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Education Committee Technical Manager  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York,  
NY 10017  
USA

**RE: Exposure Draft: Competence Requirements for Audit Professionals**

Dear Sirs:

CGA-Canada has reviewed the Exposure Draft and has prepared the following comments for your consideration. This response focuses on both general issues of implementation and specific issues.

**Overall comment**

We appreciate the objective of the standard namely, to strengthen the audit profession and provide for a common foundation for the competence of audit professionals worldwide. However, the “guidance” in this proposed standard could prove difficult to comply with considering the obligations imposed on professional bodies, on accounting firms, and on individuals who wish to practice as auditors. The guidance could be construed as the proverbial “one size fits all” nature which could make it inflexible and potentially quite costly to implement. As with any standard, cost/benefit considerations no doubt play a substantive role in assessing the desirability of proposed new rules and whilst, the theory of the standard is well intended success in implementation of the standard may prove difficult to achieve. Further, an unintentional result may occur, that is, a division within the accounting profession between those who audit and those who provide and perform other kinds of accounting services.

**Specific Comments**

1. Paragraph 1 on page 4 requires all audit professionals to have advanced level knowledge (beyond just the knowledge of professional accountants) of financial reporting and information technology. Yet, the audit of a simple company may not require deep knowledge of IT. The audit firm maybe in the best position to make the decision as to the level of knowledge needed by a staff member to successfully perform an engagement.
2. On page 5, paragraph 3, the statement is made that no special consideration is offered for small businesses or small audit practices. This position needs to be clarified by the Education Committee. Obviously, audits range widely in complexity and risk to the auditor, and smaller audit firms tend to perform the simpler, less risky engagements (e.g. closely held companies). In theory this may be correct, but the reality is that SMPs conduct audits mostly on SMEs. The audit of a non-publicly accountable enterprise is different in complexity from that of a listed company. While the theory, objectives and most procedures are the same, the risk, public interest, and complexity are all different.

3. Page 7 para. 5, the term “substantial involvement” is vague. Is this measured by time spent on an engagement? If so, then the large audit firms auditing large clients could experience some difficulty since research indicates that about 50% of the time on large audits is spent by the most junior staff members – all of whom would have to be “certified” under this proposed standard. We suggest that some additional criteria be added to expand this definition (such as time spent on the audit and the level of authority of staff members).
4. Para. 34 lists the job titles normally used by “audit professionals”. This list does not include “in-charge” auditors or “audit juniors”. Certainly in-charge auditors will often make significant audit judgments – for example, when an in-charge is responsible for the field work for a small audit engagement. Junior auditors also often make material audit judgments involving, for example, the choice of specific sample units from a population. The entire audit process involves a significant degree of judgment. Trying to restrict these judgments to only “audit professionals” (see para. 35) may be seen as arbitrary and not achievable in practice.
5. In para. 40, we agree that an educational program provides the foundation to apply principles that learned substantially, through an education program. However, the learning of the intellectual and personal skills necessary to become an audit professional generally comes from practical experience.
6. The “black lettered” guidance in paras. 47 and 50 as to what constitutes “knowledge content” is basically a list of standards (e.g. ISAs, IAPs, IFRSs, etc.) A quality audit requires knowledge beyond standards. Auditors must also understand the fundamental principles of the functions of business and the economy together with the principles of finance and statistics.
7. Para. 79 & 80 speak to the assessment issue. Will an IFAC member body be in a position to monitor how individuals and firms in practice make audit staffing decisions? (i.e. only allow audit professionals to make audit judgments).
8. The guidance in Section 4 on transnational audits and specific industries may also not be easy to implement. Again, this makes member bodies of IFAC somehow responsible for how firms assign staff to certain types of audits and industries. This will be an issue for the firms to deal with. It may not be easily done by IFAC member bodies.

## **Conclusion**

The standard has the potential to impose large costs on IFAC member bodies which may not be easily fulfilled because of limited financial and human resources. The standard needs to take account of costs and the practicalities of implementation by all IFAC member bodies versus perceived benefits.

We hope you find these comments useful in your deliberations. Thank you for the opportunity to provide our comments.

Regards,

[Original signed by:]

Anthony Ariganello, FCGA, CPA (Delaware)  
President and CEO