LOCAL AUDIT

ICAS GUIDANCE ON LOCAL AUDIT CONTINUING PROFESSIONAL DEVELOPMENT (‘CPD’)

Guidance to ICAS registered Local Audit Firms

Revised Guidance September 2016
1. **Introduction**

ICAS promotes CPD as a mandatory part of good professional practice as well as a fundamental principle of professional ethics.

Audit professionals involved in Local Audit work require to maintain and develop sufficient competence to be able to perform their roles effectively.

There are no definitive requirements for the maintenance of Local Audit CPD, and this publication acts as guidance only. It is aimed, primarily, at Key Audit Partners, but is also applicable to other members of the audit team.

Its objective is to ‘sign-post’ audit professionals to key requirements that they should include as part of audit CPD. It is not an exhaustive list of requirements and audit professionals are responsible for gaining an understanding of their clients and of the particular regulatory, governance and financial reporting frameworks.

2. **ICAS members**

ICAS members are required to follow the ICAS output based approach to CPD and follow the four step Professional Development Process:

![Diagram: The four-step development process]

**STEP 1**
- **Define current and future role(s)**
  - Define in broad terms what is expected in your current role. Future career options and goals should also be taken into consideration.

**STEP 2**
- **Decide on training and development needs**
  - Decide on the skills and knowledge levels needed to meet the expectations identified in step 1 and which will enable effective performance. These should be compared against existing skills and knowledge levels to help identify training and development needs.

**STEP 3**
- **Develop or undertake a personal development programme**
  - Carefully plan to undertake CPD activities that are relevant to your role and which will help meet the training and development needs identified in Step 2. Wherever possible, you should aim to undertake a breadth of CPD activity.

**STEP 4**
- **Record when you have undertaken a particular CPD activity**
  - Reflect on the learning outcome of an activity, decide if it has had an impact on your skill or knowledge levels and then provide a brief statement to this effect.
This development framework allows the individual member to be the best judge of how much CPD they need and which activities are most beneficial in meeting their learning and development needs. CPD should be proportionate and relevant to a member’s role.

ICAS recognises that there may be periods where CPD activity fluctuates and some years will require more development than others. CPD activity can, for example, include work-based learning; undertaking new projects at work, on-line reading, researching a particular issue relating to a client or a role, and focused discussions with colleagues or other professional advisers.

Under the CPD scheme there is no requirement to achieve a certain number of hours or points - the important feature is that consideration is given to the requirements of the position and that learning addresses this.

**The Annual Declaration:**

Each year ICAS will ask members to self-certify that they have met their CPD requirements.

**The Annual Sample:**

Each year ICAS selects a sample of members to submit their CPD records. Members selected for monitoring will be asked to show that they have complied with the CPD requirements and their CPD record should mirror the four steps described above. ICAS will be checking for a discernible and reasonable process of professional development in keeping with a member’s role and career stage. ICAS recommends members use the form available from the CPD website to record their development.
How do I record CPD?
Your CPD record is available on the ICAS website. For more information about CPD requirements, and to access your CPD record, view ‘My CPD’ in your profile or search for ‘CPD’ at icas.com.

3. Members of other professional bodies

Audit professionals in ICAS Local Audit registered firms who are not members of ICAS will require to follow the CPD process of their own membership body.

4. International Education Standard 8 (IES 8)

In issuing guidance to audit professionals, reference is usually made to International Education Standard 8 (Revised) ‘Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)’. IES8 has recently been revised, with an implementation date of 1 July 2016. This international standard sets the learning outcomes and core competences for audit engage.emt partners.

Whilst this standard applies to corporate audit we have considered the main requirements in relation to this guidance.

The revised standard is prescriptive in outlining the learning outcomes expected for this role and sets out the learning outcomes to be achieved, covering the areas of technical competence, professional skills, professional values, ethics, and attitudes. IES 8 further acknowledges that as the career of an engagement partner progresses practical experience also becomes increasingly important in maintaining and further developing the necessary depth and breadth of professional competence.

The revised IES 8 can be accessed at: https://www.ifac.org/publications-resources/ies-8-professional-competence-engagement-partners-responsible-audits-financ-0 and we have detailed guidance on IES 8 Revised on the ICAS website at https://www.icas.com/regulation/international-education-standard-8.

5. Competences for Local Audit Professionals

The table below sets out the main headings of IES 8 (Revised) and indicates the main knowledge areas ICAS would expect Local Audit professionals to have considered for their Continuing Professional Development. This is not an exhaustive list and serves as guidance only. It is the responsibility of the audit professional to understand the regulatory, governance, financial reporting frameworks in which their clients operate.

<table>
<thead>
<tr>
<th>IES 8 (Revised) requirements</th>
<th>As would apply to Local Audit</th>
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<tbody>
<tr>
<td>Audit</td>
<td>• National Audit Office (NAO) Code of Audit Practice, available for NAO website</td>
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<td>• NAO Audit Guidance Notes AND Value for Money Guidance – available from NAO website</td>
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<td></td>
<td>• ICAS Local Audit Regulations – search on ‘regulations’ at icas.com</td>
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<td></td>
<td>• Guidance to the Local Audit Regulations – search on ‘local audit’ at icas.com</td>
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<td></td>
<td>• Weekly Auditor Communications from the NAO</td>
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<td>• ICAS Audit Monitoring Audit News articles relevant to local audit - search ‘audit news’ at icas.com</td>
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For transitional periods: 2014/2015 financial years:
• The Audit Commission’s Codes of Audit Practice set & The Audit Commission guidance on VFM
The Audit Commission planning guidance to support the work of local government auditors under the 1998 Act and the 2010 Code: Audit Policy Briefing (APB) 04-2015 Local Government Planning (available on the NAO’s extranet for local auditors).

International Standards on Auditing – available from Financial Reporting Council (FRC) website

ISQC1 – available from FRC website.

Financial accounting and reporting

Business environment

Finance and financial management

- Require familiarity with environment, financial management, financial reporting and accounting framework of the relevant local public body
- **NAO Audit Guidance Notes** and Value for Money Guidance – available from NAO website

Governance and risk management

- Familiarity with any governance code of the relevant body

Business laws and regulations

- **Local Audit & Accountability Act 2014** particularly sections 20-30
- Other Local Audit specific regulations, for example:
  - Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014
  - Local Audit (Smaller Authorities) Regulations 2015 (non-audit – assurance engagements)
- Legislation specific to the local public authority being audited (e.g. search on legislation.gov.uk and NAO website as well as website of the audit client)
- **The NAO ’ Council Accounts: A Guide to Your Rights**.
Transitional arrangements for 2014/15 financial years:
- The National Health Service Act 2006 for NHS Foundation Trusts; and
- The Audit Commission Act 1998 for all other local public bodies.

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<th>Information Technology</th>
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<td>Familiarity with Inspectorate reports, internal audit reports and other information on systems relevant to the client</td>
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<td>IT CPD requirements will be dependent on the extent to which the systems are complex and the systems and controls are being relied upon</td>
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### Professional Skills

**IES 8 (Revised) requirements**

**As would apply to Local Audit**

- **Intellectual**
  - During a monitoring visit we would expect these soft skills to be demonstrated on local audit engagement files and, where conducted, during the performance appraisal process. However, we acknowledge that, whilst performance appraisals are recommended, they are not mandatory. We would also expect these learning outcomes to be considered as part of the annual Audit Compliance Review process, in particular through the cold file review process.

- **Interpersonal and communication**

- **Personal**

- **Organisational**

- **Commitment to the public interest**

- **Professional scepticism and professional judgment**

- **Ethical principles**
  - National Audit Office Auditor Guidance Note 1
  - FRC Ethical Standards
  - ICAS Code of Ethics