

Continuing Professional Education

CPE Scheme

This CPE Scheme is approved by the Accountancy Board in terms of Sub-Rules (3) and (4) of Rule 4 of Directive Number 1, issued under the Accountancy Profession Act (Chapter 281 of the Laws of Malta), to establish a programme of Continuing Professional Education (CPE), which shall be followed by all warrant holders in the maintenance and improvement of their professional competence and skills. Effective as from 20 December 2016.

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Preface

In 2004, Directive Number 1, issued under the Accountancy Profession Act (Chapter 281 of the Laws of Malta), set out that for the purposes of complying with the Statutory CPE requirements, warrant holders must follow the rules of a CPE Scheme approved by the Accountancy Board and administered by an approved accountancy body as may be delegated by the Board from time to time under such conditions as the Board may deem fit and subject to the ultimate overall supervision and control of the Board. As from 2005, the administration of the approved CPE Scheme has been delegated to the Malta Institute of Accountants, as the approved accountancy body.

This CPE Scheme complies with IES 7 *Continuing Professional Development*, as published by the International Federation of Accountants (IFAC). IES 7 lays down three main approaches to CPD. Under the input-based approach, such as the one adopted by the Board, “an amount of learning activity for professional accountants to develop and maintain professional competence” is established.

The CPE Scheme

- 1.1 This CPE Scheme lays down the rules and guidelines on CPE with which all warrant holders must comply with effect from calendar year 2016.
- 1.2 Where applicable in this document, the term Board may either refer to the Accountancy Board or the approved accountancy body to whom the administration of the CPE scheme has been delegated by the Board.
- 1.3 The term warrant holder shall mean an individual who holds a warrant issued in terms of Article 4(1) of the Accountancy Profession Act (Cap. 281 of the Laws of Malta).
- 1.4 Warrant holders work in a variety of roles. Based on their career paths and taking into account their current and future roles. It is the **warrant holder’s responsibility** to exercise professional judgement in deciding which CPE activities he/she should undertake.
- 1.5 The Board may, from time to time, issue further guidance on specific areas pertinent to the attainment of CPE. Such guidance shall be deemed to be an extension and an intrinsic part of this CPE Scheme.

What is CPE?

- 2.1 Continuing Professional Education (CPE) refers to learning activities that develop and maintain capabilities to enable warrant holders to perform competently within their professional environment.

Objectives of a CPE programme

- 3.1 Ensure that warrant holders maintain adequate level of professional knowledge and skills to enable them to carry out their work competently and professionally;
- 3.2 Assist warrant holders to keep themselves updated with the current technical, professional and general knowledge pertinent to their work; and

- 3.3 Demonstrate to the public at large the Board's concern for the public interest by ensuring that warrant holders acquire adequate knowledge and skills in order to provide the quality of services that can be reasonably expected of them.

Who should undertake CPE?

- 4.1 All warrant holders have to fulfil the CPE requirements unless the criteria for an exemption are met. Warrant holders who work on a part-time basis in the profession are still obliged to undertake CPE.
- 4.2 Warrant holders will be exempted from CPE in the year they obtain their warrant.
- 4.3 Warrant holders in retirement are excluded from doing CPE if they are over sixty-five (65) years of age and whose earnings from the exercise of their profession does not exceed ten thousand Euro (€10,000) per annum.

Warrant holders who are members of other Professional Bodies

- 5.1 In some cases, warrant holders may also be members of another accountancy body and may be required to comply with that accountancy body's CPE scheme. Some accountancy bodies allow their members to follow the IFAC member body route if they are full members of a professional accountancy body that is an IFAC member organisation and whose CPD policy is compliant with IES 7 *Continuing Professional Development*, as published by IFAC.
- 5.2 Although the Board is not an IFAC member body, this CPE scheme complies with the minimum requirements set out in IES 7.

Minimum CPE requirements

- 6.1 This CPE Scheme identifies Core Competency areas and Professional Development Competency areas which warrant holders are required to satisfy in order to achieve the desired level of professional competence.
- 6.2 On an annual basis, warrant holders shall obtain at least:
- Twenty-five (25) hours of structured CPE
 - Fifteen (15) hours of unstructured CPE.
- 6.3 At least ten (10) hours of structured CPE must be carried out in those areas qualifying as Core Competencies.
- 6.4 The balance of fifteen (15) hours of structured CPE must be carried out in those areas qualifying as either Core or Professional Development Competencies. The Board is a firm believer in a holistic approach to CPE. It recommends warrant holders to undertake training on Professional Development Competencies, which training will vary depending on the exigencies of one's roles and responsibilities.

- 6.5 The number of hours credited towards the 25 hours requirement will be calculated on an hour-to-hour basis. For activities that fall under paragraph 7.2, only the lecturing time can be claimed as structured CPE; thus registration time and any break times are to be deducted.

Structured CPE

- 7.1 For an activity to qualify as structured CPE, it needs to meet the following three criteria:

- **Relevance:** The CPE undertaken has to be relevant to the individual's circumstances and to the exercise of the profession and increase his or her professional competence;
- **Measurability:** A defined number of hours (CPE units) can be attributed to the activity; and
- **Verifiability:** The learning can be objectively verified by a competent source.

If any of these three criteria is missing the activity will fall under unstructured CPE.

Activities that qualify as Structured CPE are included in the following paragraphs.

- 7.2 Courses, conferences, seminars and organised technical discussion meetings provided by:

- (a) The Malta Institute of Accountants;
- (b) Other professional associations;
- (c) In-house within firms or companies;
- (d) Independent providers of such activities; and
- (e) The University of Malta.

Independent providers of courses, conferences and seminars normally seek accreditation for an event to qualify as structured CPE from the Board, following the Board's CPE Accreditation Rules which are the subject of a separate publication. However, the fact that accreditation is not sought by the course provider would not disqualify an event from being regarded as structured. If an activity is relevant, measurable and verifiable, a warrant holder may still claim the hours spent on that activity as structured CPE.

External quality reviews imposed on a warrant holder by the Board following a QAU inspection visit cannot be claimed as structured CPE.

- 7.3 Participation on technical committees or panels set up by the Malta Institute of Accountants or other professional associations, the Accountancy Board, accounting and audit firms or governmental entities **but only if:**

- (a) The committee or panel can demonstrate a tangible output, such as a new standard, technical release or other form of guidance, as a result of its work; and
- (b) The warrant holder can demonstrate that he or she has contributed to that tangible output.

Participation on committees which fail to meet the above criteria will fall under unstructured CPE.

7.4 Web-based learning activities **only if**:

- (a) The activity is measurable. Normally, web-based activities would have an assigned amount of hours however, when this is not the case, the warrant holder shall reasonably assess the amount of time spent on such activities; and
- (b) The activity is verifiable, that is a certificate of completion is issued upon completion of the online activity.

Web-based learning activities that do not meet all of the above criteria qualify as unstructured CPE.

7.5 Time spent on lecture preparation and lecturing **only if**:

- (a) The warrant holder is providing such an activity upon his employer's, the approved accountancy body's, or the market's demand and the subject is relevant to the lecturer's work;
- (b) The knowledge gained increases the lecturer's technical or professional competence and achieves the objectives of that form of CPE identified in Section 3 of this document; and
- (c) The lecture must be supplemented with some form of study material such as notes and/or presentations.

A warrant holder may claim up to a maximum of thirteen (13) hours of structured CPE spent on lecture preparation and lecturing. Repeat lecturing of the same course cannot be classified as structured CPE. One-to-one lectures fall under unstructured CPE.

7.6 Reading for a relevant post-tertiary course **only if** the level and depth of knowledge involved increases his or her technical or professional competence and achieves the objectives of CPE identified in Section 3 of this document.

Unstructured CPE

8.1 Self-managed activities of an informal nature which are relevant, can be measurable but cannot be verified. These include:

- (a) Individual research including: viewing of videos, television programmes and audio recordings;
- (b) Reading technical and professional journals, the financial and business press and accessing relevant websites; and
- (c) Activities that fall under paragraphs 7.2 – 7.6 but do not fulfil the criteria to qualify as structured CPE.

Competencies

9.1 The Board has identified two broad categories of competencies, the attainment of which is deemed fundamental in any warrant holder's continuing professional development, irrespective of the sector of work activity he or she is engaged in.

9.2 The following activities fall under **Core Competency areas**:

(a) **Audit and Assurance** – including, but not limited to, activities relating to the conduct of an audit, or assurance engagements other than an audit of financial statements. Such activities will normally relate to:

- i. International Standards on Auditing;
- ii. International Standards on Review Engagements;
- iii. International Standards on Assurance Engagements;
- iv. Standards and Technical Releases of an audit or assurance nature, that may be issued from time to time by the MIA or the Accountancy Board;
- v. The performance of audit and assurance procedures;
- vi. Internal audit;
- vii. The design, implementation and testing of internal controls;
- viii. Computer-assisted-audit-techniques (CAATs);
- ix. Information systems audit;
- x. Laws and regulations relevant to the audit process, not otherwise falling under (i) above;
- xi. Duties and responsibilities of members of audit committees;
- xii. EU Directives on the subject matter.

(b) **Taxation** – including activities that relate to:

- i. The Income Tax Acts;
- ii. The Value Added Tax Act;
- iii. Duty on Documents and Transfers Act;
- iv. Other tax legislation and updates thereon;
- v. The provision of tax advice;
- vi. Tax planning and structuring;
- vii. Tax compliance;
- viii. Double taxation treaties;
- ix. Relevant case-law;
- x. EU Directives on the subject matter.

(c) **Financial Reporting** – activities mainly dealing with:

- i. Financial accounting and reporting standards including International Financial Reporting Standards, International Accounting Standards, interpretations issued by

the International Financial Reporting Interpretations Committee (IFRIC) and the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations (Subsidiary Legislation 281.05 of the Laws of Malta);

- ii. Standards or Guidance Notes of a financial reporting nature that may be issued from time to time by the MIA or the Accountancy Board;
- iii. Training on specific areas that fall within the financial reporting domain, for example net asset value computations, preparation of consolidated financial statements, impairment provisioning and similar areas;
- iv. EU Directives on the subject matter.

(d) **Business and Financial Management** – activities that are relevant to business and financial advisory services. This domain would include the following:

- i. Corporate Governance
- ii. Management Accounting – including activities that relate to:
 - Preparation of management accounts and reports;
 - Decision-based reporting, such as project appraisal, feasibility studies and ratio analysis;
 - Budgeting and variance analysis;
 - Costing techniques.
- iii. Corporate Finance - including activities that relate to:
 - Management consulting;
 - Financial management;
 - Treasury management;
 - Investment management;
 - Valuations;
 - Working capital management.

(e) **Professional Regulation and Ethics** – including, but not limited to, activities relating to the following legislation:

- i. The Accountancy Profession Act;
- ii. The Accountancy Profession Regulations (Subsidiary Legislation 281.01 of the Laws of Malta);
- iii. Directives that may be issued from time to time by the Accountancy Board;
- iv. The Companies Act;
- v. The Prevention of Money Laundering Act and the Prevention of Money Laundering and Funding of Terrorism Regulations.

- 9.3 **Professional Development Competency** areas add on to a warrant holder's technical skills by delving into matters that are of direct relevance to the warrant holder's appointment at a particular point in time excluding all other areas mentioned above.

CPE records and reporting and monitoring of CPE requirements

- 10.1 All warrant holders are required to declare the number of hours undertaken during a calendar year on CPE activities in their Annual Return.
- 10.2 In the Annual Return, a warrant holder should distinguish between structured and unstructured CPE hours and should identify the amount of hours undertaken on activities pertinent to the attainment of Core and Professional Development Competencies.
- 10.3 All warrant holders are required to keep evidence of their participation in structured CPE activities for a five-year period as this may be required as part of the Board's monitoring process.
- 10.4 Supporting documentation would include but is not limited to:
- Certificate of attendance or confirmation of participation issued from the service provider in case of events.
 - Certificate of attendance or confirmation of participation issued from the employer in case of in-house courses.
 - Confirmation from the committee's chairperson or minutes of committee meetings in case of participation in technical committees.
 - Certificate confirming successful completion in case of web-based learning.
 - Confirmation from the learning institution, service provider or organiser in case of lecturing.
 - Confirmation from the service provider in case of post-tertiary courses.
 - Study log or confirmation of assessment completion in case of distance learning courses.
- 10.5 The Board will carry out a desk-top review intended to identify instances of non-compliance, such as the non-completion of the minimum annual CPE requirement and lack of CPE hours required to be spent on Core Competency areas.
- 10.6 The Board will carry out an audit of a sample of Annual Return declarations submitted to ensure that Returns are properly completed, that CPE was carried out in accordance with this CPE Scheme, to verify the accuracy and relevance of CPE activities undertaken in a given year by the respective warrant holder and to carry out any other validation checks that may be deemed necessary.
- 10.7 Warrant holders will be requested to provide the necessary evidence to support the hours claimed in their Annual Return. Warrant holders may also be asked to explain the relevance of their CPE activities to their individual professional development.

Entitlement to an exemption from CPE and monitoring of exemptions

- 11.1 The Board recognises circumstances where warrant holders are unable to fulfil their CPE requirements. The following circumstances entitle the warrant holder to an exemption from CPE: maternity leave, serious illness, pursuing full-time study, not in employment (neither gainfully employed nor self-employed) and working in a non-accountancy related position (not doing any accountancy-related work).
- 11.2 Warrant holders who are on maternity leave are entitled to a reduction of 9 hours in their structured CPE requirements in the year of confinement. The 9 hour CPE exemption can be taken pro-rata over two years if maternity leave extends from one year to the next.
- 11.3 For the other reasons, the warrant holder is entitled to an exemption in whole or in part from any requirement to undertake CPE depending on the period during which the warrant holder was out of the profession. In the case where a warrant holder was out of the profession for part of the year, a partial exemption applies. In such a case, CPE requirements should be calculated on a pro-rata basis by taking into account the months out of the profession and deduct them from the mandatory requirements. This applies for the total hours and the Core Competency hours.
- 11.4 Warrant holders are required to self-assess the circumstances giving rise to the CPE exemption and decide whether such circumstances are a valid reason for an exemption. Warrant holders are also required to self-assess the number of hours of entitlement to a CPE exemption based on the above.
- 11.5 Warrant holders are required to declare their entitlement to a CPE exemption and the reasons therefor at year-end in their Annual Return.
- 11.6 The Board will carry out audits of CPE exemption declarations to verify the relevance and validity of the exemption. Thus, in all cases, warrant holders should keep documentary evidence in support of the exemption in order to present it to the Board, when requested. Warrant holders are required to keep this documentary evidence for a five-year period as this may be required as part of the Board's monitoring process.

Re-entry into the profession following CPE exemption and monitoring of re-entry

- 12.1 When a warrant holder's circumstance changes such as he/she will no longer be entitled for an exemption, it is the onus of the warrant holder to undertake action to satisfy the requirements for re-entry into the profession, as set out below.
- 12.2 Warrant holders who were exempt from CPE requirements for a period of up to 2 years can re-enter the profession and start practising immediately.
- 12.3 Warrant holders who were exempt from CPE requirements for a period between two and five years are required to go through a catch-up phase on CPE by undertaking the required number of CPE hours. The catch-up depends on the number of years in which the warrant holder was out of practice, as follows: a catch-up of 38 hours for those exempted between 2 to 3 years, 50 hours for those exempted between 3 to 4 years and 62 hours for those exempted between 4 to 5 years. Half of the required hours need to be completed before re-entering the profession.

Any hours spent on CPE activities during the period of a CPE exemption will be reduced from the number of CPE catch-up hours required to re-enter the profession.

12.4 Warrant holders who were exempt from CPE requirements for five years or more are required to complete a refresher course prior to re-entry as stated below:

A warrant holder is required to attend the related final study units over two semesters in two out of four of the following subjects offered to professional-level accountancy students by the University of Malta or equivalent courses as approved by the Accountancy Board:

- Financial Accounting;
- Taxation;
- Management Accounting;
- Auditing.

Note: should the warrant holder wish to practise in the field of auditing, attendance to the auditing seminars is mandatory.

Warrant holders are required to attend at least 80% of the study units in the two subjects chosen (attendance at tutorials, if any, is optional).

12.5 Warrant holders are required to inform the Board of their re-entry into the profession at year-end in their Annual Return.

12.6 The Board will carry out audits to verify whether warrant holders who re-entered the profession met the requirements for re-entry into the profession prior to and/or following re-entry. Warrant holders who re-enter the profession are therefore required to keep records and evidence of action undertaken to satisfy the requirements for re-entry into the profession. Warrant holders are required to keep records and documentary evidence for a five-year period as this may be required as part of the Board's monitoring process.

The Re-entry into the Profession Regulations came into force in 2012. The diagram below highlights the respective actions required to re-enter back into the profession. For transitional arrangement purposes, year 1 is 2012.

	Period of CPE Exemption					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
No action required	1 - 2 years					
CPE catch-up requirement: 38 hours Before re-entering: 19 hrs (min 8 core) In the year of re-entering: full or pro-rata hrs ¹ Subsequent year: 19 hrs + min of 25 hrs for the year	2 - 3 years					
CPE catch-up requirement: 50 hours Before re-entering: 25 hrs In the year of re-entering: full or pro-rata hrs ¹ Subsequent year: 25 hrs + min of 25 hrs for the year	3 - 4 years					
CPE catch-up requirement: 62 hours Before re-entering: 31 hrs In the year of re-entering: full or pro-rata hrs ¹ Subsequent year: 31 hrs + min of 25 hrs for the year	4 - 5 years					
Refresher course Before re-entering: Complete a refresher course	5+ years					

¹ Calculation of pro-rata hours - take into account the months in which you were not exercising the profession during the year. Example:

- Re-entered the profession on 15 April, therefore 3.5 months out of the profession
- Minimum hours per year: 25 hours (10 Core)
- $25 - (3.5 / 12 \times 25)$ amounting to 18 hours (40% of which must be Core)
- Therefore the pro-rata hours for the year are 18 (7 of which must be Core)