

Competency Frameworks for Professional Accountants and Auditors


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Learning Objectives

- » Distinguish between *competence* and *knowledge*
- » Recognize why professional competence is essential for auditors and accountants
- » Evaluate the responsibilities of professional accountancy organizations (PAOs) in developing and maintaining member competence
- » Explore what typical Competency Frameworks look like
- » Evaluate the use of Competency Frameworks by PAOs
- » Describe Competency Framework development methods
- » Describe ongoing dissemination and maintenance of the Competency Framework





Agenda



- I. Competence and Knowledge
- II. Competency Frameworks – typical structures
- III. How Competency Frameworks are used
- IV. Development Methods for Competency Frameworks
- V. Sustaining a Competency Framework



I. Competence and Knowledge

Knowledge or Competence?

Knowledge: “Do you know how to...?”

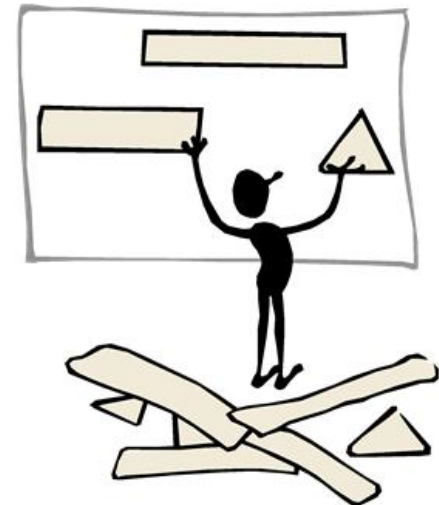
- » Relies on learning principles, standards, concepts, facts, and procedures
 - » Is often theoretical or academic in approach
-
- » Knowledge is necessary but not sufficient – we can “know how” to do something, but still not be able to do it consistently in a real situation.



Knowledge or Competence?

Professional Competence: “Can you...?”

- » Defined by IFAC as "the ability to perform a role to a defined standard"
- » Competence “goes beyond knowledge ...; it is the integration and application of
 - (a) technical competence,
 - (b) professional skills, and
 - (c) professional values, ethics, and attitudes”



Professional Competence

Why focus on Professional Competence?

- » When developing and qualifying professional accountants and auditors, it's not enough that they *know* what the standards require
 - » Professionals work in complex environments
 - » Professionals are entrusted by society to guard the public interest
 - » Often, once qualification is achieved, they can offer services to the public without further requirements
- » Professionals need to be able to *perform* their roles competently, to the level expected by the public, clients and employers.



Professional Accountancy Organizations' Responsibilities

- » PAOs are responsible for ensuring member competence to:
 - » protect the public
 - » protect the reputation of the profession and maintain public trust
 - » comply with national standards and regulations
 - » meet international requirements and expectations



Professional Competence

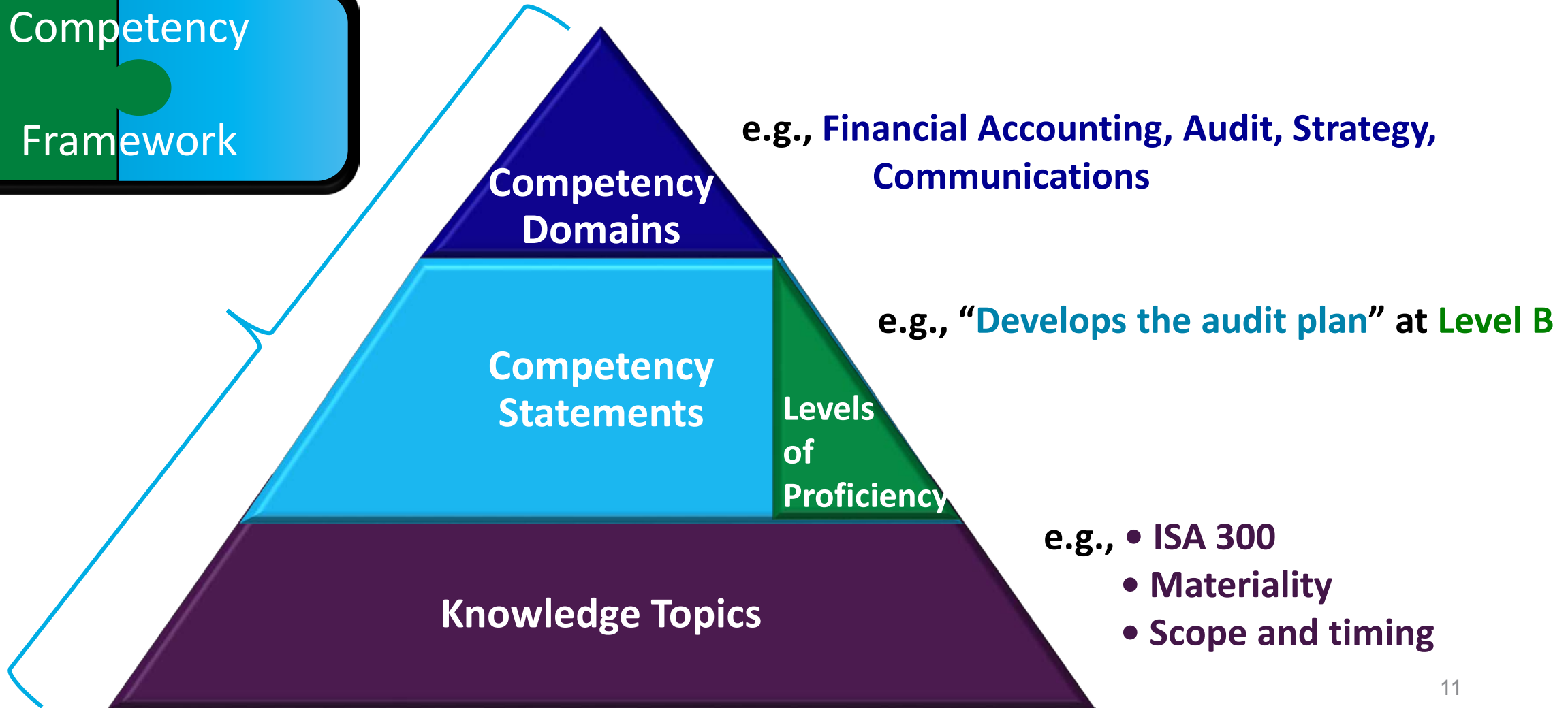
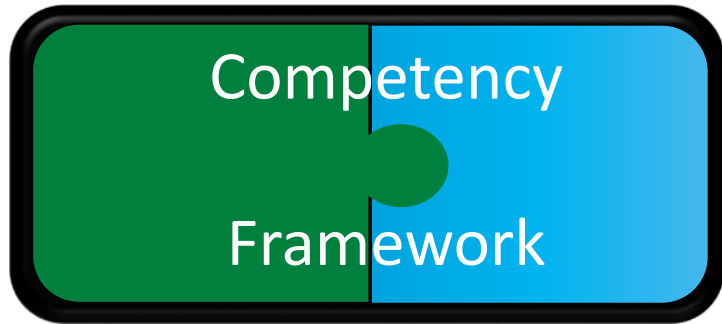
The Role of Universities (and other educators)

- » University education provides the foundation for professional education.
- » In early courses, students build knowledge, but the sooner we can start developing competence, the better.
- » As much and as early as possible, courses should incorporate the application of judgment, critical thinking, dealing with uncertainty, ethics and values, communication, leadership, teamwork, etc.

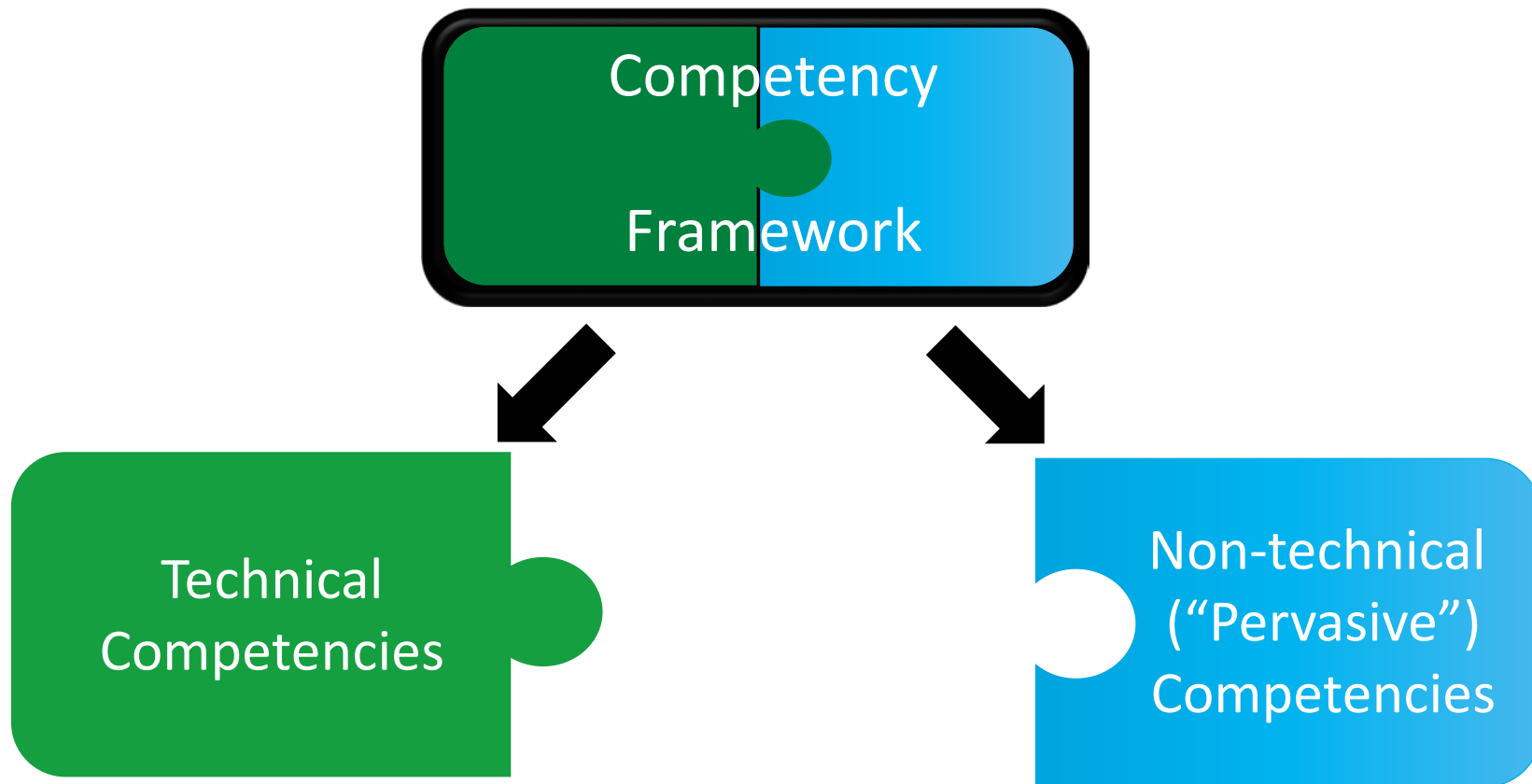


II. Competency Frameworks – Typical Structures

Elements of a Competency Framework



Competency Frameworks




Competency Frameworks



Technical Competencies

Competency Areas / Domains

- Financial Accounting & Reporting
- Audit & Assurance
- Management Accounting
- Finance & Financial Management
- Strategy & Governance
- Taxation
- Business Laws & Regulation



Non-technical ("Pervasive") Competencies

Competency Areas / Domains

- Communication
- Teamwork & Leadership
- Problem Solving
- Integrative Approach
- Professional skepticism & judgment
- Ethics & Trust

Competency Frameworks

Technical
Competencies

EXAMPLE
Area: Audit & Assurance

Competency Statements

Evaluates and consults on the organization's reporting needs and related assurance requirements

Determines whether to accept an engagement consistent with professional standards

Determines the scope of the engagement

Evaluates risks and business issues to determine their impact on the engagement

Develops the audit plan

Develops and/or performs appropriate audit procedures

Evaluates and advises on internal controls

... and so on

Competency Frameworks

EXAMPLE
Area: Communication

Non-technical
("Pervasive")
Competencies

Competency Statements

Selects an appropriate medium to convey information, ideas, and results

Prepares information in formats appropriate for specific purposes

Communicates information in a timely, clear, and concise manner

Projects a professional image in communications

Follows up to ensure that communications are clearly understood

Ensures effective meetings by developing agendas and minutes, and facilitating discussions

Facilitates resolution between differing viewpoints



Competency Frameworks

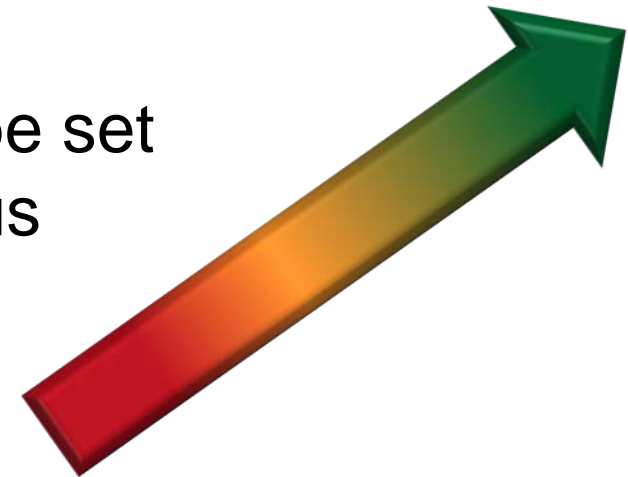
Proficiency Levels – “How well can you...?”

- » Each Competency Statement in the Framework is assigned a required “level of proficiency”
- » Proficiency levels specify the required level of performance expected by the time of qualification
- » Proficiency levels differ between competency statements and between various programs or specialties, depending on context

Competency Frameworks

Proficiency Levels

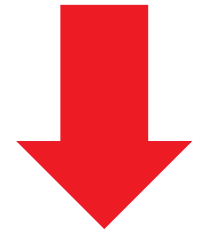
- » Proficiency levels are labeled and described in various ways:
 - » 1, 2, 3 (or 3, 2, 1)
 - » A, B, C or (C, B, A)
 - » Expert, Advanced, Intermediate, Foundational
 - » Mastery, Comprehension, Awareness
- » Interim proficiency level requirements may be set for milestones along the way, such as various levels in a program



Competency Frameworks

Technical
Competencies

EXAMPLE
Area: Audit & Assurance



Competency Statements

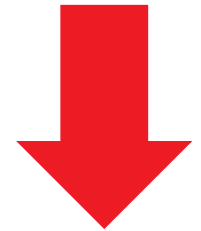
Proficiency Level

Evaluates and consults on the organization's reporting needs and related assurance requirements	Intermediate
Determines whether to accept an engagement consistent with professional standards	Intermediate
Determines the scope of the engagement	Intermediate
Evaluates risks and business issues to determine their impact on the engagement	Intermediate
Develops the audit plan	Intermediate
Develops and/or performs appropriate audit procedures	Intermediate
Evaluates and advises on internal controls	Intermediate
... and so on	

Competency Frameworks

EXAMPLE
Area: Communication

Non-technical
("Pervasive")
Competencies



Competency Statements	Proficiency Level
Selects an appropriate medium to convey information, ideas, and results	Advanced
Prepares information in formats appropriate for specific purposes	Advanced
Communicates information in a timely, clear, and concise manner	Advanced
Projects a professional image in communications	Advanced
Follows up to ensure that communications are clearly understood	Advanced
Ensures effective meetings by developing agendas and minutes, and facilitating discussions	Intermediate
Facilitates resolution between differing viewpoints	Intermediate



Competency Frameworks

Knowledge Topics:

- » provide lists that represent the scope and context of each Competency Statement.
- » add detail without “bulking up” the Competency Statements
- » provides the granularity needed to give guidance to educators (Universities and developers of the professional education courses) about what topics should be covered in courses.
- » may or may not be specified for non-technical competencies.



Competency Frameworks

Sample Knowledge Topics: Audit & Assurance

Competency Statement:

3.2 Determines whether to accept an engagement consistent with professional standards

K3.2.1 Auditor independence requirements for external engagements (Independence Standards for External Auditors)

K3.2.2 Client acceptance, including scope restrictions and conflict of interest

K3.2.3 Engagement management, including resource allocation



Example – CPA Canada's Competency Map





- » Framework includes technical and “enabling” competencies
- » Enabling competencies comprise professional skills, values, ethics, and attitudes

FIVE ENABLING COMPETENCY AREAS	SIX TECHNICAL COMPETENCY AREAS
<ol style="list-style-type: none">1. Professional and Ethical behaviour2. Problem-solving and Decision-making3. Communication4. Self-management5. Teamwork and Leadership	<ol style="list-style-type: none">1. Financial Reporting2. Strategy and Governance3. Management Accounting4. Audit and Assurance5. Finance6. Taxation



Proficiency levels are **C (lowest)** to **A (highest)**:

- » **Level C:** retrieval and **comprehension** skills; be able to **explain, describe,** and demonstrate knowledge that is **low to moderate in complexity for a routine** situation.
- » **Level B:** demonstrate knowledge, **analyze** problems, and **draw logical conclusions** in routine situations that have **low to moderate complexity**; be able to perform a **preliminary** analysis of an issue, but the work will require the involvement of more senior professionals before the candidates are able to complete the work.



» **Level A:** demonstrate knowledge, analyze problems in sufficient depth and draw conclusions in routine situations that have low to moderate complexity. In cases of **non-routine and moderate complexity, candidates are expected to be able to see some, but not all, of the interrelationships.** In these situations, candidates will require some guidance from a more experienced professional to complete the task.

[Highly complex and non-routine situations are assumed to be handled by more seasoned professionals.]

CPA Competency Map



Competency Statements	Entry	Core			Electives				Capstone	
		C1	C2	Core	E1 PM	E2 FIN	E3 AS	E4 TAX	Cap 1	Cap 2
TECHNICAL COMPETENCIES										
4. AUDIT AND ASSURANCE										
4.1 Internal Control										
4.1.1 Assesses the entity's risk assessment processes	B	A		A			A		>	>
4.1.2 Evaluates the information system, including the related processes	C	B		B	A		A		>	>
4.2 Internal and External Audit Requirements										
4.2.1 Advises on an entity's assurance needs	B			B			A		>	>
4.2.2 Explains the implications of pending changes in assurance standards	C			C			B		>	>
4.3 Internal Audit Projects and External Assurance Engagements										
4.3.1 Assesses issues related to the undertaking of the engagement or project	B	B		B			A		>	>

Common Final Evaluation

Proficiency Levels

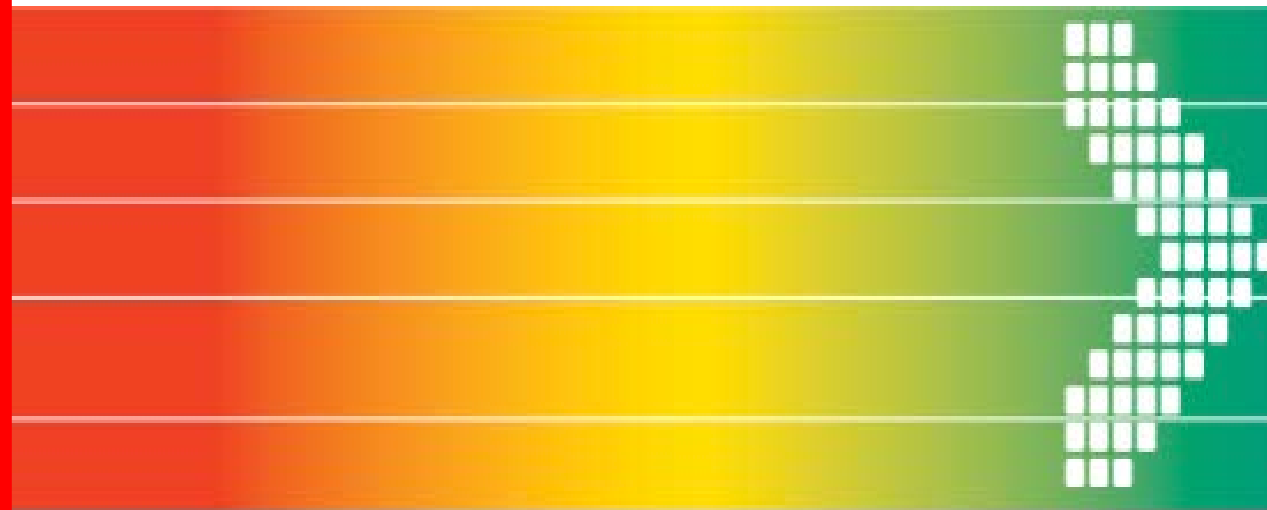
CPA Competency Map



> ENABLING COMPETENCIES

- i. Professional and ethical Behaviour
- ii. Problem-solving and decision-making
- iii. Communication
- iv. Self-management
- v. Teamwork and leadership

Non-technical
Competency Areas



> indicates coverage and progressive development of professional skills and behaviour.

Common Final
Evaluation

CPA Competency Map – Knowledge Reference Lists



Knowledge Topics	Related CPA Competencies
<ul style="list-style-type: none">• Objectives and fundamental accounting concepts and principles (qualitative characteristics of accounting information, basic elements)• Ethical professional judgement• Objectives of financial reporting• Difference between accrual accounting compared to cash accounting• Framework of standard setting (IFRS and ASPE)• Financial statement users and their broad needs, standard setting, and requirement for accountability• Accounting information systems• ... and so on	<ul style="list-style-type: none">1.1.1 Evaluates financial reporting needs1.1.2 Evaluates the appropriateness of the basis of financial reporting1.1.3 Evaluates reporting processes to support reliable financial reporting1.2.1 Develops or evaluates appropriate accounting policies and procedures1.4.2 Evaluates financial statements including note disclosures1.4.4 Interprets financial reporting results for stakeholders (external or internal)

CPA Competency Map



Competency Statements	Entry	Core			Electives				Capstone	
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Used for evaluating University or College courses for accreditation

CPA Competency Map



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4.3 Internal Audit Projects and External Assurance Engagements										
4.3.1 Assesses issues related to the undertaking of the engagement or project	B	B		B			A		>	>

Used for developing professional courses and exams

CPA Competency Map



Competency Statements	Entry	Core			Electives				Capstone	
		C1	C2	Core	E1 PM	E2 FIN	E3 AS	E4 TAX	Cap 1	Cap 2
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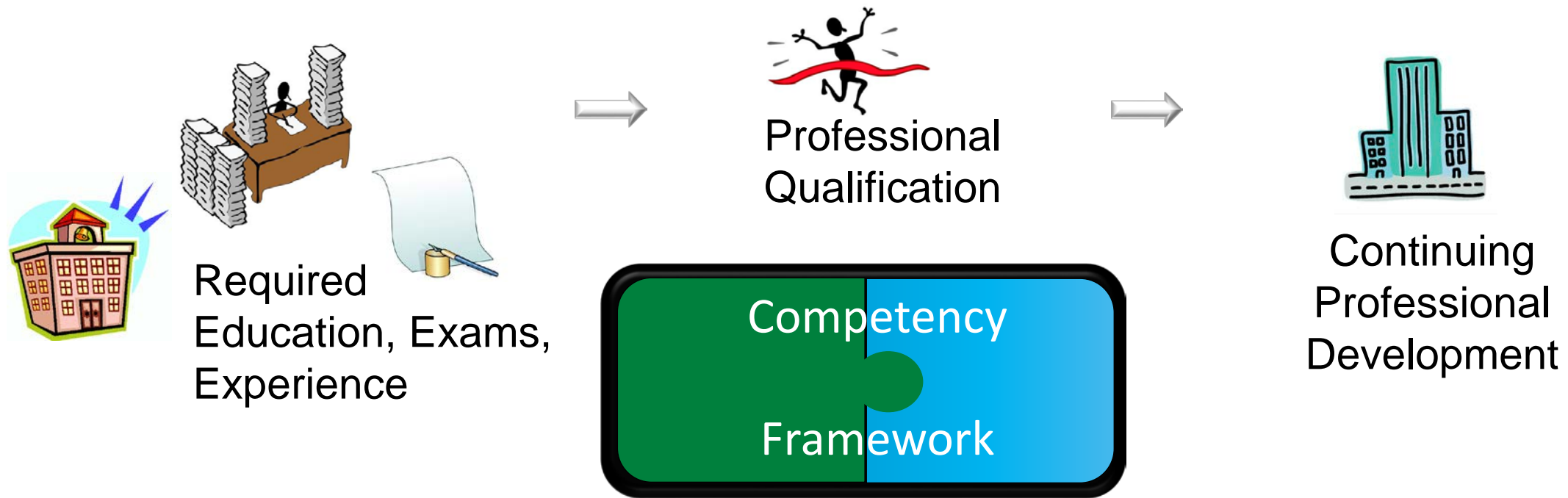
Capstones integrate technical areas and strengthen enabling competencies



III. Using Competency Frameworks

How Competency Frameworks are Used

» Competency Frameworks are the foundation ensuring competence is achieved and maintained:



Supports PAO's internal programs pre- and post-qualification

How Competency Frameworks are Used

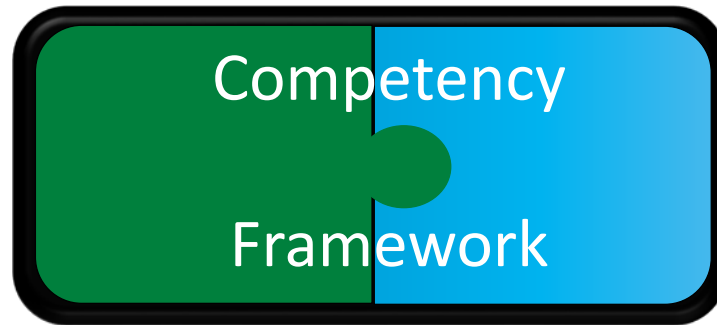
» Competency Frameworks support compliance:



Local laws
and
regulations



International good practice



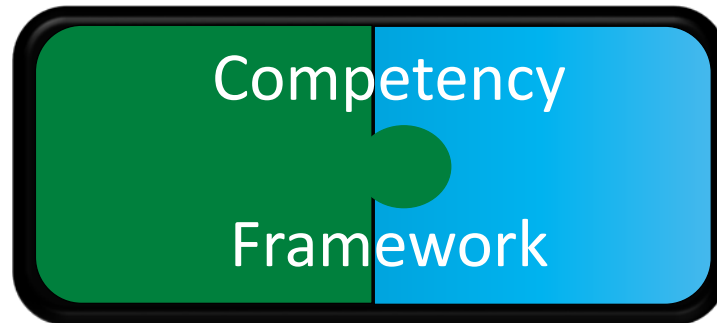
Supports compliance with local and international expectations

How Competency Frameworks are Used

» Competency Frameworks are often mapped to the requirements of other organizations:



Universities seeking accreditation



Recognition agreements with other PAOs

Supports comparisons with other organizations



IV. How Competency Frameworks are Developed

How competency frameworks are developed

- » Broad stakeholder input is essential, in order for the Framework to meet the needs and expectations of the public, clients, and employers:
 - » The goal is to reflect the full range of competencies essential for professional accountants and auditors
 - » The proficiency levels required are highly dependent on context, and also need to be realistic based on the local environment



How competency frameworks are developed

- » A “Practice Analysis” is typically used to determine competencies and the appropriate levels of proficiency required by new professional accountants
- » Full-scale Practice Analysis includes a comprehensive survey of:
 - » Members
 - » Employers
 - » Academics
 - » Professional recruiters
 - » Regulators

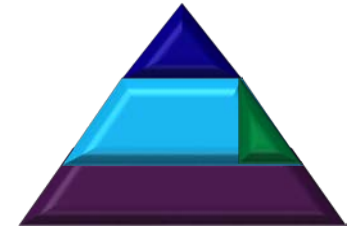




How competency frameworks are developed

- » Independent consultants are usually hired to assist (to bring specialized expertise and help ensure objectivity and avoid potential bias)
- » The Practice Analysis should be updated periodically (normally every 3 to 5 years) to reflect changing needs of stakeholders and the professional environment

Performing a Practice Analysis



- » Led by a small, but representative committee who compile the draft list of Competency Statements.
- » For each Competency Statement, Knowledge Topics are generated to describe the intended scope and context of the statement.
- » A comprehensive survey is held, where members, employers, academics, regulators, and recruiters rate competency statements on Essentiality/Importance and Proficiency Level.
- » Results are compiled to finalize the Competency Statements, Proficiency Levels, and related Knowledge Topics.

How competency frameworks are developed

Results of recent Practice Analyses:

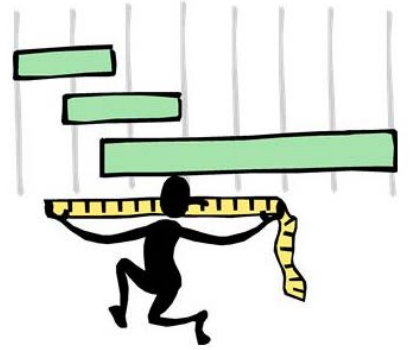
» Competencies rated most essential to a newly designated professional accountant relate to professionalism, ethics & trust, leadership, and communicating.

Non-technical
("Pervasive")
Competencies

Technical
Competencies

» Among the technical competency domains, financial accounting and reporting, internal controls and auditing, management accounting and risk, and taxation generally rank highest.

Challenges of a Practice Analyses



Logistical/Resource Challenges:

- » Practice Analyses are time-consuming, complex, and expensive
- » Ideally, the first comprehensive Practice Analysis should occur before professional education programs are in place and it becomes more difficult to totally overhaul them
- » Be careful not to just retrofit an education program to the Framework and ignore the need for changes indicated by the Practice Analysis

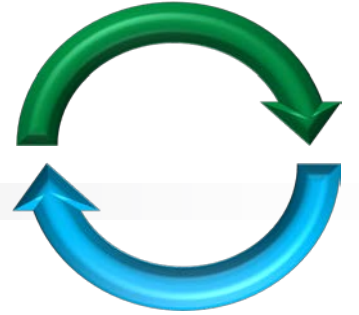
Challenges of a Practice Analyses

Content Challenges:

- » The Framework needs to be articulated at the “right” level of granularity – in order to serve their purpose, they can’t be too broad or too focused:
 - » If too broad – not enough detail for implementation
 - » If too granular – too cumbersome to work with
- » Remember that the Framework represents the *minimum* level of competence to be demonstrated by all professional accountants and/or auditors at the time of certification
 - » this should reflect a *strong* minimum level, but also needs to be *realistic* given the certification program



Overcoming Challenges



A Potential Iterative Approach:

- » Draw on experience of established Frameworks and IESBA's IESs
- » Draft the Competency Statements, Proficiency Levels and Knowledge Statements (or descriptions)
- » Use a small but representative group of stakeholders to vet the Framework in an intensive workshop
- » Fit the program and Framework together, adjusting the program as needed over time
- » Review and adjust the Framework over time as appropriate

Overcoming Challenges

Collaborative assistance from experts:

- » Best results occur when based on a collaboration of:
 - » Experienced experts – to gain independent guidance and international perspective
 - » Strong local expertise – to ensure local context is understood and adapted to





Example – Developing Poland’s “Framework of Learning Outcomes”

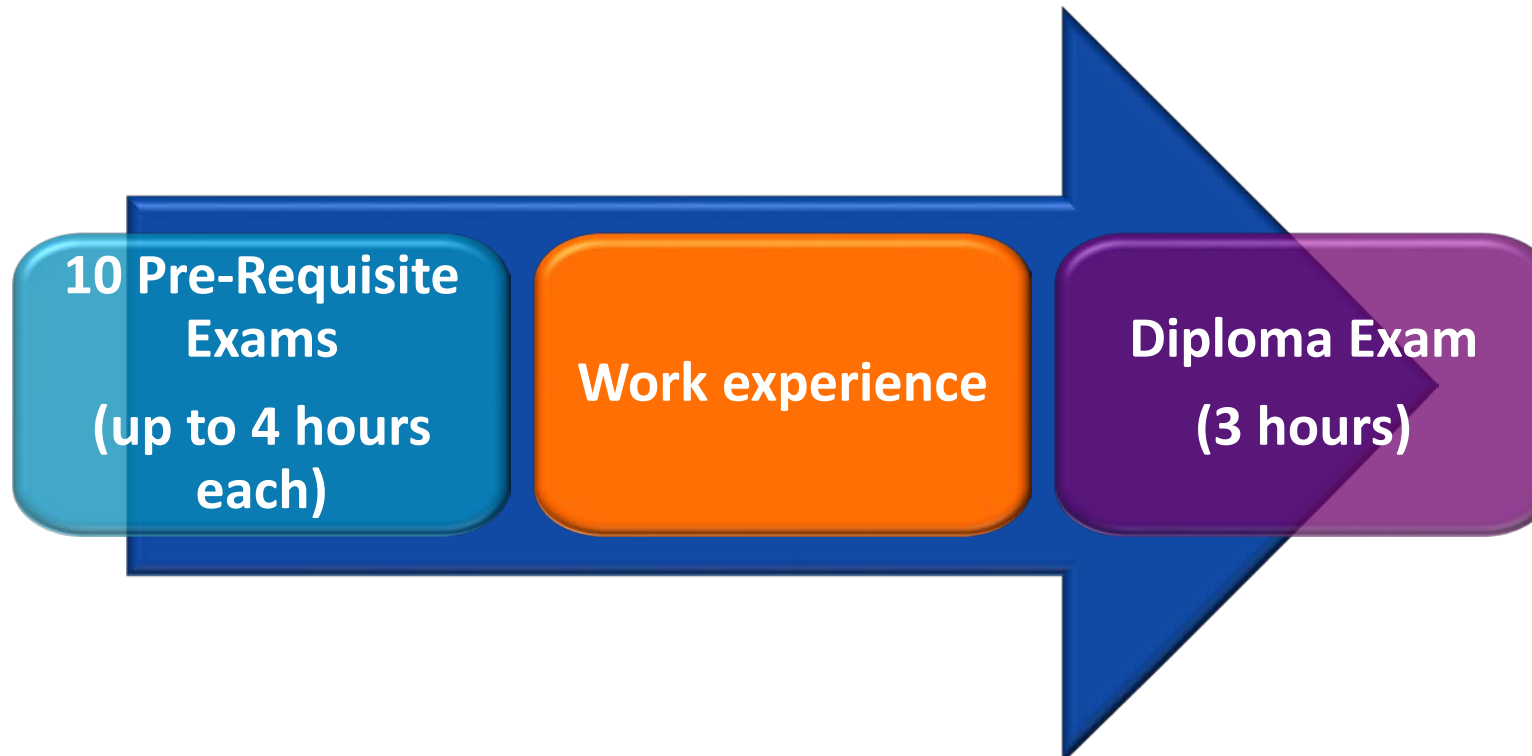


World Bank Project in Poland



Chamber of Auditors - Krajowa Izba Bieglych Residentow (KIBR)

Requirements to become a Statutory Auditor:





CFRR Project: Strengthening Accounting and Auditing Education

- » Terms of Reference called for for:
 - » Developing an integrated case-based exam to serve as the final qualification exam for auditors
 - » Developing a process to accredit universities and provide exemptions to the current 10 pre-requisite exams

- » Outputs needed to be in compliance with IFAC's *International Education Standards for Accountants* (IESs)



- » **IFAC’s IESs require a “Learning Outcomes” approach:**
 - » “A learning outcomes approach focuses on the individual’s **demonstrated achievement** of the learning **outcomes** at the **targeted level of proficiency** and not on the learning process.”
 - » “**Demonstrating** the achievement of these outcomes provides **evidence** of the professional competence of the individual to **perform the role of a professional accountant.**”

World Bank Project in Poland



- » To support IES compliance, a Competency Framework was needed, but there were not enough resources to perform a full Practice Analysis
- » As a solid interim approach, a “Framework of Learning Outcomes” was developed
- » Less grounded in research, but more efficient to produce, using the work of other respected groups



» KIBR Framework of Learning Outcomes

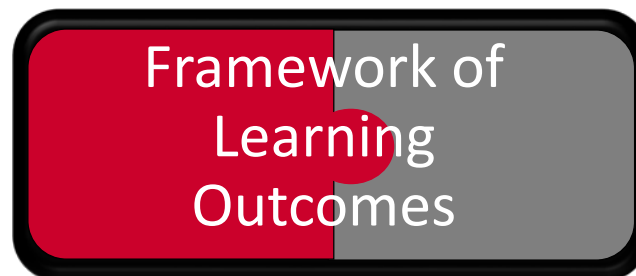
- » Framework included Learning Outcomes (rather than Competency Statements), including technical areas and pervasive skills
- » Ties directly to IFAC's IESs to support compliance
- » Uses proficiency levels
 - 1 = Foundation, 2 = Intermediate, 3 = Advanced

This recognizes that newly-qualified candidates are not experts (there is room to add Levels 4 or 5 for CPD)

KIBR Framework of Learning Outcomes



- » Serves as an interim step on the way to building a Competency Framework (following a national Practice Analysis)
- » Learning Outcomes were essentially “unverified” competency statements
- » Learning Outcomes were assigned Proficiency Levels
- » Learning Outcomes were mapped to the knowledge lists contained in current regulation



KIBR Framework of Learning Outcomes

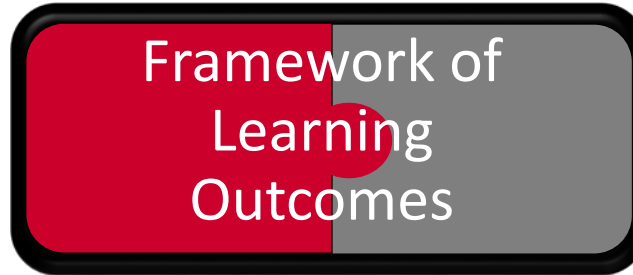


TECHNICAL

Framework of
Learning
Outcomes

Sample Learning Outcomes – Financial Accounting & Reporting	Proficiency Level
Explain the regulatory environment and standard-setting process, and identify the relevant laws and regulations that pertain to the organization.	2 - Intermediate
Explain the purposes, objectives and qualitative characteristics of financial reports, the benefits to the public, and the fundamental processes and tasks.	3 - Advanced
Apply Polish accounting regulations other than IFRS to transactions and other events.	2 - Intermediate
Apply International Financial Reporting Standards (IFRSs) to transactions and other events.	2 - Intermediate
Evaluate the appropriateness of accounting policies used to prepare financial statements.	2 - Intermediate

KIBR Framework of Learning Outcomes



NON-TECHNICAL

Sample Learning Outcomes – Intellectual Skills	Proficiency Level
Evaluate information from a variety of sources and perspectives through research, analysis, and integration.	2 - Intermediate
Identify when it is appropriate to consult with specialists to solve problems and reach conclusions.	2 - Intermediate
Apply reasoning, critical analysis, and innovative thinking to solve problems.	2 - Intermediate
Recommend solutions to unstructured, multi-faceted problems.	2 - Intermediate
Resolve audit issues using inquiry, abstract and logical thought, and critical analysis to consider alternatives and analyze outcomes.	2 - Intermediate

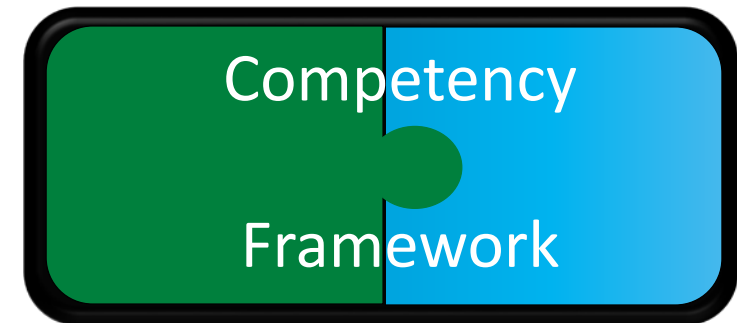


IV. Implementing and Sustaining a Competency Framework

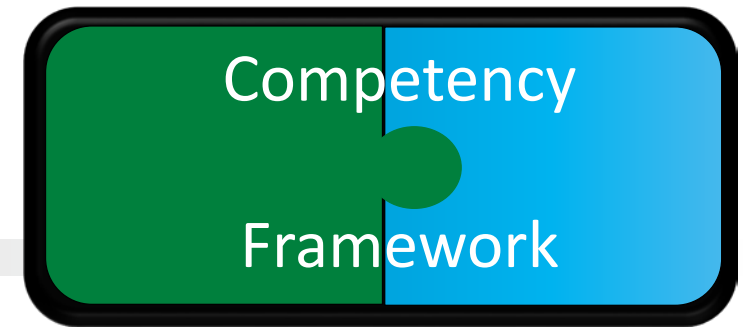
Implementing a Competency Framework

Once a Competency Framework has been developed:

- » it needs to be rolled out to all areas
- » the Framework should be referenced any time the profession sets up processes for ongoing training, education, evaluating or monitoring of members
- » communication is key with other stakeholders, such as government oversight/regulators, education partners



Sustaining a Competency Framework



Once a Competency Framework has been implemented:

- » it should be reviewed and updated regularly (every 3 to 5 years) to keep it relevant
- » review/revision can be done through a full Practice Analysis or through surveys and/or workshops in specified domains
- » International and local trends and regulatory changes need to be monitored and reflected in the Framework
- » the organization needs to become comfortable mapping it against other Frameworks for benchmarking and partnership purposes

Learning Objectives - Recap

- » Distinguish between *competence* and *knowledge*
- » Recognize why professional competence is essential for auditors and accountants
- » Evaluate the responsibilities of professional accountancy organizations (PAOs) in developing and maintaining competence of members
- » Explore what typical Competency Frameworks look like
- » Evaluate the use of Competency Frameworks by PAOs
- » Describe Competency Framework development methods
- » Describe ongoing dissemination and maintenance of the Competency Framework



Thank You!!

Questions?
Comments?
Feedback?

Presenter
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