Policy and guidance

Continuing Professional Development (CPD) Requirements for New Zealand Licensed Auditors

(Effective 1 July 2016)
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1 CPD Policy for New Zealand licensed auditors

1.1 Introduction

This policy is effective from the year ending 30 June 2017 and has been developed to meet the requirements set out in International Education Standard 8: Professional Competence for Engagement Partners responsible for Audits of Financial Statements (IES 8) published by the International Federation of Accountants (IFAC).

IES 8 states that all IFAC member bodies are required to ensure professional accountants performing the role of an audit “engagement partner” develop and maintain professional competence that is demonstrated by the achievement of learning outcomes including but not limited to those outlined in Appendix A. Chartered Accountants Australia and New Zealand (CA ANZ), as a member body of IFAC, is at this stage, introducing this policy for New Zealand licensed auditors.

1.2 Who does this policy apply to?

This policy applies to any member of Chartered Accountants Australia and New Zealand who is a “licensed auditor”, i.e. holds an auditor licence issued by the New Zealand Institute of Chartered Accountants (NZICA) or the New Zealand Financial Markets Authority (FMA) under section 11 or section 12 of the Auditor Regulation Act 2011 (ARA) permitting the auditor to perform FMC audits in New Zealand.

Other CA ANZ members who perform the role of an audit “engagement partner” are encouraged but not required to follow this policy. This includes those who are:

(a) a “qualified auditor”, i.e. currently recognised by NZICA or another body as a qualified auditor under section 36(1) of the Financial Reporting Act 2013 (FRA); or
(b) neither a licensed auditor nor qualified auditor but who have responsibility as “engagement partner” (as defined in paragraph 7 of ASA 220 / ISA (NZ) 220 Quality Control for an Audit of Financial Statements) for one or more audits of financial statements.

Under ASA 220 / ISA (NZ) 220, the role of “engagement partner” may be performed by a partner, director, sole practitioner, etc. The “engagement partner” is the member who takes responsibility for the audit engagement and the audit report.

Every licensed auditor is required to comply with this policy, whether or not they perform the role of engagement partner. For example a licensed auditor who performs only engagement quality control reviews or other quality assurance reviews must still comply with this policy.

A member who is not a licensed auditor and who does not perform financial statement audits is not required to comply with this policy. However, such a member who performs other assurance engagements, such as review engagements, may choose to comply with the policy with suitable modifications to ensure he or she maintains professional competence to perform those other assurance engagements.
A member who is not a licensed auditor and who performs audit work other than as engagement partner (for example as an audit senior or audit manager) is not required to comply with this policy. However, they or their firm may choose to adopt aspects of this policy relevant to the role they perform. Where an auditor is progressing to the role of engagement partner this policy may be applied as part of a development plan to prepare the member to undertake the engagement partner role.

1.3 Obligation to develop and maintain competence

Every member to whom this policy applies must undertake CPD that develops and maintains the professional competence required to perform the role of audit engagement partner. This is demonstrated by the achievement of the learning outcomes set out in Appendix A.

Where the member, as a result of a self-assessment or other evaluation, identifies a need to achieve learning outcomes additional to those set out in Appendix A in order to meet the requirements of their role in relation to audits of financial statements, the member must also plan to develop and maintain those additional competencies.

1.4 Obligation to perform self-assessment or similar evaluation

A member to whom this policy applies must, in the first year of implementing this policy and at no more than three yearly intervals:

a) perform a self-assessment, or undergo a similar evaluation, of his or her competence in each of the learning outcomes set out in Appendix A;

b) based on the evaluation, identify the learning that the member requires to ensure that competence is developed and maintained in relation to those learning outcomes where a requirement for additional learning is identified; and

c) develop a prioritised learning plan to ensure the learning needs are met over a reasonable period. The period chosen should reflect the priority attached to each learning outcome but should not exceed three years.

On an annual basis, the member should update their evaluation to record the results of the learning activities undertaken in the year and identify any changes in the member’s role or the relevant standards or legislation. Based on this review the member should update their learning plan for the following year.

Where the member’s evaluation shows that no learning activities are required in relation to a particular learning outcome, there is no need to plan learning activities for that learning outcome. However, the member should review this assessment annually to ensure that the member’s competence remains current, especially where there have been changes in the standards or legislation affecting that area of work.

Where the member’s firm has a formal partner evaluation process the member’s evaluation and learning plan may be undertaken as part of that process.

Where the member has engaged a mentor to help develop their competence in audit, the member should consider consulting the mentor in relation to the member’s self-assessment and learning plan.
1.5 **Obligation to comply with the general CPD requirements for CA ANZ members**

A member to whom this policy applies must also comply with the CA ANZ CPD policy set out in Regulation CR7.

CPD performed in response to the member’s learning plan will normally contribute to the hours requirements set out in CA ANZ CPD regulations. However, the following should be noted:

a) CPD undertaken as part of the learning plan need not be verifiable. Non-verifiable CPD will contribute to the non-verifiable CPD hours requirement; and

b) CPD undertaken as part of the learning plan may include on the job training and practical experience which does not necessarily count towards the hours requirement set out in the CA ANZ CPD regulations.

1.6 **CPD records**

A member to whom this policy applies must maintain the following records in a form suitable for review:

a) CPD records demonstrating compliance with the general CPD policy including records of verifiable and non-verifiable hours and supporting evidence for verifiable time;

b) Records of the self-assessment performed in relation to the learning outcomes required by Appendix A and any additional learning outcomes identified by the member;

c) The member’s learning plan showing the learning activities planned and undertaken and how these activities contributed to achievement of the learning outcomes;

d) Annual updates to the learning plan as appropriate; and

e) Supporting evidence for the learning undertaken, if not already included at a).

CA ANZ is developing an Excel template which members can use to document the self-assessment and learning plan. However, members may adopt any method of documentation which meets the requirements of this policy. For example, members may use documentation which forms part of their firm’s partner appraisal process.

1.7 **Review of compliance with the policy**

For licensed auditors, FMA and NZICA will review compliance with the CPD requirements as part of the quality review and monitoring programme. CA ANZ and NZICA also monitor CPD compliance through the annual declaration process and by a review each year of a sample of members’ CPD records. Members selected for review are required to provide details of CPD undertaken together with supporting evidence. With effect from 2017, licensed auditors will be required to provide the self-assessment and learning plan required in section 1.4 as part of their evidence.

The member’s self-assessment and learning plan should demonstrate that the member has given appropriate consideration to the extent of their competence in relation to each learning outcome and has developed the learning plan based on this assessment. It is not expected that this will require unduly extensive documentation unless there are specific factors calling
for more detailed explanation (for example: if certain outcomes are required to be addressed as part of a remediation plan following a quality or practice review).

1.8 Non-compliance

Members who fail to comply with the requirements of this policy may have their auditor licence suspended or cancelled or may be subject to disciplinary action under the By Laws and/or NZICA Rules.

2 Frequently asked questions

2.1 Why have the CPD Rules changed?

The International Accounting Education Standards Board (IAESB) has adopted a new standard, International Education Standard (IES) 8 Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised). As a member of the International Federation of Accountants (IFAC), CA ANZ is required to implement this standard. IES 8 requires audit engagement partners to adopt a learning outcomes approach to CPD.

In relation to licensed auditors, FMA has revised its prescribed minimum standards, the Auditor Regulation Act (Prescribed Minimum Standards and Conditions for Licensed Auditors and Registered Audit Firms) Notice 2012, to require licensed auditors who are members of an accredited body that is required to meet the IFAC requirements to comply with International Education Standards applicable to audit engagement partners (see clause 7 of the revised minimum standards issued 13 November 2015).

2.2 Why do the new rules only apply to auditors?

The new International Education Standard 8 specifically applies to audit engagement partners. The existing International Education Standards allow for IFAC member bodies to establish CPD rules based on an input basis, an output basis or a mixed approach. At present the CPD regulations that apply to all members of CA ANZ are primarily input based, i.e. they are based on a certain number of hours of CPD over a period. However, IES 8 requires an output based approach for audit engagement partners, i.e. an approach based on the learning outcomes achieved rather than the number of hours spent on CPD activities.

Work is ongoing in relation to the application of the new standard to all members of CA ANZ.

2.3 Do I still need to meet specific hours requirements for audit and financial reporting training?

Previously, licensed auditors were required to complete a specified number of hours over a three year period and at least 30% of the structured training was required to relate to auditing and a similar percentage to financial reporting. This requirement remains in place up to 30 June 2016. With effect from the year ended 30 June 2017, there is no specific hours requirement for the auditing and financial reporting components. CPD must be appropriate to demonstrate competence in the relevant learning outcomes.
As noted in section 1.5, members subject to IES 8 will also need to satisfy the minimum hours requirements as set out in Regulation CR7. This CPD should be relevant to the member’s professional work.

2.4 **What kind of learning activities can be included in my learning plan?**

Any learning activity that helps you develop and maintain competence and contribute to one or more of your learning outcomes can be included in your learning plan. Examples include:

- Participation in courses, conferences, and seminars;
- Self-directed learning;
- On-the-job training;
- Participation in and work on technical committees;
- Developing or delivering a course or CPD session in an area related to professional responsibilities;
- Formal study related to professional responsibilities;
- Participation as a speaker in conferences, briefing sessions, or discussion groups;
- Writing articles, papers, or books of a technical, professional, or academic nature;
- Research, including reading professional literature or journals, for application in the professional accountant’s role;
- Professional re-examination or formal testing;
- Providing professional development support as a mentor or coach; and
- Receiving professional development support from a mentor or coach.

The outcome of the learning activity is of key importance, i.e. that it helps you develop and maintain competence relevant to your role.

2.5 **What evidence do I need to keep to support my CPD records?**

You should keep a record of the learning activities undertaken and the learning outcomes achieved as a result.

The following examples suggest evidence that may be used to support different learning activities.

- Attending a training course: a certificate of attendance or copy of the course notes;
- Mentoring assistance: a copy of the mentor’s report or notes;
- Private research in connection with a new audit engagement: a copy of your notes from the research or a relevant file note from the audit file;
- Provision of training to staff: a copy of the speaking notes or the agenda;
- Developing organisational skills: describing an example of an audit engagement that required significant project management;
- Promoting audit quality: a copy of a communication to staff relating to audit quality.
## APPENDIX A:
Learning Outcomes for the Professional Competence of an Engagement Partner

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<th>Competence Area</th>
<th>Learning Outcomes</th>
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<tbody>
<tr>
<td>(a) Audit</td>
<td>(i) Lead the identification and assessment of the risks of material misstatement as part of an overall audit strategy.</td>
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<td>(ii) Evaluate responses to the risks of material misstatement.</td>
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<td>(iii) Evaluate whether the audit was performed and documented in accordance with applicable auditing standards (e.g., ISAs) and relevant laws and regulations.</td>
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<td>(iv) Develop an appropriate audit opinion and related audit report, including a description of key audit matters as applicable.</td>
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<tr>
<td>(b) Financial accounting and reporting</td>
<td>(i) Evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements.</td>
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<td>(ii) Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements in accordance with the applicable financial reporting framework and regulatory requirements.</td>
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<td>(iii) Evaluate accounting judgments and estimates, including fair value estimates, made by management.</td>
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<td>(iv) Evaluate the fair presentation of financial statements relative to the nature of the business, the operating environment, and the entity’s ability to continue as a going concern.</td>
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<tr>
<td>(c) Governance and risk management</td>
<td>(i) Evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy.</td>
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<td>(d) Business environment</td>
<td>(i) Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments including, but not limited to, market, competition, product technology, and environmental requirements.</td>
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<tr>
<td>(e) Taxation</td>
<td>(i) Evaluate procedures performed to address the risks of material misstatement in the financial statements in respect of taxation, and the effect of the results of these procedures on the overall audit strategy.</td>
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<td>Competence Area</td>
<td>Learning Outcomes</td>
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<td>(f) Information technology</td>
<td>(i) Evaluate the information technology (IT) environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.</td>
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<td>(g) Business laws and regulations</td>
<td>(i) Evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion.</td>
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<tr>
<td>(h) Finance and financial management</td>
<td>(i) Evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy.</td>
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<td></td>
<td>(ii) Evaluate an entity’s cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.</td>
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<td><strong>Professional Skills</strong></td>
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<td>(i) Intellectual</td>
<td>(i) Resolve audit issues using inquiry, abstract and logical thought, and critical analysis to consider alternatives and analyze outcomes.</td>
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<td>(j) Interpersonal and communication</td>
<td>(i) Communicate effectively and appropriately with the engagement team, management, and those charged with governance of the entity.</td>
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<td>(ii) Resolve audit issues through effective consultation when necessary.</td>
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<td>(k) Personal</td>
<td>(i) Promote and undertake lifelong learning.</td>
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<td>(ii) Act as a role model to the engagement team.</td>
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<td>(iii) Act in a mentoring or coaching capacity to the engagement team.</td>
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<td>(l) Organizational</td>
<td>(i) Evaluate whether the engagement team, including auditor’s experts, collectively has the appropriate objectivity and competence to perform the audit.</td>
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<td>(ii) Manage audit engagements by providing leadership and project management of engagement teams.</td>
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<td>Competence Area</td>
<td>Learning Outcomes</td>
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<tr>
<td>Professional Values, Ethics, and Attitudes</td>
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<td>(m) Commitment to the public interest</td>
<td>(i) Promote audit quality in all activities with a focus on protecting the public interest.</td>
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<td>(n) Professional skepticism and professional judgment</td>
<td>(i) Apply a skeptical mindset and professional judgment in planning and performing an audit and reaching conclusions on which to base an audit opinion.</td>
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<td>(o) Ethical principles</td>
<td>(i) Apply the ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior in the context of an audit and determine an appropriate resolution to ethical dilemmas.</td>
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<td>(ii) Evaluate and respond to threats to objectivity and independence that can occur during an audit.</td>
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<td>(iii) Protect the confidential information of the entity in accordance with ethical responsibilities and relevant legal requirements.</td>
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