

CONSIDERATIONS TO HELP UNDERSTAND ADVANCED AND BASIC LEVELS OF COMPLEXITY

Background

There is a lot of uncertainty around the meaning of "advanced" and "basic" when it comes to determining the context within which a task needs to be demonstrated. Some of the more common questions around this issue often include:

1. Is "advanced" more complex than normal?
2. Is "basic" more simple than normal?
3. What is "normal"?
4. What is the default / norm / starting point? "Advanced" or "Basic"? In other words, do we default to all jobs being "basic" and then jobs that are more complex get classified as "advanced" or do we default to "advanced" and jobs that are simpler get classified as "basic"?
5. Does a task have to be demonstrated to a "basic" ability before it can progress to become "advanced"?
6. Is "basic" equal to "easy" and "advanced" equal to "difficult"?

These questions are important in that they determine the context of evidence being accumulated for a trainee accountant. Trainees that are accumulating basic evidence that should perhaps have been classified as "advanced" by their Reviewers run the risk of not being found competent by the end of their contracts and trainees that accumulate advanced evidence that should perhaps rather have been classified as "basic" by their Reviewers run the risk of being signed off without having actually developed and demonstrated the required abilities in the appropriate context. It would also be important for the Evaluator to consider at the ANA whether the context of the evidence being presented is appropriate.

SAICA's official position on this matter

It is important to note that there is no "official" SAICA guidance around what might be viewed as basic or advanced. This was done intentionally since the incredibly vast range of work experience offered by the various Training Offices can never "fit" into any kind of standard guidance.

Trainees are doing their contracts in a variety of industries including the audit profession (which itself covers a massive variety of industries and entities), the Auditor General, and a number of firms in commerce in industry within a variety of different industries. It would, therefore, be impossible for SAICA to be prescriptive as to what situations might constitute basic or advanced evidence.

It is thus imperative that Training Officers apply their mind to the distinction and create their own guidance that is specific to their training environment. This guidance should be in the form of a written policy document and should be incorporated into the Training Office's Assessment Policy documentation so that there is no misunderstanding regarding the classification.

The purpose of this document is purely to provide some insight on what might influence this internal decision around what is regarded as basic and what is regarded as advanced. This content is not SAICA policy and Training Officers are welcome to interpret the complexities in their own ways (provided of course they can justify them to the SAICA moderators during any Training Office visit!).

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SAICA's definitions of complexity

The definitions of the 2 levels of complexity put forward by SAICA in the Training Programme are as follows:

Advanced:

Comprehensive understanding of the concepts and techniques and must be able to apply these concepts and techniques in ***complex situations or environments***.

Basic:

Basic understanding of the concepts and techniques and must be able to apply these concepts and techniques in ***simple, uncomplicated situations or environments***

It is therefore clear that there are 2 main differences between basic and advanced – the *level of understanding* required in order to be able to perform the task and the *complexity* of the situation within which they need to be capable of performing the task.

Given the emphasis in the training programme on *demonstrated* competence, the primary objective of the assessment of competence is on a trainee's ability to perform the prescribed tasks. The purpose of assessment is not to obtain evidence about a trainee's understanding and we make the assumption that if a trainee is capable of performing a task ***without supervision***, then they must have understood the related concepts. It is reasonable to assume that performing a task under more complex situations will automatically require a more comprehensive understanding of the concepts and similarly, a relatively basic understanding of concepts is all that is required to perform a task under simple situations. Similarly, a trainee who is not capable of performing a task unaided would be regarded as not having the necessary understanding to be able to perform it on their own.

So, we can therefore state the following:

- Advanced complexity requires trainees to demonstrate competence in complex situations and to demonstrate this ability *without supervision*, will require that trainees have a comprehensive understanding of the concepts related to the performance of that task. Trainees who are able to perform complex tasks without intervention are thus assumed to have the necessary understanding of those principles.
- Basic complexity requires trainees to demonstrate competence in simple situations and to demonstrate this ability without supervision, will require that trainee to have a basic understanding of the concepts related to the performance of that task. Again, trainees capable of performing basic tasks without intervention are assumed to have the related simple levels of understanding to be able to do that.

When it comes to assessment, the primary difference between these 2 levels of complexity that we need to be focused on is therefore the "complex" situations versus the "simple" situations distinction. The related levels of required understanding will sort themselves out as discussed above.

How do we distinguish between "Complex" and "Simple"?

What is the nature of work assignments generally undertaken by a Training Office? This is a very important starting point to our discussion. Is the work generally performed by trainees on a day to day basis to be regarded as "simple" or as "complex"?

The very nature of the Training Offices themselves makes the type of work undertaken by their trainees *in general*, complex rather than simple. There will be some basic work being undertaken but this is likely to be the exception. If you take an audit firm, for example, the bulk of their trainees' work assignments relate to the performance of audits. Now, is the performance of an audit by these trainees complex or simple?

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The very nature of an audit engagement requires a comprehensive understanding of concepts. To plan, perform and finalise *any* engagement is all relatively complex. To properly assess risk or determine planning materiality, for example, for a small audit engagement requires an equal understanding of the concepts as would apply when doing the same activity for a large engagement. In general most audits are *by their nature* therefore fairly complex. An audit is not a "simple" thing. Think of all the aspects that need to be considered during the audit process and all the decisions that need to be made and justified. There are some audits that are easier than others and some accounting box jobs or tax assignments (as examples of other tasks) that are easier than others, but what is the "norm" or "default" complexity for audit work? Is the norm that the work done by auditors is "simple" and "only requires a basic understanding" of concepts to be able to perform it (which is effectively the definition of basic complexity)? I think not...

Most audits will, therefore, be able to be viewed as advanced in nature by default. There will always be some sections within audits that are really straight-forward and these must be regarded as "easier than the norm" and thus perhaps more "basic" than "advanced". An example of this might be the audit of a bank reconciliation where the general ledger balance agrees to the cash book balance which in turn agrees to the bank statement. This is likely to be regarded as "basic" evidence.

For a trainee to be able to audit a payroll section without supervision (and remember that means without relying on the prior year file or their supervisors!), will require a fairly comprehensive understanding of fairly complex auditing concepts. Of course, one would need to have a closer look at the payroll itself as a wages account balance that arises from a payroll of 350 employees including casual labour, contract labour and permanent staff member with numerous deductions being made from their wages is clearly not "simple". Even a smaller payroll with fewer employees must be regarded as advanced work because it requires an understanding (and application) of the relevant assertions that need to be proven as well as an understanding of the various deductions that are relevant.

In general, a trainee performing auditing work will very seldom, if ever, be exposed to a "basic" context. It would very much be the exception were this to happen.

It should also be borne in mind that certain tasks will not be capable of being demonstrated in a "basic" context just by virtue of the nature of the task. Take AE(C) 2.2 for example... This task requires that trainees demonstrate that they can account for "non-routine" transactions (examples such as mergers & acquisitions, divestitures, and provisions are provided). Now, the very nature of these non-routine transactions is that they are complex. It will therefore not be possible to provide trainees with "basic": exposure to these transactions.

There is no requirement that a trainee should be able to do everything in a basic context before "progressing" to an advanced context. For most work undertaken in the chosen elective skill(s) as well as in the compulsory skill, the very nature of the work undertaken will automatically be advanced. It may never be possible to provide trainees with basic opportunities for many of these tasks.

Whose eyes are you looking through?

As reviewers, evaluators or assessors, a lot of the work that is assigned to trainee accountants will perhaps seem "easy" or "straight-forward" to them. It is important to remember however that they are viewing these tasks with several years of experience already behind them. To the trainee accountant in the first few years of their career, it is likely to be seen very differently. In fact, what we might view as being really straight-forward will initially probably appear incredibly difficult to a brand new trainee accountant without any prior work experience. We must remember that we are measuring competence of trainee accountants at *entry level* into the profession, not as fully fledged Chartered Accountants with several years of experience under the belt.

In other words, just because you think it is "easy" doesn't then automatically make it "basic"! The same principle must be applied by trainees or reviewers – just because you can do it and you get it right, doesn't therefore make it "basic"!

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So, what is the norm, or “default” level of complexity?

In an audit environment, the default or norm for any audit engagement is likely to be "advanced". Only in situations where there are audit engagements that are truly simpler than average would sections of the work being performed be possibly regarded as basic.

Although the auditing environment has been used here as an example, the same logic would obviously apply to the work being undertaken in any of the Training Offices in commerce and industry and to work undertaken by trainees at the Auditor General. In general, the default level of complexity for a firm's chosen elective and for the Accounting compulsory will be *advanced*.

It is obviously important that Training Officers correctly determine their default or starting point complexities. In most cases, work undertaken by trainees can probably be regarded as being advanced and only where assigned work is seen to be significantly less complex than normal, will it be seen as being basic.

Why even bother to differentiate?

Apart from considerations already covered, we need to differentiate between these 2 levels to provide some sort of benchmark for the Compulsory and Residual skills, especially where these are not normally or frequently undertaken by the Training Office.

Generally speaking, a firm's Elective (and perhaps the compulsories) would involve the trainee accountant performing advanced assignments from a fairly early stage in their contract given that this type of work is likely to be the main thrust of that firm's business.

When it comes to the residuals, however, there will likely need to be some subjectivity around determining this level of complexity. The use of simulations to provide work experience or assigning trainees to jobs in these tasks only needs to be producing basic evidence. Obviously if the assignments are regarded as advanced, then that is all good and well for the residual tasks but they *at least* need to be “basic” – simple situations that require relatively basic levels of understanding. This would need to be borne in mind when designing simulations or allocating work to trainees for these residual tasks.

It is important to remember that a rating of 2 or 3 advanced is **not equivalent** to a rating of 4 basic. A trainee may well have been given work of an advanced nature but he/she will have to be rated at level 4 basic (as the minimum) to be signed off as competent for any residual skill.