

PROFESSIONAL COMPETENCE REQUIREMENTS FOR QUALIFIED AUDITORS UNDER THE FINANCIAL REPORTING ACT 2013 (NEW ZEALAND)

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INTRODUCTION

This document sets out the professional competence requirements that must be met by all members of CPA Australia who are seeking recognition by CPA Australia as a person qualified to be appointed as a qualified auditor, being able to undertake non-issuer statutory assurance engagements in New Zealand in accordance with International Standards on Auditing and Assurance (New Zealand).

The professional competence requirements set out in Table 1 below are based on *International Education Standard 8: Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (IES 8).

Professional competence refers to the integration of technical competence, professional skills, and professional values, ethics and attitudes. Members seeking recognition as a qualified auditor are required to demonstrate that they possess the appropriate professional competence, through documenting and providing this documentary evidence of how they have applied professional competence in a range of audit engagements over a period of time.

The *New Zealand qualified auditor application guide* provides information on the application process and other relevant requirements, in addition to the professional competence requirements set out in this document.

PROFESSIONAL COMPETENCE

Members seeking to become qualified auditors within the meaning of the Financial Reporting Act 2013¹ must have developed and maintained professional competence, as set out in Table 1. An applicant will be expected to have served for several years on audit engagement teams, and progressed through increasing levels of responsibility in supervisory and managerial roles.

Applicants are required to document and demonstrate the development and maintenance of professional competence through performance of the tasks set out in Table 1 in the following key areas of an audit:

- client acceptance and retention
- planning and risk assessment
- controls evaluation
- testing
- opinion formation and conclusion

¹ <http://www.legislation.govt.nz/act/public/2013/0101/latest/DLM4632944.html>

DOCUMENTATION

Members seeking recognition as a qualified auditor are required to provide documentary evidence that demonstrates that they possess and have applied professional competence on a range of audit engagements over a period of time. When providing documentary evidence of relevant audit experience, members are also required to highlight the experience they have gained in a senior audit role. A *log- book template* is provided to assist applicants to document their practical experience.

Members seeking registration as a qualified auditor are required to make a declaration that they meet the professional competence requirements set out in this document.

PRACTICAL EXPERIENCE REQUIREMENTS

Applicants are required to demonstrate the possession and application of professional competence through practical experience gained by participating in and conducting various audit engagements over an appropriate period of time. The following criteria will be considered when assessing whether the practical experience gained adequately reflects the professional competence a qualified auditor is required to possess:

- practical audit experience gained in the last five years before the date of the application. If some or all of the experience was gained during a previous period, the applicant should provide details as to why such experience should be considered appropriate for the purposes of the application.
- sufficient time spent participating in and conducting audit engagements over the five year period (or longer if appropriate). The time spent should be sufficient for the applicant to demonstrate that they have performed all the tasks relevant to the different professional competences. As a guide, an applicant is expected to have obtained between 300 to 500 days of practical experience, with a sufficient proportion of this practical experience gained in a senior audit role.
- a range of statutory non-issuer audit engagements and other audit engagements of a similar nature the applicant participated in and conducted. The applicant is expected to have obtained extensive practical experience participating in and conducting audit engagements of large entities (e.g. large companies, charities) or audit engagements of a complex nature.

The applicant should provide sufficient details of the audit engagements involving different types of entities and the number of days of practical experience gained participating in and conducting such audit engagements.

- if the applicant has obtained insufficient practical experience, CPA Australia may consider a limited recognition of the applicant to be appointed as a qualified auditor. Depending on the circumstances and the details of practical experience provided, recognition can be limited in different ways, including:
 - the types of entities the applicant can be appointed as an auditor of, to conduct audit engagements.
 - recognition for a limited period of time subject to a review (e.g. 12 months from date of initial limited recognition).

Examples of insufficient practical experience can include:

- insufficient number of days of audit experience
- insufficient practical experience in complex/large audit engagements
- practical experience that is limited to specific types of entities or sectors (e.g. trust account audits or audits of smaller not-for-profit entities).
- the practical experience gained by the applicant must have occurred under the supervision of an engagement partner responsible for each of the relevant audit engagements. The applicant is required to provide the name and contact details of the engagement partners who may be contacted for verification of the practical experience details provided.

REFEREES

The applicant is required to provide two references from suitably qualified referees in the prescribed format. The referees must be able to confirm that, in their opinion, the applicant has the required professional competence to undertake non-issuer statutory audits and/or other assurance engagements.

At least one of the referees must have supervised the applicant's work during the five year period (or longer if appropriate). As an alternative to supervision by a referee, CPA Australia will consider peer reviews, quality reviews or other similar reviews of the audit work of the applicant by a referee.

The referees must:

- be a member of one of the following professional accounting bodies;
 - CPA Australia (with CPA status)
 - Chartered Accountants Australia and New Zealand
 - The New Zealand Institute of Chartered Accountants
 - The Institute of Public Accountants
- hold a senior role within the audit profession (partner, principal or equivalent) in New Zealand.

ONGOING REQUIREMENTS

In addition to a requirement to demonstrate that applicants have developed the required professional competence to be appointed as a qualified auditor, applicants are also required to maintain their professional competence through Continuing Professional Development (CPD) activities as set out below:

- qualified auditors must complete at least 120 hours of training and education in each three year rolling period, with such training and education to include at least 20 hours completed in every year
- at least 50% of the required training must be structured training
- of the structured training, at least 30% must related to auditing and at least 30% must relate to financial reporting
- all required training must be relevant to the qualified auditor's professional activities.

Following recognition as a qualified auditor, the individual must provide an annual declaration confirming that the professional competence requirements continue to be satisfied through CPD activities, and involvement in audit/assurance engagements.

TABLE 1

The professional competence requirements set out below are from IES 8, which can be accessed at <http://www.ifac.org/publications-resources/ies-8-professional-competence-engagement-partners-responsible-audits-financ-0>

TECHNICAL COMPETENCE				
	1. AUDIT	2. FINANCIAL ACCOUNTING AND REPORTING	3. GOVERNANCE AND RISK MANAGEMENT	4. BUSINESS ENVIRONMENT
TASKS	<ul style="list-style-type: none"> lead the identification and assessment of material misstatement as part of an overall audit strategy evaluate responses to the risks of material misstatement evaluate whether the audit was performed and documented in accordance with International Standards on Auditing (New Zealand) and relevant laws and regulations ensure the audit documentation appropriately reflects the audit work develop an appropriate audit opinion and related audit report, including a description of key audit matters as applicable. 	<ul style="list-style-type: none"> evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements 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 evaluate accounting judgements and estimates, including fair value estimates, made by management 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. 	<ul style="list-style-type: none"> evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy. 	<ul style="list-style-type: none"> analyse 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.
	5. TAXATION	6. INFORMATION TECHNOLOGY	7. BUSINESS LAWS AND REGULATIONS	8. FINANCE AND FINANCIAL MANAGEMENT
TASKS	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> evaluate the information technology environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy. 	<ul style="list-style-type: none"> evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion. 	<ul style="list-style-type: none"> evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy evaluate an entity's cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.

TABLE 1 (CONTINUED)

PROFESSIONAL SKILLS				
	1. INTELLECTUAL	2. INTERPERSONAL AND COMMUNICATION	3. PERSONAL	4. ORGANISATIONAL
TASKS	<ul style="list-style-type: none"> resolve audit issues using inquiry, abstract and logical thought, and critical analysis to consider alternatives and analyse outcomes. 	<ul style="list-style-type: none"> communicate effectively and appropriately with the engagement team, management, and those charge with governance of the entity resolve audit issues through effective consultation when necessary. 	<ul style="list-style-type: none"> promote and undertake lifelong learning act as a role model to the engagement team act in a mentoring or coaching capacity to the engagement team. 	<ul style="list-style-type: none"> evaluate whether the engagement team, including auditor's experts, collectively has the appropriate objectivity and competence to perform the audit.

PROFESSIONAL VALUES, ETHICS AND ATTITUDES			
	1. COMMITMENT TO THE PUBLIC INTEREST	2. PROFESSIONAL SCEPTICISM AND PROFESSIONAL JUDGEMENT	3. ETHICAL PRINCIPLES
TASKS	<ul style="list-style-type: none"> promote audit quality in all activities with a focus on protecting the public interest. 	<ul style="list-style-type: none"> apply a sceptical mindset and professional judgement in planning and performing an audit and reaching conclusions on which to base an audit opinion 	<ul style="list-style-type: none"> apply the ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour in the context of an audit and determine an appropriate resolution to ethical dilemmas evaluate and respond to threats to objectivity and independence that can occur during an audit protect the confidential information of the entity in accordance with ethical responsibilities and relevant legal requirements