

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 the norm or 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”?
4. Does a task have to be demonstrated to a “basic” ability before it can progress to become “advanced”?
5. 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.

Remember that there are trainees 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.

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. The contents are 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!).

It is really important that Training Officers compile and distribute a policy document around these levels of complexity so that all role players involved in the assessment process within that organisation have the same understanding of these levels.

SAICA's definitions of complexity

The definitions of the 2 levels of complexity put forward by SAICA in their CA Training Model 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 the levels – the *level of understanding* required and the *complexity* of the situation within which they need to be capable of being demonstrated.

Given the emphasis in the training model 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.

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.
- 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.

When it comes to assessment, the primary difference between these 2 levels of complexity is therefore the “complex” situations versus the “simple” situations distinction. The related levels of required understanding will sort themselves out as discussed above.

“Complex” versus “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 to be regarded as “simple” or as “complex”?

The very nature of the Training Offices themselves makes the type of work they undertake *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 work assignments relate to the performance of audits. Now, is the performance of an audit by these firms of auditors complex or simple?

The very nature of an audit engagement requires a comprehensive understanding of concepts (to plan, perform and finalise **any** engagement - these are relatively complex concepts - 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 need to be documented 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)?

Most audits will, therefore, be able to be viewed as advanced in nature by default. Again, there will be some audits or 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".

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". On the other hand a payroll of say 10 permanent employees with no changes during the year could end up being fairly simple and could thus be classified as "basic".

A further consideration that should be taken into account is that a trainee may be given "easy" work to start with before entrusting them with the more complex assignments. For example, a trainee may be asked to prepare a simple budget for a single project before being tasked with putting together an operational budget for a major division / department. Clearly the simple budget could be construed as being "basic" while the operational budget could be seen to be "advanced".

Another example of this may be the allocation of substantive tests of detail to a trainee. Trainees are initially allocated what are perceived to be "easier" tests of detail to perform before they are given the responsibility of handling the bigger or more complex account balances. Trainees performing work on bank, operating expenses and salaries may therefore be performing this task in a "basic" context while when they progress to accounts like inventory, provisions, valuation adjustments, etc., it is likely that the context has now become "advanced".

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.

Which 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 you. It is important to remember however that you are viewing these tasks with several years of experience already behind you. 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”!

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 the work being performed be regarded as basic.

Although the auditing environment has been used here as an example, the same logic would 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.

For this reason it is 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 (certainly as trainees start to assume increased responsibility) and only where assigned work is less complex than normal, will it be seen as being basic.

This is a big difference to starting off with everything being seen as basic to start with and only work seen as more difficult than normal, being regarded as advanced.

So 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” – simplex situations that require relatively basic levels of understanding.

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 4 basic to be signed off as competent for any residual skill.