

# **The Independent Regulatory Board for Auditors (IRBA)**



## **THE AUDIT DEVELOPMENT PROGRAMME BOOKLET 2015**

# THE AUDIT DEVELOPMENT PROGRAMME

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## 1. What is the ADP?

The Audit Development Programme (ADP) is a period of specialisation undertaken by professional accountants who want to become Registered Auditors (RAs). It provides a context wherein the consolidated capabilities developed in the training programme can be refined in a more complex learning environment and in performing roles more senior to those undertaken in the training contract.

Registered Candidate Auditors (RCAs) are given the opportunity to specialise as RAs by gaining exposure to a broad range of issues faced by RAs in practice and to develop and enhance their:

- Professional competence and judgement.
- Ethical values.
- Lifelong learning skills and attitudes.

The ADP provides RCAs with increasingly complex work that requires, over time, that the candidate assumes more responsibility. Tasks must increase in complexity and level of responsibility as the RCA progresses through the ADP. The RCA will undertake more responsibility for those aspects of the audit engagement which pose a greater risk to the firm, the client and all other stakeholders. By the end of the ADP, RCAs are expected to have acquired and to have demonstrated competence to a level expected of an RA.

It is anticipated that once audit competence is demonstrated, the RA will continue this process of refinement as new responsibilities are assumed and new contexts give rise to higher order capabilities. The programme of CPD required of all RAs plays a vital role in the further development and maintenance of capabilities.

## **2. Why have a specialist programme?**

The Public Practice Examination (PPE) was discontinued in 2014. The last sitting of this examination was in November 2014 for repeat candidates. All first time candidates were required to write SAICA's Assessment of Professional Competence (APC). The APC replaced the two separate specialist exams (Auditing and Financial Management). The APC focuses on the strategic and managerial aspects of the broader accountancy discipline and its primary objective is to assess the professional competence developed during the education and training programmes.

The PPE has served as the IRBA's means to ensure that candidates are competent in auditing to register as RAs. This contributed to the IRBA's mandate of public protection by ensuring that all RAs are competent at entry to the profession. The IRBA has replaced the PPE with the ADP as its final assessment of professional competence.

The ADP is the joint responsibility of the IRBA and the RA firms. It builds on the competence of a professional accountant and focuses on the competence required for a specialist role within the field of professional accountancy; that of an RA.

On qualification as a professional accountant, an RCA is able to perform the tasks and roles expected of a professional accountant. However, this does not imply that a candidate has the appropriate expertise and experience to undertake a statutory audit and assume all the professional responsibilities of an RA. A period of relevant audit development is required to develop the competence of a professional accountant to a point that is appropriate for an RA. During this period, the capabilities already consolidated in the training programme will be further refined and developed.

### 3. Who may offer the ADP?

The ADP may be offered by any RA firm that is registered with the IRBA. Registration with the IRBA provides some indication of quality as all RA firms are required to be ISQC 1 compliant. In addition, the firm must be able to provide the RCA with sufficient exposure to auditing work in order to satisfy the requirements of the ADP.

### 4. Who may join the ADP?

Professional accountants who have qualified through the programmes of a professional body accredited by the IRBA may register for the ADP. The following programmes will need to be successfully completed<sup>1</sup>:

- A recognised academic programme.
- A recognised core assessment programme.
- A recognised professional development programme.

### 5. When to register on the ADP

RCAs may register for the ADP directly after obtaining their professional accountant qualification or they may register after an absence from audit. There is no limit to the period of absence. An RCA's opportunity to join the ADP will be determined by whether an RA firm is prepared to register them on the ADP. However, the IRBA considers it preferable that RCAs register straight after successful completion of the training contract and/or the final assessment of professional competence, whichever is the latter.

### 6. What is a Registered Candidate Auditor (RCA)?

An RCA refers to a person who has obtained a professional accountant qualification from an IRBA accredited professional body and is registered with the Regulatory Board for purposes of becoming an RA. RCA is **NOT** a designation and is only a registration category used by the IRBA. An RCA may not be a sole practitioner and may not sign off on any audits.

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<sup>1</sup> As per the IRBA's Accreditation Model

## **7. What is an Oversight Registered Auditor (ORA)?**

An ORA is an RA who is registered with the IRBA for at least three years<sup>2</sup>. The ORA oversees, on behalf of the firm, the development of the RCA's competence in auditing. The ORA will also be responsible for declaring that an RCA has satisfied the requirements of the ADP.

## **8. Requirements of the ADP**

### **8.1. Registration with the IRBA**

Professional Accountants who wish to become RCAs must register with the IRBA [See Form 5] as an RCA. An RCA must be part of an IRBA registered practice or firm and must have identified an ORA. A once off fee will be charged for initial registration. There will be no annual fees. Those applying for recognition of prior learning and completing the ADP post facto will pay the applicable fee in the year of the application.

On registration with the IRBA, the RCA and the RA firm must provide details of the following:

- The RCAs details, including a copy of ID.
- The RCA's proof of qualification through an IRBA accredited professional body, including copy of training contract discharge letter.
- The name, IRBA number, ID number and designation of the ORA.
- A high level plan from the RA firm outlining how the RCA will be provided with opportunities to achieve audit competence during the ADP. Submission of the firm's job planning template will suffice in this regard [Template JP1]. Where a six monthly plan was submitted at registration, updated planning templates must be submitted every six month together with the RCAs' six-monthly reporting templates [Template A1]. Firms that submit an annual plan will be required to send updated plans on an annual basis.

### **8.2. Context requirement**

The ADP is designed to complement and run parallel with the internal structures of the RA firm. All RA firms are required to be ISQC1 compliant. In this regard all

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<sup>2</sup> The IRBA will consider circumstances for relaxation of this time requirement on a case by case basis.

registered RA firms are required to have systems for quality control. Such systems will include leadership, ethics, human resources and engagement performance. Compliance with ISQC1 creates the context for the development and assessment of professional competence.

RCA's who undertake the ADP to become RAs are required to take responsibility for their own professional development and seek opportunities to progress through defined positions within an RA firm. Such positions will provide opportunity for increasing development of professional competence and offer assignments of increasing complexity and levels of responsibility. In this context the outcome to be sought by the RCA and the RA firm must include:

- Assume a managerial function within the auditing department of the firm.
  - Report to the relevant engagement partner on matters relating to the audit. This can be direct or via a reporting line.
  - Lead a team of trainee accountants and other assistants in the proper execution of the audit.
  - Build and manage the engagement relationships, where appropriate, with representatives of the client at a senior level of management, including those charged with governance and relevant third parties.

RA firms that offer RCA's the opportunity to develop audit competence must meet the following responsibilities:

- Provide an environment conducive to the development, enhancement and demonstration of professional competence.
- Ensure that each RCA is provided sufficient and appropriate support during the ADP.
- Foster a commitment to life-long learning and skills development.
- Encourage RCA's to become involved in work that challenges their skills in a variety of contexts.
- Promote and foster the ethics, values, independence and objectivity of the RA profession.
- Offer progression of work to increasing levels of complexity, independence and accountability.

### **8.3. Time requirements**

#### **8.3.1. Minimum term for the development of specialist competence**

The IRBA prescribes that a minimum term of professional experience is eighteen (18) months, after registration as a RCA. It is likely that only in exceptional circumstances will an RCA be able to meet the requirements of the IRBA to an appropriate degree within eighteen months.

ORAs are encouraged to manage RCA's expectations with regards to the amount of time it will take them to complete the ADP. The actual time will be dependent on the amount of audit exposure the firm can offer the RCA and the amount of time it takes the RCA to demonstrate and achieve the required competences.

Where an RCA has demonstrated an appropriate level of competence within or before the minimum time period a statement by the ORA is required that describes the circumstances that enabled the applicant to acquire the necessary competence within such a relatively short period of time.

#### **8.3.2. Minimum hours**

RCAs must complete a minimum of 1500 productive hours<sup>3</sup> in audit and assurance services. Productive hours provide evidence of the nature of work undertaken and some indication of its quality. It is acknowledged that in some cases completion of the 1500 productive hours may require more than eighteen months.

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<sup>3</sup> It is acknowledged that often an audit engagement can include other services and professional functions.

### **8.3.3. Candidates with an elective other than audit.**

Candidates who wish to register as an auditor, and completed an elective other than audit and assurance will be required to complete a minimum of thirty (30) months and 2250 productive hours in audit and assurance.

### **8.4. Competence requirements**

The IRBA has prescribed certain competences that need to be achieved before an RCA can be signed off as proficient. The Competency Framework has been divided into three groups:

- Competences that must be achieved on the job;
- Competence that must be achieved through additional interventions (i.e. classroom or simulations) or on the job; and
- Competences that may only be achieved under exceptional circumstances or in specialised industries.

It is not envisaged that RCAs will be given the opportunity to satisfy each and every aspect of the Competency Framework during each audit engagement. It is also not anticipated that RCAs will sign off on every competence listed in the framework.

The Competency Framework is a reference point for the development of competent RAs. It covers the lifecycle [Fig 1] of an audit engagement and coupled with the requirement to operate at a senior, managerial level, the framework provides direction for the RCA.



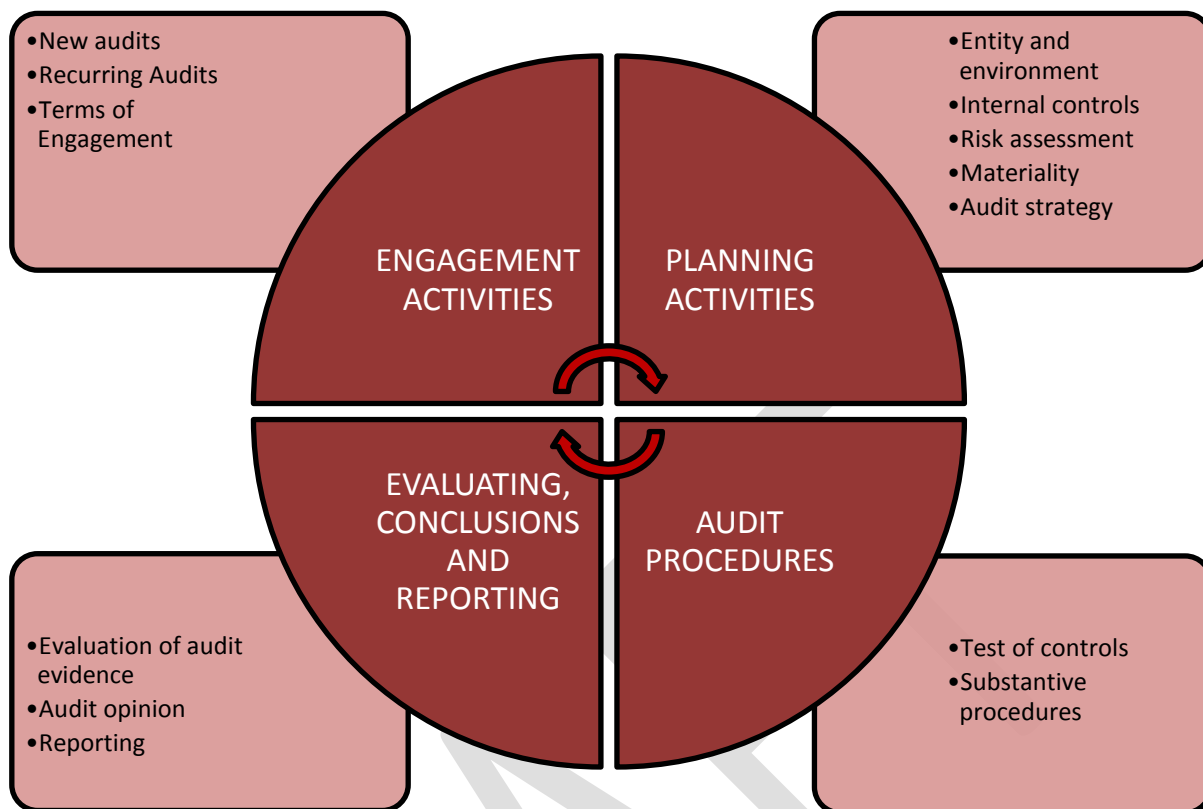


Figure 1

### 8.5. Oversight requirements

The RA firm must ensure that each RCA is assigned to an ORA. The firm will identify the ORA. The ORA must be an RA who has been registered with the IRBA for a minimum of three years at the outset of the ADP. The ORA should have sufficient seniority in the firm to provide meaningful input into the development of the RCAs professional competence.

In determining the appropriate individual to perform the oversight role, the RA firm may consider which individual in the organisation will take ultimate responsibility for signing off that the RCA is competent to a standard required by the IRBA and the profession. In determining this individual within the firm, there is also recognition that the ORA will rely on other people’s assessments, feedback and documentation in making his decision and fulfilling his role. Identity of the ORA will also take place within the firm’s current structures.

### **8.5.1 Responsibilities of the ORA**

The ORA will work with the RCA to create an environment that provides the candidate with the quality and range of experience to enhance and develop professional capabilities, skills and values to a level appropriate for registration with the IRBA.

The ORA will be responsible for, inter alia, the following:

- Oversight over the co-ordination of performance appraisal information and any other relevant information on the candidate's performance and competence.
- Reflection, interpretation and assessment of the candidate's progress.
- Consultation based on the information presented in the performance appraisal reports with both the candidate and the line managers, direct supervisors and any other relevant individuals.
- Regular and meaningful feedback on the development of the candidate's professional competence. Template A1 may be used to capture the RCAs performance over the six-month period.
- A signed declaration, on completion of the ADP that confirms, amongst other things, that the candidate has developed his professional competence to a level appropriate for registration with the IRBA.

The ORA must accept the responsibility outlined above. Once the ORA and RCA relationship has been mutually agreed upon, the ORA and the RCA complete the IRBA registration form [Form 5]. Completion and signature of the registration form by both the ORA and the RCA represents agreement to the requirements and responsibilities of the ADP.

#### **8.5.1.1 Six-monthly report**

Regular, constructive performance assessment is an integral element of effective professional development. In this regard RCA are required to submit six-monthly reports signed off by the ORA to the IRBA [Template A1]. The ORA will sign the template and retain the supporting documentation for the Portfolio of Evidence or for

monitoring purposes. Failure to submit the six-monthly reports may result in a RCA being de-registered from the programme.

#### **8.5.1.2 Declaration**

Once a candidate has satisfied all the requirements of the ADP, the ORA will sign a declaration that confirms:

- The RCA has completed the prescribed time on the ADP.
- The RCA has successfully demonstrated the competences required of an RA.
- The RCA has completed 1500 productive hours [audit and assurance] during the period of professional experience.
- That nothing has come to the ORA's attention that suggests that the RCA is not suitable for registration with the IRBA.
- That he concurs with the contents of the Portfolio of Evidence.
- That he supports the RCA's application for registration.

The declaration and certain supporting evidence will be submitted to the IRBA once the ORA is satisfied that the RCA has demonstrated the required level of professional competence. In addition to the declaration, the RCA will submit a portfolio of evidence that supports the ORA's contention that the RCA is competent.

#### **8.6. The Portfolio of Evidence requirement**

The RCA will progress through supervisory and managerial roles under the supervision of an RA. Some of these roles may be performed whilst still in the training contract and may be included on the reporting template [Template A1]. The Portfolio of Evidence is the means through which an RCA demonstrates that they have achieved the required depth and breadth of competence and that they have satisfied all the requirements of the ADP.

The Portfolio of Evidence must be submitted to the IRBA on completion of the ADP. The Portfolio of evidence will be made up of the following:

- A declaration by the ORA [Template O1].
- All completed six-month templates [Template A1] – setting out the work undertaken and the level of complexity, independence and accountability involved.
- A declaration from the RCA [Template C1].
- The RCA's self-assessment of the learning outcomes achieved on the competency framework. Signed off by the ORA.
- A professional curriculum vitae of the RCA.
- A copy of the CPD hours undertaken during the ADP.
- Evidence of any other special achievements or duties beyond that of audit, e.g. learning and development.

All other supporting documentation such as performance appraisals must be retained by the firm. Documentation not required in the Portfolio of Evidence but that supports the assertion that the RCA is competent must be retained by the firm for a period of at least five years. Such documentation could include amongst other things:

- Performance appraisals
- Letters of commendation from a line manager, director or partner
- Evidence of sections reviewed by the RCA on the work performed by junior staff on a particular engagement.
- Evidence of other sections or part thereof that the RCA was responsible for on the engagement. Example, scoping or planning meeting minutes where the job responsibility are allocated.
- Evidence of communication with those charged with a governance responsibility within the client [This could be copies of emails or other forms of communication].
- Evidence of attendance and contribution at meetings with those charged with governance responsibilities. Example, audit committees.
- Evidence of any reports drafted by the RCA related to the engagement.

- Evidence of performance appraisal inputs for those junior to the RCA.
- Evidence of coaching or management of junior staff members on the team.

It is recommended that the RCA keeps a file of evidence that supports their six-monthly reports.

## **9. Final Assessment**

The final assessment of whether an RCA has met the requirements to register with the IRBA as an RA is the responsibility of the IRBA. Once an RCA has completed the ADP and has demonstrated appropriate competence to the satisfaction of the ORA, the RCA must submit a Portfolio of Evidence to the IRBA for review. The IRBA will appoint an assessment panel to evaluate the Portfolio of Evidence.

### **9.1. IRBA assessment panel**

The assessment panel will comprise of a pool of senior members of the profession, academia, commerce and industry. The panel will be drawn nationally from small, medium and large firms. Academics will be drawn from the accredited universities. Members on the panel from commerce and industry will be chosen based on their understanding of the development of professional competence of auditors.

Members on the panel will be convened as and when portfolios are submitted for assessment. All panel members will be trained to ensure that the methodology is consistently applied.

### **9.2. Assessment Methodology**

The panel will review all the documentation submitted in the Portfolio of Evidence. The panel will seek to establish whether the RCA received sufficient exposure to the entire audit process and that they developed their competence at a senior level (Complexity, independence and accountability). The six-monthly reporting templates will give an indication of the depth and breadth of the RCA's

exposure and the CPD records an indication of the other interventions undertaken in establishing competence. The six-monthly reports, CPD records and CV should corroborate with what is reflected in the RCA's self-assessment.

The results of the assessment will be:

- Successfully completed the ADP
- ADP not yet complete

In cases where the result is "ADP not yet complete" the panel members must give clear motivation for the assessment result. In this regard they may request additional information or evidence pertaining to certain aspects of the RCA's competence development. The panel also reserves the right to request that the RCA and the ORA present themselves for an interview.

## **10. Monitoring**

Monitoring will take place in the following manner:

1. Through the IRBA's firm inspection processes [See Firm Inspection Process: Quality Control Questionnaire on the IRBA website [www.irba.co.za](http://www.irba.co.za)]. For the purposes of this document, this form of inspection will be referred to as Firm Inspections.
2. Through the Education, Training and Professional Development (ETP) Department's monitoring process. For the purposes of this document, the ETP monitoring processes will be referred to as the ADP Monitoring.

As far as possible the IRBA will not duplicate efforts between the two departments and will rely on the findings of the Inspection Department. The ETP Department will only monitor those firms that are not inspected through the Inspection Department's processes. In addition, firms that may not have their human resources policies and procedures inspected during a firm inspection may be monitored by an ADP inspector from the ETP Department.

The following processes will apply with an ADP Monitoring:

- **Prior to the monitoring visit:**
  - The firm will be required to complete and submit a self-evaluation at least six weeks prior to the visit.
  - All supporting documents, policies and procedures must be available at the commencement of the monitoring visit [preferably in electronic format].
  - Certain logistical arrangements may need to be made prior to the monitoring visit. These will be communicated to the firm.
  
- **On the day of the monitoring visit:**
  - Access to all supporting documents, namely, policies, procedures, files etc. If in an electronic format; access to the intranet or provided on a CD.
  - List of scheduled appointments
  
- **Length of time for the ADP monitoring:**
  - The ADP Monitoring will take approximately sixteen hours
  - In the case of firms that have already had a firm inspection and only require a review of their human resources policies and procedures, it will take approximately eight hours.
  
- **After the monitoring**
  - After each monitoring visit, the firm will be given verbal feedback on the visit and a draft report will be issued for comment within four weeks of the visit.

### **10.1 The feedback report**

The inspections report is designed to be developmental in nature. As the ADP is a partnership between the firms and the IRBA, the IRBA will seek to work with firms and ensure that RCAs are provided with sufficient opportunity,

within a quality environment to develop their audit competence to a point where they can provide professional services to their clients, employees and the public at large.

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## FREQUENTLY ASKED QUESTIONS

**1. I wrote PPE and qualified as a CA (SA), do I have to register for the ADP before I can register as an RA?**

No. All candidates who wrote the PPE and qualified as CA(SA)s are not required to register for the ADP. They can register as RAs provided they comply with the IRBA's three-year rule. Refer to [www.irba.co.za](http://www.irba.co.za) for more details on the proficiency assessments (three-year rule).

**2. Must I register with the IRBA immediately after completing the ADP?**

No. It is not necessary to register with the IRBA straight after completing the ADP. Completion of the ADP is exactly the same as successfully completing the PPE. You are eligible to register but you can wait until such time as you require the designation. If it is longer than three years until you register, then the three-year rule applies (See [www.irba.co.za](http://www.irba.co.za)).

**3. Can an RCA be seconded overseas?**

Yes. Time in an international office can be recorded as part of the ADP provided the firm is kept abreast of the RCA's performance and the evidence required to support the time spent in another office is retained by the firm that employed the RCA. In addition, the ORA should be comfortable that sufficient evidence is available for them to make an assessment of the candidate's competence.

**4. Will the IRBA penalise me for changing firms?**

No. The IRBA will not penalise you for changing firms. It is entirely up to the receiving firm to decide if they either accept or reject the six-monthly reports. The receiving firm will determine if additional time must be served to complete the ADP. This discussion should be held and agreed upon prior to signing a contract with a new firm.

**5. Can I complete the ADP in less than 18 months?**

Yes. An RCA who has worked at a firm for a considerable length of time and is already working at a more senior level on entering the ADP may be able to

successfully complete the ADP in less than 18 months through recognition of prior learning (RPL). However, the Oversight RA must provide strong motivation as to how the RCA has been able to achieve the required competences in such a relatively short period of time.

**6. What will the IRBA do in the case of a labour dispute?**

The IRBA does not get involved in any labour disputes or disagreements between the RCA and the firm. The firm's HR policy will prevail in such circumstances.

**7. Does the IRBA decide who becomes a partner in my firm?**

No. The firm's internal policies and procedures will determine the route and attributes required to become a partner in that particular firm. The IRBA only makes an assessment of the RCA's eligibility to register as an RA.

**8. Must I retain all the candidates who would like to complete the ADP?**

The IRBA does not expect the RA firm to retain every single individual who would like to complete the ADP. The firm's business plan will make that determination.

**9. What are the monitoring costs?**

There are no costs involved in monitoring the firms ADP compliance. Normal inspections costs remain in place for the firm inspections.

**10. Can we make use of the current training officer structures for the role of the ORA?**

Yes. It is entirely up to the firm to decide what structures they wish to employ to effectively run the ADP. For a number of firms the training officer structure works well.

**11. Can I wait and only register someone on the ADP when I know that they will make partnership in my firm?**

Yes, this can be done post facto. However, the IRBA would like to encourage firms to retain candidates to complete the ADP for the broader purpose of

maintaining a potential pool of RAs for the South African economy and not just for the firm's partnership purposes.

Some RCAs may only wish to stay with the firm for a few years post CA designation. This provides the RCA with the opportunity to gain an additional dimension to their CA qualification and also ensures that there are sufficient RAs in the SA economy.

**12. What procedures must we follow when a candidate wants to temporarily suspend their ADP registration, for example; due to maternity leave?**

The ORA and the RCA may agree to temporarily suspend the ADP. In this regard the suspension will be in accordance with the provisions of the firm's Human Resource policies and practices. However the RCA and the ORA must, within 5 working days, send an email communication notifying the IRBA of such suspension.

**13. How long does the IRBA anticipate that the assessment of the portfolio of evidence will take?**

The amount of time taken to assess the portfolio of evidence will be determined by the completeness and accuracy of documentation submitted by the ORA and RCA as part of the portfolio of evidence. In this regard we request that the ORA and RCA ensure that the documentation submitted is properly reviewed before submission to the IRBA.