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CONTINUING PROFESSIONAL DEVELOPMENT (CPD) POLICY

1. INTRODUCTION

- 1.1 The knowledge, skills and values needed to function effectively as a Registered Auditor (RA) continuously expand, change and develop. RAs face increased and constantly changing knowledge and skill expectations and scrutiny about the quality of independent audits. Due to the dynamic environment in which auditors function, the competence demonstrated through the Public Practice Examination (PPE) is likely to lose relevance and require modification over relatively short periods of time. Professional competence is therefore first and foremost a dynamic knowledge, skill and value concept, requiring that it be maintained throughout professional life.
- 1.2 Continuing Professional Development (CPD) is the means by which members of a profession maintain, improve and broaden their knowledge and skills and develop the personal qualities required in their professional lives to achieve excellence.
- 1.3 The International Federation of Accountants' (IFAC) International Education Standard 7 (IES7) emphasises the professions' commitment to serving the worldwide public interest and presents CPD as a key means of meeting this commitment. IES 7 prescribes mandatory CPD for all members of the profession, including those in public practice. It also calls on IFAC member bodies to facilitate access to CPD opportunities and

resources to assist professional accountants in meeting their responsibility for life long learning. Further IES 8 prescribes competency requirements for audit professionals including those working in specific environments and industries. According to IFAC, the responsibility for the development and assessment of the required competence is shared by IFAC member bodies, audit organisations, regulatory authorities and other third parties. Although the Independent Regulatory Board for Auditors (IRBA) is not an IFAC member body, its policies are cognisant of the IFAC standards.

- 1.4 In terms of the Code of Professional Conduct of the IRBA, an RA has a duty to maintain professional knowledge and skill at the required level which will ensure that a client receives the advantage of competent professional service, based on up-to-date developments in practice, legislation and techniques.
- 1.5 The CPD policy proposed herein is based upon the Auditing Profession Act 26 of 2005 (“the Act”). In terms of the Act, the Regulatory Board must “prescribe minimum qualifications, competency standards and requirements for registration of auditors” (section 6(1)(a)). From this duty to ensure competence at entry point to the profession, it must be argued that the regulator has a similar duty to ensure that those persons, who are registered, continue to develop and maintain their professional competence throughout the period in which they engage in public practice. Section 7(1)(f) requires that the regulator prescribe competency requirements and these would not only be relevant at entry point but throughout the period of registration as an auditor. The Act thus provides, in section 7(1)(c.), that the Regulatory Board “prescribes requirements for and conditions relating to the nature and extent of continued education, training and professional development”.

- 1.6 The IRBA accredits professional bodies. These accredited professional bodies must, in terms of section 33(b) have appropriate mechanisms for ensuring that members participate in continuing professional development, as either recognised or prescribed by the Regulatory Board. It is envisaged that, since it is likely that the regulator will conduct the final assessment of professional competence at entry point to the profession, it will prescribe and monitor the extent to which individual registered auditors engage in continuing professional development. The role of the accredited professional body in this instance would be to support the CPD objectives of the regulator through fostering a commitment to lifelong learning and facilitating access to continuing education interventions.

2. Objective of Continuing Professional Development

The objectives of the CPD programme are to enable RAs to:

- 2.1 Maintain and further develop professional competence so as to meet the ever increasing and new knowledge, skill and value demands of the profession as a response to knowledge expansion, technological advancement and the requirements of specialist areas.
- 2.2 Meet stakeholder expectations by ensuring that they maintain and further develop the professional competence required to perform any particular engagement which is undertaken in order that clients may receive the advantage of competent professional service, based upon up-to-date developments in practice, legislation and techniques and other requirements of the profession.
- 2.3 Meet their ethical obligations to maintain and further develop their professional competence at the level appropriate to the types of engagements and levels of responsibility which they undertake.

3. PRESCRIPTIONS

- 3.1 All RAs (attest and non-attest) will be required to undertake and maintain a record of CPD activities. Attest RAs must undertake “audit” relevant CPD. Non-attest RAs are not required to undertake “audit” relevant CPD but are advised to maintain and develop their CPD in audit should they wish to change their registration status from non-attest to attest in the future. Should a non-attest RA wish to change his/her status to attest at any point in time, the IRBA will review the member’s CPD and CV for appropriate CPD (audit relevant) and appropriate work experience (audit relevant) before the member’s status will be changed and the RA can perform the attest function. Should an RA not have undertaken appropriate “audit” relevant CPD the IRBA may require the non-attest RA member to undertake a proficiency interview or assessment prior to a change in status being approved.
- 3.2 It is recognised that professional competence comprises a knowledge, skill and value component and it is necessary that RAs, as part of the CPD requirement, maintain and further develop their competence in all three of these areas. RAs are required to plan their CPD activities within the three categories. RAs are not, however, required to report on their CPD activities in the three categories as the IRBA recognises that there is considerable overlap between the three areas. However, RAs are expected to undertake at least nine (9) hours of compulsory ethics CPD per reporting period (Rolling three-years). The hours of compulsory ethics CPD will be recorded separately from all other CPD activities.

To assist RAs in planning their CPD activities brief definitions of each of the three categories has been included.

Professional knowledge

Given the pace of change in the public practice environment, RAs should ensure that an appropriate portion of the CPD activities which they undertake, has the objective of maintaining and further developing professional competence in the technical areas. These areas include, *inter alia* auditing and accounting practice, information technology, legislation including taxation, and other regulations and developments affecting the statutory environment.

Professional skills

The skills required to operate effectively in the public practice environment are not limited to the technical areas. Auditing is itself a structured process involving an analytical approach carried out by a team of persons utilising appropriate technology, adhering to acceptable standards of quality control and drawing on personal and managerial skill. CPD should include learning activities designed to maintain and develop the competence required to take decisions and actions relating to quality control policies and procedures, professional relationships and other aspects of practice management.

Ethical values

For RAs as professionals, ethics as practice means basing one's workplace activities on an explicit awareness of and commitment to that, which enhances the good in the world of the professional, centred upon but not limited to professional practice itself and its various stakeholders.

Ethics as a focus area for professional development should therefore focus on acquiring and embedding insights, knowledge, theories and skills in the daily professional life of a professional, based on a common set of

values as set out in the relevant Codes of Conduct, which builds the practice of “good”.

Professional development will therefore include all learning activities which assist the professional RA to always and consistently:

- Act with integrity towards clients, third parties, other practitioners, employees and all parties with an interest in the work performed by the RA as well as the general public.
- Be objective and not allow any prejudice or bias to influence his/her professional judgement.
- Remain independent, both in fact and appearance, when performing professional duties.
- Respect confidentiality of information at all times.
- Apply professional competence and due care in all work performed.
- Act to the highest requirements of professionalism to build the reputation of the profession as a whole.

4. Reporting period

- 4.1 Members will report on their CPD activities in a rolling three-year period.
- 4.2 The reporting period for CPD will commence on 1 January and extend to 31 December of each calendar year, but will always be included in a rolling three-year period.
- 4.3 The rolling three-year reporting period of each individual RA will commence on 1 January of each year. In the case of members that register during a calendar year, the CPD requirements will be proportionate for the part of the year from the date they register with the IRBA.

- 4.4 The policy requiring members to record their CPD activities on a rolling three-year period will commence on 1 January 2010.

5. Measurement of CPD

- 5.1 In a rolling three-year period, an RA will be expected to have completed at least 90 hours of verifiable CPD, which includes at least 9 hours of compulsory ethics CPD.

- 5.2 In any one year reporting period within the three-year rolling period, the minimum number of CPD hours is twenty (20) including a minimum of two (2) hours of ethics training. The minimum hours required in any one year reporting period will not be reduced if a member reported more than the required hours in the previous year. The onus is on the RA to ensure that the compulsory number of hours per reporting cycle (Rolling three-years) is at least ninety (90) with nine (9) hours in ethics.

6. Quality Programmes

- 6.1 The IRBA recognises that there are a variety of forms which CPD activities may take including both verifiable and non-verifiable. It is however believed that, due to its objective-driven nature, verifiable learning is more likely to provide the IRBA with an indication of the nature of the specific competencies that particular CPD interventions set out to develop and maintain. This is of particular importance, since it enables the regulator to better demonstrate that its policies are consistent with acting in the public interest. Verifiable CPD is considered activities where you can provide evidence that the learning was relevant to your career or future career needs and you can prove that it took place. An important characteristic of verifiable learning is that it is planned and documented.

7. Record-keeping

- 7.1 RAs will submit a signed declaration with their annual renewal for registration. An RA's registration with the IRBA will be dependent upon the member's declaration which will state that they are fully compliant with the IRBA's CPD requirements.
- 7.2 Members are not required to submit their records or supporting documentation with the annual declaration. It is, however, the responsibility of the RA to ensure that the CPD record and supporting documentation, are maintained, accurate and complete.
- 7.3 Each RA is expected to maintain a record (including all supporting documentation) of the CPD activities undertaken and to produce such a record at the time of practice review, or upon request by the IRBA for monitoring purposes. These records should be retained for a period of 5 calendar years.
- 7.4 RAs may complete the IRBA form CPD I [www.irba.co.za] or download their CPD records from their professional body; both recording methods will be accepted.
- 7.5 RAs should take note that a mere listing of CPD activities on the forms may not, under certain circumstances, be considered sufficient and they may be required to support the listing with supporting documentation.

8. Monitoring of CPD

- 8.1 The IRBA will randomly monitor the CPD records of all RAs on an annual basis.
- 8.2 RAs who have not complied with the IRBA's CPD requirements will be given a maximum of six months from the date of the annual declaration or when the non-compliance is identified to obtain the required CPD hours. RAs may be required to complete a CPD training and development plan (CPD II).
- 8.3 For RAs who are subject to practice review, the IRBA will draw upon the processes and procedures carried out by its practice review function¹ in order to assess, based upon documentation supplied by the RA, the nature and relevance of CPD activities and the extent to which the maintenance and further development of competence was sought by an RA. Although the process is not designed to assess competence as such, it provides the IRBA with an understanding of the particular role and responsibility assumed by each RA. Thus, the practice review function provides an understanding of context, which is essential in order to determine the appropriateness of the particular CPD activities undertaken by an individual RA.

9. Sanctions

- 9.1 RAs, who continue to be non-compliant, may have their registration status with the IRBA lapsed.
- 9.2 Should the monitoring process indicate that an RA has submitted a CPD declaration that is not an accurate reflection of the CPD activities of the

¹ See Section 47 of the Auditing Profession Act, 26 of 2005.

member, the IRBA may decide to institute disciplinary measures against such a member.

10. Exemptions

- 10.1 The IRBA does not offer any exemption for RAs based on retirement, extended leave of absence or for any other similar reasons. The IRBA does, however, provide for concessions under **extra-ordinary** circumstances. Such an application for a concession must be made in writing to the Education, Training and Professional Development Committee of the IRBA with full supporting evidence. The concession will only apply for a specified period of time and will be granted on the minimum number of hours to be achieved in a single year. The required 90 CPD hours in the rolling three-year period will still need to be achieved.

11. Conclusion

It should be emphasised that CPD does not provide any assurance that all RAs will deliver high quality services at all times. The provision of audit relevant services is not limited to the application of professional competence alone, but also encompasses the exercise of judgement and professional scepticism. In addition, it should be noted that participation in programmes of CPD does not provide assurance that all participants in programmes of CPD will maintain and develop their professional competence to the fullest extent.

Despite these limitations, it is certain that without CPD, RAs will not be able to maintain and develop their professional competence within the context of expanding knowledge, skill and values requirements, stakeholder expectations and ethical obligations.