PROFICIENCY REQUIREMENTS *for* COMPREHENSIVE AUDITING

A GUIDE FOR PRACTITIONERS

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by

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FOREWORD

The Foundation is pleased to release this new publication, which provides guidance to practitioners and audit organizations on the subject of proficiency requirements for comprehensive auditing.

As the discipline of comprehensive auditing continues to evolve, interacting with and contributing to the governance and accountability environment in which it operates, the subject of practitioner proficiency assumes particular importance.

Establishing a common understanding of proficiency requirements for comprehensive auditing is in the interests of both the audit community and the executive decision-makers being served. Such requirements form important benchmarks that the community can use to develop its professional cadre and satisfy itself that it is providing relevant and credible audit services and products to its clients. They also form the basis against which the client community can draw assurance on these same matters. Establishing such a basis is an essential part of any professional service.

Starting with the key audit judgements that comprehensive auditors are being called upon to make, the study explores the nature, range and combination of knowledge, skills and experience necessary to make these judgements.

The evolution of comprehensive auditing has not ceased, and the governance and accountability environment is ever changing. As was its 1984 predecessor, *Knowledge Requirements for Comprehensive Auditing: A Practitioner's Guide*, this publication is expected to be a living document, to be modified and added to as future circumstances warrant.

It would not have been possible to complete this research project without the input of several dozen senior professionals who, at various stages in this study, gave generously of their time, advice and experience. They include members of the legislative audit and internal audit communities, major private sector accounting/consulting firms, academia, and others. These individuals are identified in Appendix E of the report.

Hugh R. Hanson edited the report, Nicole Plamondon is responsible for its translation, and Suzanne Seebach, Paul Edwards and Bernard Poirier, its design and production.

The Foundation would like to express its appreciation to these individuals, with particular thanks to the Office of the Auditor General of Nova Scotia for contributing the services of Elaine M. Morash, CA, as a member of the research project team. Ms. Morash worked closely with CCAF's Director of Research, W. David Moynagh, over the course of the study, and it is to her that the Foundation extends its most special appreciation.

We hope that this publication will be helpful to audit organizations and individual practitioners in assessing their current situation and in taking action to enhance their professional proficiency.

CHAPTER 1

EXECUTIVE OVERVIEW

INTRODUCTION

This chapter provides an overview of the main findings of CCAF's research study on comprehensive audit proficiency. The ideas in this report are the product of a series of consultations with a wide range of leading practitioners from the legislative audit and internal audit communities, private sector accounting and consulting firms, academia and others.

The objective of this report is to provide a contemporary, integrated and practical basis from which to examine and gain a better understanding of the proficiency requirements that attend the core elements of comprehensive auditing — its key professional judgements.

No single and absolute prescription or template is being offered. However, the report does offer a fresh perspective on the subject. Its focus on audit judgements and its inclusion of experience as an explicit dimension of proficiency are both different from and complementary to the work of others in addressing this complex issue. The report outlines a series of interrelated concepts, frameworks, and enabling tools that individual practitioners and audit organizations alike can adapt and use to assess their particular situation and needs and, as deemed necessary, to take appropriate action to sustain, broaden or improve their proficiency in comprehensive auditing.

BACKGROUND

In 1984, CCAF issued the document, *Knowledge Requirements for Comprehensive Auditing: A Practitioner's Guide.* At the time, comprehensive auditing was still considered to be a very young art and science. Nonetheless, both decision-makers and audit practitioners had recognized the need to begin documenting the areas of knowledge necessary for those who were conducting and participating in comprehensive audit work. The above-noted guide was intended to be the first step in the process of describing this body of knowledge, acknowledging that, as practice evolved, so too would related knowledge requirements.

Since the 1984 document was issued, fourteen years of further experience in comprehensive auditing has been gained. Much has changed over this period as the range of issues with which these audits deal has broadened considerably, new audit approaches have emerged, and expectations for comprehensive auditing have become more demanding and focussed.

Against this general landscape of change, audit practitioners have identified a number of issues faced by their organizations, which are exacerbated by the lack of defined proficiencies for comprehensive auditors. These include:

- instances of public challenge in relation to competence to conduct comprehensive audits
- the anticipated shift to attestation on management representations, and the belief that this will result in greater emphasis on demonstrating competence
- increases in the number of staff from non-accounting/auditing backgrounds and the need to define required knowledge and skills for these individuals
- limited professional development budgets resulting from fiscal restraint, and the desire to use the available funds wisely.

Recent years have also seen significant shifts in the governance, decision-making and accountability environment in which comprehensive auditing is practised. Members of governing bodies and executive managers are having to make more difficult decisions than ever before, and to do so within the ever-present spotlight of public scrutiny. To make and explain these decisions, governing bodies and management require information that touches on many aspects of an organization's performance. And, it is in this context that the work of the comprehensive audit practitioner has assumed prominence — either as a provider of this information, or as providing

independent assurance on the fairness and completeness of information being supplied by others.

In light of these developments, key considerations become:

- the significance of this evolution to our current understanding of proficiency requirements for comprehensive audit practice
- specifically, what more or different now needs to be established and asserted
- whether the comprehensive audit community is sufficiently mature to be willing and able to engage this matter with an appropriate measure of introspection, confidence and consensus.

This research project was undertaken in response to the evolution and considerations mentioned above, and in keeping with a critical aspect of CCAF's continuing mandate — *"to advance the state of comprehensive audit practice and support the interests of audit practitioners."* It has been closely linked to two other key CCAF initiatives. One of these is the consolidation of the body of comprehensive audit knowledge, which was published in 1996 in *Accountability, Performance Reporting, Comprehensive Audit - An Integrated Perspective.* It is also linked to the redesign of CCAF's education and development program and activities, which was undertaken over the 1996-1997 period.

Setting the context

A note on terminology

Throughout the report the term *comprehensive auditing* is used. CCAF literature describes comprehensive auditing as being a concept rather than a technique — one that embraces three related aspects of accountability: financial reporting; compliance with authorities; and the economical, efficient and effective management of funds and resources. Because financial and compliance auditing processes have been well-established for some time, the term comprehensive auditing is more commonly taken to connote the third (and newer) element that deals with broader performance issues. This report adopts this latter usage.

Moreover, as explained below, the term comprehensive auditing should be understood to comprise three forms/approaches: audit reporting on management systems and practices, audit reporting on performance, and audit attestation to management representations on performance.

Situating comprehensive auditing

In the course of their work, practitioners are called upon to deal with a number of responsibilities and issues. This includes, but is not limited to, comprehensive auditing. As Diagram 1 illustrates, practitioners' responsibilities may also extend to other forms of audit (such as compliance and financial auditing), advisory/consulting roles, and a wide variety of management and administration issues within their organization.

This study is focussed on comprehensive auditing and on the proficiency requirements that attend this area of audit practice. The research results should only be interpreted as applying in this specific context.

Diagram 1

Comprehensive Auditing

Other Auditing

Management Issues

Consulting/Advising
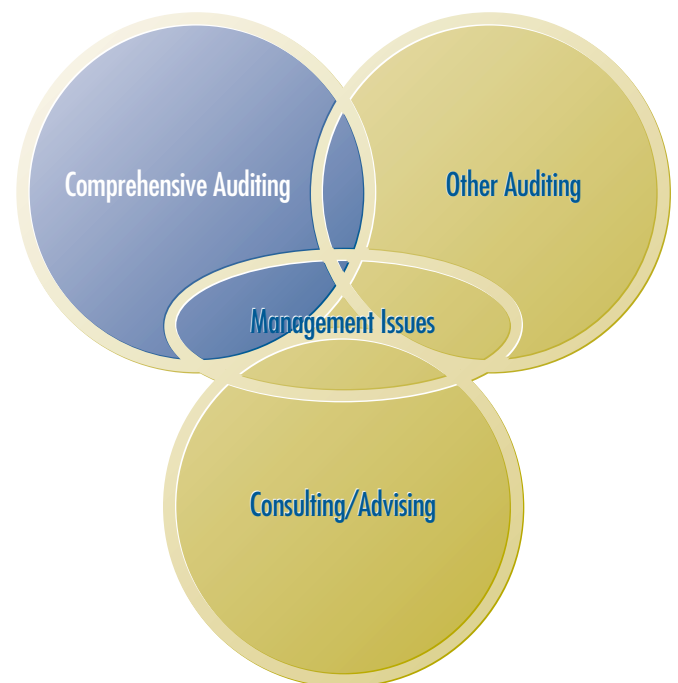
STRUCTURE OF THIS REPORT

The remainder of this report is divided into six chapters followed by seven appendices.

Chapter 2 provides an overview of the concept of proficiency as it is used in the context of this study. It describes proficiency in terms of three interrelated dimensions — knowledge, skills and experience.

Chapter 3 discusses the concept of audit judgments, which, in turn, serve as the focal point for the subsequent discussion of proficiency. It identifies and describes ten key audit judgements that individual comprehensive audit practitioners are called upon to make in the course of their work.

Chapter 4 describes the knowledge, skill and experience requirements that are pertinent to comprehensive audit practice and to these key judgements. The emphasis is not only on the categories or areas of knowledge, skill and experience required, but on their qualitative aspects as well.

Chapter 5 provides a series of grids that link, individually, the ten key audit judgements to the knowledge, skills and experience that comprehensive audit practitioners need to have, or have access to, in order to make these specific judgements.

Chapter 6 presents observations made in the course of the research study in relation to two auxiliary research issues: What differences, if any, may exist between external and internal auditors with respect to audit judgements and related proficiency requirements? and What role can the specialist play in contributing to the key professional judgements that characterize comprehensive audit practice?

Chapter 7 outlines conclusions emerging from the research, and discusses how the research results can be used by practitioners and audit organizations as a basis for assessing and enhancing their professional proficiency.

Appendix A describes the background to this research project. It summarizes the work leading up to the project, the focus of the project itself, and the study approach. Appendix B provides a description of a typical focus group meeting. These focus group discussions comprised the main component of the research study.

Recasting the data and information presented in Chapter 5, Appendix C provides a summary of knowledge, skill and experience requirements in relation to all ten key audit judgements.

Appendix D provides an overview of related initiatives in the area of proficiency and competency that have been taken by CCAF, professional accounting and audit bodies, individual audit organizations, and others, both in Canada and abroad.

Appendix E provides a listing of all those who participated, at various stages, in the lead-up to and conduct of this study — over ninety individuals in all.

Appendix F outlines a selected bibliography of the publications that were reviewed and analyzed during the literature-review phase of the research. As noted in Appendix G, a separate background document that reports on the results of this literature review is available from CCAF upon request.

THE RESEARCH PROJECT

As noted above, this project builds on past work done by the Foundation: CCAF's 1984 knowledge requirements guide, and its 1996 textbook, *Accountability, Performance Reporting, Comprehensive Audit - An Integrated Perspective.* Moreover, wherever possible, the project has drawn benefit from a wide range of related research, documentation and initiatives pertaining to other organizations and professional bodies (Appendix D provides an overview of these related initiatives).

The scope and focus of this research project was developed, discussed and refined through a series of special workshops, CCAF conference sessions, and meetings of CCAF's research and governance committees. These events took place during the 1993-1995 period.

KEY INITIAL DETERMINATIONS

Flowing from these early consultations were a series of initial determinations on which the research was to be based. They are:

• the research project should start from the following definition of audit — *Audit serves an*

accountability relationship. It is the independent, objective assessment of the fairness of management's representations on performance or the assessment of management systems and practices, or overall performance, against criteria, reported to a governing body or others with similar responsibilities

- the research needs to focus on more than just knowledge. It should also consider skills and experience which, with knowledge, combine and interrelate to form the concept of proficiency
- the research should start with a focus on the key audit judgements that comprehensive audit practitioners have to make in the course of their work
- the research should address the issue of proficiency in a flexible manner, to facilitate the use of its results in a variety of professional settings.

STUDY APPROACH

The two main components of the study approach were:

- a review and analysis of the available literature, including related work undertaken by others
- consultations with a wide variety of leading practitioners drawn from key segments of the comprehensive audit community. This included representation from the legislative audit and internal audit communities, major accounting/consulting firms, academia and others. For the most part, these were structured consultations held in the form of focus group symposia. In all, eight such focus group meetings were held across Canada involving the participation of eighty senior practitioners.

THE CONCEPT OF PROFICIENCY

The concept of proficiency, as it is used in this report, refers to three interrelated dimensions — knowledge, skills and experience. It does not include an examination of the basic aptitudes and personal characteristics or traits of professionals who become involved in comprehensive auditing, accepting that

the 'raw material' that it takes to become an effective auditor is already there. These personal attributes, which Spencer & Spencer refer to as 'core motive and trait competencies,'[1] are particularly important to the design of recruitment strategies — a key concern for the audit community, but not one on which this research report is primarily focussed.

The explicit consideration that this project gives to the experience dimension of proficiency is a key innovation of this research study. Generally speaking, similar initiatives have either not dealt with the experience dimension, or have dealt with it only implicitly.

Chapter 2 describes the concept of proficiency in more detail.

SUMMARY OF RESEARCH RESULTS

KEY COMPREHENSIVE AUDIT JUDGEMENTS

Every facet of each practitioner's work calls for various decisions to be made. There are, however, certain professional judgements that are made concerning the direction of the comprehensive audit function or a specific audit engagement that are so key as to have a profound and determining effect on the quality of the audit process, the audit product, and the consideration and use that is given to or made of this product. These are the key judgements that formed the starting point for the research.

FRAMEWORK OF KEY AUDIT JUDGEMENTS

So, what are these key audit judgements or decisions? This is the first research issue identified in the terms of reference for this project, and it was the first question asked of those who were consulted in the course of the study.

The process of arriving at an answer to that question was one of iteration and refinement over several months of discussion with several dozen leading practitioners.

Ten key audit judgements were identified, based on input from focus group symposia, the perspectives of the research team, and the literature. They are — judgements relating to:

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1   LYLE M. SPENCER & SIGNE M. SPENCER, *Competence at Work: Models for Superior Performance* (CANADA: JOHN WILEY & SONS LTD., 1993) 11-12.

- the strategic positioning of comprehensive auditing by the practitioner organization
- the direction and purpose of the particular comprehensive audit engagement
- which audit model to deploy for the audit engagement
- the key variables and central 'drivers' of the audit engagement — the interrelated issues of scope, significance, and audit assurance
- the key parameters of the audit engagement — audit criteria, evidence, reliance on others' work, and audit procedures
- the communications strategy for the audit engagement
- the quality assurance for the audit engagement
- the selection and implementation of an appropriate project management system for the audit engagement
- the preparation and conveyance of the comprehensive audit report/opinion
- the impact and value-added of the audit engagement.

Chapter 3 describes each of these key audit judgements in more detail.

WHO MAKES THESE KEY AUDIT JUDGEMENTS?

The focus is on individual practitioners and the specific judgement(s) they are called upon to make in the course of their work. Discussions in focus groups indicated that, often, these key professional judgements are made by practitioners operating at different levels and playing different roles in the audit organization and are supported by a consultative process that may, according to the circumstances, involve other members of the audit team and subject-matter specialists. Occasionally, preliminary discussion with superiors within the audit organization may occur before a specific judgement is made.

The critical role played by team members and specialists merits special emphasis. First, they contribute their knowledge and expertise to the initial formulation of the judgement. Second, they conduct the audit work in accordance with the judgement made. And third, where this audit work suggests the need to revisit the assumptions underlying the initial judgement, they must make an important decision as to when and how to bring this situation to the attention of others for possible reconsideration of that judgement.

At the end of the day, however, it is an individual practitioner who is responsible for making one or more of these critical judgements or decisions.

KNOWLEDGE REQUIREMENTS

The term knowledge, as it is used in this report, refers to the information that the practitioner has in specific content areas. It is important to note that knowledge can be obtained in a number of ways — through formal education and training, learning from others, and work experience such as in comprehensive and other types of audit, other fields of endeavour and voluntary activity.

FRAMEWORK OF KNOWLEDGE REQUIREMENTS

Thirteen categories or areas of knowledge pertinent to the key judgements that characterize the practice of comprehensive auditing were identified. The nature and extent of knowledge that may be necessary for an individual comprehensive audit practitioner to have, or have access to, will depend on the specific audit judgement or judgements that the practitioner is being called upon to make. In the case where the practitioner may need to access the knowledge — or for that matter, skill and experience — of others as an input to his/her judgement, the practitioner still needs to have a sufficient basis upon which to assess and effectively use the input received.

The areas of knowledge are:

- governance, management and accountability
- performance
- management systems and practices
- control
- audit *vis-à-vis* the economical, efficient and effective management of funds and resources (i.e., comprehensive auditing)
- audit *vis-à-vis* compliance with authorities and financial reporting
- one's own audit organization
- business of the entity being audited

- behavioural science
- related disciplines
- research and analysis
- project management
- quality assurance.

Once the areas of required knowledge have been established, it is useful to determine just how much of this knowledge is needed. Three levels of knowledge have been identified:

- basic knowledge
- working knowledge
- in-depth knowledge.

Chapter 4 describes each of these areas and levels of knowledge in more detail.

SKILL REQUIREMENTS

The term skill in this report refers to the ability of the practitioner to perform a physical or mental task.

FRAMEWORK OF SKILL REQUIREMENTS

The research and consultations identified ten skill areas pertinent to the key judgements that characterize the practice of comprehensive auditing. The nature and extent of skill that may be necessary for an individual comprehensive audit practitioner to have, or have access to, will depend on the specific audit judgements that the practitioner is being called upon to make or support.

These skill areas are further categorized into: professional/technical skills, management skills, and general skills. They are:

Professional/technical skills

These involve the ability to apply concepts, principles, methods and techniques relating to:

- audit *vis-à-vis* the economical, efficient and effective management of funds and resources (i.e., comprehensive auditing)
- evaluation of an organization's performance
- research and analysis
- quality assurance

Management skills
- general management
- project management

General skills
- analytical thinking
- conceptual thinking
- communication
- interpersonal.

Similar to knowledge, there is the matter of how much skill is needed. Three levels of skill have been identified:
- basic
- intermediate
- accomplished.

Chapter 4 describes these areas and levels of skill in more detail.

AUDIT EXPERIENCE REQUIREMENTS

The term experience, as it is used in this report, refers to the practitioner's application of knowledge and skills in an audit practice setting.

FRAMEWORK OF AUDIT EXPERIENCE REQUIREMENTS

In his 1986 report reporting on an enquiry into the collapse of the CCB and Northland Bank, Justice Willard Estey commented on audit and, in this regard, identified three aspects of experience that he thought were pertinent: the amount or extent of experience, the role in which this experience has been gained, and the context in which this experience has been gained (which, in the case in point, was having to have had audit experience in the banking industry or similar deposit-taking financial institutions).

Building on Justice Estey's reasoning, there are four aspects to experience that are important to consider: nature, role, extent and context. The fact that there are numerically fewer categories being discussed for experience — than for knowledge and skill — should not be taken to mean that it is a less important dimension of proficiency. Indeed, as one of the focus group participants put it, "experience is what often makes the essential difference."

As to the first aspect, the type of experience concerned is auditing *vis-à-vis* the economical, efficient and effective management of funds and resources. Experience in other fields of endeavour or in other types of auditing can assist and contribute, but it is experience in comprehensive auditing that is seen as necessary.

Three further aspects of experience to be considered are:

Role
- experience as a team member
- experience as a project leader
- experience in an executive role.

Extent
- 'some' experience which, for purposes here, means less than 2 years
- 'significant' experience here means between 2 and 4 years
- 'extensive' experience here means at least 5 years.

Context
- the issue here is whether or not it is necessary for the practitioner to have had audit experience in the same or similar business as that of the entity being audited.

Again, as noted for knowledge and skill requirements, the kind of comprehensive audit experience that may be necessary for an individual practitioner to have will depend on the specific audit judgement or judgements that the practitioner is being called upon to make.

Chapter 4 describes these aspects of experience in more detail.

LINKING KNOWLEDGE, SKILL AND EXPERIENCE REQUIREMENTS TO KEY AUDIT JUDGEMENTS

Chapter 5 presents a series of grids that illustrate the linkages between knowledge, skills and experience requirements and individual key audit judgements.

Insofar as knowledge requirements are concerned, and looking across all judgements, the areas deserving greatest emphasis are practitioner knowledge of:

- governance, management and accountability concepts, theory, principles, emerging thinking and developments
- comprehensive audit concepts, theory, principles, ethics, emerging thinking and developments
- the environment, mandate, philosophy, strategies, policies, etc. of the audit organization
- the business of the entity being audited.

For skill requirements, and again looking across all judgements, the emphasis is on practitioner's skill in:

- conducting comprehensive audits
- evaluating an organization's performance
- analytical and conceptual thinking
- communication and interpersonal skills.

Regarding experience, the pattern is to have what might be referred to as 'positioning' judgements — those having to do with the direction of the comprehensive audit function or the particular audit engagement — in the hands of practitioners having experience in an executive role. Judgements relating to the planning, conduct and reporting of the audit engagement are linked to those who have had experience in a project leader role. In both cases, significant to extensive audit experience is deemed to be necessary in order to ensure appropriate audit judgements.

The need for the practitioner to have at least some audit experience in the same or similar business as the entity being audited is emphasized for key planning and reporting judgements (e.g., decisions on positioning, scope, assurance, audit criteria, etc. on the one hand, and in formulating and reporting the audit conclusions/opinion on the other). For other judgements, audit experience is more transferable from situation to situation.

It is emphasized that the information contained in the grids should be interpreted as guidance — not a template or prescription — in establishing links between specific audit judgements and their respective proficiency requirements.

Other issues

There were two auxillary issues that the study considered:

- the extent to which there may be inherent differences between external and internal auditors *vis-à-vis* the above-noted judgement and proficiency requirements
- where the role of the specialist fits in the context of these audit judgements and proficiency requirements.

A number of observations made during the consultations can be reported.

With respect to the first issue, the common strategy was to have a mix of external and internal auditors in the overall focus groups as well as in break-out groups that would caucus at various points during the course of the meeting. It might be expected that if there were inherent differences, this would have come out in the break-out group deliberations or in the reporting-back and discussion of these deliberations. In general, no such pattern emerged either from the break-out groups or in general discussion.

Insofar as the second issue — the role of the specialist — is concerned, some groups commented that the specialist is most likely to contribute to audit judgements relating to the key variables that drive the audit (scope, assurance and significance), key parameters (suitable audit criteria, appropriate sufficient audit evidence, etc.), and quality assurance. For larger audit organizations, these specialists may very well be part of the staff establishment (in the areas of human resource management, quantitative analysis, engineering, effectiveness measurement, etc.). For smaller organizations, these specialist resources would likely have to be contracted-in, presenting the challenge of assuring that these experts have a proper orientation to the organization's audit policies and procedures in order to know where and how their work fits into the overall audit engagement.

Of note in this connection is the promulgation of the CICA's *Standards for Assurance Engagements,* which occurred following the start of CCAF's profi-ciency study. These 1997 standards address the issue of specialists from two perspectives:[2]

- what specialists need to know in order to relate the work assigned to them to the objective of the engagement
- what the practitioner needs to know in order to establish the credentials of the specialist and what the practitioner needs to know in order to effectively supervise and use the work of the specialist.

At the time of publication of this study, the CICA was planning to conduct further research in this area.

Chapter 6 provides further details on these observations.

In conclusion

This report identifies the key audit judgements that individual comprehensive audit practitioners have to make, and establishes linkages to the range of proficiency (i.e., knowledge, skills and experience) requirements that are pertinent to each of these judgements. Being able to deal with such issues in an open and frank manner is the hallmark of any mature profession.

Comprehensive auditors operate within a complex, fluid and demanding environment. Even a cursory glance to the near horizon indicates that this is unlikely to change as new lines of business (such as assurance) develop and as audit clients become more sophisticated consumers and users of audit products and services.

It is in the interests of both the audit community and the executive decision-makers being served to establish a common understanding of proficiency requirements associated with comprehensive auditing. Doing so provides practitioners and their audit organizations with a basis for assessing, developing and demonstrating their professional proficiency. The client community can also draw assurance on these same matters.

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2   The Canadian Institute of Chartered Accountants, *CICA Handbook,* S5025.29-.34, .61.

The results of this research study add to the understanding of proficiency in comprehensive auditing. As was its 1984 predecessor, this publication is expected to be a living document, to be modified and added to as future circumstances warrant.

CHAPTER 2

THE CONCEPT OF PROFICIENCY

INTRODUCTION

As noted above, it has been 14 years since CCAF released its document, *Knowledge Requirements for Comprehensive Auditing: A Practitioner's Guide.*

Over this period, much experience has been gained and new thinking has emerged. The governance and accountability environment within which audit takes place has become more complex, fluid and demanding. And clients and management have become more knowledgeable about the comprehensive audit process, its products and their use.

These are among the reasons that led those who were consulted to advise that the scope and reach of this research study should go beyond simply updating the 1984 *Knowledge Requirements* document. To be sure, it needed to include such an update, but it also should take account of other dimensions — namely skills and experience. This advice was accepted and incorporated into the terms of reference for the research study.

THE CONCEPT OF PROFICIENCY

The term *proficiency* is used to describe the scope of this project.

This term will be a familiar one to many in the community of practitioners to which this research report is directed. It is used, for instance, in the CICA's 1997 *Standards for Assurance Engagements,*

> "The practitioner and any other persons performing the assurance engagement should have adequate proficiency in such engagements."[3]

3   IBID., S5025.28.

…and it is also used in the IIA's *Standards for the Professional Practice of Internal Auditing*:

> "Internal audits should be performed with proficiency and due professional care." [4]

Several others who have done work in this area use the term competency to describe the focus of their efforts. It is a term that has many descriptions, definitions and shades of meaning, both in the general literature and in application. By way of illustration, the term has sometimes been used to mean skills and knowledge. It has also been described as the ability and willingness to perform a task. Often, it is described or defined as a characteristic of an individual that underlies performance, including not only knowledge and skills, but also personal characteristics such as principles, values, beliefs, attitudes, personality traits and motives. As a further illustration, the AICPA's 1997 report on *Assurance Services* characterizes competencies as including "both what individual auditors know and what individual auditors and audit teams do."

The term proficiency, however, is a more accurate term in describing the specific scope of CCAF's research project. The focus is on practitioner knowledge, skills and experience, but not on the range of aptitudes and personal characteristics or traits that are often associated with the concept of competency. This general distinction being made between proficiency and professional competency is discussed further in Willis.[5]

The term proficiency in this report, therefore, refers to the knowledge, skills and experience needed by comprehensive audit practitioners to make the key audit judgements that they have to make in the course of their work. Further, in this report,

- *knowledge* refers to information the practitioner has in specific content areas[6]
- *skill* refers to the ability of the practitioner to perform a certain physical or mental task[7]

- *experience* refers to the practitioner's application of knowledge and skill in an audit practice setting.

Diagram 2 (following page) depicts the concept of proficiency and the intersecting nature of the relationship among these three dimensions.

A FURTHER WORD ON THE PROFICIENCY DIMENSION OF EXPERIENCE

In their book, *Executive Leadership*, Jaques and Clement refer to experience as the 'great teacher' that teaches many things that add to our storehouse of knowledge and to the learning of new skills, sometimes in ways that we are not even aware of.[8]

A unique feature of this report is that it deals with experience as an explicit dimension of practitioner proficiency. In this respect, the scope of this research project was different from similar initiatives which, generally speaking, either have not dealt with the experience dimension, or have dealt with it only implicitly.

The rationale for addressing experience as an explicit dimension might best be explained by drawing an analogy to the difference between the talented rookie and the seasoned professional. The talented rookie might have many of the knowledge and skill tools, but, unlike the seasoned professional, s/he has not yet had the opportunity to demonstrate a capacity to apply his or her knowledge and skills effectively over a sustained period, in different responsibility roles, or in different practice settings.

In his 1986 *Report of the Inquiry into the Collapse of the CCB and Northland Bank,* the Honourable Willard Estey recommended that

> "the Bank Act be amended to require that the auditor who is in active charge of the audit of the bank should have at least five years experience in the performance at a senior level of bank audits or audits of other deposit-taking financial institutions." [9]

4   The Institute of Internal Auditors, *Standards for the Professional Practice of Internal Auditing* (Florida: The Institute of Internal Auditors, 1978) 12.
5   Sherry L. Willis, *Maintaining Professional Competence: Approaches to Career Enhancement, Vitality & Success Throughout a Work Life* (San Francisco: Jossey-Bass Inc. Publishers, 1990) 3. Willis sees 'professional competence' as involving two broad categories. First, there are 'proficiencies' specific to the profession or discipline: (1) the discipline-specific knowledge base; (2) technical skills considered essential in the profession; and (3) the ability to solve the types of problems encountered within the profession. Second, there are 'general characteristics' of the individual that facilitate his/her development and maintenance of professional competence: intellectual ability, personality traits, motivation, attitudes, and values.
6   Adapted from Spencer & Spencer, op. cit., 10.
7   Ibid., 11.
8   Elliott Jaques and Stephen D. Clement, *Executive Leadership* (Arlington: Cason Hall & Co. Publishers, 1991, 1994) 77.
9   Willard Z. Estey, *Report of the Enquiry into the Collapse of the CCB and Northland Bank* (Ottawa: Supply and Services Canada, 1986) 298.

In Justice Estey's opinion, which was supported by various submissions that were made to his commission of enquiry, the audit engagement partner needed to have this particular extent, level and context of experience in order to perform his or her responsibilities under the Bank Act.

The CICA's 1978 *Report of the Special Committee to Examine the Role of the Auditor* (the Adams Report) also stresses the importance of experience:

> "We believe that members of the public who seek audit services have every right to expect that those who are permitted to hold themselves out as auditors have adequate training and up-to-date training and experience. Auditing practices and procedures are constantly evolving, and as we have stated earlier, we feel that experience is essential to auditors in carrying out their work. Chartered accountants who have followed careers outside auditing should be required to refurbish their auditing knowledge and experience before being permitted to sign an audit report." [10]

The importance of experience as an aspect of practitioner proficiency, particularly when it comes to matters of exercising professional judgement, is discussed extensively in CICA's 1995 research report on *Professional Judgement and the Auditor.*

Most professions require a period of practical experience before an individual is admitted to full membership (for example, currently 30 months for a prospective chartered accountant). This requirement illustrates the importance that professions attribute to experience.

The review of proficiency-related developments and documentation in audit organizations found only one organization that explicitly addressed the issue of experience requirements for comprehensive auditing.[11]

Given the particular focus of CCAF's research project — the formulation of key audit judgements by comprehensive audit practitioners — it is impor-

tant to bring this experiential dimension into the proficiency equation acknowledging, of course, that it is fundamentally interrelated to the knowledge and skills dimensions (as, indeed, the latter two dimensions are themselves interconnected).

DIAGRAM 2: PROFICIENCY

KNOWLEDGE   SKILLS

EXPERIENCE

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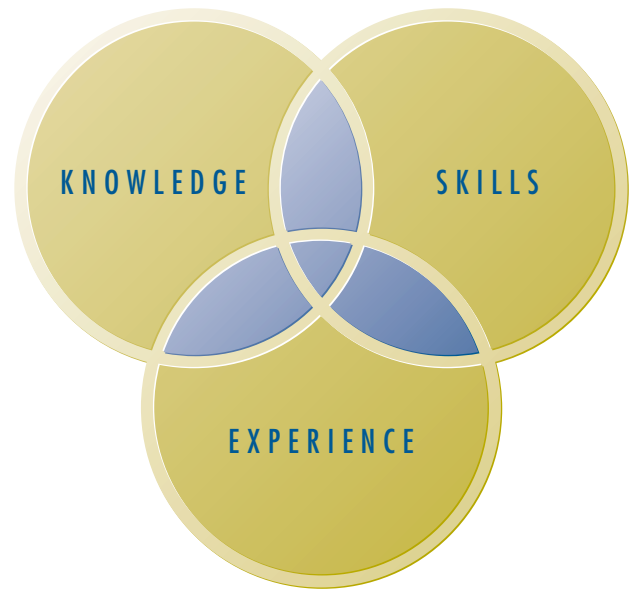
10   THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS, *Report of the Special Committee to Examine the Role of the Auditor* (CHAIRED BY JOHN W. ADAMS, FCA) (TORONTO: CICA, 1978) 63.

11   *Le Vérificateur général du Québec* MAKES SPECIFIC REFERENCE TO EXPERIENCE IN ITS TASKS GUIDES FOR VALUE-FOR-MONEY PROJECT LEADERS AND TEAM MEMBERS, DESCRIBING EXPERIENCE REQUIREMENTS VARIOUSLY IN TERMS OF LENGTH OF TIME, NUMBER OF VFM AUDITS, AND NATURE OF EXPERIENCE (I.E., COMPLEXITY OF AUDITS).

CHAPTER 3

KEY COMPREHENSIVE AUDIT JUDGEMENTS

> *"PROFESSIONAL JUDGMENT IS THE ESSENCE OF AUDITING."*
> PROFESSIONAL JUDGMENT AND THE AUDITOR,
> CICA, 1995

INTRODUCTION

Every facet of each practitioner's work calls for judgements to be made. There are, however, certain professional judgements concerning the direction of the comprehensive audit function or a specific audit engagement that have a profound and determining effect on the quality of the audit process, the audit product, and the consideration and use that is given to or made of this product.

Discussions within focus group sessions indicated that, often, such key professional judgements or decisions are supported by a consultative process that may, according to the circumstances, involve other members of the audit team, subject-matter specialists, and occasionally preliminary discussion with superiors within the audit organization. At the end of the day, however, it is one individual practitioner who makes that critical judgement.

As noted above, the research project started with a focus on the key audit judgements or decisions that comprehensive audit practitioners make. The rationale for focussing on audit judgements is two-fold:

- it brings a results orientation to the research and, in the process, helps to sort out what may be core proficiency requirements from those that are not
- it provides a common basis that can be used by the whole comprehensive audit community, in which there are variations in organization size and structure, practitioner levels, the distribution of professional responsibilities and authority within hierarchies, etc.

The first issue to determine is the range and nature of the key audit judgements that are characteristic of comprehensive audit practice. The second issue is the nature of proficiency — the combination of knowledge, skills and experience — required to support the making of particular audit judgements. Once a consensus on these two issues is established, one can ask which individual (or levels of) practitioners within a particular organization are being called upon to make which audit judgements and, based on the answer, then determine the knowledge, skills and experience that specific (levels of) practitioners, or the organization as a whole, need to have.

Thus, adopting key audit judgements as a starting point served to contain the research, focus it on what is most important, and provide the flexibility needed to be able to apply the study results to varying operating circumstances.

EXHIBIT 1: KEY AUDIT JUDGEMENTS

KEY AUDIT JUDGEMENTS MADE BY COMPREHENSIVE AUDIT PRACTITIONERS INCLUDE JUDGEMENTS ABOUT:

- THE STRATEGIC POSITIONING OF COMPREHENSIVE AUDITING BY THE PRACTITIONER ORGANIZATION
- THE DIRECTION AND PURPOSE OF THE PARTICULAR AUDIT ENGAGEMENT
- WHICH AUDIT MODEL TO DEPLOY FOR THE AUDIT ENGAGEMENT
- THE KEY VARIABLES AND CENTRAL 'DRIVERS' OF THE AUDIT ENGAGEMENT
- THE KEY PARAMETERS OF THE AUDIT ENGAGEMENT
- THE COMMUNICATIONS STRATEGY FOR THE AUDIT ENGAGEMENT
- THE QUALITY ASSURANCE FOR THE AUDIT ENGAGEMENT
- THE SELECTION AND IMPLEMENTATION OF AN APPROPRIATE PROJECT MANAGEMENT SYSTEM FOR THE AUDIT ENGAGEMENT
- THE PREPARATION AND CONVEYANCE OF THE COMPREHENSIVE AUDIT REPORT/OPINION
- THE IMPACT AND VALUE-ADDED OF THE AUDIT ENGAGEMENT.

A FRAMEWORK FOR KEY AUDIT JUDGEMENTS

What are these key audit judgements or decisions? This was the first research issue identified in the terms of reference for this project, and it was the first question asked of those who were consulted in the course of the study.

The process of arriving at an answer to this question was one of iteration and refinement over several months of discussion with several dozen leading practitioners.

Ten key audit judgements were identified, based on input from focus group symposia, the perspectives of the research team, and the literature. They are presented in Exhibit 1.

DESCRIPTION OF KEY AUDIT JUDGEMENTS

Each of these ten key judgements involves a series of subsidiary determinations that collectively comprise that overall judgement.

STRATEGIC POSITIONING OF COMPREHENSIVE AUDITING BY THE PRACTITIONER ORGANIZATION. THIS INCLUDES DETERMINING:

- the expectations, information needs and capacity of the governing body, management and, as applicable, other key stakeholders
- the track record of past comprehensive audit work in terms of its quality, impact and value-added
- the philosophy, strategic directions, standards and capacity of the audit organization
- the communications strategy for the practitioner organization
- the structure/nature of the audit universe and cycle
- the audit projects to be selected.

DIRECTION AND PURPOSE OF THE PARTICULAR AUDIT ENGAGEMENT. THIS INCLUDES DETERMINING:

- the sufficiency of the knowledge of the audit entity's business
- if there are sufficient resources to perform the audit, including the need for specialist support brought in from elsewhere in the organization or on a contract-in basis

- whether to undertake a specific audit engagement
- the potential value-added that the audit can bring
- the audit objective.

WHICH AUDIT MODEL TO DEPLOY FOR THE AUDIT ENGAGEMENT. THIS INVOLVES DETERMINING:

- the potential and appropriateness of using certain audit models or approaches in the circumstances — [direct] audit reporting on management systems and practices, audit attestation to management representations/reports on performance, and [direct] audit reporting on performance

KEY VARIABLES AND CENTRAL 'DRIVERS' OF THE AUDIT ENGAGEMENT. THIS INCLUDES DETERMINING:

- the scope of the audit
- significance
- the intended level of audit assurance/engagement risk.

KEY PARAMETERS OF THE AUDIT ENGAGEMENT. THIS INVOLVES DETERMINING:

- suitable audit criteria
- what is sufficient appropriate audit evidence
- the nature and extent of any reliance to be placed on the work of others
- appropriate audit procedures.

COMMUNICATIONS STRATEGY FOR THE AUDIT ENGAGEMENT. THIS INCLUDES DETERMINING:

- issues related to with whom, with what purpose, when, and how communications should be made
- issues involved with communications within the practitioner organization, and outside the organization — with the client, management and, as applicable, other stakeholders

QUALITY ASSURANCE FOR THE AUDIT ENGAGEMENT. THIS INCLUDES DETERMINING:

- the appropriate quality assurance strategy and system to have in place for the audit
- the quality of the audit process and product.

SELECTING AND IMPLEMENTING AN APPROPRIATE PROJECT MANAGEMENT SYSTEM FOR THE AUDIT ENGAGEMENT. THIS INCLUDES DETERMINING:

- the appropriate project management strategy and system to put in place for the audit engagement (scheduling and budgeting of critical activities, supervision of specialist work, etc.)
- the adequacy of progress at critical milestones
- actions to be taken to deal with problems or unanticipated events.

PREPARATION AND CONVEYANCE OF THE COMPREHENSIVE AUDIT REPORT/OPINION. THIS INCLUDES DETERMINING:

- the conclusions of the audit
- what to report
- how to report it.

IMPACT AND VALUE-ADDED OF THE AUDIT ENGAGEMENT. THIS INCLUDES DETERMINING:

- the sufficiency of actions taken on the findings and observations of the audit engagement
- the impact of and value-added by the audit engagement and reasons therefor.

ADDITIONAL CONSIDERATIONS

There are certain underlying aspects to this framework of key audit judgements that should be noted.

First, there are two levels to the issue of key audit judgements. The first level entails key audit judgements that relate to the comprehensive audit function as a whole (strategic positioning by the practitioner organization). The second level entails key audit judgements that relate to a particular audit engagement (e.g., direction and purpose of the audit). The former are judgements that would likely be triggered by the strategic planning and review cycle of the practitioner organization or possibly by major shifts or events in its external or internal environment (a major changeover in the governing body, a significant change or event relating to governance-management accountability relationships, a new audit head, a major shift in professional thinking/ practice, etc.). The latter are judgements that would be made in relation to each audit engagement.

Second, some key audit judgements are made in a linear time sequence that relates to a specific stage in the audit process (e.g., a judgement as to which audit model should be deployed is made near the beginning of the audit engagement). Other key audit judgements cut across the entire audit process or are more fluid in the sense that those made at one point in the audit process might be revisited at a later stage as further information comes in or if circumstances change from what was anticipated. Judgements about the communications strategy, quality assurance and project management, for instance, arise and are important from early on to the completion of the audit engagement and, indeed, beyond that to when the impact and value-added of the audit is examined.

Diagram 3 (following page) illustrates some of these dynamics, which are difficult to capture and represent in a simple listing such as provided above. The outside perimeter of Diagram 3 also identifies a wide range of factors that have a pervasive influence on the key audit judgements that practitioners must make.

WHO MAKES THESE AUDIT JUDGEMENTS?

The focus is on individual practitioners and the specific judgement(s) they are called upon to make in the course of their work. Discussions in focus groups indicated that, often, these key professional judgements are made by practitioners operating at different levels and playing different roles in the audit organization and are supported by a consultative process that may, according to the circumstances, involve other members of the audit team and subject-matter specialists. Occasionally, preliminary discussion with superiors within the audit organization may occur before a specific judgement is made.

The critical role played by team members and specialists merits special emphasis. First, they contribute their knowledge and expertise to the initial formulation of the judgement. Second, they conduct the audit work in accordance with the judgement made. And third, where this audit work suggests the need to revisit the assumptions underlying the initial judgement, they must make an important decision as to when and how to bring this situation to the attention of others for possible reconsideration of that judgement.

At the end of the day, however, it is an individual practitioner who is responsible for making one or more of these critical judgements or decisions.

An option looked at early in the project was the possibility of allocating specific key audit judgements to specific position levels/titles. The diversity of practitioner organizations in terms of size and hierarchical structure, however, precluded such across-the-board pre-allocation. Larger organizations with extended hierarchies are likely to have a relatively wide dispersion of authorities to make decisions. In smaller organizations, decision-making may be more centralized. The professional capacity of staff, and management culture and style, are also factors to consider in this regard.

DIAGRAM 3: KEY JUDGEMENTS MADE BY COMPREHENSIVE AUDITORS

Stakeholders'
Expectations
and Needs

Professional
Standards

Audit Mandate

Audit Resources
including
knowledge, skills
and experience

Audit
Models

Ethics
(Code of Conduct)

Communications Strategy

Strategic Positioning of Comprehensive Auditing
Direction & Purpose of the Audit
Audit Model to Deploy
Audit Parameters
Reporting
Audit Opinion

Significance

Quality Assurance

Value Added

Assurance/Risk

Project Management

Scope

Control Environment of Audit Entity

CHAPTER 4

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING: KNOWLEDGE, SKILLS AND EXPERIENCE

> "TO SUCCESSFULLY FULFILL [THE VAST ARRAY OF ASSIGNMENTS THEY ARE CALLED UPON TO UNDERTAKE], INTERNAL AUDITORS MUST POSSESS SKILLS AND KNOWLEDGE FROM SEVERAL DIFFERENT DISCIPLINES... THEY MUST BE EXCELLENT COMMUNICATORS... THEY MUST BE LOGICAL THINKERS.."
>
> A COMMON BODY OF KNOWLEDGE FOR THE PRACTICE OF INTERNAL AUDITING, IIA, 1992

INTRODUCTION

The first step in determining the knowledge, skills and experience that comprehensive audit practitioners need to have in order to make key audit judgements was to establish what these key audit judgements are — this is the focus of Chapter 3. This chapter describes the range of knowledge, skills and experience that the research identified as being necessary to make these key judgements appropriately. It also identifies a framework within which to talk about the level, extent or nature of each of these three dimensions of proficiency.

A FRAMEWORK FOR KNOWLEDGE REQUIREMENTS

As stated above, the term knowledge in this report, refers to the information that the practitioner has in specific content areas. It is important to note that such knowledge can be obtained in a number of ways — through formal education and training, learning from others, and work experience such as in comprehensive and other types of audit, other fields of endeavour, and voluntary activity.

KNOWLEDGE REQUIREMENTS: BY AREA

The research identified thirteen areas of knowledge pertinent to the key judgements that characterize the practice of comprehensive auditing (Exhibit 2). The nature and extent of knowledge that may be necessary for an individual comprehensive audit practitioner to have, or have access to, will depend on the specific audit judgements that the practitioner is being called upon to make or support. In the case where the practitioner may need to access the knowledge — or for that matter, skill and experience — of others as an input to his/her judgement, the practitioner still needs to have a sufficient basis upon which to assess and effectively use the input received.

EXHIBIT 2: KNOWLEDGE REQUIREMENTS: BY AREA

- GOVERNANCE, MANAGEMENT AND ACCOUNTABILITY
- PERFORMANCE
- MANAGEMENT SYSTEMS AND PRACTICES
- CONTROL
- AUDIT VIS-À-VIS THE ECONOMICAL, EFFICIENT AND EFFECTIVE MANAGEMENT OF FUNDS AND RESOURCES (I.E., COMPREHENSIVE AUDITING)
- AUDIT VIS-À-VIS COMPLIANCE WITH AUTHORITIES AND FINANCIAL REPORTING
- ONE'S OWN AUDIT ORGANIZATION
- BUSINESS OF THE ENTITY BEING AUDITED
- BEHAVIOURAL SCIENCE
- RELATED DISCIPLINES
- RESEARCH AND ANALYSIS
- PROJECT MANAGEMENT
- QUALITY ASSURANCE

DESCRIPTION OF KNOWLEDGE AREAS

- **Governance, management & accountability:** This includes knowledge of related concepts, theories, principles, frameworks, structures, processes, interrelationships, and emerging issues, thinking and developments.
- **Performance:** This includes an understanding of concepts, theory, principles, frameworks, accounting, measurement and reporting practices, and emerging issues, thinking and developments related to the notion of an organization's performance.
- **Management systems and practices:** This includes knowledge of concepts, theories, principles, frameworks, measurement and reporting practices, and emerging issues, thinking and developments relating to such management systems and practices as planning, operations management, human resource management, financial management and control, information technology and systems, etc.
- **Control:** This includes knowledge of related concepts, theory, principles, frameworks, practices and criteria, and emerging issues, thinking and developments. Knowledge of risk management/assessment theory, frameworks and techniques are included here as well.
- **Audit *vis-à-vis* the economical, efficient and effective management of funds and resources (i.e., comprehensive auditing):** This includes knowledge of related concepts, theory, principles, ethics, standards, approaches, processes, practices, and emerging issues, thinking and developments.
- **Audit *vis-à-vis* compliance with authorities and financial reporting:** This includes an understanding of related audit concepts, theory, principles, ethics, standards, approaches, processes, practices, and emerging issues, thinking and developments — knowledge which may be, but need not be, obtained through formal education or training.
- **One's own audit organization:** This refers to knowledge of one's own organization environment, mandate, philosophy, value system, strategic directions, risk management approach, goals, policies, practices, resources, and emerging issues, thinking and developments.
- **Business of the entity being audited:** This includes an understanding of the mandate, objectives and business plans of the entity being audited and the environment in which it oper-

ates. It also includes knowledge of the mandates, expectations, needs, capacities and characteristics of the governing body and management of the audit entity, and the nature and history of the decision-making and accountability relationships involving these two parties. It involves an understanding of the ethics and value system that underlie the management direction and operation of the organization. It further involves knowledge of the nature of the entity's business and how it is structured, organized, resourced, and delivered to clients. It includes knowledge of the performance and audit track-record of the entity as well as an understanding of prevailing conditions, issues, practices and performance within the broader industry. Understanding the nature of business risk involved and how this is managed by the entity is also important.

- **Behavioural science:** This includes knowledge of related concepts, theory, principles and practices related to the scientific study of human and organizational behaviour.
- **Related disciplines:** This includes knowledge of social sciences, public/business administration, financial and management accounting, and other disciplines relevant to the business of the entity being audited.
- **Research and analysis:** This includes an understanding of research designs, sampling methods, and related data collection and analysis techniques. One such approach that is gaining currency and that would be included here is benchmarking/best practices analysis. An understanding of computers and computer software also fits into this knowledge category.
- **Project management:** This includes knowledge of related principles, standards, practices, techniques and tools.
- **Quality assurance:** This includes an understanding of related principles, standards, practices and techniques as they relate to the audit engagement.

Once the areas of required knowledge have been established, it is useful to determine just how much of this knowledge is needed. Exhibit 3 outlines three gradated knowledge levels:

EXHIBIT 3:
KNOWLEDGE REQUIREMENTS: BY LEVEL/EXTENT

- **BASIC KNOWLEDGE:** THIS MEANS HAVING A PASSING FAMILIARITY OF BASIC ISSUES, PRACTICES, DEVELOPMENTS, ETC. AND A GENERAL UNDERSTANDING OR APPRECIATION OF THEIR BROAD IMPLICATIONS
- **WORKING KNOWLEDGE:** THIS MEANS HAVING A GOOD WORKING KNOWLEDGE OF RELATED CONCEPTS, THEORIES, PRINCIPLES, STANDARDS, FRAMEWORKS, PROCEDURES, ETC.
- **IN-DEPTH KNOWLEDGE:** THIS MEANS HAVING A THOROUGH UNDERSTANDING AS TO WHY AND HOW THINGS OPERATE.

A FRAMEWORK FOR SKILL REQUIREMENTS

As mentioned above, the term skill, as it is used in this report, refers to the ability of the practitioner to perform a physical or mental task.

SKILL REQUIREMENTS: BY AREA

The research identified ten categories or areas of skill pertinent to the key judgements that characterize the practice of comprehensive auditing have been identified. The nature and extent of skill that may be necessary for an individual comprehensive audit practitioner to have, or have access to, will depend on the specific audit judgements that the practitioner is being called upon to make or support.

Like knowledge requirements, the skills requirements are presented as a two-part framework. The first part of the framework (Exhibit 4) identifies the skill areas, which are further categorized as professional/technical skills, management skills, and general skills. The second part of the framework (Exhibit 5) relates to the level or extent of skill required.

EXHIBIT 4: SKILL REQUIREMENTS: BY AREA

PROFESSIONAL/TECHNICAL SKILLS

THE ABILITY TO APPLY CONCEPTS, PRINCIPLES, METHODS AND TECHNIQUES RELATING TO:

- AUDIT *VIS-À-VIS* THE ECONOMICAL, EFFICIENT AND EFFECTIVE MANAGEMENT OF FUNDS AND RESOURCES (I.E., COMPREHENSIVE AUDITING)
- EVALUATION OF AN ORGANIZATION'S PERFORMANCE
- RESEARCH AND ANALYSIS
- QUALITY ASSURANCE

MANAGEMENT SKILLS

- GENERAL MANAGEMENT
- PROJECT MANAGEMENT

GENERAL SKILLS

- ANALYTICAL THINKING
- CONCEPTUAL THINKING
- COMMUNICATION
- INTERPERSONAL

DESCRIPTION OF SKILL AREAS

PROFESSIONAL/TECHNICAL SKILLS

This includes the ability to apply concepts, principles, methods and techniques, etc. relating to:

- **Audit *vis-à-vis* the economical, efficient and effective management of public funds and resources (i.e., comprehensive auditing)**
- **Evaluation of an organization's performance:** This includes the ability to conduct performance assessment work such as: policy/program/operations evaluation or review, organizational effectiveness studies, strategic planning and management consulting.
- **Research and analysis**
- **Quality assurance**

MANAGEMENT SKILLS

- **General management:** This includes the ability to plan, organize and control operations, and, lead, motivate and develop the capacity of staff.
- **Project management:** This includes the ability to set project objectives, determine required actions and timetable, determine and mobilize required resources, establish a project control strategy, supervise the conduct of the project, and make adjustments as required.

GENERAL SKILLS

- **Analytical thinking:**[12] This includes the ability to understand a situation by breaking it into its component parts, process and evaluate information and data, determine cause and effect, make logical inferences, and organize information and data.
- **Conceptual thinking:**[13] This includes the ability to understand a situation by putting the pieces together and seeing the larger picture, recognize patterns and connections between situations that are not obviously related, identify key or underlying issues in complex situations, sort out the relevant from the less important, use creative, conceptual and inductive reasoning to apply existing concepts or define new concepts, learn, and think ahead.
- **Communication:** This includes the ability to listen and perceive, and explain and present ideas (orally and in writing) in a clear, concise, logical, assertive and convincing fashion and in a manner that takes account of the particular audience.
- **Interpersonal:** This includes the ability to negotiate issues, resolve problems, and form effective working relationships with colleagues, management and the client/governing body.

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12   ADAPTED FROM SPENCER & SPENCER, OP. CIT.
13   IBID.

SKILL REQUIREMENTS: BY LEVEL/EXTENT

Exhibit 5 outlines three gradated skill levels:

EXHIBIT 5: SKILL REQUIREMENTS: BY LEVEL/EXTENT

- **BASIC:** THIS MEANS HAVING THE ABILITY TO OPERATE PROFICIENTLY IN RELATION TO STRAIGHTFORWARD MATTERS AND WITHIN WELL-ESTABLISHED PRACTICE OR PROCEDURE PARAMETERS.
- **INTERMEDIATE:** THIS MEANS HAVING THE ABILITY TO OPERATE PROFICIENTLY IN RELATION TO COMPLEX MATTERS AND TO BE ABLE TO BRING TO THESE MATTERS AN ELEMENT OF INNOVATION.
- **ACCOMPLISHED:** THIS MEANS HAVING THE ABILITY TO OPERATE PROFICIENTLY IN RELATION TO HIGHLY COMPLEX MATTERS THAT CAN BE CONTENTIOUS AND/OR TEST CONVENTIONAL MODES OF THINKING OR PRACTICE.

A FRAMEWORK FOR AUDIT EXPERIENCE REQUIREMENTS

The term experience, as has been noted, refers to the practitioner's application of knowledge and skills in an audit practice setting.

In his 1986 report on an enquiry into the collapse of the CCB and Northland Bank, Justice Willard Estey commented on audit and, in this regard, identified three aspects of experience that he thought were pertinent: the amount or extent of experience, the role in which this experience has been gained, and the context in which this experience has been gained (which, in the case in point, was having to have audit experience in the banking industry or similar deposit-taking financial institutions).

Building on Justice Estey's reasoning, and drawing on related content from the frameworks for knowledge and skills requirements, the following two-part framework is provided.

The first part of the framework (Exhibit 6) relates to the area of audit experience, and the second part of the framework (Exhibit 7) relates to the role, extent and context of audit experience.

The fact that there are numerically fewer categories being discussed for experience — than for knowledge and skill — should not be taken to mean that it is a less important dimension of proficiency. Indeed, as one of the focus group participants put it, "experience is what often makes the essential difference."

As was noted in relation to knowledge and skill proficiencies, the nature of comprehensive audit experience that may be necessary for an individual practitioner to have will depend on the specific audit judgements that the practitioner is being called upon to make.

EXPERIENCE REQUIREMENTS: BY AREA

As noted in Exhibit 6, the type of experience concerned is auditing *vis-à-vis* the economical, efficient and effective management of funds and resources. Experience in other fields of endeavour or in other types of auditing can assist and contribute, but it is experience in comprehensive auditing that is seen as necessary.

EXHIBIT 6: AUDIT EXPERIENCE REQUIREMENTS: BY AREA

- AUDIT *VIS-À-VIS* THE ECONOMICAL, EFFICIENT AND EFFECTIVE MANAGEMENT OF FUNDS AND RESOURCES (I.E., COMPREHENSIVE AUDITING).

EXPERIENCE REQUIREMENTS: BY ROLE, EXTENT AND CONTEXT

Exhibit 7 presents a framework outlining three aspects concerning, respectively, the role, extent and context of audit experience. In terms of extent of experience, number of years is used as the measurement criterion.

**EXHIBIT 7: AUDIT EXPERIENCE REQUIREMENTS:
BY ROLE, EXTENT AND CONTEXT**

ROLE

- TEAM MEMBER
- PROJECT LEADER
- EXECUTIVE

EXTENT

- SOME EXPERIENCE WHICH, FOR PURPOSES HERE, MEANS LESS THAN 2 YEARS.
- SIGNIFICANT EXPERIENCE WHICH, FOR PURPOSES HERE, MEANS BETWEEN 2 AND 4 YEARS.
- EXTENSIVE EXPERIENCE WHICH, FOR PURPOSES HERE, MEANS AT LEAST 5 YEARS.

CONTEXT

- WHETHER OR NOT IT IS NECESSARY TO HAVE HAD AUDIT EXPERIENCE IN RELATION TO THE SAME OR SIMILAR BUSINESS OF THE ENTITY BEING AUDITED

CHAPTER 5

LINKING PROFICIENCY REQUIREMENTS TO KEY AUDIT JUDGEMENTS

INTRODUCTION

A significant portion of the time of the focus group symposia was spent discussing the linkages between individual audit judgements and the knowledge, skills and experience required by a comprehensive audit practitioner who has to make the judgement. This chapter focusses on these linkages.

LINKAGES BETWEEN AUDIT JUDGEMENTS AND PROFICIENCY REQUIREMENTS

The ten grids that follow portray linkages between individual audit judgements and corresponding knowledge, skill and experience requirements.

The areas of knowledge receiving greatest emphasis are practitioner knowledge of:

- governance, management and accountability
- comprehensive auditing
- one's own audit organization
- the business of the entity being audited.

Practitioner skills receiving the greatest emphasis are:

- conducting comprehensive audits
- evaluating an organization's performance
- analytical and conceptual thinking
- communication and interpersonal skills.

For the experience dimension of proficiency, the audit executive role is linked to 'positioning' judgements having to do with the direction of the comprehensive audit function or the particular audit engagement. Judgements related to the planning, conduct and reporting of the audit engagement are linked to the project leader role.

Having had some previous audit experience in the business of the entity being audited is important as a basis for being able to make positioning, planning, examination or reporting judgements relating to the overall comprehensive audit function and a particular audit engagement. The need to have had previous audit experience in the same or a similar entity is less essential as a prerequisite for other key judgements — for these, audit experience is relatively transferable from one situation to another.

A NOTE ON INTERPRETING THE INFORMATION ON THE GRIDS

In the pages that follow ten grids are presented, one for each of the key audit judgements. On each grid, linkages are drawn between the particular audit judgement and the specific areas and levels of knowledge, skill and experience that are needed to be able to make that judgement confidently. These linkages are depicted through a series of blackened-in dots.

For any one judgement, there may be certain knowledge, skill or experience areas for which there is no blackened-in dot. This means that these requirements were considered not to be applicable to the particular audit judgement concerned.

The different structure of the experience framework merits a special comment. The framework focusses on audit *vis-à-vis* the economical, efficient and effective management of funds and resources as the only necessary experience requirement. It then considers three aspects of comprehensive audit experience: role, extent and context. Context of experience refers to whether or not, for certain judgements, it is necessary that some of the practitioners' audit experience has to be related to the same or similar business of the entity being audited.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *TO MAKE A JUDGEMENT RELATING TO…*

THE STRATEGIC POSITIONING OF COMPREHENSIVE AUDITING BY THE PRACTITIONER ORGANIZATION…

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING…

… KNOWLEDGE, …

LEVEL/EXTENT OF KNOWLEDGE

AREA OF KNOWLEDGE	BASIC	WORKING KNOWLEDGE	IN-DEPTH
Governance, management and accountability	○	○	●
Performance	○	●	○
Management systems and practices	○	●	○
Control	○	●	○
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	●	○	○
One's own audit organization	○	○	●
Business of the entity being audited	○	●	○
Behavioural science	○	●	○
Related disciplines	●	○	○
Research and analysis	●	○	○
Project management	●	○	○
Quality assurance	●	○	○

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

… SKILLS, …

LEVEL/EXTENT OF SKILL

AREA OF SKILL	BASIC	INTERMEDIATE	ACCOMPLISHED
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Evaluating an organization's performance	○	●	○
Research and analysis	●	○	○
Quality assurance	●	○	○
Management			
General management	○	○	●
Project management	●	○	○
General			
Analytical thinking	○	○	●
Conceptual thinking	○	○	●
Communication	○	○	●
Interpersonal	○	○	●

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

… AND AUDIT EXPERIENCE.

	ROLE			EXTENT			CONTEXT
AREA OF AUDIT EXPERIENCE	TEAM MEMBER	PROJECT LEADER	EXECUTIVE	SOME <2 YRS.	SIGNIF. 2-4 YRS.	EXTENSIVE 5 YRS.>	IN RELATION TO THE BUSINESS OF THE ENTITY BEING AUDITED
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●	○	○	●	●

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *TO MAKE A JUDGEMENT RELATING TO...*

THE DIRECTION AND PURPOSE OF THE PARTICULAR AUDIT ENGAGEMENT...

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING...

... KNOWLEDGE , ...

LEVEL/EXTENT OF KNOWLEDGE

AREA OF KNOWLEDGE	BASIC	WORKING KNOWLEDGE	IN-DEPTH
Governance, management and accountability	○	●	○
Performance	○	●	○
Management systems and practices	○	●	○
Control	○	●	○
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	●	○	○
One's own audit organization	○	○	●
Business of the entity being audited	○	●	○
Behavioural science	●	○	○
Related disciplines	●	○	○
Research and analysis	●	○	○
Project management	●	○	○
Quality assurance	●	○	○

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

... SKILLS , ...

LEVEL/EXTENT OF SKILL

AREA OF SKILL	BASIC	INTERMEDIATE	ACCOMPLISHED
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○
Evaluating an organization's performance	○	●	○
Research and analysis	●	○	○
Quality assurance	●	○	○
Management			
General management	●	○	○
Project management	●	○	○
General			
Analytical thinking	○	○	●
Conceptual thinking	○	○	●
Communication	○	●	○
Interpersonal	○	●	○

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

... AND AUDIT EXPERIENCE.

AREA OF AUDIT EXPERIENCE	ROLE			EXTENT			CONTEXT
	TEAM MEMBER	PROJECT LEADER	EXECUTIVE	SOME <2 YRS.	SIGNIF. 2-4 YRS.	EXTENSIVE 5 YRS.>	IN RELATION TO THE BUSINESS OF THE ENTITY BEING AUDITED
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●	○	●	○	●

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *To make a judgement relating to…*

WHICH AUDIT MODEL TO DEPLOY FOR THE PARTICULAR AUDIT ENGAGEMENT…

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING…

… KNOWLEDGE, …

Area of Knowledge	Basic	Working Knowledge	In-depth
Governance, management and accountability	○	●	○
Performance	○	●	○
Management systems and practices	○	●	○
Control	○	●	○
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	●	○	○
One's own audit organization	○	○	●
Business of the entity being audited	○	●	○
Behavioural science	●	○	○
Related disciplines	●	○	○
Research and analysis	●	○	○
Project management	○	○	○
Quality assurance	○	●	○

Level/Extent of Knowledge

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

… SKILLS, …

Area of Skill	Basic	Intermediate	Accomplished
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○
Evaluating an organization's performance	○	●	○
Research and analysis	●	○	○
Quality assurance	○	●	○
Management			
General management	●	○	○
Project management	○	○	○
General			
Analytical thinking	○	○	●
Conceptual thinking	○	○	●
Communication	○	●	○
Interpersonal	○	●	○

Level/Extent of Skill

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

… AND AUDIT EXPERIENCE.

Area of Audit Experience	Role			Extent			Context
	Team Member	Project Leader	Executive	Some <2 yrs.	Signif. 2-4 yrs.	Extensive 5 yrs.>	In Relation to the Business of the Entity Being Audited
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●	○	●	○	○

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *TO MAKE A JUDGEMENT RELATING TO…*

KEY VARIABLES AND CENTRAL 'DRIVERS' OF THE AUDIT ENGAGEMENT…

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING…

… KNOWLEDGE, …

LEVEL/EXTENT OF KNOWLEDGE

AREA OF KNOWLEDGE	BASIC	WORKING KNOWLEDGE	IN-DEPTH
Governance, management and accountability	○	●	○
Performance	○	●	○
Management systems and practices	○	●	○
Control	○	●	○
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	●	○	○
One's own audit organization	○	●	○
Business of the entity being audited	○	○	●
Behavioural science	●	○	○
Related disciplines	●	○	○
Research and analysis	○	●	○
Project management	○	○	○
Quality assurance	●	○	○

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

… SKILLS, …

LEVEL/EXTENT OF SKILL

AREA OF SKILL	BASIC	INTERMEDIATE	ACCOMPLISHED
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Evaluating an organization's performance	○	●	○
Research and analysis	○	●	○
Quality assurance	●	○	○
Management			
General management	●	○	○
Project management	○	○	○
General			
Analytical thinking	○	○	●
Conceptual thinking	○	○	●
Communication	○	●	○
Interpersonal	○	●	○

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

… AND AUDIT EXPERIENCE.

AREA OF AUDIT EXPERIENCE	ROLE			EXTENT			CONTEXT
	TEAM MEMBER	PROJECT LEADER	EXECUTIVE	SOME <2 YRS.	SIGNIF. 2-4 YRS.	EXTENSIVE 5 YRS.>	IN RELATION TO THE BUSINESS OF THE ENTITY BEING AUDITED
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○	○	○	●	●

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *To make a judgement relating to…*

KEY PARAMETERS OF THE AUDIT ENGAGEMENT…

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING…

… KNOWLEDGE , …

AREA OF KNOWLEDGE	Level/Extent of Knowledge		
	BASIC	WORKING KNOWLEDGE	IN-DEPTH
Governance, management and accountability	○	●	○
Performance	○	○	●
Management systems and practices	○	○	●
Control	○	○	●
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	●	○	○
One's own audit organization	○	●	○
Business of the entity being audited	○	○	●
Behavioural science	●	○	○
Related disciplines	○	●	○
Research and analysis	○	●	○
Project management	○	○	○
Quality assurance	○	●	○

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

… SKILLS , …

AREA OF SKILL	Level/Extent of Skill		
	BASIC	INTERMEDIATE	ACCOMPLISHED
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Evaluating an organization's performance	○	●	○
Research and analysis	○	●	○
Quality assurance	○	●	○
Management			
General management	●	○	○
Project management	○	○	○
General			
Analytical thinking	○	○	●
Conceptual thinking	○	○	●
Communication	○	●	○
Interpersonal	○	●	○

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

… AND AUDIT EXPERIENCE .

AREA OF AUDIT EXPERIENCE	ROLE			EXTENT			CONTEXT
	TEAM MEMBER	PROJECT LEADER	EXECUTIVE	SOME <2 YRS.	SIGNIF. 2-4 YRS.	EXTENSIVE 5 YRS.>	IN RELATION TO THE BUSINESS OF THE ENTITY BEING AUDITED
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○	○	○	●	●

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *TO MAKE A JUDGEMENT RELATING TO…*

THE COMMUNICATION STRATEGY FOR THE AUDIT…

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING…

… KNOWLEDGE, …

Area of Knowledge	Basic	Working Knowledge	In-depth
Governance, management and accountability	○	●	○
Performance	●	○	○
Management systems and practices	●	○	○
Control	●	○	○
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	○	○	○
One's own audit organization	○	●	○
Business of the entity being audited	○	●	○
Behavioural science	○	●	○
Related disciplines	●	○	○
Research and analysis	●	○	○
Project management	●	○	○
Quality assurance	●	○	○

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

… SKILLS, …

LEVEL/EXTENT OF SKILL

Area of Skill	Basic	Intermediate	Accomplished
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○
Evaluating an organization's performance	○	○	○
Research and analysis	○	○	○
Quality assurance	○	○	○
Management			
General management	●	○	○
Project management	●	○	○
General			
Analytical thinking	○	●	○
Conceptual thinking	○	●	○
Communication	○	●	○
Interpersonal	○	●	○

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

… AND AUDIT EXPERIENCE.

Area of Audit Experience	Role: Team Member	Role: Project Leader	Role: Executive	Extent: Some <2 yrs.	Extent: Signif. 2-4 yrs.	Extent: Extensive 5 yrs.>	Context: In Relation to the Business of the Entity Being Audited
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○	○	●	○	○

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *TO MAKE A JUDGEMENT RELATING TO…*

QUALITY ASSURANCE FOR THE AUDIT ENGAGEMENT…

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING…

… KNOWLEDGE, …

AREA OF KNOWLEDGE	Basic	Working Knowledge	In-depth
Governance, management and accountability	○	○	●
Performance	○	○	●
Management systems and practices	○	○	●
Control	○	○	●
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	○	○	○
One's own audit organization	○	○	●
Business of the entity being audited	●	○	○
Behavioural science	●	○	○
Related disciplines	●	○	○
Research and analysis	○	●	○
Project management	○	●	○
Quality assurance	○	○	●

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

… SKILLS, …

AREA OF SKILL	Basic	Intermediate	Accomplished
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Evaluating an organization's performance	○	○	●
Research and analysis	○	●	○
Quality assurance	○	○	●
Management			
General management	●	○	○
Project management	●	○	○
General			
Analytical thinking	○	○	●
Conceptual thinking	○	○	●
Communication	○	●	○
Interpersonal	○	●	○

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

… AND AUDIT EXPERIENCE.

AREA OF AUDIT EXPERIENCE	ROLE			EXTENT			CONTEXT
	TEAM MEMBER	PROJECT LEADER	EXECUTIVE	SOME <2 YRS.	SIGNIF. 2-4 YRS.	EXTENSIVE 5 YRS.>	IN RELATION TO THE BUSINESS OF THE ENTITY BEING AUDITED
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○	○	○	●	○

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *TO MAKE A JUDGEMENT RELATING TO...*

SELECTING AND IMPLEMENTING AN APPROPRIATE PROJECT MANAGEMENT SYSTEM FOR THE AUDIT ENGAGEMENT...

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING...

... KNOWLEDGE, ...

LEVEL/EXTENT OF KNOWLEDGE

AREA OF KNOWLEDGE	BASIC	WORKING KNOWLEDGE	IN-DEPTH
Governance, management and accountability	○	○	○
Performance	●	○	○
Management systems and practices	●	○	○
Control	●	○	○
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	○	○	○
One's own audit organization	○	○	●
Business of the entity being audited	○	●	○
Behavioural science	○	●	○
Related disciplines	●	○	○
Research and analysis	●	○	○
Project management	○	●	○
Quality assurance	○	●	○

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

... SKILLS, ...

LEVEL/EXTENT OF SKILL

AREA OF SKILL	BASIC	INTERMEDIATE	ACCOMPLISHED
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○
Evaluating an organization's performance	○	○	○
Research and analysis	○	○	○
Quality assurance	○	●	○
Management			
General management	●	○	○
Project management	○	●	○
General			
Analytical thinking	○	●	○
Conceptual thinking	○	●	○
Communication	○	●	○
Interpersonal	○	●	○

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

... AND AUDIT EXPERIENCE.

AREA OF AUDIT EXPERIENCE	ROLE			EXTENT			CONTEXT
	TEAM MEMBER	PROJECT LEADER	EXECUTIVE	SOME <2 YRS.	SIGNIF. 2-4 YRS.	EXTENSIVE 5 YRS.>	IN RELATION TO THE BUSINESS OF THE ENTITY BEING AUDITED
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○	○	●	○	○

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *To make a judgement relating to…*

THE PREPARATION AND CONVEYANCE OF THE COMPREHENSIVE AUDIT REPORT/OPINION…

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING…

… KNOWLEDGE, …

AREA OF KNOWLEDGE	Basic	Working Knowledge	In-depth
Governance, management and accountability	○	○	●
Performance	○	○	●
Management systems and practices	○	○	●
Control	○	○	●
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	○	○	○
One's own audit organization	○	●	○
Business of the entity being audited	○	○	●
Behavioural science	○	●	○
Related disciplines	○	●	○
Research and analysis	○	●	○
Project management	●	○	○
Quality assurance	○	●	○

Level/Extent of Knowledge

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

… SKILLS, …

AREA OF SKILL	Basic	Intermediate	Accomplished
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○
Evaluating an organization's performance	○	●	○
Research and analysis	○	●	○
Quality assurance	○	●	○
Management			
General management	●	○	○
Project management	●	○	○
General			
Analytical thinking	○	○	●
Conceptual thinking	○	○	●
Communication	○	○	●
Interpersonal	○	○	●

Level/Extent of Skill

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

… AND AUDIT EXPERIENCE.

AREA OF AUDIT EXPERIENCE	ROLE			EXTENT			CONTEXT
	TEAM MEMBER	PROJECT LEADER	EXECUTIVE	SOME <2 YRS.	SIGNIF. 2-4 YRS.	EXTENSIVE 5 YRS.>	IN RELATION TO THE BUSINESS OF THE ENTITY BEING AUDITED
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○	○	○	●	●

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

PROFICIENCY REQUIREMENTS FOR COMPREHENSIVE AUDITING

KEY AUDIT JUDGEMENT: *TO MAKE A JUDGEMENT RELATING TO…*

THE IMPACT AND VALUE-ADDED OF THE AUDIT ENGAGEMENT…

THE PRACTITIONER NEEDS TO HAVE THE FOLLOWING…

…KNOWLEDGE,…

Area of Knowledge	Basic	Working Knowledge	In-depth
Governance, management and accountability	○	●	○
Performance	○	●	○
Management systems and practices	○	●	○
Control	○	●	○
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●
Audit *vis-à-vis* compliance with authorities and financial reporting	○	○	○
One's own audit organization	●	○	○
Business of the entity being audited	○	●	○
Behavioural science	○	●	○
Related disciplines	○	●	○
Research and analysis	○	●	○
Project management	●	○	○
Quality assurance	○	●	○

PAGES 19-21 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE KNOWLEDGE AREAS/LEVELS.

…SKILLS,…

Area of Skill	Basic	Intermediate	Accomplished
Professional/Technical			
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	●	○
Evaluating an organization's performance	○	●	○
Research and analysis	○	●	○
Quality assurance	○	●	○
Management			
General management	○	●	○
Project management	●	○	○
General			
Analytical thinking	○	○	●
Conceptual thinking	○	○	●
Communication	○	○	●
Interpersonal	○	●	○

PAGES 21-23 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE SKILL AREAS/LEVELS.

…AND AUDIT EXPERIENCE.

Area of Audit Experience	ROLE			EXTENT			CONTEXT
	Team Member	Project Leader	Executive	Some <2 yrs.	Signif. 2-4 yrs.	Extensive 5 yrs.>	In Relation to the Business of the Entity Being Audited
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	○	○	●	○	○	●	○

PAGES 23-24 OF THIS REPORT PROVIDE A FURTHER DESCRIPTION OF THE ABOVE EXPERIENCE ROLES / EXTENT / CONTEXT.

CHAPTER 6

OTHER ISSUES

INTRODUCTION

Two auxiliary research issues that the study considered are:

- the extent to which there may be inherent differences between external and internal auditors *vis-à-vis* the judgement and proficiency issues described above
- where the role of the specialist fits in the context of these audit judgements and proficiency requirements.

OBSERVATIONS AND DISCUSSION

Given the structure of the focus group symposia and the priority given to research questions concerning audit judgements and proficiency requirements, these meetings did not usually address the external vs. internal audit and specialist issues as separate agenda items. Generally, however, comments on both matters would arise during the day.

EXTERNAL VS. INTERNAL AUDIT DIFFERENCES?

The common strategy for the focus group meetings was to have a good mix of both external and internal auditors in each break-out group. It might be expected that if there were characteristic differences, this would have come out in the break-out group deliberations and in the reporting-back plenary discussions. In general, no such pattern emerged.

The following points and observations were raised:

IN RELATION TO AUDIT JUDGEMENTS

The general observation made was that, on the whole, the audit judgements are largely the same. In addition, for both external and internal auditors these judgements are taking on a more strategic focus, albeit though they operate in a somewhat different governance environment — external auditors have elected/appointed bodies such as legislatures and boards of directors as their client; and internal auditors, depending on the circumstances of the enterprise, have the chief executive officer (and sometimes the board of directors) as their client.

Related to the above is the observation made by some that the governance environment of the internal auditor is more focussed and, perhaps, as a consequence of this others observe, less complex. It was also observed that in internal auditing the client will usually exert greater influence on audit selection and scope judgements, and that the scope of audit tends to be narrower than is generally the case, for example, for legislative auditing. Internal auditors also indicated that they are under greater pressure (than, for example, legislative auditors) to demonstrate the impact and value-added of their audit work.

IN RELATION TO KNOWLEDGE REQUIREMENTS

The general range of knowledge requirements are considered to be similar for both internal and external auditors. A number of internal and external auditors observed that the former are expected to have a better knowledge of the business of the entity being audited. Given the nature of their role, internal auditors are also likely to place more emphasis on knowledge of compliance auditing. External auditors are seen as tending to use more outside specialists.

IN RELATION TO SKILL REQUIREMENTS

A number of focus group participants observed that the skill sets for internal and external auditors are converging. No significant, inherent differences were identified.

IN RELATION TO AUDIT EXPERIENCE REQUIREMENTS

The general pattern as to who makes what judgements and based on what audit experience is the same for both external and internal auditors.

ROLE OF THE SPECIALIST?

Insofar as the role of the specialist is concerned, and as noted above, it was observed that the specialist is most likely to contribute to audit judgements relating to the key variables that drive the audit (scope, assurance and significance), key parameters (suitable audit criteria, appropriate sufficient audit evidence, etc.), and quality assurance.

For larger audit organizations, these specialists may be part of the staff establishment (in the areas of human resource management, quantitative analysis, engineering, effectiveness measurement, etc.). For smaller organizations, these specialist resources would likely need to be contracted for from outside, which presents the challenge of having to assure that these experts have a proper orientation to the organization's audit policies and procedures in order to know where and how their work fits into the overall audit engagement.

The challenge for the practitioner is to have a sufficient basis for supervising, interpreting and using the work of the specialist as part of the overall audit engagement.

Both of these issues are discussed in the CICA's *Standards for Assurance Engagements,*[14] which were promulgated following the start of CCAF's proficiency study. At the time of publication, the CICA was planning to conduct further research in this area.

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14   *CICA Handbook,* S5025.29-.34, .61.

CHAPTER 7

CONCLUSIONS

WHAT THE STUDY HAS SHOWN

A number of conclusions may be drawn from the research that led up to the publication of this report. They can be stated briefly.

One is that there is a recognized need among practitioners for updated guidelines on proficiency requirements for comprehensive auditing. What is available from past efforts in this regard has been useful, but practice has diversified, and there is a need for a rethinking of these requirements. It is also apparent that what is needed is guidance that is flexible enough to be of use to practitioners and organizations operating in a wide variety of environments.

There is a considerable body of related literature, much of it focussed on a discussion and examination of practitioner knowledge and skills. The study identifies experience as another important factor, and proficiency can appropriately be characterized as a combination of the three — knowledge, skill and experience.

The study shows that it is both possible and useful to approach the subject by first identifying the key audit judgements that practitioners have to make. Once consensus has been reached on these key judgements, it is possible to identify for each of them just what combination of knowledge, skills and experience is required to make them confidently.

Finally, the study shows that guidance on proficiency requirements for comprehensive auditing can be provided through a series of frameworks based on the important audit judgements that practitioners must make.

POTENTIAL USES OF THE STUDY RESULTS

There are a number of potential uses to which the research study results can be put by audit practitioners, organizations and clients, and those provid-

ing professional development support in the area of broad-scope audit and assurance services:

AUDIT PRACTITIONER

The ideas in this report can be used as a self-assessment tool by practitioners in analyzing their current proficiency status *vis-à-vis* key audit judgements that they have to make or, in other circumstances, support.

The results of this assessment can provide participants with a basis for demonstrating their professional proficiency relative to their roles and responsibilities. It can also provide a basis for identifying needs for professional development and the specific areas where enhancement is indicated, either in terms of their current responsibilities or as a means of positioning themselves to take on greater responsibilities in their professional careers.

Practitioners who are called upon to make key judgements relating to the design and deployment of audit teams for specific engagements will also find practical guidance in this report.

AUDIT ORGANIZATIONS

The ideas in this report can also be used by an audit organization, for example, as a vehicle for discussing a number of key questions. What is the nature of the audit judgements that are and need to be made within the organization? Who within the organization are making these various judgements? How appropriate is this given the management direction of the organization? Do those making these judgements have the requisite proficiency?

This assessment can provide an audit organization with a basis for identifying professional development needs and designing strategies to meet these needs (e.g., education, training and work assignments). It can also be used for career and succession planning.

These ideas may also provide an audit organization with a basis for identifying key specialist streams to establish and develop within the organization, or determining when and where to use contracted-in specialist resources for specific audit engagements.

AUDIT CLIENTS

Just as the results of the study provide a basis for practitioners and audit organizations to demonstrate proficiency, they also provide a basis for clients to draw assurance on this same matter.

PROFESSIONAL DEVELOPMENT SUPPORT PROVIDERS

The concepts and frameworks presented in this report can also serve as key reference points for those providing professional development products and services to the community of comprehensive audit practitioners — in terms of related curriculum, syllabus and course design and development.

* * * * *

The results of this research study add to our understanding of the subject of proficiency in comprehensive auditing. As was its 1984 predecessor, this publication is expected to be a living document, to be modified and added to as future circumstances warrant.

APPENDICES

APPENDIX A

BACKGROUND DESCRIPTION OF THIS RESEARCH PROJECT

INTRODUCTION

The genesis of this research project can be found in the results of the second five-year review conducted by the Foundation's Board of Governors in the early 1990's.

The review identified a number of area deserving emphasis, including the need to provide support to the practitioner community. Following the completion of this review exercise, a strategic plan was developed to guide the work of the Foundation over the next three to five years. This plan was approved by the Foundation's Board of Governors. In the plan were several initiatives regarding the strategic direction, "support to the practitioner community."

One of these initiatives was a major research project to consolidate and integrate the body of knowledge of comprehensive auditing, bringing together almost two decades of thinking and practice. A second initiative addressed the need to update, revise and expand CCAF's professional development program and activities to give full expression to this integrated body of knowledge. A third initiative dealt with the need to examine the subject of comprehensive audit proficiency. All three of these initiatives were recognized to be closely interconnected.

As noted earlier, CCAF had addressed one aspect of this overall proficiency issue a decade earlier, when it published a document on *Knowledge Requirements for Comprehensive Auditing*. It was expected that the research to be undertaken in the proficiency area would build on and extend the earlier publication.

DEVELOPMENTS LEADING UP TO THE PROFICIENCY REQUIREMENTS PROJECT

EARLY CONSULTATIONS

As a lead up to the proficiency project, and as parallel research activity was being undertaken on the consolidation of the body of comprehensive audit knowledge, certain exploratory steps were taken.

The purpose of these steps was to gather the views of the practitioner community. What should be the specific scope of this research? What factors and determinations should influence its focus? What propositions and issues ought it to address? How should it proceed?

The process began with a meeting of leading comprehensive audit practitioners from federal and provincial legislative audit offices. At this meeting, participants raised concerns about issues faced by their own offices, which were exacerbated by the lack of defined proficiencies for comprehensive auditors. A number of observations and issues flowed from that discussion:

- recent instances of public challenges about competence to conduct comprehensive audits
- the need to broaden audit coverage beyond traditional areas to add value and support to government priorities, and the impact of this shift on required knowledge and skills
- the anticipated shift to attestation on management representations, and the belief that this would result in greater emphasis on demonstrating competence
- increases in the number of staff from non-accounting/auditing backgrounds and the need to define required knowledge and skills for these individuals
- increased level of knowledge among auditees relating to comprehensive audit, leading to increased demand for audits and high expectations
- limited professional development budgets resulting from fiscal restraint and the desire to use the available funds wisely.

This group of legislative auditors thought that, in light of such developments, the earlier 1984 *Knowledge Requirements* document should be updated, with revisions made in this regard also reflected in CCAF's training and development activities. They argued that, in order to demonstrate their competence to perform comprehensive audits, they needed to be able to refer to defined standards and a body of knowledge that they should possess. In addition, legislative audit offices indicated that they needed a defined body of knowledge from which to guide their own staff training efforts and to help in developing appropriate career plans.

Reflecting back on this meeting, Larry Meyers (then Deputy Auditor General of Canada) gave further voice to these issues in a speech to the delegates at CCAF's 1993 national conference. In his remarks, he noted evidence of an emerging consensus around what needed to be done and recommended that now was the time to move forward.

"...nothing has been done because it is difficult, and because we have lacked the necessary consensus and willpower. However, we have more experience to build on today... Let's get on with it!"

ESTABLISHING THE KEY INITIAL DETERMINATIONS

As a next step, CCAF organized an input symposium, this time bringing together representatives from a broader spectrum of the comprehensive audit community. This included leading practitioners from legislative audit offices, the internal audit community, and private sector accounting/consulting firms. The purpose of this symposium was to receive advice regarding the specific objectives, scope and approach that ought to be taken in the upcoming research project.

Flowing from the deliberations of this symposium came the central elements of the research plan. Of particular importance in this regard was the identification of a series of key initial determinations on which the research ought to be based and guided.

DEFINITION OF AUDIT

The first determination was that the research should start from the following definition of audit:

Audit serves an accountability relationship. It is the independent, objective assessment of the fairness of management's representations on performance or the assessment of management systems and practices, or overall performance, against criteria, reported to a governing body or others with similar responsibilities.

A FOCUS ON KEY AUDIT JUDGEMENTS

A second determination that arose was what the starting point for the research study on proficiency should be. It was determined that it should be key audit judgements that comprehensive auditors are called upon to make. This would, it was thought, bring a results orientation to the research and provide a common thread among situations where, as is the case, there are significant variations in the size and structure of audit organizations.

SCOPE OF PROFICIENCY MATTERS TO ADDRESS

The third determination was that the research needed to deal with more than the issue of the practitioner's knowledge. It should also address the issues of skills and experience which, with knowledge, combine and interrelate to form the notion of *proficiency*. Of these three basic concepts, it is the experience dimension that was seen as the innovative aspect of this research project.

NEED FOR FLEXIBILITY

The fourth determination was the need for the research to address the issue of proficiency in a flexible manner so as to facilitate the use of the results in a variety of professional settings.

A wide range of practitioners are involved in the practice of comprehensive auditing (e.g., legislative auditors, internal auditors, and professionals in private firms that are engaged in providing external and/or internal audit services). The audit organizations within which these practitioners work are not uniform in size or with respect to specific practitioner levels. They range from the larger private firms with professional

staff numbering in the low thousands, to legislative audit offices with staff complements ranging from the hundreds to less than 20, and to internal audit organizations with the number of staff ranging from the few dozens to only a few professionals.

Moreover, practitioners operating at different levels in their respective organizations may be called upon to render judgements that are themselves qualitatively different. This may be a function of such factors as the size of the audit organization, its management culture, and the professional capacity of the people in it.

Practitioners may also be operating in different audit modalities (i.e., direct reporting on management systems and practices, attestation to management reporting on performance, or direct reporting on performance, or a hybrid thereof).

The context may be that of external audit or internal audit. And so on.

It was felt, therefore, that the research project should be able to transcend these differences and be focussed and articulated in a way that allows their practical application and use in such varying circumstances as described above.

TESTING OF SOME BASIC PROPOSITIONS

Following on from this symposium and these above-noted determinations, and as a means of hearing the views of a much larger group of practitioners, a session was held at CCAF's 1994 national conference where a number of key propositions relating to comprehensive audit proficiency were debated. The debate was followed by a voting questionnaire for session delegates to complete, providing their views on these same propositions. The 122 completed questionnaires received were analyzed and used as input to the research project. The two propositions that received the strongest agreement of session participants were:

- there is a basic level of competence that all comprehensive audit practitioners should be able to demonstrate (regardless of past education and experience)
- it is necessary and possible to identify and measure both knowledge and experience competency requirements.

Support was also voiced for the proposition that such requirements should be defined in terms of the specific responsibilities and audit judgements required of individual practitioners.

THE PROFICIENCY REQUIREMENTS RESEARCH PROJECT

The results of these exploratory initiatives formed the basis for developing the terms of reference for the research project, which were approved by CCAF's Research Committee.

The central research issues were identifying first the key audit judgements that comprehensive auditors must make, and second the knowledge, skills and experience that comprehensive auditors need to have to be able to make these judgements. Also of interest was knowing the extent to which there may be significant differences in proficiency requirements between external and internal auditors, and also to know where the specialist fits into the picture.

The two main components of the study approach were a review of the available literature and related work undertaken by others, and the conduct of a series of focus groups involving the participation of practitioners drawn from key segments of the comprehensive audit community.

LITERATURE REVIEW

The first phase of the research study entailed an extensive review of the pertinent literature.

The methodology for the literature review involved several steps. An electronic search of related published materials was conducted. In addition, a number of discussions were held with individuals and groups with knowledge and experience in comprehensive auditing or defining competency or proficiency requirements. These people were asked for their suggestions on key literature and documentation — both published and unpublished but considered to be in the public domain.

The above steps yielded an initial bibliography and reference list of about 50 documents, which were then reviewed in terms of the principal research

issues for this project. Key references were extracted and analyzed and a background report was written. The background report on the literature review has been very much of a living document that has been updated periodically during the proficiency research project.

FOCUS GROUP SYMPOSIA

Given the exploratory nature of the research and the complexity of the subject matter being addressed, focus group symposia became the principal component of the study approach (Appendix B provides a description of a typical focus group meeting).

Altogether, a series of eight such focus group meetings were held, involving eighty leading professionals drawn from the legislative audit and internal audit communities, major private sector firms providing comprehensive audit services, academia and others. Typically, though not always, a focus group would be a microcosm of the community. The composition of these groups made for lively discussion in that — while most participants shared a general knowledge and experience in comprehensive auditing — participants came to the research issues with different audit mandates, organizational perspectives, responsibilities, and levels of experience.

The focus groups were held over a period of several months at various locations across Canada. The intervening time provided an opportunity to revise and hone background material, conceptual frameworks and discussion approaches based on input and advice received. In this way, deliberations taking place at any one focus group were able to build on ideas and positions emerging from those that preceded it.

The first focus group, for instance, started out by simply asking basic questions relating to what the key audit judgements are that comprehensive audit practitioners are being called upon to make, and what proficiency is required to make these judgements. The discussion that ensued enabled the project researchers to provide the next focus group with a more substantive starting point for their deliberations on these same two questions. This process of

deliberation, refinement and further deliberation continued, each time leading to further completeness and precision in the discussion frameworks.

WRITING THE REPORT

The final step in the research process was writing a report that brought together the results of the literature review, the focus group symposia and related consultations. The draft was circulated for comment to a large cross-section of those who had participated in the previous focus group discussions, and appropriate revisions were made.

APPENDIX B

DESCRIPTION OF A TYPICAL FOCUS GROUP MEETING

Typically, a focus group session would take place over a full day, and involve eight to twelve participants and two facilitators.

The focus group meeting proceeded in several stages.

First, participants were provided with an overview of the project. The rationale for it and its intended goals were described. Key initial propositions and assumptions were identified. The principal research issues and approach were explained. The status of work and results to date were reviewed.

Then, and still in plenary, the group discussion turned to the framework of audit judgements, which later in the day would form the basis for thinking about and linking specific proficiency requirements. Wide ranging discussions about these audit judgements were typical, as participants explored each other's perspectives as well as the discussion framework presented.

After this, a brief overview of the concept of proficiency and its basic elements — knowledge, skills and experience — was provided. Usually, this too prompted a period of general discussion.

It was at this point that participants were divided into smaller working groups and asked to discuss and link specific audit judgements and related knowledge, skill and experience requirements.

The smaller groups then reconvened in plenary at which point the results of their deliberations were presented and discussed further.

Most of the time during the day was consumed by the last two steps. It was rare to have significant time to discuss auxiliary research issues relating to the role of the specialist and what differences may exist between external versus internal audit in relation to audit judgements and related proficiency requirements. Frequently, however, aspects of these two issues would arise in the course of general discussion. Moreover, the overall focus group and the break-out working groups were comprised of a mix of external and internal auditors. Therefore, if inherent differences of perspectives had arisen (and generally they did not), this would have been evident in the reporting-back presentation of working groups' deliberations and in the subsequent plenary discussion.

Finally, three further questions would be asked and answered in relation to each of four discussion frameworks — key audit judgements, knowledge requirements, skill requirements, and experience requirements:

- Is anything critical missing?
- Is anything included that should not be?
- With respect to what is and should be there, what further refinements are called for?

Based on the answers to these questions and on the discussion over the entire day, refinements would be made to the related conceptual frameworks and background paper as a basis for preparing for and entering discussion with the next focus group to meet.

A P P E N D I X   C

SUMMARY OF KNOWLEDGE, SKILL AND EXPERIENCE REQUIREMENTS

In Chapter 5, ten grids are presented which portray linkages between individual key audit judgements and related knowledge, skill and experience requirements.

This appendix focusses on the same information, but recasts it in a different way to assist the reader who is interested in obtaining a separate overview of each of these three proficiency requirements.

K N O W L E D G E   R E Q U I R E M E N T S

Exhibit 1 shows the extent of knowledge in each area that is required to make each of the ten key audit judgements. For ease of reference, the level of knowledge is indicated as being 1, 2, or 3 where:

- 1 refers to basic knowledge
- 2 refers to working knowledge
- 3 refers to in-depth knowledge.

A shaded cell means that knowledge in this area is not a necessary requirement to make that specific audit judgement.

As can be seen in Exhibit 1, a number of knowledge areas usually come into play for each audit judgement. The level of knowledge required, however, varies depending on the audit judgement concerned.

The areas that are consistently associated with the requirement for a higher level of knowledge are:

- governance, management and accountability
- comprehensive auditing
- one's own audit organization

- the business of the entity being audited. Other patterns of note are:
- For auditing *vis-à-vis* compliance with authorities and financial reporting, a basic level of knowledge is necessary to make key positional and/or conduct judgements having to do with the comprehensive audit function as a whole and individual audit engagements.
- Knowledge of project management is not required for all judgements. Project management is an important part of every audit, and it is particularly important to have a good working knowledge of related principles, practices, etc. when formulating judgements about the selection and implementation of a project management system for the audit as well as in relation to quality assurance. For a number of other judgements, it's a basic level of knowledge that is necessary.

S K I L L   R E Q U I R E M E N T S

Exhibit 2 provides an overview of the skill requirements associated with the ten audit judgements. Similar to knowledge, a 1,2 or 3 rating is used where:

- 1 refers to a basic level of skill
- 2 refers to an intermediate level of skill
- 3 refers to an accomplished level of skill.

Also similar to knowledge, most skill categories figure into each of the ten audit judgements, with the difference being the extent or level of skill required to support particular judgements.

Where the skill areas are similar to corresponding knowledge categories, the level of skill required is never higher than the required knowledge level.

Skill areas that are consistently associated with a higher level of proficiency are:

- comprehensive auditing
- evaluating an organization's performance
- analytical and conceptual thinking
- communication and interpersonal skills.

AUDIT EXPERIENCE REQUIREMENTS

The emphasis here is on audit experience *vis-à-vis* the economical, efficient and effective management of funds and resources (i.e., comprehensive auditing). This is not to say that experience in other types of audit, or in other working contexts, cannot assist the formulation of comprehensive audit judgements. It is to say, however, that experience in comprehensive or broad-scope auditing is *necessary* as a basis for making such judgements, with the nature of the required comprehensive audit experience varying in accordance with the specific audit judgement concerned.

Exhibit 3 provides an overview of the role, extent and context of experience required in relation to the ten key audit judgements.

The audit executive role (designated as E in Exhibit 3) is linked to positioning judgements having to do with the direction of the comprehensive audit function or the particular audit engagement. Judgements related to the planning, conduct and reporting of the audit engagement are linked to the project leader role (which is designated as P). In all cases, significant (2-4 years) to extensive (5 years or more) experience is necessary. In assigning specific judgements to either the executive or project leader role, those who were consulted were always clear in recognizing and stating the important support role played by team members and, as applicable, specialists in forming these judgements.

Context of experience refers to whether or not, for certain judgements, it is necessary that some of the practitioner's audit experience has to be related to the same or similar business of the entity being audited. Having had such previous audit experience is important as a basis for being able to make positioning, planning, examination or reporting judgements relating to the overall function and a particular audit engagement. The need to have had previous audit experience in relation to the same or a similar entity is not essential for other key judgements — for these, audit experience is relatively transferable from one situation to another.

EXHIBIT 1: EXTENT OF KNOWLEDGE REQUIRED FOR EACH JUDGEMENT

Judgements / Knowledge Areas	Strategic positioning of comprehensive auditing	Direction and purpose of the particular audit engagement	Audit model to deploy for the particular audit engagement	Key variables and central "drivers" of the audit engagement	Key parameters of the audit engagement	Communications strategy for the audit	Quality assurance for the audit engagement	Selecting and implementing a project mgmt. system for the audit	Preparation and conveyance of the audit report/opinion	Impact and value-added of the audit engagement
Governance, management and accountability	3	2	2	2	2	2	3		3	2
Performance	2	2	2	2	3	1	3	1	3	2
Management systems and practices	2	2	2	2	3	1	3	1	3	2
Control	2	2	2	2	3	1	3	1	3	2
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	3	3	3	3	3	3	3	3	3	3
Audit *vis-à-vis* compliance with authorities and financial reporting	1	1	1	1	1					
One's own audit organization	3	3	3	2	2	2	3	3	2	1
Business of entity being audited	2	2	2	3	3	2	1	2	3	2
Behavioural science	2	1	1	1	1	2	1	2	2	2
Related disciplines	1	1	1	1	2	1	1	1	2	2
Research and analysis	1	1	1	2	2	1	2	1	2	2
Project management	1	1				1	2	2	1	1
Quality assurance	1	1	2	1	2	1	3	2	2	2

LEGEND FOR LEVELS OF KNOWLEDGE REQUIRED: 1=BASIC 2=WORKING KNOWLEDGE 3=IN-DEPTH ☐ =NOT APPLICABLE

EXHIBIT 2: EXTENT OF SKILL REQUIRED FOR EACH JUDGEMENT

Judgements / Skill Areas	Strategic positioning of comprehensive auditing	Direction and purpose of the particular audit engagement	Audit model to deploy for the particular audit engagement	Key variables and central "drivers" of the audit engagement	Key parameters of the audit engagement	Communications strategy for the audit	Quality assurance for the audit engagement	Selecting and implementing a project mgmt. system for the audit	Preparation and conveyance of the audit report/opinion	Impact and value-added of the audit engagement
Professional/Technical Skills										
Audit *vis-à-vis* the economical, efficient and effective management of funds and resources	3	2	2	3	3	2	3	2	2	2
Evaluating an organization's performance	2	2	2	2	2		3		2	2
Research and analysis	1	1	1	2	2		2		2	2
Quality assurance	1	1	2	1	2		3	2	2	2
Management Skills										
General management	3	1	1	1	1	1	1	1	1	2
Project management	1	1				1	1	2	1	1
General Skills										
Analytical thinking	3	3	3	3	3	2	3	2	3	3
Conceptual thinking	3	3	3	3	3	2	3	2	3	3
Communication	3	2	2	2	2	2	2	2	3	3
Interpersonal	3	2	2	2	2	2	2	2	3	2

LEGEND FOR LEVELS OF SKILLS REQUIRED: 1=BASIC   2=INTERMEDIATE   3=ACCOMPLISHED   =NOT APPLICABLE

EXHIBIT 3: ROLE, EXTENT AND CONTEXT OF EXPERIENCE REQUIRED FOR EACH JUDGEMENT

Judgements / Experience Areas	Dimension	Strategic positioning of audit office/ function	Direction and purpose of the particular audit engagement	Audit model to deploy for the particular audit engagement	Key variables and central "drivers" of the audit engagement	Key parameters of the audit engagement	Communications strategy for the audit	Quality assurance for the audit engagement	Selecting and implementing a project management system	Preparation and conveyance of the audit report/opinion	Impact and value-added of the audit engagement
Audit *vis-à-vis* the economical, efficient and effective management of public funds and resources	Role	E	E	E	P	P	P	P	P	P	E
	Extent	≥5	2-4	2-4	≥5	≥5	2-4	≥5	2-4	≥5	≥5
	Context	B	B		B	B				B	

LEGEND FOR DIMENSIONS OF EXPERIENCE REQUIRED: *ROLE:*   *P=PROJECT LEADER*   *E=EXECUTIVE*

EXTENT: *2-4=SIGNIFICANT, 2 TO 4 YEARS*   *≥5=EXTENSIVE, 5 YEARS OR MORE*

⬜ *=NOT APPLICABLE*   *CONTEXT:*   *BLANK=NON-SPECIFIC*   *B=BUSINESS OF ENTITY BEING AUDITED*

APPENDIX D

RELATED PROFICIENCY/ COMPETENCY INITIATIVES

The issue of auditor proficiency or competency has received significant attention in the last few years as the business environment within which auditors are called upon to work has changed and as the audit profession itself has evolved.

This appendix describes a wide variety of initiatives that have been undertaken by CCAF and others in examining issues relating to proficiency and competency — both from the perspective of the accounting/audit practitioner, and in other contexts.

INITIATIVES UNDERTAKEN BY CCAF

In 1984, CCAF issued a document entitled, *Knowledge Requirements for Comprehensive Auditing: A Guide for Practitioners.* At the time, comprehensive auditing was still considered to be a very young art and science. Nonetheless, both decision-makers and audit practitioners had recognized the need to begin to document the areas of knowledge that are necessary for those conducting and participating in comprehensive audit work.

The document sought to answer the question: *What should an individual know to call himself or herself a comprehensive auditor?* The publication focussed on knowledge and did not specifically address other dimensions such as skills, experience and aptitudes. The purpose of the document was to help current and potential practitioners in comprehensive auditing identify their own professional development needs and plan their own professional development programs. The guide was intended to be the first step in the process of articulating this subject, and it

acknowledged that, as practice of comprehensive auditing evolved, so too would related knowledge requirements.

In 1987 the Foundation issued its research report, *Effectiveness Reporting and Auditing in the Public Sector.* The report outlined an approach to having management report or make representations on the performance of their organizations as a means of helping governing bodies form judgements about the performance of these organizations. It stressed that such an approach was feasible only if there were appropriate checks and balances, a fundamental aspect of which was having audit assurance on these management representations. The Independent Panel that led the study challenged the audit community to invest in their own development in this regard and to participate in the development — intellectual and practical — of the performance accounting and auditing concepts needed to support such an approach. The proficiency bar had just been raised!

In 1991, CCAF issued its research report, *Comprehensive Audit Reporting: Concepts, Issues, Practice.* The report was intended to help both practitioners and clients in clarifying the choices — and the implications of these choices — they must make when discussing anticipated audits. The report explores the interconnected issues of assurance and significance, offering advice and recommendations to practitioners to address these matters explicitly and clearly in their comprehensive audit reports. The proficiency bar had just been raised another notch!

In 1996, the Foundation published *Accountability, Performance Reporting, Comprehensive Audit: An Integrated Perspective.* This textbook was the product of a major research project undertaken by CCAF to update and bring together the body of knowledge associated with contemporary comprehensive auditing. In so doing, the 1996 text has provided a solid foundation for anchoring CCAF's current research on proficiency.

Over the 1996-1997 period, CCAF redesigned its education and development program and activities. This was done to establish a comprehensive and integrated program of learning for practitioners that

reflects and builds on the body of knowledge articulated in the 1996 textbook. The results of this proficiency research study have been incorporated into CCAF's education program.

INITIATIVES UNDERTAKEN BY OTHERS

A guiding principle for CCAF's proficiency project was that, wherever feasible, the study should take advantage of work already done or being done by others. The starting point, therefore, was an extensive review of the published literature on the subjects of proficiency and competence and, where the review and related discussions revealed such, an examination of selected unpublished work as well.

A number of professional bodies and individual audit organizations — within and outside of Canada — have done important work in this area. What follows is a brief description of the focus, thinking and results of a number of these initiatives.

PROFESSIONAL ACCOUNTING/AUDIT BODIES

CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS (CICA)

Over the years, the CICA has approached the issue of proficiency from a number of perspectives and in a variety of contexts.

Consistently identified as a matter of critical importance, the subject has received attention in such key initiatives as the 1986 report of the CICA Long-Range Strategic Planning Committee *Meeting the Challenge of Change,* and the seminal 1996 *Report of the Inter-Institute Vision Task Force.* The *Vision* report, for example, identifies knowledge and skills as one of eight areas of strategic emphasis that are seen as essential for fulfilling the mission and achieving the vision set forward in this document.[15]

The 1988 *Value-for-Money Auditing Standards* and the more recent 1997 *Standards for Assurance Engagements* also deal explicitly with the subjects of proficiency, knowledge and competency. The 1997 standards state that:

"The practitioner and any other person performing the assurance engagement should have adequate proficiency in such engagements."[16]

The assurance standards also expand upon the proficiency challenges for the practitioner when specialists are used on an engagement.

Other related work includes the 1981 *Report of the Committee to Study Specialization in the Canadian Chartered Accountancy Profession,* the 1995 research report, *Professional Judgment and the Auditor,* and the research initiative *Enquiry as a Form of Audit Evidence.*[17] The CICA *Syllabus for the Uniform Final Examination* is also a useful reference. Although it does not focus on comprehensive auditing per se, the syllabus presents a structure of ideas regarding knowledge of audit concepts and techniques, and related core skills, that has been a useful input to this study of proficiency.

Ongoing (at the time of publication) work by the *Task Force on Assurance Services* can also be expected to have proficiency-related implications. The CICA Task Force is, for instance, moving forward on a number of assurance projects on a 'joint efforts' basis with the American Institute of CPAs (e.g., performance measurement, risk assessment, electronic commerce), all of which carry with them important professional proficiency considerations.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)

The AICPA's Special Committee on Assurance Services was charged with the responsibility of analyzing and reporting on the current state and future of the audit/assurance function and the trends shaping this. Its 1997 report was issued in electronic format after two years of research.

One aspect of the Committee's work focussed on the area of competencies, meaning the knowledge and skills necessary to perform assurance services now, as well as the competencies that will be needed in the future.

15   CICA, *The Inter-Institute Vision Task Force Report,* (TORONTO: CICA, FEBRUARY 1996) 23-25.
16   *CICA Handbook,* S5025.28.
17   THIS RESEARCH INITIATIVE WAS NOT COMPLETED AT THE TIME OF THE PUBLICATION OF THIS REPORT

The work of the sub-committee assigned this issue began with the substantial work that CPA firms had already done to identify competencies, supplementary discussions with human resource professionals from these firms, and the results of the 1993 study of *Competency-based Standards for Professional Accountants in Australia and New Zealand* (this study is discussed below).

The AICPA Committee's report identified nineteen competencies (a mixture of skills and knowledge) relevant to the provision of assurance services today and fifteen more competencies that they expect to be needed in the future. Of these, the Committee concluded that there were twenty-one competency areas in which the assurance practitioner needs to have particularly well-developed expertise when it comes to what the AICPA report characterizes as 'evolving audit/attest services.' These include:

- audit standards
- accounting standards
- analytical skills
- business advisory skills
- business knowledge
- communication skills
- intellectual capability
- marketing and selling
- managing audit risk
- model building
- people development
- relationship management
- responsiveness and timeliness
- technology
- understanding client's business processes
- verification
- knowledge of processes involved in setting mission, vision and objectives
- knowledge of business strategy
- knowledge of measurement theory and skills in defining and constructing measures
- understanding data and its limitations
- understanding sensitivity analysis

In addition, the AICPA Committee concluded that there were other service areas opening up for assurance providers. Prominent among these are such areas as business performance measurement, risk assessment and electronic commerce — areas where further professional competencies are needed.

Professional Accounting Bodies in Australia and New Zealand

In 1993, an extensive study relating to competency of professional accountants in Australia and New Zealand was completed.

The approach to competency taken in this study is defined as follows:

"In this project, competency refers to a relational notion - the way in which individual attributes (knowledge, skills and attitudes) are drawn on in performing tasks in particular work contexts (job performance).

Competency is realized in performance. Hence, it can be defined by reference to particular types of job performance, in terms of what is to be performed and how well a performance is to be constituted. The performances thus defined are referred to as competency standards."[18]

Six separate fields of practice for accountants were examined in the study. Of these, the first — auditing — is relevant here. The report included competencies for three types of audit: representational (audits of financial and non-financial representations made by management), compliance, and performance auditing (assessments of the quality of management, operational or procedural processes in organizations).

Institute of Internal Auditors (IIA)

The Institute's *Common Body of Knowledge for the Practice of Internal Auditing* (CBOK) was last published in 1992. Based on an extensive survey of practitioners, the report identified over 300 competencies in 20 different disciplines.

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18   W.P. Birkett, *Competency-based Standards for Professional Accountants in Australia and New Zealand* (Australia: Australian Society of Certified Practising Accountants, Institute of Chartered Accountants of Australia, and the New Zealand Society of Accountants, 1993) ix.

The Institute periodically updates the CBOK and, at the time of publication, is in the process of doing so. This is being done within the context of a larger study focussing on the overall competency framework for internal auditing. The results of that study are expected to be published later in 1998.

Audit organizations

A number of audit organizations in Canada and abroad have also examined the competency issue *vis-a-vis* value-for-money auditing.

Office of the Auditor General of Canada

As part of an ongoing work program, the Office of the Auditor General of Canada has developed a competency model consisting of corporate competencies that apply to three levels of audit staff (auditor, project leader, senior manager) regardless of whether they are primarily involved in financial attest or value-for-money (VFM) audit work. Competencies are expressed in terms of three escalating levels of proficiency for each of these three levels of audit staff.

The model starts from the basis of a single core competency for the Office, which is described as follows:

> "Legislative Auditing— Providing reliable, relevant and timely assurances and other information on financial and program performance to help legislators hold government accountable."[19]

Corporate competencies support this core competency and are divided into five areas:

- organizational effectiveness, which is concerned with creating the internal and external support needed for the Office to fulfill its mandate. This involves notions of conveying the Office's mission values and goals, gaining the support of others for specific actions and results, fostering learning and development of office employees, and promoting the practice of sustainable development

- professional competencies, which are concerned with acquiring and applying the professional knowledge and skills necessary to conduct assigned work. This involves notions of governance, professional mastery, technical skills, problem-solving and decision making, obtaining and applying knowledge of the client's business, and product management

- relationship building, which is concerned with being a team player/builder, and dealing with client staff and others

- communications expertise, which is focussed on discussion and presentation, writing and reporting, and informal communication

- personal effectiveness, which is concerned with maintaining an active, committed and balanced relationship to work. This involves personal attributes such as values and commitment, initiative and capacity, and a commitment to the environment and sustainable development.

Because the Office employs staff with a number of professional qualifications other than professional accounting/auditing designations, it is particularly interesting to see how the model addresses the proficiency issues associated with non-accountant/auditor practitioners. The general model places strong emphasis on the need to maintain professional standing and demonstrate professional mastery, but it does not indicate attainment of a specific professional designation or qualification.

Office of the Auditor General of British Columbia

As part of a government-wide process, the Office has developed a set of competency statements for its Performance Auditing Unit.[20]

The model starts out by identifying job elements, which refer to "a knowledge, skill, ability, willingness or personal characteristic which the employee must possess in order to do the job successfully." Each of these job elements is linked to four staff levels: senior auditor, project leader, senior project leader, and principal.

19   Office of the Auditor General of Canada, *Competency Model* (Ottawa: Office of the Auditor General of Canada, 1997) Summary, 1-2.
20   Office of the Auditor General of British Columbia, *Competencies by Level* (Victoria: Office of the Auditor General of British Columbia, 1997) 3-15.

Knowledge is defined as "job required information concerning facts, theories, systems, approaches, or other defined subject matter." Skill or ability refers to "demonstrated expertise in applying one's aptitude, knowledge and talent in assigned job requirements."

Six job elements are associated with knowledge:
- governance, accountability or performance measurement practices in the public sector
- performance auditing or performance review or operational review methodology
- familiarity with the different audit approaches
- government and public sector management issues
- functional areas such as: strategic planning, financial management, accounting, marketing, operations management, human resource management, and information systems management
- knowledge within a government sector such as health, education, social services and transportation.

Twelve job elements are associated with technical/analytical skills:

- audit project selection
- determination of audit scope and preparation of the audit plan
- development of assessment criteria for management and accountability practices
- selection and application of data collection methods
- sorting and weighing information, and arriving at a conclusion
- computer skills
- management of the audit engagement
- client service
- listening and oral communication skills
- writing skills
- presentation skills
- involvement with professional associations as appropriate.

The last category concerns management, which consists of five job elements. They are:

- general time management
- staff management and development
- leadership
- teamwork/team play
- total office and VFM participation.

Similar to that of the Office of the Auditor General of Canada, the BC audit office employs staff who are non-accountants/auditors. Also similar to the federal audit office, the OAG of BC expects that its staff will maintain professional standing, although no specific professional designation is identified.

Le Vérificateur général du Québec

In a series of tasks guides (1994) the Office of the Auditor General of Quebec has articulated knowledge, skills and experience requirements, linking them to the key duties of value-for-money audit team members and project leaders. The explicit inclusion of experience requirements is unique among the related work by others that has been reviewed.

Two categories of knowledge are identified — professional and administrative. The professional category refers to knowledge of:

- professional standards and techniques
- financial auditing
- computers
- government milieu
- value-for-money.

The administrative category refers to general management.

In addition, knowledge requirements are designated at one of three levels: basic, intermediate, and thorough.

Three categories of skills are identified — management, intellectual, interpersonal. The management category refers to skill in:

- planning
- organization
- control
- decision-making.

The intellectual category refers to the following skills:

- analytic ability
- capacity for synthesis
- oral expression
- written expression
- judgement
- creativity
- method.

The interpersonal category refers to the following skills:

- autonomy
- leadership
- open-mindedness
- sense of responsibility
- human relations
- team spirit
- productivity.

In addition, skill requirements are designated at one of two levels: important or essential.

In terms of experience, two categories are noted — professional, and management/supervisory. In both cases experience requirements are described in terms of the quantity and quality of the experience — length of time, number of audits, and complexity of work performed.

NATIONAL AUDIT OFFICE (U.K.)

In 1995, the National Audit Office of the United Kingdom issued *Competency statements for value for money specialists.* The approach taken in this work was to identify six core criteria that "make explicit the key factors in the effective performance of individuals and the Office as a whole, now and in the future." [21] For each of these criteria there is a descriptive competency statement. These are described in terms of what staff should do. Knowledge and skills are then listed and described as what staff should know.

The report identifies competencies required of all staff (financial statement and VFM auditors), and then separate from this, competencies that are unique to value-for-money auditing. The competencies are then organized by four levels within the value-for-money audit function: undertaking audit activities, managing teams and projects, directing operations, and leading the unit.

Many of the competencies are related to the ability to fulfill the appropriate management role within the organization, and thus may entail responsibilities that are broader than making judgements relating to a value-for-money audit *per se.*

The competencies related to technical skills are high-level only and rely on whether the auditor "has or is in training for relevant professional qualifications, or has specialist expertise."[22] No specific professional qualification is identified.

An interesting aspect of this work is that it views competencies as cumulative. The report states that "each role assumes competence in the behaviours appropriate to lower roles." [23]

OTHER ORGANIZATIONS AND INDIVIDUALS

Over the last decade and one-half, a significant body of general literature has emerged related to issues of competency or proficiency.

Naturally, one can find conflicts and contradictions in the literature among the approaches described. Some of these differences are even culturally or geographically-based as Iles[24] points out in comparing dominant approaches taken in the United States (which use a person-oriented. job-analysis approach such as behavioural event interviewing) versus the dominant approach in the U.K. (which uses a task-oriented job analysis technique called functional analysis).

Nonetheless, this literature provides a rich trove of ideas that have influenced this report and others.

Other works that will be of interest include Spencer and Spencer,[25] who have been leaders in the subject for a number of years. Their 1993 book describes approaches to conducting competency studies, aspects of which were used in this proficiency

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21   NATIONAL AUDIT OFFICE, *Competency statements for value for money practitioners* (LONDON: NATIONAL AUDIT OFFICE, 1995) 2.
22   IBID., 11.
23   IBID., TABLE OF CONTENTS.
24   PAUL A. ILES, "ACHIEVING STRATEGIC COHERENCE IN HRD THROUGH COMPETENCE-BASED MANAGEMENT AND ORGANIZATIONAL DEVELOPMENT", *Personnel Review*, VOL. 22, NO. 6, 1993, 68.
25   SPENCER & SPENCER, OP. CIT.

research project (i.e., the use of expert panels to generate data). The text also describes several generic competency models for a number of different occupational categories, including professionals and managers.

The pioneer joint work of the American Management Association, the Boston-based consulting firm of McBer and Company, and D.C. McLelland in the area of behavioural event interviewing is also widely cited in the literature and used in practice. With this technique, superior performers are asked to reflect on specific actual situations and the competencies that led to successful outcomes.[26] The advantage of this technique is that it captures information that other methods may not, such as what are effective and ineffective behaviours and how interviewees acquired key competencies. A few drawbacks are that it is expensive to use since it requires a large number of interviews.

Behavioural event interviewing, or some variation of it, was used by Professor W. P. Birkett in the above-mentioned 1993 Australian-New Zealand study and in the previously-cited 1997 work of the Office of the Auditor General of Canada.

Other general literature that readers may find interesting are the *Common Body of Knowledge of the Institute of Certified Management Consultants of Canada,* and the draft document, *Wholistic Competency Profile: A Model,* prepared by the Public Service Commission of Canada.

CMC's *Common Body of Knowledge* [27] emphasizes general management skills and knowledge in such areas as: human resource management, financial management, information technology management, operations management, marketing management, and strategic planning management. A second area of emphasis is on management consulting skills and knowledge pertaining to the management consulting profession, the consulting process, practice management, and communications.

The PSC's *Wholistic Competency Profile*[28] contains an extensive list of management competencies (including skills and abilities, knowledge, aptitudes, and other attributes). In the area of skills and abilities, for instance, sixty-four separate competencies are identified. These are well-defined and the *Profile* has served as a useful reference document in this proficiency research.

In addition to the work mentioned above, Appendix F provides a list of the publications reviewed in the course of this research project. Several of these publications are précised in a separate background literature-review document that was prepared in support of this research project.

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26   ILES, OP.CIT,. 63.
27   INSTITUTE OF CERTIFIED MANAGEMENT CONSULTANTS OF CANADA, *Common Body of Knowledge*, FOURTH EDITION (INSTITUTE OF CERTIFIED MANAGEMENT CONSULTANTS OF CANADA, SEPTEMBER 1993) 5-7.
28   PUBLIC SERVICE COMMISSION OF CANADA, *The Wholistic Competency Profile: A Model*, NOVEMBER 1996 (UNPUBLISHED DRAFT DOCUMENT).

APPENDIX E

PEOPLE WHO CONTRIBUTED TO THIS RESEARCH PROJECT

It would not have been possible to complete this research project without the input and advice of the over ninety professionals who, at various stages in this study, gave generously of their time and effort. This includes members of the legislative audit and internal audit communities, major private sector firms, academia, and others. In many instances, these individuals were the most senior comprehensive audit practitioners from their respective organizations.

A list of the individuals interviewed, participating in the lead-up activities to the project, involved in the focus group discussions, or otherwise assisting the research project is provided below.

John Affleck   *Office of the Auditor General of Canada*

Richard Alain   *Vidéotron*

Gordon H. Aue   *Ontario Ministry of Economic Development and Trade*

Claude Beauregard   *École nationale d'administration publique*

Gilles Bédard   *Le Vérificateur général du Québec*

Carol Bellringer   *City of Winnipeg*

Lyne Bergeron   *Ministère de la Justice du Québec*

Huguette Bertrand

Ralph Black   *Office of the Auditor General of New Brunswick*

Kendall Blunden   *Nova Scotia Department of Health*

Walter Bordne   *Office of the Provincial Auditor of Ontario*

Guy Breton   *Le Vérificateur général du Québec*

Neil Brown   *Arthur Andersen*

Claude Carter   *Office of the Auditor General of Nova Scotia*

Ghislain Cayer   *Le Vérificateur général du Québec*

James Currie   *United Nations Development Programme*

Jim Cutt   *University of Victoria*

Alec Davidson   *Coopers & Lybrand*

Roger Deblois   *Le Vérificateur général du Québec*

Robert Dion   *Société de transport de la Communauté urbaine de Montréal*

Sheila Dodds   *Office of the Comptroller General of British Columbia*

Marilyn Dolenko   *KPMG Canada*

Endre Dolhai   *Office of the Auditor General of British Columbia*

David Fairbotham   *Office of the Comptroller General of British Columbia*

Judy Ferguson   *Office of the Provincial Auditor of Saskatchewan*

Jean-Luc Ferland   *Le Vérificateur général du Québec*

Yvan Gaudette   *Office of the Auditor General of Canada*

Yves Gauthier   *Groupe-conseil KPMG*

Murray Gill   *Office of the Auditor General of New Brunswick*

Jennifer Glen   *City of Winnipeg*

Jean-Paul Gobeil   *Deloitte & Touche*

J. Peter Gregory   *Office of the Auditor General of British Columbia*

Michael Heffernan   *Office of the Provincial Auditor of Saskatchewan*

Jacques Henrichon   *Le Vérificateur général du Québec*

Ken Hoffman   *Office of the Auditor General of Alberta*

Jamie Hood   *Office of the Auditor General of Canada*

Eric Hopper   *Office of the Auditor General of New Brunswick*

Bernard Howlett   *Office of the Auditor General of Newfoundland*

Mark Irvine   *Manitoba Telephone System*

Fred Jaakson   *Consulting and Audit Canada*

Claude Janes   *Office of the Auditor General of Newfoundland*

Warren Johnson   *Office of the Provincial Auditor of Manitoba*

Janet Jones   *Office of the Auditor General of Canada*

Peter Kasurak   *Office of the Auditor General of Canada*

Joy Keenan   *The Canadian Institute of Chartered Accountants*

Bob Kellington   *Manitoba Hydro*

Michael Kennedy   *KPMG Canada*

Martin Leblanc   *Groupe-conseil KPMG*

Amy Lee   *BC Rail*

Ken Leishman   *Office of the Provincial Auditor of Ontario*

Barbara Lillie   *Manitoba Department of Finance*

Superintendent Raymond Lincourt   *Royal Canadian Mounted Police*

Mary Jane Loustel   *Red River Community College*

Ingrid Loewen   *Manitoba Liquour Commission*

Alec Mackie   *Office of the Comptroller General of British Columbia*

Harvey MacLeod   *Office of the Auditor General of Prince Edward Island*

Elizabeth MacRae   *Canadian International Development Agency*

Ken MacRae   *Office of the Auditor General of Prince Edward Island*

Neill MacRae   *BDO Dunwoody*

Beth Marshall   *Office of the Auditor General of Newfoundland*

Sunny Mathieson   *Office of the Comptroller General of British Columbia*

Yvan Mathieu   *Le Vérificateur général du Québec*

Les McAdams   *Office of the Auditor General of British Columbia*

Jane McCannell   *Office of the Auditor General of British Columbia*

Michael McLaughlin   *Office of the Auditor General of Canada*

Larry Meyers   *Office of the Auditor General of Canada*

Bonnie Miller   *Office of the Auditor General of Canada*

Wayne Murphy   *Office of the Auditor General of Prince Edward Island*

Donald Neufeld   *Office of the Auditor General of Alberta*

John Noseworthy   *Office of the Auditor General of Newfoundland*

John O'Brien   *Office of the Auditor General of Canada*

James Otterman   *Office of the Provincial Auditor of Ontario*

Marc Ouelette   *Le Vérificateur général du Québec*

Doris Paradis   *Le Vérificateur général du Québec*

Colin Potts   *Deloitte & Touche*

Bob Prosser   *City of Saskatoon*

Ross Quane *Deloitte & Touche*
Elie Rabbat *Hydro-Québec*
Bill Rafuse *Office of the Auditor General of Canada*
Norm Ricard *Office of the Provincial Auditor of Manitoba*
John Rossetti *Office of the Auditor General of Canada*
Roy Salmon *Office of the Auditor General of Nova Scotia*
Robin Sellar *Canada Post Corporation*
Ellen Shillabeer *Office of the Auditor General of Canada*
Peter Simeoni *Office of the Auditor General of Canada*
Ken Swain *Consulting and Audit Canada*
Jean-Noël Thériault *Le Vérificateur général du Québec*
Jean-Marc Villeneuve *Le Vérificateur général du Québec*
Brent White *Office of the Auditor General of New Brunswick*
Brian Whiteside *Office of the Provincial Auditor of Manitoba*
Al Whitla *Treasury Board Secretariat of Canada*
Kathleen Wong *Insurance Corporation of British Columbia*
Julie Wood *Ontario Management Board Secretariat*
Carman Young *Bank of Canada*

APPENDIX F

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BACKGROUND DOCUMENTATION AVAILABLE

The *Literature-Review Background Report* (CCAF, 1998) is available upon request.