The skills professional accountants require are grouped under five main headings:
 - intellectual skills;
 - technical and functional skills;
 - personal skills;
 - interpersonal and communication skills; and
 - organizational and business management skills.
4. This IES also addresses the non-business related studies that contribute to the development of these skills and may form part of general education. It does not cover professional accounting education, professional values, ethics and attitudes, practical experience requirements, or assessment of professional competence (please refer to IES 2, *Content of Professional Accounting Education Programs*, IES 4, *Professional Values, Ethics and Attitudes*, IES 5, *Practical Experience Requirements* and IES 6, *Assessment of Professional Capabilities and Competence*).

Introduction

5. Skills are part of the set of capabilities required by professional accountants to demonstrate competence. These capabilities include knowledge, skills, professional values, ethics and attitudes. Capabilities are an indication of potential competence that can be transferred across different environments. It is important to ensure that professional accounting education programs integrate the development of knowledge, skills, professional values, ethics and attitudes.
6. Rising expectations of employers, clients and the public as to what professional accountants contribute at work and toward society generally have prompted an increased emphasis on professional skills.
7. Various lists of skills have been classified and described in several ways. The lists set out in paragraphs 13 – 18 are not exhaustive.
8. Appropriate skills enable the professional accountant to make successful use of the knowledge gained through general education. These skills are not always acquired from specific courses devoted to them but, rather, from the total effect of the program of

professional accounting education as well as practical experience, and further developed through lifelong learning. Professional skills will always be most effectively applied if used in an ethical manner (see IES 4, *Professional Values, Ethics and Attitudes*). Some skills are contained implicitly within education programs. It may be necessary to highlight how the various learning activities develop these skills.

9. Relevant skills can give professional accountants a competitive edge in the market place and are useful throughout an individual's career. Not all these skills will, however, be fully developed at the point of qualification. Some may be the focus of continuing professional development.
10. A good foundation of general education, although not an end in itself, is one way of helping candidates become broad-minded individuals who think and communicate effectively and who have the basis for conducting inquiry, carrying out logical thinking and undertaking critical analysis. This foundation will enable candidates to make decisions in the larger context of society, to exercise good judgment and professional competence, to interact with diverse groups of people, to think globally, and to begin the process of professional growth. The acquisition of these skills is more important than the way in which they are learnt.
11. Definitions and explanations of the key terms used in the IESs are set out in the *Framework for International Education Pronouncements*.

Effective Date

12. This IES is effective from January 1, 2005.

Professional Skills

13. **Individuals seeking to become professional accountants should acquire the following skills:**
 - (a) Intellectual skills;
 - (b) Technical and functional skills;
 - (c) Personal skills;
 - (d) Interpersonal and communication skills; and
 - (e) Organizational and business management skills.
14. Intellectual skills are often divided into six levels. In ascending order, these are: knowledge, understanding, application, analysis, synthesis (to combine knowledge from several areas, predict and draw conclusions) and evaluation. It is important that candidates have reached the highest levels at the point of qualification.

Intellectual skills enable a professional accountant to solve problems, make decisions and exercise good judgment in complex organizational situations. These skills are often the product of a broad general education. The required intellectual skills include the following:

- (a) the ability to locate, obtain, organize and understand information from human, print and electronic sources;
 - (b) the capacity for inquiry, research, logical and analytical thinking, powers of reasoning, and critical analysis; and
 - (c) the ability to identify and solve unstructured problems which may be in unfamiliar settings.
15. Technical and functional skills consist of general skills as well as skills specific to accountancy. They include:
- (a) numeracy (mathematical and statistical applications) and IT proficiency;
 - (b) decision modeling and risk analysis;
 - (c) measurement;
 - (d) reporting; and
 - (e) compliance with legislative and regulatory requirements.
16. Personal skills relate to the attitudes and behavior of professional accountants. Developing these skills helps individual learning and personal improvement. They include:
- (a) self-management;
 - (b) initiative, influence and self learning;
 - (c) the ability to select and assign priorities within restricted resources and to organize work to meet tight deadlines;
 - (d) the ability to anticipate and adapt to change;
 - (e) considering the implications of professional values ethics and attitudes in decision making; and
 - (f) professional skepticism.
17. Interpersonal and communication skills enable a professional accountant to work with others for the common good of the organization, receive and transmit information, form reasoned judgments and make decisions effectively. The components of interpersonal and communication skills include the ability to:
- (a) work with others in a consultative process, to withstand and resolve conflict;
 - (b) work in teams;
 - (c) interact with culturally and intellectually diverse people;
 - (d) negotiate acceptable solutions and agreements in professional situations;
 - (e) work effectively in a cross-cultural setting;
 - (f) present, discuss, report and defend views effectively through formal, informal, written and spoken communication; and

- (g) listen and read effectively, including a sensitivity to cultural and language differences.
18. Organizational and business management skills have become increasingly important to professional accountants. Professional accountants are being asked to play a more active part in the day-to-day management of organizations. While previously their role might have been limited to providing the data that would be used by others, today, professional accountants are often part of the decision-making team. As a result, it is important that they understand all aspects of how an organization works. Professional accountants therefore need to develop a broad business outlook as well as political awareness and a global outlook.

Organizational and business management skills include:

- (a) strategic planning, project management, management of people and resources, and decision making;
- (b) the ability to organize and delegate tasks, to motivate and to develop people;
- (c) leadership; and
- (d) professional judgment and discernment.

General Education

19. **All professional education programs should include some portion of general education.**
20. A broad general education can contribute significantly to the acquisition of professional skills (see also IES 1, *Entry Requirements to a Program of Professional Accounting Education*). General education requirements vary greatly from program to program and from country to country. General education focuses on the development of non-professional knowledge, intellectual skills, personal skills, interpersonal and communication skills, and organizational and management skills.
21. A broad general education can encourage lifelong learning and provide a foundation on which to build professional and accounting studies. It may consist of:
- (a) an understanding of the flow of ideas and events in history, the different cultures in today's world and an international outlook;
 - (b) basic knowledge of human behavior;
 - (c) a sense of the breadth of ideas, issues and contrasting economic, political and social forces in the world;
 - (d) experience in inquiry and evaluation of quantitative data;
 - (e) the ability to conduct inquiry, carry out logical thinking and understand critical thinking;
 - (f) an appreciation of art, literature and science;

- (g) an awareness of personal and social values and of the process of inquiry and judgement; and
 - (h) experience in making value judgments.
22. A general education may be gained in a number of different ways and within different settings. General education may take place at any stage in a degree program with the balance of the program devoted to professional accountancy topics, including accounting, finance and related knowledge, organizational and business knowledge and information technology knowledge (see IES 2, *Content of Professional Accounting Education Programs*). General education may also be fully integrated into accountancy degree programs, with provision for the acquisition of key skills spread throughout the program.
 23. Candidates may also take non-accountancy degrees and then acquire the necessary knowledge of professional accountancy subjects through studying for the examinations set by professional bodies. Candidates may also acquire key skills through experience at work, combined with studying for the examinations. This combination would include elements of general knowledge and skills and thus develop the competence and capabilities, including the underlying technical knowledge, required to qualify as a professional accountant.
 24. How these skills can be acquired may, therefore, differ from one IFAC member body to the next. Implementation of this IES depends on the cultural environment in which each body operates and the prevailing educational infrastructure. As a result, part of general education may be acquired during a broad and perhaps extended period of secondary education prior to higher education.

INTERNATIONAL ACCOUNTING STANDARD
IES 4
PROFESSIONAL VALUES, ETHICS AND ATTITUDES

CONTENTS

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Purpose and Scope of this Standard

1. This Standard (IES) prescribes the professional values, ethics and attitudes professional accountants should acquire during the education program leading to qualification.
2. The aim of this IES is to ensure that candidates for membership of an IFAC member body are equipped with the appropriate professional values, ethics and attitudes to function as professional accountants.
3. IFAC recognizes that the accountancy profession throughout the world operates in environments with different cultures and regulatory requirements. IFAC has, nevertheless, established an international *Code of Ethics for Professional Accountants*. Professional values and ethics relate directly to IFAC's mission to develop and enhance the profession to enable it to provide services of consistently high quality in the public interest.

Introduction

4. Society has high expectations of the accountancy profession. It is essential for professional accountants to accept and observe ethical principles regulating all their relationships. Professional values, ethics and attitudes identify professional accountants as members of a profession and should shape everything they do as professionals. It is the responsibility of member bodies to ensure that their members have an adequate understanding of the principles of professional ethics and the underlying rationale of the constraints that professional ethics place on professional accountants.
5. Since professional accountants have a role to play in decision making, they need to have a thorough appreciation of the potential ethical implications of professional and managerial decisions. They also need to be aware of the pressures of observing and upholding ethical principles that may fall on those involved in the decision-making process. This is true whether they are working in public practice, industry or commerce, the public sector or education.
6. Professional accountants operate in a world of change. Good governance, both corporate and public, depends greatly on adherence to professional values, ethics and attitudes. In such circumstances, a clear understanding of, and education in, ethical principles is essential.
7. IFAC considers that member bodies have an obligation to their current and future members, as well as to society at large, to ensure that their members have a continuing understanding of professional values, ethics and attitudes. This understanding needs to be sufficient to enable them to operate effectively and with integrity and discernment in an environment of change. The purpose of this IES is to assist member bodies in this task.
8. Professional values, ethics and attitudes need to be treated in their own right within the education framework. If future professional accountants are to perceive professional values, ethics and attitudes as important to their work, it is essential that they do not perceive the treatment of professional values, ethics and attitudes as peripheral to their main education programs.

9. Educators and professional bodies need to distinguish between teaching students about professional values, ethics and attitudes and developing and instilling ethical behavior. Developing professional values, ethics and attitudes needs to begin early in the education of a professional accountant and be re-emphasized throughout a career. The professional accountant needs to consider this as part of life-long learning.
10. Education programs need to deal with ethical rules in a positive, participative way, for example, by exploring links between ethical behavior, corporate failure and fraud. It is important for professional accountants to learn from their experiences. With this in mind, education programs need to include reflection when students are required to consider an experience, what went well, what did not work and what approach should be taken in the future in similar circumstances.
11. Definitions and explanations of the key terms used in the IESs are set out in the *Framework for International Education Pronouncements*.

Effective Date

12. This IES is effective from January 1, 2005.

Professional Values, Ethics and Attitudes

13. **The program of professional accounting education should provide potential professional accountants with a framework of professional values, ethics and attitudes for exercising professional judgment and for acting in an ethical manner that is in the best interest of society and the profession.**
14. **The required values, ethics and attitudes of professional accountants include a commitment to comply with the relevant local codes of ethics which should be in conformity with the IFAC *Code of Ethics for Professional Accountants*.**
15. **The coverage of values and attitudes in education programs for professional accountants should lead to a commitment to:**
 - (a) **the public interest and sensitivity to social responsibilities;**
 - (b) **continual improvement and lifelong learning;**
 - (c) **reliability, responsibility, timeliness, courtesy and respect; and**
 - (d) **laws and regulations.**
16. **While the approach of each program to the learning of professional values, ethics and attitudes will reflect its own national and cultural environment and objectives, as a minimum all programs should include:**
 - (a) **the nature of ethics;**
 - (b) **differences of detailed rules-based and framework approaches to ethics, their advantages and drawbacks;**
 - (c) **compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality;**

- (d) **professional behavior and compliance with technical standards;**
- (e) **concepts of independence, skepticism, accountability and public expectations;**
- (f) **ethics and the profession: social responsibility;**
- (g) **ethics and law, including the relationship between laws, regulations and the public interest;**
- (h) **consequences of unethical behavior to the individual, to the profession and to society at large;**
- (i) **ethics in relation to business and good governance; and**
- (j) **ethics and the individual professional accountant: whistle blowing, conflicts of interest, ethical dilemmas and their resolution.**

Teaching professional values, ethics and attitudes

17. Because of the importance of professional values, ethics and attitudes to future professional accountants, the presentation of the topic may at first be treated as a separate subject. As students progress, and gain a wider knowledge of other subjects, it will be appropriate to integrate subject matters. This will encourage students to look for and consider the possible ethical implications of problems being discussed in their study of other subjects.
18. Students need to understand that values, ethics and attitudes run through everything that professional accountants do and how they contribute to confidence and trust in the market. Subsequent treatment might address the particular ethical issues likely to be faced by all professional accountants and those more likely to be encountered by professional accountants in public practice in any particular cultural environment.
19. Students need to be encouraged to study the role of, and critically appraise, relevant codes of ethics. Students may be invited to view professional pronouncements in this area as a positive effort to create a framework of trust and integrity within which professional accountants can operate. Students need to be encouraged to examine the ethical pronouncements of other professions and examine and discuss other potential approaches for the accountancy profession. Rote learning of codes and subsequent tests of memory will not produce the desired effect.
20. The presentation of professional values, ethics and attitudes to accounting students can be enhanced greatly through the use of participative approaches. These may include:
 - (a) the use of teaching materials such as multi-dimensional case studies;
 - (b) role playing;
 - (c) discussion of selected readings and videos;
 - (d) analysis of real life business situations involving ethical dilemmas;
 - (e) discussion of disciplinary pronouncements and findings; and

- (f) seminars using speakers with experience of corporate or professional decision making.
21. Such participative work will lead those involved to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions. Distance learning programs may be limited in offering all these participative experiences, however, as many approaches as possible can be used to enhance the learning experience.
 22. It is important for professional accountants to learn from their ethical experiences. With this in mind, education programs need to include reflection when students are required to consider an experience, what went well, what did not work, and what approach may be taken in the future in similar circumstances.

Workplace learning and professional values, ethics and attitudes

23. Professional values, ethics and attitudes affect the work of all professional accountants. Proper ethical behavior is as important as technical competence. Member bodies will require trainees to gain appropriate training and practical experience prior to admission to membership. Accordingly, the period of training and practical experience needs to be structured to give trainees an opportunity to observe the application of professional values, ethics and attitudes in the work situation.
24. Those responsible for the supervision of practical experience need to stress to their trainees the ethical dimensions of the role professional accountants play in the workplace. This may be done by encouraging them to identify any apparent ethical implications and conflicts in their work, to form preliminary views on such occurrences and to discuss them with their superiors.
25. In addition to discussions with the supervisors or mentors, there are other ways for trainees to discuss ethical issues, for example, discussions or interviews with other staff within the organization.
26. Trainees, and those recently qualified as professional accountants, would also benefit from exposure to, and involvement in, discussions on relevant issues relating to the work of their employers that are perceived to have potential ethical implications, for example conflicts of interest related to:
 - (a) professional accountants' job responsibilities (including responsibilities defined by the policies of organizations and the instructions of supervisors) and their professional responsibilities (as defined by their professional codes of conduct amongst other sources);
 - (b) confidentiality of information, including the limits of confidentiality;
 - (c) the structure and purpose of professional associations (including lobbying activities on behalf of members); and
 - (d) the variety of ways in which professional accountants can face conflicts of interest, including, for example, inappropriate advocacy and earnings management.

27. Ethical problems and potential dilemmas may occur. Where there is doubt about the ethical aspects of a course of action or situation, trainees need to consult some recognized ethical reference point, within their work environment or member body, whichever may be the appropriate course of action.

INTERNATIONAL ACCOUNTING STANDARD
IES 5
PRACTICAL EXPERIENCE REQUIREMENTS

CONTENTS

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Purpose and Scope of this Standard

1. This Standard (IES) prescribes the practical experience IFAC member bodies should require their members to obtain before qualification as professional accountants.
2. The aim of this IES is to ensure that candidates seeking to qualify as professional accountants have acquired the practical experience considered appropriate at the time of qualification to function as competent professional accountants.
3. Further development may be required after qualification to bring candidates up to the level of a statutory auditor or some other form of specialization. In any event, lifelong learning will be required to develop and maintain professional competence (see also IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*).

Introduction

4. Practical experience, gained by performing the work of professional accountants, in addition to the acquisition of knowledge through professional accounting education programs, is considered necessary before candidates can present themselves to the public as professional accountants (see also IES 3, Professional Skills and General Education). Given the variety of circumstances surrounding professional accountancy bodies throughout the world, the requirement for practical experience may vary from one body to another.
5. The balance between practical experience and academic study or studying for professional qualifications may vary from one qualification to another. IFAC member bodies need to adapt their practical experience requirements to meet their own needs and requirements, the requirements of the relevant regulatory authorities, as well as public expectations that professional accountants are competent.
6. No single combination of education and experience required for preparation for qualification as a professional accountant is used throughout the world. When education requirements are extended to include practical business and accounting applications, then a part of this education may contribute to some of the practical experience requirements.
7. Employers, work colleagues and mentors play important roles in planning and monitoring practical experience gained by trainees.
8. Definitions and explanations of the key terms used in the IESs are set out in the Framework for International Education Pronouncements.

Effective Date

9. This IES is effective from January 1, 2005.

Practical Experience Requirements

10. **The period of practical experience in performing the work of professional accountants should be a part of the pre-qualification program. This period should be long enough and intensive enough to permit candidates to demonstrate they have**

gained the professional knowledge, professional skills, and professional values, ethics and attitudes required for performing their work with professional competence and for continuing to grow throughout their careers.

11. **The period of practical experience should be a minimum of three years. A period of relevant graduate (beyond under-graduate, e.g., masters) professional education with a strong element of practical accounting application may contribute no more than 12 months to the practical experience requirement.**
12. The overall goal is to produce competent professional accountants through an appropriate mix of general education, professional education and practical experience. The exact combination may vary, as long as the requirements of paragraphs 10 and 11 are achieved. Simply spending the amount of time necessary to meet the practical experience requirement is not sufficient. Trainees need to demonstrate the competences achieved.
13. A sufficient period of practical experience is considered necessary before candidates can present themselves to the public as professional accountants, that is, in addition to academic study or studying for a professional qualification. The exact combination of practical experience and education will vary according to the rules laid down by individual member bodies and in accordance with national and local laws, and the requirements of regulatory authorities and public expectations.
14. For example, some extended education programs that place a strong emphasis on practical application may contribute some part of the practical experience requirement. Studying for academic or professional qualifications are useful methods of acquiring and demonstrating professional accountancy knowledge gained. However, this studying does not necessarily demonstrate that professional competence in the workplace has been achieved. Experience gained at work equips trainees with many of the practical skills needed to become competent professional accountants.
15. Trainees need to gain practical experience in roles considered appropriate by the professional body to which they are applying.
16. Practical experience may be obtained after a program of study or alongside a program of study.
17. Practical experience provides a professional environment in which trainees develop competence by:
 - (a) enhancing their understanding of organizations, of how business works and of work relationships;
 - (b) being able to relate accounting work to other business functions and activities;
 - (c) becoming aware of the environment in which services are provided;
 - (d) developing the appropriate professional values, ethics and attitudes in practical, real-life situations (see also IES 4, *Professional Values, Ethics and Attitudes*); and
 - (e) having an opportunity to work at progressive levels of responsibility.

Monitoring and control

18. **The member body and/or regulatory authority should ensure that the practical experience candidates have gained is acceptable. Experience leading to qualification as a professional accountant should be conducted under the direction of a mentor who is an experienced member of an IFAC member body. For a program of practical experience to be effective, it is necessary for the professional body or regulatory authority, the trainee, mentor and the employer to work together.**
19. **The program of practical experience should be mutually beneficial to both the trainee and the employer and be developed together. A record of the practical experience gained should be reviewed periodically by the mentor.**
20. Prior to qualifying as a professional accountant, IFAC member bodies should assess the practical experience gained on the basis of written submissions reviewed by supervisors or mentors and possibly supported by oral submissions made by trainees.
21. The mentor may be assisted in performing the mentoring function by others in the organization, some of whom may not be professional accountants.
22. The program of practical experience needs to be designed and implemented to meet the experience requirements set by the professional body. It also needs to be efficient and cost-effective for the employer, whether that employer is in industry, commerce, government or public practice.
23. Mentors can represent an important link between trainees and member bodies. They may be responsible for the planning of the practical experience period and provide guidance to trainees. Member bodies may wish to provide training for mentors and put in place reporting arrangements.
24. IFAC member bodies, whose members are eligible for an audit license at the point of qualification, need to ensure that appropriate audit experience is acquired during the pre-qualification period. If the license is granted by an external agency, or after qualification, that agency will formulate the necessary requirements for qualification. Those requirements might also be fulfilled during the post-qualification period (see also IES 8, *Competence Requirements for Audit Professionals*).
25. The record of experience needs to be regularly compared with the overall program established for the trainee to ensure that the requirements set by the professional body or regulatory authority are being met. If progress within the program does not match the anticipated development rate, the situation needs to be reviewed to discover the reasons why and what can be done to improve it. This regular comparison will provide another opportunity for all parties to comment on the practical experience and contribute to the trainee's future development.
26. Steps that member bodies can take to ensure the achievement of appropriate experience include:
 - (a) establishing a monitoring system, normally on a sampling basis, that provides for monitoring and reporting of the practical experience obtained;

- (b) providing detailed written guidance for employers, mentors and trainees regarding the program of practical experience and their roles and responsibilities;
- (c) establishing a mechanism for approving employers as suitable for providing the appropriate experience for trainees;
- (d) assessing and approving the practical experience environment before commencement of experience. (For example, the nature and scope of practical experience and the training arrangements of employers need to be reviewed to ensure that trainees would receive proper direction, supervision, mentoring, counseling and evaluation);
- (e) assessing, prior to membership, the practical experience gained on the basis of written submissions possibly supported by oral submissions made by trainees appropriately supported (see also IES 6, *Assessment of Professional Capabilities and Competence*);
- (f) providing feedback to trainees and certifying when competences have been achieved;
- (g) monitoring employers and mentors previously approved. The review may advise on areas that need improvement or may recommend that approval be withdrawn if conditions have changed to the extent that relevant experience criteria are not being met;
- (h) establishing a system of periodic reporting to cover changes, if any, in the nature, scope and content of the trainees' practical experience if it is impractical to visit all approved employers; and
- (i) undertaking a periodic study of the competences required by professional accountants to help to ensure that the practical experience gained is relevant and appropriate.

INTERNATIONAL ACCOUNTING STANDARD
IES 6
ASSESSMENT OF PROFESSIONAL CAPABILITIES
AND COMPETENCE

CONTENTS

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Assessment of Professional Capabilities and Competence	11–23

Purpose and Scope of this Standard

1. This Standard (IES) prescribes the requirements for a final assessment of a candidate's professional capabilities and competence before qualification.
2. This IES deals with the assessment of the professional capabilities (i.e. the professional knowledge, professional skills and professional values, ethics and attitudes) acquired through professional education programs (see also the IES 2, *Content of Professional Accounting Education Programs*, IES 3, *Professional Skills and General Education* and IES 4, *Professional Values, Ethics and Attitudes*).
3. In the *Framework for International Education Pronouncements* professional knowledge, professional skills, and professional values, ethics and attitudes are referred to as "capabilities" Capabilities are the attributes held by individuals that enable them to perform their roles competently. The possession of capabilities gives a good indication that an individual has the potential to perform competently in the workplace.
4. Certain professional skills and values may be better acquired through practical experience and assessed in the workplace or through workplace simulations. IES 5, *Practical Experience Requirements*, deals with the monitoring, control and review of practical experience.

Introduction

5. It is the responsibility of IFAC member bodies to have in place assessment procedures that ensure candidates admitted to membership are appropriately qualified. A series of continual assessments might be made leading up to the final assessment of capabilities and competence.
6. The final assessment of capabilities and competence is normally in addition to purely academic qualifications and is beyond undergraduate degree level. This IES prescribes that a significant proportion of this assessment should be in recorded form. It should test underpinning theoretical knowledge as well as the practical application of knowledge.
7. Candidates need to be able to demonstrate that they:
 - (a) have a sound technical knowledge of the specific subjects of the curriculum;
 - (b) can apply technical knowledge in an analytical and practical manner;
 - (c) can extract from various subjects the knowledge required to solve many-sided or complex problems;
 - (d) can solve a particular problem by distinguishing the relevant information from the irrelevant in a given body of data;
 - (e) can, in multi-problem situations, identify the problems and rank them in the order in which they need to be addressed;
 - (f) appreciate that there can be alternative solutions and understand the role of judgment in dealing with them;
 - (g) can integrate diverse areas of knowledge and skills;

- (h) can communicate effectively with users by formulating realistic recommendations in a concise and logical fashion; and
 - (i) can identify ethical dilemmas.
8. The practical experience part of the qualifying process is intended to facilitate the development and direct application of professional knowledge, professional skills, and professional values, ethics and attitudes. Ultimately, it is through practical experience that trainees will demonstrate their competence to perform the roles of professional accountants. Details regarding the assessment of the practical experience can be found in IES 5, *Practical Experience Requirements*.
 9. Definitions and explanations of the key terms used in the IESs are set out in the *Framework for International Education Pronouncements*.

Effective date

10. This IES is effective from January 1, 2005.

Assessment of professional capabilities and competence

11. **The professional capabilities and competence of candidates should be formally assessed before the qualification of professional accountant is awarded. This assessment is the responsibility of the IFAC member body, and should be carried out by an IFAC member body, or the relevant regulatory authority with substantive input from an IFAC member body.**
12. **The assessment of professional capabilities and competence should:**
 - (a) **require a significant proportion of candidates' responses to be in recorded form;**
 - (b) **be reliable and valid;**
 - (c) **cover a sufficient amount of the whole range of professional knowledge, professional skills, and professional values, ethics and attitudes for the assessment to be reliable and valid; and**
 - (d) **be made as near as practicable to the end of the pre-qualification education program.**
13. The assessment of professional capabilities and competence is the responsibility of the IFAC member body. The assessment needs to be carried out by an IFAC member body or by a regulatory authority with substantive input from an IFAC member body. Member bodies may, however, wish to cooperate with other member bodies in making their assessment arrangements, in whole or in part. In these cases, the responsibility for the assessment remains with the professional bodies whose qualifications will be awarded.
14. The assessment of professional capabilities and competence serves several purposes. First, professional bodies and regulatory authorities have a responsibility to ensure that professional accountants have the capabilities and competence expected of them by employers, clients and the public. Second, individuals who owe a duty of care to their

- clients, employers and relevant stakeholders, need to demonstrate their ability to discharge this responsibility in a competent manner. Third, the public interest is protected and the credibility of the profession is enhanced when only those who meet the profession's competency standards are permitted to be professional accountants.
15. The critical consideration is whether the assessments are reliable, valid and credible. Reliable assessments produce consistent, objective results over time. Valid assessment methods assess the desired outcomes and may use quantitative and qualitative measures. Assessments need to be acceptable to stakeholders and the public interest.
 16. The assessments need to be appropriate for the professional knowledge, professional skills and professional values, ethics and attitudes being evaluated.
 17. Although it is not practicable to assess the whole range of capabilities and competences at any single session, over a number of sessions the whole range needs to be covered. Some material may have been covered before, and assessors are entitled to assume that this material is known and understood. In other cases, the assessment of some of the competences may have been assessed during the practical experience period.
 18. IFAC acknowledges that the nature of an assessment of professional capabilities and competence is the responsibility of its member bodies and that there is no single preferred method for such an assessment. Because of the diversity of capabilities and competences being evaluated, IFAC members need to use a variety of assessment methods which would be appropriate for the capabilities and competences being evaluated.
 19. The methods adopted will also depend on factors specific to each member body, including:
 - (a) geographical location;
 - (b) educational and other resources available;
 - (c) the number of candidates being tested and their backgrounds; and
 - (d) training opportunities.
 20. To provide sufficient evidence for the assessment of candidates' professional capabilities and competence, the assessment needs to assign a significant weighting to responses in recorded form.
 21. Candidates also need to demonstrate that they can integrate all the various elements across a range of situations and apply them in the context of a professional accountant at work.
 22. The assessment might also include elements of oral and group assessments as well as objective testing. Scenario-based questions and case studies may be used to test higher-level intellectual skills. The assessment needs to be at a level of difficulty appropriate for professional accountants, to preserve the credibility of the final test of capabilities and competence.
 23. Professional capabilities and competence may be assessed through a series of parts spread over an individual's pre-qualification program. However, the final qualifying part of the

assessment needs to be administered as near as practicable to the end of the individual's pre-qualification program leading to qualification. This final assessment needs to cover enough of the body of professional knowledge, professional skills, and professional values, ethics and attitudes necessary to demonstrate that the individual has the capabilities and competence to qualify as a professional accountant.

INTERNATIONAL ACCOUNTING STANDARD

IES 7

CONTINUING PROFESSIONAL DEVELOPMENT: A PROGRAM OF LIFELONG LEARNING AND CONTINUING DEVELOPMENT OF PROFESSIONAL COMPETENCE

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Purpose and Scope of this Standard

1. This Standard (IES) prescribes that member bodies:
 - (a) foster a commitment to lifelong learning among professional accountants;
 - (b) facilitate access to continuing professional development opportunities and resources for their members;
 - (c) establish for members benchmarks for developing and maintaining the professional competence necessary to protect the public interest; and
 - (d) monitor and enforce the continuing development and maintenance of professional competence of professional accountants.
2. This IES is based on the principle that it is the responsibility of the individual professional accountant to develop and maintain professional competence necessary to provide high quality services to clients, employers and other stakeholders.

Introduction

3. This IES prescribes that member bodies implement a continuing professional development (CPD) requirement as an integral component of a professional accountant's continued membership. Such a requirement contributes to the profession's objective of providing high-quality services to meet the needs of the public (including clients and employers).
4. This IES introduces the concepts of continuing professional development as relevant, verifiable and measurable learning activities and outcomes.
5. Continuing professional development refers to learning activities that develop and maintain capabilities to enable professional accountants to perform competently within their professional environments (see Framework for International Education Pronouncements).
6. IFAC's mission is to serve the public interest, strengthen the worldwide accountancy profession, and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant. A fundamental principle of the IFAC Code of Ethics for Professional Accountants states,
7. "A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives the advantage of competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards in all professional and business relationships."
8. This IES addresses how professional accountants meet their obligations of ongoing competence.

9. The knowledge needed to function effectively as a professional accountant in public practice, industry, commerce, education and the public sector continues to expand and change at a rapid rate. Professional accountants face increased knowledge and skill expectations. They and their professional associations also face unprecedented scrutiny about the quality of internal control, governance, financial statements and independent audits. These pressures apply to professional accountants in both the private and public sectors. In addition, the need to be competitive in a worldwide economy has prompted a more intense focus on the role and responsibilities of professional accountants in entities of all types. Professional accountants in all sectors have important contributions to make. Continued development of professional competence and lifelong learning are critical if the professional accountant is to meet these expectations.
10. The profession has a responsibility to ensure that professional accountants continue to develop and maintain the competence demanded by their professional roles and the users of their services. IFAC member bodies are encouraged to promote to their members, stakeholders and the public, the benefits of CPD highlighting the importance of continuous improvement of competence and a commitment to lifelong learning.
11. On its own, CPD does not provide assurance that all members will provide high quality professional service all the time. Doing so involves more than maintaining professional competence; it involves applying knowledge with professional judgment and an objective attitude. Also, there cannot be assurance that every person who participates in a CPD program will obtain the full benefits of that program, because of variances in individual commitment and capacity to learn. Nevertheless, it is certain that members who are not up-to-date on current technical and general knowledge pertinent to their work will not be able to provide professional services competently. Therefore, despite the inherent limitations of any CPD program, a CPD requirement is important to maintaining public confidence.
12. The accountancy profession operates in an environment of change making it necessary for member bodies to periodically review their CPD policies and the application of this IES.
13. Member bodies need to consider a variety of quality assurance methods when considering their responsibility to protect the public interest. CPD is only one method. Others include quality assurance reviews of professional accountants' work and investigation and disciplinary regimes for misconduct, as documented in IFAC's Statements of Membership Obligations (SMOs) 1 and 6, respectively.

Effective Date

14. This IES is effective from January 1, 2006.

Promotion of Lifelong Learning

15. **Member bodies should promote the importance of continuous improvement of competence and a commitment to lifelong learning for all professional accountants.**

16. All professional accountants have an obligation to develop and maintain their professional competence, relevant to the nature of their work and professional responsibilities. This obligation applies to all professional accountants, irrespective of whether they are involved in traditional accounting fields or other areas.
17. The process of lifelong learning commences early, continuing with the education program to become qualified as a professional accountant, and on through an individual's career. CPD is an extension of the education process that led to qualification as a professional accountant. The professional knowledge, professional skills, and professional values, ethics and attitudes gained by the time of qualification continue to develop and are refined appropriately for the professional activities and responsibilities of the individual.

Access to CPD

18. **Member bodies should facilitate access to CPD opportunities and resources to assist professional accountants in meeting their responsibility for lifelong learning.**
19. Member bodies may directly provide relevant CPD programs for professional accountants and facilitate access to programs offered by others, encompassing all learning methods.

Mandatory CPD for all Professional Accountants

20. **Member bodies should require all professional accountants to develop and maintain competence relevant and appropriate to their work and professional responsibilities. The responsibility for developing and maintaining competence rests primarily with each professional accountant.**
21. CPD is applicable for all professional accountants, regardless of sector or size of business in which they operate, because:
 - (a) All professional accountants have an ethical obligation of due care to their clients, employers and relevant stakeholders and need to demonstrate their ability to discharge this responsibility in a competent manner.
 - (b) Professional accountants in all sectors hold positions of importance involving financial reporting, public accountability and maintaining the public trust.
 - (c) The public is likely to rely on the designation or professional standing of the professional accountant. Moreover, all professional accountants carry the professional designation, and any lack of competence or ethical behavior has the same consequences to the reputation and standing of the profession, irrespective of the sector or role in which they operate.
 - (d) All sectors are affected by the rapidly changing environment and the consequential need to adapt the strategic or business plans of those organizations relying on the professional accountant's professional competence.
 - (e) Employers hiring professional accountants in any sector rely, at least to some extent, on the professional designation as proof of professional competence.

22. In setting the requirement for CPD, member bodies will need to consider what is relevant and appropriate for professional accountants in circumstances such as career breaks and retirement.

Relevance

23. CPD contributes to the competence of professional accountants and therefore acceptable CPD activities are expected to develop the professional knowledge, professional skills and professional values, ethics and attitudes of the professional accountant, relevant to their current and future work and professional responsibilities.
24. Some member bodies may choose to develop requirements or other guidance regarding which types of CPD activities are considered professionally relevant. Other member bodies may choose to rely on the professional judgment of individual members to make decisions on the relevance of CPD activities. Others may choose to set requirements in certain areas, and allow members the flexibility to choose relevant learning activities in other areas.
25. Member bodies may prescribe specific or additional CPD for members working in specialist areas or areas of high risk to the public.
26. Professional accountants are encouraged to consult with employers, colleagues, member bodies and others to help them identify competency or learning gaps and then specify learning opportunities to meet these needs.

Measurement

27. Professional accountants are required to measure learning activities or outcomes to meet the member body's CPD requirements.
28. Learning activity can be measured in terms of effort or time spent, or through a valid assessment method which measures competence achieved or developed.

Verification

29. This IES is based on the principle that a certain portion of the learning activities professional accountants engage in are verifiable. This means that the learning is able to be objectively verified by a competent source. Some learning activities may be measured but not verified.
30. Professional accountants are responsible to retain appropriate records and documents related to their CPD and, upon request by the member body, provide sufficient evidence to demonstrate their compliance with the requirements of the member body.

CPD Approaches

31. The objective of CPD is to assist professional accountants to develop professional competence to provide services of high quality in the public interest. Measurement of completion of CPD can be achieved by at least three different approaches:

- (a) Input-based approaches — by establishing a set amount of learning activity that is considered appropriate to develop and maintain competence.
 - (b) Output-based approaches — by requiring professional accountants to demonstrate, by way of outcomes, that they develop and maintain professional competence.
 - (c) Combination approaches — by effectively and efficiently combining elements of the input- and output-based approaches, setting the amount of learning activity required and measuring the outcomes achieved.
32. Input-based systems traditionally have served as a proxy for measuring development and maintenance of competence because of the ease of measurement and verification. Input-based approaches have limitations, for example, they do not always measure the learning outcomes or competence developed. As a result, some professional accountants may not apply themselves in seminars or courses and yet meet the input-based criteria for measurement and verification. This “form over substance” approach can undermine the real objective of continuous improvement of competence. Member bodies may overcome these limitations by communicating the underlying objectives of continuous improvement of competence and a commitment to lifelong learning.
33. Output-based approaches concentrate on measuring the development and maintenance of competence achieved through learning, rather than measuring the various learning activities completed.
34. The measurement and verification system would differ between input, output and combination approaches.

Input-based Approach

35. **Member bodies operating an input-based approach should require the professional accountant to:**
- (a) **complete at least 120 hours or equivalent learning units of relevant professional development activity in each rolling three-year period, of which 60 hours or equivalent learning units should be verifiable;**
 - (b) **complete at least 20 hours or equivalent learning units in each year; and**
 - (c) **track and measure learning activities to meet the above requirements.**
36. This IES measures CPD activity in hours or equivalent learning units. Member bodies may choose to use another term for the unit of measurement that will be understood by professional accountants (such as credit points or learning units). This other unit of measurement is to represent one hour of classroom time or its substantial equivalent.
37. Some learning activities may be measurable, but not able to be verified. These activities also contribute to development and maintenance of competence but would not be considered to form part of the 60 hours of verifiable CPD in the three-year rolling period.

Output-based Approach

38. **Member bodies implementing an output-based approach should require the professional accountant to demonstrate the maintenance and development of relevant competence by periodically providing evidence that has been:**
 - (a) **objectively verified by a competent source; and**
 - (b) **measured using a valid competence assessment method.**
39. Member bodies need to require professional accountants to obtain evidence that competence was developed or maintained. The professional accountant is responsible for providing the evidence to the member body on request and for ensuring the evidence filed is sufficient and reliable.
40. Verification of competence for output-based systems is an objective assessment that competence has been developed or maintained. Verification is to be provided by a competent source in a position to confirm that the competence has been developed and maintained using a valid method or technique. The assessment should clearly identify the outcome or competence achieved, which may be the result of a particular learning activity or an extended development program that involves numerous learning activities, the achievement of performance outcomes (e.g., from the work environment) or other means (e.g., professional re-examinations).
41. The evidence may take many forms. Examples of verification can be found in the Appendix to this IES.

Combination Approach

42. **Member bodies implementing a combination of input- and output-based approaches should follow the principles of input and output systems, as applicable, set out in this IES.**
43. There are several alternatives for adopting a combination approach to CPD. For example, member bodies may choose to:
 - (a) adopt an input-based approach for some sectors or other grouping of members and an output-based approach for others;
 - (b) use the concepts of both input- and output-based systems, whereby input-based learning units contribute to the output competences being measured for a portion of the knowledge areas in a predominantly output-based system;
 - (c) allow professional accountants who may not meet the input-based learning units requirement to provide verification that competence has been developed and maintained;
 - (d) specify a certain number of learning units as an indication of likely effort required to achieve competence and monitor this together with verification of competence achieved as a result of the learning activities; or

- (e) introduce a combination approach before moving towards a comprehensive output-based system.

Monitoring and Enforcement

44. **Member bodies should establish a systematic process to monitor whether professional accountants meet the CPD requirement and provide for appropriate sanctions for failure to meet the requirement, including failure to report or failure to develop and maintain competence.**
45. In designing their approach to monitoring, member bodies may consider which of their members have the greatest responsibility to the public or pose the greatest risk to the public and adopt more rigorous monitoring for those operating in high risk roles.
46. A monitoring process could require professional accountants to periodically:
 - (a) submit a declaration as to whether they meet their ethical obligation to maintain knowledge and skill to perform competently;
 - (b) submit a declaration as to compliance with any specific CPD requirements imposed by the member body; and/or
 - (c) provide evidence of learning activities or verification of competence developed and maintained.
47. Reporting cycles of greater than five years would be unlikely to meet the objectives of this IES.
48. Other monitoring processes could involve:
 - (a) auditing a sample of professional accountants to check compliance with CPD requirements;
 - (b) including the review and assessment of learning plans or CPD documents in practice inspection programs; and/or
 - (c) requiring public practice employers to include CPD programs and effective monitoring systems in their quality assurance programs and to track CPD activities as part of their time recording systems.
49. Member bodies need to require professional accountants to maintain evidence for a sufficient period of time to support the prescribed reporting requirements.
50. Verification needs to be in the form of documentation that can be provided easily to the member body for review purposes. Examples are provided in the Appendix to this IES.
51. A system of mandatory CPD will operate effectively and in the public interest only if professional accountants who fail to comply with the requirement are brought into compliance on a timely basis or, if they persist in willful non-compliance, are appropriately sanctioned. Member bodies are encouraged to determine punitive sanctions after considering the legal and environmental conditions in their countries. Some member bodies may have the legal authority to expel non-compliant professional accountants or to deny the right to practice. Publication of the names of professional accountants who

willfully fail to comply is one option to be considered in this process. This can act as a general deterrent for professional accountants and provides a clear signal to the public of the profession's commitment to maintaining competence.

52. The initial steps taken to address non-compliance are likely to focus on bringing the professional accountant into compliance within a reasonable period. Care needs to be taken to strike a balance between a sanction that, in substance, amounts to permitting a professional accountant to defer or avoid compliance with the CPD requirement and one that is excessively punitive.
53. Expulsion or denial of the right to practice may be reserved for professional accountants who have made it clear, through a pattern of non-compliance or through their response to the member body's inquiries, that they are likely to continue to disregard the importance of complying with the CPD requirements.
54. Imposing sanctions is not an action to be taken lightly. A professional accountant's willful failure to maintain and develop his or her professional competence is, however, a violation of a significant professional duty that justifies disciplinary action.
55. A member body needs to ensure the monitoring and enforcement process is adequately resourced. Member bodies may also consider establishing a board or committee of volunteers to oversee the CPD requirements and the monitoring and enforcement process.
56. As a public interest step, member bodies are encouraged to report publicly the extent to which their members comply with the CPD requirements set out in this IES.

Appendix

The Appendix is illustrative only and does not form part of the IES. The purpose of the Appendix is to illustrate the application of the IES to assist in clarifying its meaning.

This Appendix provides examples of different types of learning activities and how such learning can be verified under input- and output-based approaches to Continuing Professional Development (CPD).

Examples of Planning Tools

The following tools may assist professional accountants to identify learning and development needs, and plan ways of addressing these needs.

Tools, such as competency maps and learning plans, may be useful to member bodies and professional accountants to identify relevant learning needs and opportunities. Competency maps help identify development needs. Learning plans help identify learning opportunities to meet these needs. These tools need to be reviewed periodically and modified as competency needs change.

Competency Map

A competency map can assist professional accountants to identify training and development needs before identifying relevant learning activities. Competency maps provide a list of key competences for certain roles or sectors of the profession, at different levels (e.g. basic, intermediate, advanced). The competency map can assist professional accountants to assess their current levels of competence and identify targets for development. Competency maps have been developed by some IFAC member bodies, and by some employers to assist professional accountants plan and develop their careers.

Learning Plan

A learning plan assists professional accountants to identify training and development needs and ways in which to meet those needs. Professional accountants are encouraged to review their current skills and competences (a competency map, described above, can assist with this) against a target. Once these development needs have been identified, the professional accountant can then source relevant learning activities to help develop the required skills and competences. More than one learning activity may be required to develop the required skills and competences. Some member bodies have developed interactive tools to help assess competence and plan how to develop and maintain competence.

Learning Activities, Measurement Tools, and Evidence

The following lists provide examples of different learning activities, how learning could potentially be measured, and the different types of evidence for input- and output-based approaches. Any of these could be carried out using electronic means and e-learning opportunities. In considering these examples, member bodies are expected to comply with the intent of paragraphs 35, 37 and 38 of this IES. The following examples may constitute CPD to the extent the individual professional accountant has developed capabilities in the course of undertaking the activity.

Examples of Learning Activities

- Participation in courses, conferences, seminars
- Self-learning modules or organized on-the-job training for new software, systems, procedures or techniques for application in professional role
- Published professional or academic writing
- Participation and work on technical committees
- Teaching a course or CPD session in an area related to professional responsibilities
- Formal study related to professional responsibilities
- Participation as a speaker in conferences, briefing sessions, or discussion groups
- Writing technical articles, papers, books
- Research, including reading professional literature or journals, for application in a professional role
- Professional re-examination or formal testing

One single, repetitive activity, for example, teaching introductory accounting to different audiences, should not constitute a member's total CPD activity.

Examples of Measurement Units

In considering the following measurement units, it should be noted that the IES measures input-based approaches in terms of hours. Any alternative unit of measurement should be equivalent to one hour of classroom time or its substantial equivalent (refer paragraphs 33 and 34).

- Time spent on an activity
- Units allocated to an activity by a CPD provider
- Units prescribed by a member body

Evidence for Verification in an Input-based Approach

- Course outlines, teaching materials
- Attendance record, registration forms or confirmation of registration from provider
- Independent assessments that a learning activity has occurred
- Confirmation by an instructor, mentor or tutor of participation
- Confirmation by an employer of participation in an in-house program

Evidence for Verification in an Output-based Approach

- Verification of learning achieved through learning or performance outcomes
- Evaluation of written or published material by a reviewer

- Assessments of learning outcomes achieved
- Publication of a professional article or of the results of a research project
- Periodic re-examination
- Specialist or other qualification
- Work logs that have been objectively verified with reference to an external competency map
- Competency maps developed by the member body against which the member completes a self-assessment and provides supporting evidence on request
- Objective assessments against a competency map developed either by the employer or by the professional body as to the individual's level of competence

The following sources of evidence, if verified as applying to the individual member, may provide evidence of competence about that individual member:

- Independent practice inspections
- Assessments or signoffs by specialty associations that document enhancements of competences, and assessments by regulators, e.g., government reviews of licensed banks.

INTERNATIONAL ACCOUNTING 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 professionals² will help to promote internationally accepted standards in accounting and auditing.

² The term "audit professional" is defined in Paragraph 9 below.

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 information³. 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 Pronouncements*.

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.

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

³ 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.

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 education 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 IFAC *Code of Ethics for Professional Accountants* 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; and
 - (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; and**
 - (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.⁴
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.
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

⁴ 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.

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 (IAPs); 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)⁵; 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.**
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**

⁵ The term “International Financial Reporting Standards” refers to IFRSs, IFRIC Interpretations, IASs and SIC Interpretations.

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 IFAC *Code of Ethics for Professional Accountants* 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 IFAC *Code of Ethics for Professional Accountants* 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 IFAC *Code of Ethics for Professional Accountants* 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 REQUIRED 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.⁶
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**
 - (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).

⁶ TAC Guidance Statement 1 – revised April 2006.

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.



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