INTRODUCTION

1. The aim of this Issues paper is to assist IAESB members in their discussion on finalizing the revised Exposure Drafts of the revised International Education Standards 2, 3, 4, and 81.

2. This agenda item contains the following materials:

   - **Agenda Item 2-1**: Revisions to IES 2, 3, 4 and 8 - Information and Communications Technologies Project Issues Paper (06/19).
   - **Agenda Item 2-2**: Professional Skepticism Literature Review – IAESB Issues Paper (06/19).
   - **Agenda Item 2-3**: Marked-up Version of Suggested Revisions to Exposure Draft of Proposed Revisions to IES 2, 3, 4 and 8 - Information and Communications Technologies and Professional Skepticism (June 24, 2019).
   - **Agenda Item 2-4**: Clean Version of Suggested Revisions to Exposure Draft of Proposed Revisions to IES 2, 3, 4 and 8 - Information and Communications Technologies and Professional Skepticism (June 24, 2019)
   - **Agenda Item 2-5**: Information and Communications Technologies Project: Basis for Changes for Learning Outcomes (06/19)

BACKGROUND

3. As a result of projects that evaluated whether the extant IESs 2, 3, 4, and 8 are “fit for purpose” from ICT and professional scepticism perspectives, the Board has decided to revise and develop new learning outcomes for these standards (See Agenda Items 6-1 and 7-1 of the November 2017 meeting, Agenda Item 4-1 of the April 2018 meeting, Agenda Item 3-1 and Appendix 1 of Agenda Item 7-6 of October 2018 meeting). These changes have also led the task forces to

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propose conforming and clarifying changes to ensure that terminology is consistent and properly understood among the full set of learning outcomes.


5. At its April 2019 and June teleconference IAESB and IAESB CAG meetings the Board deliberated on the findings and drafting proposals resulting from respondents ED comments. As a result of these deliberations, the Board is undertaking a review of the finalized drafts of the Revised IESs 2, 3, 4, and 8 (Agenda Item 2-3 (Marked-Up version and Agenda Item 2-4 (Clean version)) with the aim of approving these IESs at its June 2019 meeting.

DISCUSSION

6. If IAESB members are in agreement with the proposed amendments made by the Task Force in response to IAESB, DWG, and CAG comments and suggestions, the IAESB will undertake a page-by-page review of the finalized drafts of the revised IESs 2, 3, 4, and 8.

7. The IAESB should consider an effective date of implementation for the revised IESs 2, 3, 4, and 8. IAESB is asked to vote on an effective date of January 1, 2021.

8. Following a page-by-page review, the IAESB will consider whether it is appropriate to vote on the approval of the final revised content of the exposed revised IESs 2, 3, 4, and 8 documents in accordance with the IAESB’s Terms of Reference.

9. After approving the final revised content of the exposed IESs 2, 3, 4, and 8 documents, the IAESB votes on whether there has been substantial change (See Appendix 1 of this paper) to the exposed document such that re-exposure is necessary.

10. If re-exposure is not necessary, the IAESB is requested to vote on the withdrawal of extant IESs 2, 3, 4, and 8 as of its effective date, in accordance with the IAESB’s Terms of Reference.

11. In preparing IESs 2, 3, 4, and 8 for release, the final draft will be forwarded to IFAC for a Plain Language Review, the DWG Chairperson check, and formatting. Any changes will be reviewed by the ICT and Professional Skepticism Task Force Chairs to ensure that content has not changed. Then, the final versions of IESs 2, 3, 4, and 8 are submitted to the PIOB for approval of due process.
DUE PROCESS MATTERS (06/19)

INTRODUCTION

1. The purpose of this Appendix is to assist the IAESB members in their determination of whether re-exposure of the exposed IESs 2, 3, 4, and 8 is necessary.

2. According to IAESB due process, situations that constitute potential grounds for a decision to re-expose may include:
   (a) Substantial change to a proposal arising from matters not aired in the exposure draft (ED) such that commentators have not had an opportunity to make their views known to the IAESB before it reaches a final conclusion;
   (b) Substantial change arising from matters not previously deliberated by the IAESB; or
   (c) Substantial change to the substance of a proposed international pronouncement.

DUE PROCESS MATTERS

Significant Matters Raised by Respondents

3. The task force has identified and deliberated on all significant issues raised by respondents to the Exposure Draft (ED) of Revised IESs 2, 3, 4, and 8. The task force’s analysis of significant issues and its recommendations to address these issues have been presented in public agenda papers for IAESB’s discussion. It is the view of the task force that there are no significant issues raised by the respondents that have not been brought to the IAESB’s attention.

Need for Further Consultation

4. The task force reports that all significant issues have been deliberated and resolved by the IAESB. At its April 2019 meeting, IAESB CAG members were consulted on the task force’s analysis of significant issues and its recommendations. CAG members’ advice was presented to the IAESB during its deliberations of significant issues (April 2019 meeting, June 2019 teleconference meeting, June 2019 in-person meeting).

5. On the basis of the above, the IAESB does not believe there is a need for further consultation with stakeholders.

Consideration of the Need for Further Re-Exposure

6. The task force has prepared a summary comparative analysis to show the proposed revisions to IESs 2, 3, 4, and 8 Exposure Draft (See Appendix 1, Marked-up from Exposure Draft (December 2018) version) which. This comparative analysis shows the editorial and wording differences between the ED and the proposed finalized versions of proposed revisions to IESs 2, 3, 4, and 8. The task force has made the proposed revisions to respond to respondents’ comments to the ED and to enhance clarity and consistency of IESs 2, 3, 4, and 8.

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The major editorial and wording differences between the ED and the proposed finalized versions of IESs 2, 3, 4, and 8 are summarized as follows:

**Introduction**
No changes were made to the Introduction sections of the ED on the revised IESs 2, 3, 4 and 8.

**Objective**
No changes were made to the Objective sections of the ED on the revised IESs 2, 3, 4 and 8.

**Requirements**
No significant changes were made to the wording of the Requirements statements of the ED on the revised IESs 2, 3, 4 and 8, except for drafting changes made to existing learning outcomes and new learning outcome statements added to Table As in revised IESs 2, 3, 4, and 8.

The following new learning outcomes were added: IES 2 e(vi), IES 2 e(vii), IES 8 a(ii), IES 8 a(iii), IES 8 m(ii), IES 8 n(ii). These new learning outcomes are the result of ED respondents’ requests to reduce the complexity of proposed ED learning outcomes by reducing the number of action verbs within the learning outcome statements or simplifying the context within the proposed ED learning outcome statements to enable objective and measurable assessment.

In addition, drafting changes were made to the following ED learning outcomes: IES 2 b(iii), IES 2 f(iii), IES 2 f(vi), IES 2 g(iii), IES 2 h(i), IES 2 h(ii), IES 2 h(iii), IES 2 h(vi), IES 2 i(i), IES 2 i(ii), IES 3 a(ii), IES 3 a(iii), IES 3 a(iv), IES 3 b(i), IES 3 b(ii), IES 3 c(ii), IES 3 c(vi), IES 3 c(vii), IES 4 a(ii), IES 4 a(iii), IES 4 b(iii), IES 4 b(iv), IES 4 b(vi), IES 4 c(ii), IES 4 c(iii), IES 8 a(i), IES 8 a(ii), IES 8 a(iii), IES 8 l(i), IES 8 m(i), IES 8 m(ii), IES 8 m(iii), IES 8 m(iv), IES 8 m(v), and IES 8 m(vi). These revisions were made to improve clarity and understanding of the learning outcomes, to reorganize ICT learning outcomes from other competence areas to the ICT competence area, to identify the appropriate cognitive level of the learning outcomes for aspiring professional accountant, and to reorganize the learning outcomes within the ICT competence area to better reflect the expected approach in the workplace environment.

**Explanatory Material**
The task forces have made changes to improve readers’ understanding of applying the standard’s requirements, including revising IES 3 Paragraph A5 (a) to reflect the importance of intellectual agility and professional judgment to the competence area of Intellectual skills and adding a new paragraph A17 to explain the importance of developing underlying skills to exercise professional skepticism during IPD and CPD for all professional accountants. In addition, footnote reference were updated to reflect the 2018 IAASB’s Handbook.

The task forces view none of these changes as: a change to the substance of what was exposed, a change to what is required to achieve the objective of the standard, or a change arising from issues not previously deliberated by the IAESB.

**Recommendation**
7. In light of the above, the Task Forces recommends that re-exposure is not warranted in this instance as the wording changes post-exposure are in response to comments received from respondents to the Exposure Draft and do not fundamentally or substantively change the proposed revisions in the Exposure Draft.
# INTERNATIONAL EDUCATION STANDARD 2

## INITIAL PROFESSIONAL DEVELOPMENT – TECHNICAL COMPETENCE (Revised)

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Introduction

Scope of this Standard (Ref: Para. A1–A6)

1. This International Education Standard (IES) prescribes the learning outcomes for technical competence that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Technical competence is the ability to apply professional knowledge to perform a role to a defined standard.

2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.

3. This IES specifies the competence areas and learning outcomes that describe the technical competence required of aspiring professional accountants by the end of IPD. IES 3, Initial Professional Development – Professional Skills (Revised), and IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes (Revised), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.


Effective Date

5. This IES is effective from January 1, 2021.

Objective (Ref: Para. A7)

6. The objective of this IES is to establish the technical competence that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

Requirements

Learning Outcomes for Technical Competence (Ref: Para. A8–A12)

7. IFAC member bodies shall prescribe the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.
### Table A: Learning Outcomes for Technical Competence

<table>
<thead>
<tr>
<th>Competence Area (Level of Proficiency(^3))</th>
<th>Learning Outcomes</th>
</tr>
</thead>
</table>
| (a) Financial accounting and reporting (Intermediate) | (i) Apply accounting principles to transactions and other events.  
(ii) Apply International Financial Reporting Standards (IFRSs) or other relevant standards to transactions and other events.  
(iii) Evaluate the appropriateness of accounting policies used to prepare financial statements.  
(iv) Prepare financial statements, including consolidated financial statements, in accordance with IFRSs or other relevant standards.  
(v) Interpret financial statements and related disclosures.  
(vi) Interpret reports that include non-financial data and information. |
| (b) Management accounting (Intermediate) | (i) Apply techniques to support management decision making, including product costing, variance analysis, inventory management, and budgeting and forecasting.  
(ii) Apply appropriate quantitative techniques to analyze cost behavior and the drivers of costs.  
(iii) Analyze data and information to provide meaningful information to support management decision making.  
(iv) Prepare information to support management decision making on topics including planning and budgeting, cost management, quality control, performance measurement, and comparative analysis.  
(v) Evaluate the performance of products and business segments. |
| (c) Finance and financial management (Intermediate) | (i) Compare the various sources of financing available to an organization, including bank financing, financial instruments, and bond, equity and treasury markets.  
(ii) Analyze an organization’s cash flow and working capital requirements.  
(iii) Analyze the current and future financial position of an organization, using techniques including ratio analysis, trend analysis, and cash flow analysis.  
(iv) Evaluate the appropriateness of the components used to calculate an organization’s cost of capital.  
(v) Apply capital budgeting techniques in the evaluation of capital investment decisions.  
(vi) Explain income, asset-based, and market valuation approaches used for investment decisions, business planning, and long-term financial management. |
| (d) Taxation (Intermediate) | (i) Explain national taxation compliance and filing requirements.  
(ii) Prepare direct and indirect tax calculations for individuals and organizations.  
(iii) Analyze the taxation issues associated with non-complex international transactions.  
(iv) Explain the differences between tax planning, tax avoidance, and tax evasion. |
| (e) Audit and assurance | (i) Describe the objectives and stages involved in performing an audit of financial statements. |

\(^3\) The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).
<table>
<thead>
<tr>
<th>Competence Area (Level of Proficiency)</th>
<th>Learning Outcomes</th>
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</thead>
<tbody>
<tr>
<td><strong>(Intermediate)</strong></td>
<td>(ii) Apply International Standards on Auditing (or relevant auditing standards) and laws and regulations applicable to an audit of financial statements.</td>
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<tr>
<td></td>
<td>(iii) Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy.</td>
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<td>(iv) Apply quantitative methods that are used in audit engagements.</td>
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<td>(v) Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.</td>
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<td>(vi) Assess audit evidence for appropriateness and sufficiency.</td>
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<td>(vi) Analyze contradictory evidence to inform decisions and reach conclusions.</td>
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<td></td>
<td>(vii) Assess whether sufficient and appropriate audit evidence has been obtained.</td>
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<tr>
<td><strong>(f) Governance, risk management and internal control (Intermediate)</strong></td>
<td>(i) Explain the principles of good governance, including the rights and responsibilities of owners, investors, and those charged with governance; and explain the role of stakeholders in governance, disclosure, and transparency requirements.</td>
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<tr>
<td></td>
<td>(ii) Analyze the components of an organization’s governance framework.</td>
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<td></td>
<td>(iii) Apply ICT to support the identification, reporting and management of risk in an organization.</td>
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<td></td>
<td>(iv) Analyze an organization’s risks and opportunities using a risk management framework.</td>
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<td></td>
<td>(v) Analyze the components of internal control related to financial reporting.</td>
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<td></td>
<td>(vi) Assess, Analyze the adequacy of systems, processes and controls for capturing, transmitting, reporting and safeguarding collecting, generating, storing, accessing, using or sharing data and information.</td>
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<tr>
<td><strong>(g) Business laws and regulations (Intermediate)</strong></td>
<td>(i) Explain the laws and regulations that govern the different forms of legal entities.</td>
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<td>(ii) Explain the laws and regulations applicable to the environment in which professional accountants operate.</td>
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<td></td>
<td>(iii) Apply data protection and privacy regulations when collecting, generating, accessing, storing, generating accessing, using and or sharing data and information.</td>
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<tr>
<td><strong>(h) Information and communications Technologies (ICT) (Intermediate)</strong></td>
<td>(i) Analyze the adequacy of processes and controls.</td>
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<td>(ii) Recommend improvements to processes and controls.</td>
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<td></td>
<td>(iii) Apply ICT to increase the efficiency and effectiveness of processes.</td>
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<td></td>
<td>(i) Explain the impact of ICT developments on business and an organization’s environments.</td>
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<td></td>
<td>(ii) Explain how ICT supports data analysis and decision making.</td>
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<td></td>
<td>(iii) Explain how ICT supports the identification, reporting and management of risk in an organization.</td>
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<td></td>
<td>(iv) Use ICT to analyze data and information.</td>
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<td></td>
<td>(viii) Use technology effectively to communicate.</td>
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<td></td>
<td>(vi) Apply ICT to enhance the efficiency and effectiveness of an organization’s systems.</td>
</tr>
<tr>
<td>Competence Area (Level of Proficiency)</td>
<td>Learning Outcomes</td>
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| (i) Business and organizational environment (Intermediate) | (vii) Analyze the adequacy of ICT processes and controls.  
(viii) Identify improvements to ICT processes and controls.  
(ii) Explain the impact of ICT developments on business and organizational environments.  
(iii) Analyze aspects of the global environment that affect international trade and finance.  
(iii) Identify the features of globalization, including the role of multinationals, and emerging markets. |
| (j) Economics (Foundation) | (i) Describe the fundamental principles of microeconomics and macroeconomics.  
(ii) Describe the effect of changes in macroeconomic indicators on business activity.  
(iii) Explain the different types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly. |
| (k) Business strategy and management (Intermediate) | (i) Explain the various ways that organizations may be designed and structured.  
(ii) Explain the purpose and importance of different types of functional and operational areas within organizations.  
(iii) Analyze the external and internal factors that may influence the strategy of an organization.  
(iv) Explain the processes that may be used to develop and implement the strategy of an organization.  
(v) Explain how theories of organizational behavior may be used to enhance the performance of the individual, teams, and the organization. |

**Review of Professional Accounting Education Programs (Ref: Para. A13–A14)**

8. IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES.

**Assessment of Technical Competence (Ref: Para. A15–A16)**

9. IFAC member bodies shall establish appropriate assessment activities to assess the technical competence of aspiring professional accountants.

***
Explanatory Material

Scope of this Standard (Ref: Para. 1–4)

A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.

A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.

A3. The inclusion of technical competence in IPD lays the base for performing a role as a professional accountant. Further development of technical competence is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2020).

A4. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

A5. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within technical competence include financial accounting and reporting, taxation, and economics; competence areas within professional skills include intellectual and organizational; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.

A6. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or professional accounting education program.

Objective (Ref: Para. 6)

A7. Establishing the technical competence that aspiring professional accountants need to develop and demonstrate, serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

Learning Outcomes for Technical Competence (Ref: Para. 7)

A8. Table A lists the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or taxation specialist.
A9. In the design of professional accounting education programs, the 11 competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area may be achieved across more than one course or subject dedicated to that area. For example, the learning outcomes for financial accounting and reporting may be achieved across two or more financial accounting and reporting courses or subjects. The achievement of some learning outcomes may extend across several different courses or subjects, none of which may be devoted solely to that competence area. For example, the learning outcomes within information and communications technologies may be achieved through the integration of relevant material within courses that focus on management accounting and/or auditing and assurance. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A. For example, economics is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program.

A10. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.

A11. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member bodies design their professional accounting education programs.

A12. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

**Review of Professional Accounting Education Programs (Ref: Para. 8)**

A13. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of the professional accounting education programs may involve substantive input from stakeholders other than IFAC member bodies.

A14. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

**Assessment of Technical Competence (Ref: Para. 9)**

A15. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015), provides the principles that apply to the design of assessment activities used to assess the technical competence and other elements of professional competence.
A16. Various assessment activities can be used to assess the technical competence of aspiring professional accountants. Appropriate assessment activities may include (a) written examinations consisting of questions requiring short answers, (b) case studies, (c) written essays, (d) objective testing, (e) workplace assessments, and (f) the evaluation of prior learning leading to the awarding of exemptions from aspects of IPD.
Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB’s use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

<table>
<thead>
<tr>
<th>Level of Proficiency</th>
<th>Description</th>
</tr>
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</table>
| Foundation           | Typically, learning outcomes in a competence area focus on:  
  • Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;  
  • Performing assigned tasks by using the appropriate professional skills;  
  • Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;  
  • Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and  
  • Providing information and explaining ideas in a clear manner, using oral and written communications.  
Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty. |
| Intermediate         | Typically, learning outcomes in a competence area focus on:  
  • Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;  
  • Combining technical competence and professional skills to complete work assignments; |
<table>
<thead>
<tr>
<th>Level of Proficiency</th>
<th>Description</th>
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</table>
|                      | • Applying professional values, ethics, and attitudes to work assignments; and  
|                      | • Presenting information and explaining ideas in a clear manner, using oral and  
|                      |   written communications, to accounting and non-accounting stakeholders.  
|                      | Learning outcomes at the intermediate level relate to work environments that are  
|                      |   characterized by moderate levels of ambiguity, complexity, and uncertainty.  
| Advanced             | Typically, learning outcomes in a competence area focus on:  
|                      | • Selecting and integrating principles and theories from different areas of  
|                      |   technical competence to manage and lead projects and work assignments,  
|                      |   and to make recommendations appropriate to stakeholder needs;  
|                      | • Integrating technical competence and professional skills to manage and  
|                      |   lead projects and work assignments;  
|                      | • Making judgments on appropriate courses of action drawing on professional  
|                      |   values, ethics, and attitudes;  
|                      | • Assessing, researching, and resolving complex problems with limited  
|                      |   supervision;  
|                      | • Anticipating, consulting appropriately, and developing solutions to complex  
|                      |   problems and issues; and  
|                      | • Consistently presenting and explaining relevant information in a persuasive  
|                      |   manner to a wide-range of stakeholders.  
|                      | Learning outcomes at the advanced level relate to work environments that are  
|                      |   characterized by high levels of ambiguity, complexity, and uncertainty.  

INTERNATIONAL EDUCATION STANDARD 3
INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL SKILLS (Revised)

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Appendix 1: Description of Levels of Proficiency
Introduction

Scope of this Standard (Ref: Para. A1–A7)

1. This International Education Standard (IES) prescribes the learning outcomes for professional skills that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Professional skills are the (a) intellectual, (b) interpersonal and communication, (c) personal, and (d) organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.

2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.

3. This IES specifies the competence areas and learning outcomes that describe the professional skills required of aspiring professional accountants by the end of IPD. IES 2, Initial Professional Development – Technical Competence (Revised), and IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes (Revised), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.


Effective Date

5. This IES is effective from January 1, 2021.

Objective (Ref: Para. A8)

6. The objective of this IES is to establish the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

Requirements

Learning Outcomes for Professional Skills (Ref: Para. A9–A14)

7. IFAC member bodies shall prescribe the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.
Table A: Learning Outcomes for Professional Skills

<table>
<thead>
<tr>
<th>Competence Area (Level of Proficiency)</th>
<th>Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Intellectual (Intermediate)</td>
<td>(i) Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.</td>
</tr>
<tr>
<td></td>
<td>(ii) Apply critical thinking skills to solve problems, inform judgments, make decisions and reach well-reasoned conclusions.</td>
</tr>
<tr>
<td></td>
<td>(iii) Identify when it is appropriate to consult with others, specialists to reach informed conclusions.</td>
</tr>
<tr>
<td></td>
<td>(iv) Recommend solutions to unstructured, multi-faceted problems.</td>
</tr>
<tr>
<td></td>
<td>(iv) Demonstrate intellectual agility; adapt readily to changing circumstances or information to solve problems, inform judgments, make decisions and reach well-reasoned conclusions.</td>
</tr>
<tr>
<td>(b) Interpersonal and communication</td>
<td>(i) Display collaboration, cooperation and teamwork when working towards organizational goals.</td>
</tr>
<tr>
<td>(Intermediate)</td>
<td>(ii) Demonstrate collaboration skills.</td>
</tr>
<tr>
<td></td>
<td>(iii) Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.</td>
</tr>
<tr>
<td></td>
<td>(iii) Demonstrate awareness of cultural and language differences in all communication.</td>
</tr>
<tr>
<td></td>
<td>(iv) Apply active listening and effective interviewing techniques.</td>
</tr>
<tr>
<td></td>
<td>(v) Apply negotiation skills to reach solutions and agreements.</td>
</tr>
<tr>
<td></td>
<td>(vi) Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities.</td>
</tr>
<tr>
<td></td>
<td>(vii) Present ideas and influence others to provide support and commitment.</td>
</tr>
<tr>
<td>(c) Personal (Intermediate)</td>
<td>(i) Demonstrate a commitment to lifelong learning.</td>
</tr>
<tr>
<td></td>
<td>(ii) Set high personal standards of performance and monitor personal performance, through feedback from others and through reflection.</td>
</tr>
<tr>
<td></td>
<td>(iii) Manage time and resources to achieve professional commitments.</td>
</tr>
<tr>
<td></td>
<td>(iv) Anticipate challenges and plan potential solutions.</td>
</tr>
<tr>
<td></td>
<td>(v) Apply an open mind to new opportunities.</td>
</tr>
<tr>
<td></td>
<td>(vi) Demonstrate an awareness of personal and organizational bias in making judgement.</td>
</tr>
<tr>
<td></td>
<td>(vii) Reflect on experiences to improve future actions.</td>
</tr>
<tr>
<td>(d) Organizational (Intermediate)</td>
<td>(i) Undertake assignments in accordance with established practices to meet prescribed deadlines.</td>
</tr>
<tr>
<td></td>
<td>(ii) Review own work and that of others to determine whether it complies with the organization’s quality standards.</td>
</tr>
<tr>
<td></td>
<td>(iii) Apply people management skills to motivate and develop others.</td>
</tr>
<tr>
<td></td>
<td>(iv) Apply delegation skills to deliver assignments.</td>
</tr>
<tr>
<td></td>
<td>(v) Apply leadership skills to influence others to work towards organizational goals.</td>
</tr>
</tbody>
</table>

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4 The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).
Review of Professional Accounting Education Programs (Ref: Para. A15–A16)

8. IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES.

Assessment of Professional Skills (Ref: Para. A17–A19)

9. IFAC member bodies shall establish appropriate assessment activities to assess the professional skills of aspiring professional accountants.
Explanatory Material

**Scope of this Standard** (Ref: Para. 1–4)

A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.

A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.

A3. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

A4. The inclusion of professional skills in IPD lays the base for performing a role as a professional accountant. Further development of professional skills is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2020).

A5. Within this IES, professional skills are categorized into four competence areas:

(a) **Intellectual** relates to the ability of a professional accountant to solve problems and, to make decisions, to adapt to change and to exercise professional judgement;

(b) **Interpersonal and communication** relate to the ability of a professional accountant to work and interact effectively with others;

(c) **Personal** relates to the personal attitudes and behavior of a professional accountant; and

(d) **Organizational** relates to the ability of a professional accountant to work effectively with or within an organization to obtain the optimal results or outcomes from the people and resources available.
A6. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional skills include intellectual and organizational; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.

A7. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or professional accounting education program.

Objective (Ref: Para. 6)

A8. Establishing the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants and promotes the credibility of the accountancy profession.

Learning Outcomes for Professional Skills (Ref: Para. 7)

A9. Table A lists the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.

A10. In the design of professional accounting education programs, the four competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area (for example, organizational) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within intellectual) may extend across several different courses or subjects, none of which may be devoted solely to that competence area.

A11. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.

A12. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member bodies design their professional accounting education programs.

A13. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

A14. IFAC member bodies, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional skills, taking into consideration the national and cultural environment. An appropriate approach is likely to include a mixture of learning and development activities which combine structured learning programs and
practical experience. For example, practical experience supervisors play an important role in helping aspiring professional accountants to develop professional skills within the workplace.

**Review of Professional Accounting Education Programs (Ref: Para. 8)**

A15. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of the professional accounting education programs may involve substantive input from stakeholders other than IFAC member bodies.

A16. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

**Assessment of Professional Skills (Ref: Para. 9)**

A17. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015), provides the principles that apply to the design of assessment activities used to assess the professional skills and other elements of professional competence.

A18. Various assessment activities can be used to assess the professional skills of aspiring professional accountants. Work-based simulations or group exercises are examples of activities that enable aspiring professional accountants to develop and demonstrate achievement of learning outcomes related to professional skills, within a professional accounting education program. Practical experience also enables aspiring professional accountants to participate in assessment activities to demonstrate their professional skills. Examples of such activities include (a) keeping a diary, (b) participating in 360 degree assessments, (c) compiling portfolios of evidence of achievement of learning outcomes, or (d) being monitored by a practical experience supervisor.

A19. Assessment of professional skills in the workplace may require a different approach to that of written examinations in order to achieve high levels ——of reliability, validity, equity, transparency, and sufficiency. For example, assessment design may include:

(a) Specification of learning outcomes that are clear and detailed in order to minimize ambiguity and increase the reliability and transparency of the assessment;

(b) Training of workplace assessors in order to achieve consistency between assessors and equity between aspiring professional accountants; and

(c) Creation of work-based simulations in order to provide sufficient, equitable, and reliable assessments of professional skills.
Appendix 1

Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB’s use of learning outcomes in its publications such as International Education Standards (IES) 2, 3s, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help IFAC member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

<table>
<thead>
<tr>
<th>Level of Proficiency</th>
<th>Description</th>
</tr>
</thead>
</table>
| Foundation           | Typically, learning outcomes in a competence area focus on:  
  • Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;  
  • Performing assigned tasks by using the appropriate professional skills;  
  • Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;  
  • Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and  
  • Providing information and explaining ideas in a clear manner, using oral and written communications.  
Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty. |
| Intermediate         | Typically, learning outcomes in a competence area focus on:  
  • Independently applying, comparing and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;  
  • Combining technical competence and professional skills to complete work assignments; |
<table>
<thead>
<tr>
<th>Level of Proficiency</th>
<th>Description</th>
</tr>
</thead>
</table>
|                      | • Applying professional values, ethics, and attitudes to work assignments; and  
  • Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.  
Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty. |
<table>
<thead>
<tr>
<th>Level</th>
<th>Details</th>
</tr>
</thead>
</table>
| Advanced | Typically, learning outcomes in a competence area focus on:  
- Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;  
- Integrating technical competence and professional skills to manage and lead projects and work assignments;  
- Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;  
- Assessing, researching and resolving complex problems with limited supervision;  
- Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and  
- Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.  
Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty. |

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<td>Reflective Activity</td>
</tr>
<tr>
<td>Assessment of Professional Values, Ethics, and Attitudes</td>
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</tbody>
</table>

Appendix 1: Description of Levels of Proficiency
Introduction

Scope of this Standard (Ref: Para. A2–A10)

1. This International Education Standard (IES) prescribes the learning outcomes that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD) for professional values, ethics, and attitudes. Professional values, ethics, and attitudes are the characteristics that identify professional accountants as members of a profession. They include the principles of conduct (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of professional behavior.

2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.

3. Learning and development continue throughout the career of a professional accountant; professional values, ethics, and attitudes achieved during IPD are therefore also relevant to continuing professional development (CPD) as careers of professional accountants change, and professional accountants gain exposure to a wider range of ethical threats.

4. This IES integrates relevant ethical requirements into professional accounting education. These relevant ethical requirements ordinarily set out five fundamental principles of professional ethics: integrity; objectivity; professional competence and due care; confidentiality; and professional behavior.

5. This IES specifies the competence areas and learning outcomes that describe the professional values, ethics, and attitudes required of aspiring professional accountants by the end of IPD. IES 2, Initial Professional Development – Technical Competence (Revised), and IES 3, Initial Professional Development – Professional Skills (Revised), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.

6. Definitions and explanations of the key terms used in the IES and the Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants (2015) are set out in the International Accounting Education Standards Board (IAESB) Glossary of Terms (Revised). Additional terms from the pronouncements of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) are also included in the Explanatory Material.

Effective Date

7. This IES is effective from January 1, 2021.

Objective (Ref: Para. A11)

8. The objective of this IES is to establish the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.
Requirements

Framework of Professional Values, Ethics, and Attitudes (Ref: Para. A12–A14)

9. IFAC member bodies shall provide, through professional accounting education programs, a framework of professional values, ethics, and attitudes for aspiring professional accountants to (a) exercise professional skepticism and professional judgment, and (b) act in an ethical manner that is in the public interest.

Relevant Ethical Requirements (Ref: Para. A15)

10. IFAC member bodies shall integrate relevant ethical requirements throughout professional accounting education programs for aspiring professional accountants.

Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref: Para. A16–A310)

11. IFAC member bodies shall prescribe the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

Table A: Learning Outcomes for Professional Values, Ethics, and Attitudes

<table>
<thead>
<tr>
<th>Competence Area(Level of Proficiency)</th>
<th>Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Professional skepticism and professional judgment (Intermediate)</td>
<td>(i) Apply a questioning mind when assessing data and information.</td>
</tr>
<tr>
<td></td>
<td>(ii) Demonstrate curiosity by exploring beyond what is immediately apparent.</td>
</tr>
<tr>
<td></td>
<td>(iii) Apply techniques to reduce bias to solve problems, inform judgments, make decisions and reach well-reasoned conclusions.</td>
</tr>
<tr>
<td></td>
<td>(iv) Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.</td>
</tr>
<tr>
<td>(b) Ethical principles (Intermediate)</td>
<td>(i) Explain the nature of ethics.</td>
</tr>
<tr>
<td></td>
<td>(ii) Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.</td>
</tr>
<tr>
<td></td>
<td>(iii) Identify ethical threats and the related determine which ethical principles apply.</td>
</tr>
<tr>
<td></td>
<td>(iv) Analyze alternative courses of action and the to address ethical threats and their related ethical consequences of these actions.</td>
</tr>
<tr>
<td></td>
<td>(v) Apply the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical threats and determine an appropriate approach.</td>
</tr>
</tbody>
</table>

5 The level of proficiency for a competence area identifies the level to be achieved by the end of IPD (as outlined in Appendix 1).
<table>
<thead>
<tr>
<th>Review of Professional Accounting Education Programs (Ref: Para. A321–A332)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reflective Activity (Ref: Para. A343–A387)</th>
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</thead>
<tbody>
<tr>
<td>13. IFAC member bodies shall design learning and development activities on professional values, ethics, and attitudes for aspiring professional accountants to include reflective activity that is formalized and documented.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assessment of Professional Values, Ethics, and Attitudes (Ref: Para. A398–A421)</th>
</tr>
</thead>
<tbody>
<tr>
<td>14. IFAC member bodies shall establish appropriate assessment activities to assess the professional values, ethics, and attitudes of aspiring professional accountants.</td>
</tr>
</tbody>
</table>

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6 Standards include auditing standards, accounting standards, and other standards related to the work being performed by the professional accountant.
Explanatory Material

References to Definitions Contained within IFAC Pronouncements

A1. This IES uses the following terms already defined within IAASB and IESBA pronouncements.

Table B: IAASB and IESBA Definitions Adopted in IES 4

<table>
<thead>
<tr>
<th>Defined Term</th>
<th>Definition in IAASB and IESBA Pronouncements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Skepticism</td>
<td>An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.</td>
</tr>
<tr>
<td>Professional Judgment</td>
<td>Professional judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests and relationships involved.</td>
</tr>
</tbody>
</table>

Scope of this Standard (Ref: Para. 1–6)

A2. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.

A3. Professional values, ethics, and attitudes are defined as the professional behavior and characteristics that identify professional accountants as members of a profession. These include the ethical principles generally associated with, and considered essential in, defining the distinctive characteristics of professional behavior.

A4. Professional values, ethics, and attitudes include a commitment to (a) technical competence and professional skills, (b) ethical behavior (e.g., independence, objectivity, confidentiality, and integrity), (c) professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability), (d) pursuit of excellence (e.g., commitment to continual improvement and lifelong learning), and (e) social responsibility (e.g., awareness and consideration of the public interest).

A5. Relevant ethical requirements are defined as those ethical requirements to which professional accountants are subject, which ordinarily comprise the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with any national requirements that are more restrictive.

A6. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional

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competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

A7. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.

A8. The inclusion of professional values, ethics, and attitudes in IPD lays the base for performing a role as a professional accountant. Further development of professional values, ethics, and attitudes is a focus of CPD that is covered in IES 7, Continuing Professional Development (2020).

A9. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional skills include intellectual and organizational.

A10. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or a professional accounting education program.

Objective (Ref: Para. 8)

A11. Establishing the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

Framework of Professional Values, Ethics, and Attitudes (Ref: Para. 9)

A12. A framework of professional values, ethics, and attitudes may be established by the relevant ethical requirements, for example the conceptual framework approach set out in the IESBA Code.

A13. Under relevant ethical requirements, professional accountants accept a responsibility to act in the public interest. Consequently, the actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer.

A14. By establishing learning and development activities that cover professional values, ethics, and attitudes, IFAC member bodies promote a commitment for the aspiring professional accountant to act in the public interest. Acting in the public interest includes (a) developing an awareness and concern for impact on the public; (b) developing a sensitivity to social responsibilities; (c) lifelong learning; (d) a predisposition to quality, reliability, responsibility, timeliness, and courtesy; and (e) a respect for laws and regulations. This supports the view that professional accountants contribute to confidence and trust in the functioning of markets and the economy in general.

Relevant Ethical Requirements (Ref: Para. 10)

A15. Within a professional accounting education program, professional values, ethics, and attitudes may initially be treated as a separate course or subject. However, as aspiring professional accountants...
progress, the integration of professional values, ethics, and attitudes with other courses or subjects, encourages the recognition and consideration of wider ethical implications.

**Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref: Para. 11)**

*Developing Learning Outcomes*

A16. Table A lists the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.

A17. Although the term professional skepticism is defined specifically within the context of audit and assurance engagements; the attitudes, skills and behaviors that contribute to professional skepticism are relevant to all aspiring professional accountants regardless of their future role as a professional accountant. As a result, initial professional development includes learning and development activities that adequately address the professional skills and ethical behaviors necessary for all aspiring professional accountants to have the ability to apply professional skepticism. The attitudes, skills, and behaviors contributing to professional skepticism are further developed following IPD, through continuing professional development.

A178. In the design of professional accounting education programs, the three competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also the learning outcomes associated with one competence area (for example, ethical principles) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within professional skepticism and professional judgment) may extend across several different courses or subjects, none of which may be devoted solely to that competence area. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A (for example, commitment to the public interest is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program).

A189. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.

A2049. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member bodies design their professional accounting education programs.

A210. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).
**Selecting Learning and Development Activities**

**A224.** IFAC member bodies, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional values, ethics, and attitudes, taking into consideration the national and cultural environment.

**A226.** In determining the approach to achieving the learning outcomes, the mix of learning and development activities may include a combination of structured learning programs and practical experience. This combination may be organized to give aspiring professional accountants an adequate opportunity to experience the application of professional values, ethics, and attitudes in the workplace.

**A232.** In establishing learning and development activities, IFAC member bodies, educators, and other stakeholders may distinguish between (a) educating aspiring professional accountants about professional values, ethics, and attitudes, and (b) developing and maintaining an appropriate environment for ethical behavior. Development of professional values, ethics, and attitudes may be achieved through IPD, and continues throughout a career, forming part of CPD activities and lifelong learning.

**A243.** IFAC member bodies, educators, and other stakeholders may consider using participative approaches that can enhance the development of professional values, ethics, and attitudes. These may include but would not be restricted to:

(a) Role playing;
(b) Discussion of selected readings and online materials;
(c) Analysis of case studies that involve business situations involving ethical threats;
(d) Discussion of disciplinary pronouncements and findings;
(e) Seminars using speakers with experience of corporate or professional decision making; and
(f) Use of online forums and discussion boards.

**A254.** Participative approaches may lead aspiring professional accountants 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.

**Professional Skepticism and Professional Judgment**

**A276.** Professional development in the areas of professional skepticism and professional judgment is not always straightforward. Planning effective learning and development in these areas involves due care and may include learning methods in which mentoring, reflective activity, time, and practical experience play a key role.

**Ethical Principles**

**A287.** Professional values, ethics, and attitudes apply to everything that professional accountants undertake in their professional capacity. Having (a) knowledge and understanding of ethical concepts, ethical theories, and the fundamental principles of professional ethics, and (b) the opportunity to practice their application in a non-workplace setting can help aspiring professional accountants to recognize and address ethical threats.

**A298.** Learning and development for aspiring professional accountants on ethical principles and threats may address (a) particular ethical threats likely to be faced by all professional accountants, (b) those
ethical threats more likely to be encountered by professional accountants in their respective roles, and (c) key considerations in developing appropriate responses to such ethical threats.

A3029. The emphasis on ethical principles may be achieved by encouraging aspiring professional accountants to (a) identify any apparent ethical implications and conflicts in their work or work environment, (b) form preliminary views on such occurrences, and (c) discuss them with their practical experience supervisors.

A310. Ethical threats and potential dilemmas for aspiring professional accountants are likely to occur within the period of practical experience. Those responsible for designing and supervising practical experience programs may provide guidance to aspiring professional accountants about the need to consult employers, mentors, or supervisors within their work environment or an IFAC member body, where there is doubt about the ethical aspects of a course of action or situation.

Review of Professional Accounting Education Programs (Ref: Para. 12)

A324. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of professional accounting education programs offered during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.

A332. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

Reflective Activity (Ref: Para. 13)

A343. Reflective activity is the iterative process by which professional accountants, at all stages of their career, continue to develop their professional competence by reviewing their experiences (real or simulated) with a view to improving their future actions.

A354. The most realistic experiences on which to reflect may occur in the workplace. Where this is not possible or appropriate, simulations of "real life" experiences, or consideration of relevant cases that are in the public domain may also offer suitable alternatives.

A365. The documentation of reflective activity may include:

(a) Records of learning;
(b) Reflective records;
(c) Personal development portfolios; or
(d) Critical incident diaries.

A376. In providing guidance to aspiring professional accountants and professional accountants on the nature, format, and content of documentation to be maintained for reflective activity and the types of ethical situations to be documented, IFAC member bodies may consider factors, for example confidentiality, legal, and regulatory requirements. For example, certain ethical situations could be sensitive and subject to legal or disciplinary actions and would therefore not be suitable for aspiring professional accountants to document and discuss.
IFAC member bodies may also consider providing guidance on how to support reflective activity in practice for practical experience supervisors.

Assessment of Professional Values, Ethics, and Attitudes (Ref: Para. 14)

IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015) provides the principles that apply to the design of assessment activities used to assess the professional values, ethics, and attitudes and other elements of professional competence.

Various assessment activities can be used to assess the professional values, ethics, and attitudes of aspiring professional accountants. Appropriate assessment activities may include (a) written examinations consisting of questions requiring short answers, (b) case studies, (c) written essays, (d) objective testing, (e) workplace assessments, and (f) the recognition of prior learning.

In addition to written examinations, there are a number of other means by which assessment within a formal education environment may be carried out, including:

(a) Creating repositories of case studies and requiring aspiring professional accountants to complete tests based on these case studies;
(b) Using a case analysis system that requires aspiring professional accountants to maintain journals and notes on particular public domain cases;
(c) Using objective testing of ethical aspects of professional accounting education programs; and
(d) Using case study group assignments and workshops to assess ethical analysis and decision-making.

Workplace assessment differs from, and in many respects is more difficult than, assessment within a formal education environment. The means for assessing the development of professional values, ethics, and attitudes in the workplace may include:

(a) Discussion and facilitated resolution of ethical threats as they arise in the workplace; and
(b) Reviews of ethical decision-making combined with performance reviews and appraisals.
Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB’s use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

<table>
<thead>
<tr>
<th>Level of Proficiency</th>
<th>Description</th>
</tr>
</thead>
</table>
| Foundation           | Typically, learning outcomes in a competence area focus on:  
  • Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;  
  • Performing assigned tasks by using the appropriate professional skills;  
  • Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;  
  • Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and  
  • Providing information and explaining ideas in a clear manner, using oral and written communications.  
Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty. |
| Intermediate         | Typically, learning outcomes in a competence area focus on:  
  • Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;  
  • Combining technical competence and professional skills to complete work assignments;  
  • Applying professional values, ethics, and attitudes to work assignments; and  
  • Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.  
Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty. |
Typically, learning outcomes in a competence area focus on:

- Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;
- Integrating technical competence and professional skills to manage and lead projects and work assignments;
- Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;
- Assessing, researching and resolving complex problems with limited supervision;
- Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and
- Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.

Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.
**INTERNATIONAL EDUCATION STANDARD 8**  
PROFESSIONAL COMPETENCE FOR ENGAGEMENT PARTNERS RESPONSIBLE FOR AUDITS OF FINANCIAL STATEMENTS (Revised)

**CONTENTS**

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Introduction

Scope of this Standard (Ref: Para. A2–A16)

1. This International Education Standard (IES) prescribes the professional competence that professional accountants are required to develop and maintain when performing the role of an Engagement Partner responsible for audits of financial statements\(^\text{11}\).

2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have a responsibility for the Continuing Professional Development (CPD) of professional accountants, and for fostering a commitment to lifelong learning among professional accountants. Under IES 7, *Continuing Professional Development*\(^\text{12}\) (2020), IFAC member bodies require all professional accountants to develop and maintain professional competence relevant and appropriate to their work and professional responsibilities. IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (Revised) applies this IES 7 requirement to the role of an Engagement Partner. It is the responsibility of the professional accountant performing the role of an Engagement Partner to develop and maintain professional competence by undertaking relevant CPD activities, which include practical experience.

3. This IES is intended to be read in conjunction with Statement of Membership Obligations (SMO) 1 – *Quality Assurance*, International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, and International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Together, these pronouncements place responsibilities on IFAC member bodies, Engagement Partners, and firms as part of the system of quality control for audits of financial statements. Also, in many jurisdictions, a regulator may have an oversight role in this system of quality control. Each of these stakeholders may have an impact on the professional competence of the Engagement Partner.

4. IFAC member bodies or other stakeholders may also apply the requirements of this IES to professional accountants performing an equivalent role to that of an Engagement Partner on audits of other historical financial information in compliance with the ISAs (or other relevant auditing standards) or other types of engagements providing assurance and related services.

5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (Revised). Additional terms from the International Auditing and Assurance Standards Board (IAASB) pronouncements are also included in the Explanatory Material.

Effective Date

6. This IES is effective from January 1, 2021.

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\(^{11}\) For the purpose of this IES, hereafter referred to as “Engagement Partner” per the definition set out in International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, Para 7(a).

Objective (Ref: Para. A17–A18)

7. The objective of this IES is to establish the professional competence that professional accountants develop and maintain when performing the role of an Engagement Partner.

Requirements (Ref: Para. A19–A31)

8. IFAC member bodies shall require professional accountants performing the role of an Engagement Partner to develop and maintain professional competence that is demonstrated by the achievement of learning outcomes including, but not limited to, those listed in Table A.

9. IFAC member bodies shall require professional accountants performing the role of an Engagement Partner to undertake CPD that develops and maintains the professional competence required for this role.

Table A: Learning Outcomes for the Professional Competence of an Engagement Partner

<table>
<thead>
<tr>
<th>Competence Areas (IES 8)</th>
<th>Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Audit</td>
<td>(i) Lead the audit engagement through active involvement in planning, directing, and reviewing the work of the engagement team, the audit process.</td>
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<td></td>
<td>(ii) Ensure proper application of professional skepticism during all phases of the audit engagement.</td>
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<tr>
<td></td>
<td>(iii) Develop an audit plan that responds to the audit risks identified.</td>
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<tr>
<td></td>
<td>(iv) Lead the identification and assessment of the risks of material misstatement as part of an overall audit strategy.</td>
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<tr>
<td></td>
<td>(v) Evaluate responses to the risks of material misstatement.</td>
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<tr>
<td></td>
<td>(vi) Evaluate audit evidence by considering its appropriateness, sufficiency and any contrary audit evidence gathered to make informed decisions and reach conclusions.</td>
</tr>
<tr>
<td></td>
<td>(vii) Evaluate whether the audit was performed in accordance with International Standards on Auditing (or relevant auditing standards) and laws and regulations applicable to an audit of the financial statements.</td>
</tr>
<tr>
<td></td>
<td>(viii) Develop an appropriate audit opinion and related auditor’s report, including a description of key audit matters as applicable.</td>
</tr>
<tr>
<td>(b) Financial accounting and reporting</td>
<td>(i) Evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements.</td>
</tr>
<tr>
<td></td>
<td>(ii) Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements in accordance with the applicable financial reporting framework and regulatory requirements.</td>
</tr>
<tr>
<td></td>
<td>(iii) Evaluate accounting judgments and estimates, including fair value estimates, made by management.</td>
</tr>
<tr>
<td></td>
<td>(iv) Evaluate the fair presentation of financial statements relative to the nature of the business, the operating environment, and the entity’s ability to continue as a going concern.</td>
</tr>
<tr>
<td>Competence Areas (IES 8)</td>
<td>Learning Outcomes</td>
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<tr>
<td>(c) Governance and risk management</td>
<td>(i) Evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy.</td>
</tr>
<tr>
<td>(d) Business environment</td>
<td>(i) Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments including, but not limited to, market, competition, product technology, and environmental requirements.</td>
</tr>
<tr>
<td>(e) Taxation</td>
<td>(i) Evaluate procedures performed to address the risks of material misstatement in the financial statements in respect of taxation, and the effect of the results of these procedures on the overall audit strategy.</td>
</tr>
<tr>
<td>(f) Information and Communications Technologies (ICT)</td>
<td>(i) Evaluate the ICT environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.</td>
</tr>
<tr>
<td>(g) Business laws and regulations</td>
<td>(i) Evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion.</td>
</tr>
<tr>
<td>(h) Finance and financial management</td>
<td>(i) Evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy.</td>
</tr>
<tr>
<td></td>
<td>(ii) Evaluate an entity’s cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.</td>
</tr>
<tr>
<td>(i) Interpersonal and communication</td>
<td>(i) Communicate effectively and appropriately with the engagement team, management, and those charged with governance of the entity.</td>
</tr>
<tr>
<td></td>
<td>(ii) Evaluate the potential influence of cultural and language differences on the performance of the audit.</td>
</tr>
<tr>
<td></td>
<td>(iii) Resolve audit issues through effective consultation when necessary.</td>
</tr>
<tr>
<td>(j) Personal</td>
<td>(i) Promote lifelong learning.</td>
</tr>
<tr>
<td></td>
<td>(ii) Act as a role model to the engagement team.</td>
</tr>
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<td></td>
<td>(iii) Act in a mentoring or coaching capacity to the engagement team.</td>
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<td></td>
<td>(iv) Promote reflection on experiences to improve future actions.</td>
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<tr>
<td>(k) Organizational</td>
<td>(i) Evaluate whether the engagement team, including auditor’s experts, collectively has the appropriate objectivity and competence to perform the audit.</td>
</tr>
<tr>
<td></td>
<td>(ii) Manage audit engagements by providing leadership and project management of engagement teams.</td>
</tr>
<tr>
<td>(l) Commitment to the public interest</td>
<td>(i) Promote audit quality and compliance with professional standards and regulatory requirements standards with a focus on protecting the public interest k.</td>
</tr>
<tr>
<td>(m) Professional skepticism and professional judgment</td>
<td>(i) Apply professional judgment in planning and performing an audit and reaching conclusions on which to base an audit opinion.</td>
</tr>
<tr>
<td>Competence Areas (IES 8)</td>
<td>Learning Outcomes</td>
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<tr>
<td>(ii) Promote an attitude of professional skepticism among the engagement team.</td>
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<tr>
<td>(iii) Apply a questioning mind/professional skepticism to critically assess audit evidence and other relevant information obtained during the course of an audit to reach informed well-reasoned conclusions.</td>
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<tr>
<td>(iiiiv) Evaluate the potential impact of individual and organizational bias on conclusions and consider its effect on the ability to exercise professional skepticism.</td>
<td></td>
</tr>
<tr>
<td>(iv) Apply knowledge and experience/professional judgement to challenge and evaluate management's assertions and representations.</td>
<td></td>
</tr>
<tr>
<td>(v) Resolve audit issues using inquiry and critical thinking to consider alternative conclusions and analyze outcomes.</td>
<td></td>
</tr>
<tr>
<td>(n) Ethical principles</td>
<td>(i) Apply the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior in the context of an audit and determine an appropriate resolution to ethical threats.</td>
</tr>
<tr>
<td>(ii) Promote the importance of compliance with the fundamental principles.</td>
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</tr>
<tr>
<td>(iii) Evaluate and respond to threats to objectivity and independence that can occur during an audit.</td>
<td></td>
</tr>
<tr>
<td>(iiiiv) Act ethically when collecting, generating, accessing, storing, accessing, generating, using, and or sharing data and information of the entity.</td>
<td></td>
</tr>
</tbody>
</table>
Explanatory Material

References to Definitions Contained within IAASB Pronouncements (Ref: Para. 5)

A1. This IES uses the following terms already defined within IAASB pronouncements.¹³

Table B: IAASB Definitions Adopted in IES 8

<table>
<thead>
<tr>
<th>Defined Term</th>
<th>Source of Term</th>
<th>Definition in Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor’s Expert</td>
<td>ISA 620 <em>Using the Work of an Auditor’s Expert</em>, Paragraph 6(a)</td>
<td>An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor’s expert may be either an auditor’s internal expert (who is a partner or staff, including temporary staff, of the auditor’s firm or a network firm), or an auditor’s external expert.</td>
</tr>
<tr>
<td>Engagement Partner*</td>
<td>ISA 220 <em>Quality Control for an Audit of Financial Statements</em>, Paragraph 7 (a)</td>
<td>The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor’s report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal, or regulatory body.</td>
</tr>
<tr>
<td>Engagement Team</td>
<td>ISA 220 <em>Quality Control for an Audit of Financial Statements</em>, Paragraph 7 (d)</td>
<td>All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform audit procedures on the engagement. This excludes an auditor’s external expert engaged by the firm or a network firm. The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013).¹⁴</td>
</tr>
</tbody>
</table>

¹³ The ISA definitions detailed above are contained within the IAASB *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2016–2017* Edition, Volume I.

¹⁴ ISA 610, *Using the Work of Internal Auditors (Revised 2013)*.
<table>
<thead>
<tr>
<th>Defined</th>
<th>Source of Term</th>
<th>Definition in Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Statements</td>
<td>ISA 200 <em>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing, Paragraph 13 (f)</em></td>
<td>A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources or obligations at a point in time or of the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.</td>
</tr>
<tr>
<td>Firm*</td>
<td>ISA 220 <em>Quality Control for an Audit of Financial Statements, Paragraph 7 (e)</em></td>
<td>A sole practitioner, partnership or corporation or other entity of professional accountants.</td>
</tr>
<tr>
<td>Professional Judgment</td>
<td>ISA 200 <em>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing, Paragraph 13 (k)</em></td>
<td>The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.</td>
</tr>
<tr>
<td>Professional Skepticism</td>
<td>ISA 200 <em>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing, Paragraph 13 (k)</em></td>
<td>An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.</td>
</tr>
</tbody>
</table>
**Scope of this Standard (Ref: Para. 1–5)**

A2. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

A3. CPD is a continuation of Initial Professional Development (IPD). IPD is the learning and development through which individuals first develop competence leading to performing the role as a professional accountant. CPD is learning and development that takes place after IPD, and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuous development of the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes achieved during IPD, refined appropriately for the professional activities and responsibilities of the professional accountant.

A4. As outlined in IES 7, CPD includes practical experience. As the career of an Engagement Partner progresses, practical experience becomes increasingly important in developing and maintaining the necessary depth and breadth of professional competence. Practical experience for Engagement Partners may be evidenced by annual self-declarations, records of chargeable time, and the results of qualitative monitoring activities such as performance reviews, engagement quality assurance reviews and regulatory inspections.

A5. In addition to professional competence and practical experience, other factors outside the scope of this IES determine whether a professional accountant has, where required, the appropriate authority from a professional, legal, or regulatory body to perform the role of Engagement Partner.

A6. In many jurisdictions, legislation, regulation, or a regulator (referred to collectively as a “licensing regime”) sets or enforces the requirements as to who may perform the role of an Engagement Partner. Licensing regimes vary widely in their requirements. Where licensing is not within the authority of the IFAC member body, IFAC member bodies shall use their best endeavors as described in SMO 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAES* to influence the licensing regime so that the IFAC member body can meet the professional competence requirements set out in this IES.

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15 See IES 7, *Continuing Professional Development* (2020), Para. 5.
16 Statement of Membership Obligations 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAES* sets out the requirements of an IFAC member body with respect to international standards and
A7. A firm, which by definition includes sole practitioners, determines who can issue an audit opinion as a legal representative of that firm. Most firms operate in a partnership structure, and the partners in the partnership decide who in that firm can perform the role of Engagement Partner.

Stakeholders That Impact the Professional Competence of Engagement Partners

A8. Figure 1 illustrates stakeholders that impact the professional competence of Engagement Partners. Relationships between stakeholders can be dependent on the jurisdiction or as a consequence of requirements contained in IAASB and IAESB pronouncements and obligations contained in IFAC pronouncements.

A9. In accordance with IES 7\(^{17}\), IFAC member bodies require all professional accountants to undertake CPD to contribute to the development and maintenance of professional competence that is appropriate to their work and professional responsibilities.

Figure 1: Stakeholders That Impact the Professional Competence of Engagement Partners

A10. IES 7\(^{18}\) also requires IFAC member bodies to establish a systematic process to monitor whether professional accountants meet the IFAC member body’s CPD requirements.

A11. ISA 220\(^{19}\) addresses the responsibilities of the Engagement Partner with respect to whether the engagement team and any auditor’s experts who are not part of the team, collectively have the appropriate competence and capabilities. Unless information provided by the firm or other parties suggest

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\(^{17}\) See IES 7, *Continuing Professional Development* (2020), Para. 12.


Prepared by Chairs of ICT and Professional Skepticism task forces & IAESB staff
otherwise, ISA 220\textsuperscript{20} indicates that the engagement team may rely on the firm’s system of quality control in relation to the competence of personnel through their recruitment and formal training.

A12. ISQC 1\textsuperscript{21} requires the firm to establish policies and procedures designed to provide reasonable assurance that the firm has sufficient personnel with the competence, capabilities and commitment to ethical principles, including independence requirements, necessary to (a) perform engagements in accordance with professional standards and applicable legal and regulatory frameworks, and (b) enable the firm or Engagement Partners to issue reports that are appropriate in the circumstances.

A13. In many jurisdictions, regulators may have an oversight role in relation to IFAC member bodies, firms, and Engagement Partners.

A14. By complying with the requirements of this IES and fulfilling their obligations under SMO 1\textsuperscript{22} and SMO 2\textsuperscript{23}, IFAC member bodies assist firms in complying with the requirements of ISQC 1 and assist Engagement Partners in complying with the requirements of ISA 220. Collectively these pronouncements promote clarity and consistency with respect to the professional competence required of the Engagement Partner and the engagement team, which serves to protect the public interest.

**Progressive Nature of Professional Competence**

A15. Only those professional accountants who develop and maintain the professional competence that is demonstrated by achievement of the learning outcomes listed in Table A will be able to deal with the complex situations that Engagement Partners may face during their careers. A professional accountant aspiring to be an Engagement Partner will usually serve for several years on engagement teams, and may progress through supervisory and managerial roles under the supervision of an Engagement Partner. This progression through increasing levels of responsibility is a common path through which a professional accountant may prepare to assume the role of an Engagement Partner. Those serving as an Engagement Partner develop and maintain their professional competence through leading or serving on audit engagements, and through other learning activities as part of their CPD.

**Audit of Financial Statements and Other Assurance Engagements**

A16. This IES is applicable to Engagement Partners responsible for the audits of financial statements. The professional competence that is demonstrated by the achievement of the learning outcomes in Table A may also be helpful when performing audits of other historical financial information in compliance with the ISAs or other types of assurance and related services. Similarly, much of the professional competence required for an audit of financial statements may be relevant to those Engagement Partners responsible


\textsuperscript{21} See ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, Para. 29.

\textsuperscript{22} Statement of Membership Obligations 1 – *Quality Assurance* sets out the requirements of an IFAC member body with respect to quality assurance review systems for its members who perform audits, review and other assurance and related services engagements of financial statements. The SMO specifically addresses the situation where an IFAC member body has no responsibility or shared responsibility for setting the rules and operating the quality assurance review system.

\textsuperscript{23} Statement of Membership Obligations 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB* sets out the requirements of an IFAC member body with respect to international education standards and other pronouncements issued by the IAESB. The SMO specifically addresses the situation where an IFAC member body has no responsibility or shared responsibility for adopting and implementing professional accounting.

Prepared by Chairs of ICT and Professional Skepticism task forces & IAESB staff
for assurance engagements relating to non-financial statement information, such as environmental or social measures.

**Objective** (Ref: Para. 7)

A17. Establishing the professional competence that professional accountants develop and maintain in performing the role of Engagement Partner serves several purposes. It protects the public interest; contributes to audit quality; enhances the work of Engagement Partners; and promotes the credibility of the audit profession.

A18. While a premise of this IES is that Engagement Partners have already developed the professional competence to assume that role, Engagement Partners operate in an environment of significant change. Pressure for change can come from many sources, including, but not limited to (a) increased regulation, (b) developments in financial and non-financial reporting, (c) emerging technologies, (d) increasing use of business analytics, and (e) business complexity. Change requires Engagement Partners to maintain and further develop professional competence throughout their careers.

**Requirements** (Ref: Para. 8–9)

A19. Table A identifies the competence areas and related learning outcomes for technical competence, professional skills, and professional values, ethics, and attitudes. A competence area is a category for which a set of related learning outcomes can be specified.

A20. Learning outcomes establish the content and depth of knowledge, understanding, and application required for each specified competence area. The achievement of learning outcomes is an output based approach to measuring CPD. IES 7 provides further guidance in respect of the measurement of CPD.

A21. This IES builds on the learning outcomes that describe the professional competence required by aspiring professional accountants by the end of IPD as outlined in IESs 2, 3, and 4.24

A22. Other factors in addition to the learning outcomes in Table A may affect the nature, timing, and extent of planned CPD. These factors may include, but are not limited to, (a) an Engagement Partner’s portfolio of audit engagements, (b) the extent of any changes in auditing and financial reporting standards, and (c) the impact of any changes in the content of other competence areas noted in Table A.

A23. Irrespective of the size or nature of the audit engagement, and the firm of the Engagement Partner providing the audit, a premise of this IES is that Engagement Partners continue to undertake CPD appropriate to the complexity of the audits for which they serve as Engagement Partners.

A24. IFAC member bodies may include additional competence areas or require Engagement Partners to achieve additional learning outcomes that are not specified in this IES. This may occur, for example, when an Engagement Partner audits specialized industries or transactions.

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24 IES 2, Initial Professional Development – Technical Competence (Revised); IES 3, Initial Professional Development – Professional Skills (Revised); and IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes (Revised).
Sole Practitioners and Small and Medium Practices

A25. By focusing on one specific role rather than an engagement team or firm structure, this IES recognizes the wide range of situations in which the Engagement Partner operates, including as a sole practitioner or within small and medium practices\(^{25}\). In these situations, the Engagement Partner may be operating without the support of an engagement team, including those engagement team members with specialist skills. As a consequence, the Engagement Partner may have direct involvement in the completion of a wider range of audit activities than would otherwise be the case.

Audit – Learning Outcomes

A26. Leading the identification and assessment of risks of material misstatements includes consideration of:

- the risks identified by engagement acceptance and continuance procedures;
- an entity’s ability to continue as a going concern; and
- the risks of material misstatement due to fraud and error.

A27. Evaluating the response to the risks of material misstatements includes the process of approving or establishing an appropriate overall audit strategy.

A28. Evaluating whether the audit was performed in accordance with International Standards on Auditing (or other relevant standards), and with relevant laws and regulations, includes:

- evaluation of the sufficiency and appropriateness of audit evidence obtained and of the related documentation;
- consideration of significant deficiencies in internal control and in other matters to be communicated to those charged with governance; and
- consideration of bias in management’s estimates and other areas of judgment.

Organizational – Learning Outcomes

A29. Examples of areas where an auditor’s expert may be used on an audit include, but are not limited to, taxation, ICT, legal, forensic accounting, valuations, actuarial services, and pensions.

Professional Skepticism and Professional Judgment – Learning Outcomes

A30. A key aspect of any audit is evaluating whether sufficient and appropriate audit evidence has been obtained to support the conclusions on which the auditor’s opinion is based. Professional skepticism involves the application of a questioning mind for the critical assessment of audit evidence. The ISAs also require Engagement Partners and their teams to exercise professional judgment in planning and performing an audit of financial statements. Professional judgment is exercised, for example, when challenging management assertions and assumptions contained within the financial statements, and when considering whether accounting standards are appropriately applied by an entity and determining an appropriate overall audit strategy.

\(^{25}\) IFAC’s Small and Medium Practices Committee factsheet defines SMPs as ‘…practices that exhibit the following characteristics: its clients are mostly small- and medium-sized entities (SMEs); it uses external sources to supplement limited in-house technical resources; and it employs a limited number of professional staff.’

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A31. Planning effective CPD in the areas of professional skepticism and professional judgment involves due care and may include a blend of learning methods in which mentoring, reflective activity, and practical experience play a key role.