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	<b>215.00 PROFICIENCY, COMPETENCY &amp; PROFESSIONAL DEVELOPMENT</b> <b>LAST REVISED: MAY 1, 2017</b>	

## **PROFICIENCY, COMPETENCY & PROFESSIONAL DEVELOPMENT**

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### **DEFINITION –**

**COMPETENCY** – Level of skill associated with performing a task or function which is measurable against a standard, baseline or minimum and is part of the foundation of applying due professional care.

**PROFESSIONAL DEVELOPMENT** – formal (some of which can qualify as Continuing Professional Education – CPE) and informal training necessary to refine and maintain employee skills, introduce progressive audit and analytical techniques, and prepare individuals for greater levels of responsibility.

### **BACKGROUND**

Per GAGAS, competency is obtained through education and experience. Competencies are not measured solely by years of experience, but rather by the combination of years and quality of experience, because quantitative measures alone may not accurately reflect the kinds of experiences gained by an auditor. GAGAS also stresses that competence is not attained at any given point in an auditor's career, but is rather an ongoing process of education, as a result of an auditor's commitment to learning and development.

IIA Standards use the word Proficiency synonymously with the word Competency, as it is referred to in GAGAS. The Standards state that knowledge, skills, and other competencies collectively result in the professional proficiency required for an internal auditor to carry out his/her professional responsibilities, while it (proficiency) can be demonstrated, in part, by obtaining applicable professional certifications and qualifications.

After careful review of GAGAS and the Standards, it is evident that the GAO and the IIA agree on the core knowledge, skills, education, and experience requirements necessary for internal auditors and the internal audit function to possess in order to perform their responsibilities, make sound professional judgments, and to exercise '*Due Professional Care*'.

For the purpose of this procedure, '*Staff Development*' refers to the process of formally evaluating an employee's performance against pre-established criteria and stated goals. The formal Houston Employee Assessment and Review (HEAR) process is designed to align individuals' goals and objectives with the AD's and ultimately – the City's.

Additionally, this procedure outlines a framework to:

- Provide a method of enhancing internal auditors' professional knowledge and skills;
- Centrally record and maintain the training history for each AD internal auditor as a tool for planning upcoming training in compliance with professional standards, and serve as support for QA;
- Assess the competence, independence, and objectivity of an external service provider as it relates to the particular assignment to be performed;

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- Assess the knowledge, skills, and competencies possessed by external service providers that are necessary to perform audits/engagements;
- Focus attention on individual goals and objectives that align with the AD's, allowing for realization, growth, and advancement;
- Maintain or improve each employee's job satisfaction and morale by letting him/her know that the supervisor is interested in his/her job progress and personal development;
- Serve as a systematic guide for supervisors in planning each employee's CPE;
- Assist in determining and recording special talents, skills, and capabilities that might otherwise not be noticed or recognized;
- Assist in planning personnel moves and placements that will best utilize each employee's capabilities, within the interests of the AD;
- Provide an opportunity for each employee to discuss job problems and interests with his/her supervisor; and
- Assemble substantiating data for use as a guide, although not necessarily the sole governing factor, for such purposes as wage adjustments, promotions, disciplinary action, and termination.

Per the IIA's Internal Auditor Competency Framework (Framework), there are minimum levels of competency necessary to effectively operate and maintain an IA function. The Framework divides the knowledge and skills into the following "buckets":

- Interpersonal Skills;
- Tools and Techniques;
- Internal Audit Standards, Theory, and Methodology; and
- Knowledge areas (including Information Technologies).

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**PURPOSE –**

- To assure that auditors and other service providers collectively possess and maintain the necessary knowledge and skills for the type of work to be performed according to professional standards and requirements;
- To develop, enhance and retain qualified professionals with the AD; and
- Expand the current knowledge base of the AD to allow for internal efficiencies, succession planning and value-added services.

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**APPROACH AND METHODOLOGY –**

**JOB DESCRIPTIONS –**

Job descriptions describe the minimum education, experience, applicable professional certifications, and other skills necessary to obtain and hold the ACA I, II, III, IV, V, and City Auditor positions within the AD.

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**HEAR PROCESS –**

The HEAR process involves two components:

- HEAR Plan
- Performance Evaluation

**HEAR PLAN –**

Each employee, with their supervisor, outlines his/her plan for the upcoming evaluation period. This should consider the following:

- Previous HEAR plans and evaluations;
- Current skill sets possessed by the employee (knowledge and experience);
- Goals, objectives, and interests of the employee for professional development; and
- The Audit Plan (upcoming engagements within the AD).

**PERFORMANCE EVALUATIONS–**

Performance Evaluations are conducted considering the employees accomplishments as compared to the HEAR plan. A rating system exists that assesses performance in sections and specific categories/attributes using a range from low to high (1 – 5). Currently, the evaluation is broken down into areas that assess Job Duties, Performance Factors and Optional categories. This allows flexibility in matching the EPE process to the AD's objectives.

The timing of the HEAR plan and Performance Evaluations are shown in the table below:

**TABLE #1**

LENGTH OF SERVICE	PLAN	PERFORMANCE EVALUATION
New hires (<= 1 year) & Promoted employees	a) Within 30 days of start date b) Upon completing 5 months of service	Upon Completion of: a) 5 months of service b) 11 months of service
Greater than 1 year	Annually	Annually

The organization chart for the AD shows the hierarchy with which the HEAR's are performed and are summarized as follows:

- The City Auditor reviews the Audit Managers (ACA V) and the AA and is "Final Approver" of all HEAR's;
- The ACA Vs review the ACA IVs; and
- The ACA IVs supervise and review ACA III, II, and I staff.

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**PROJECT EVALUATIONS –**

The Post Engagement Evaluation Process is described at Procedure 270.00 *Quality Assurance and Improvement Program*.

**CONTINUING PROFESSIONAL EDUCATION (CPE)**

In order to monitor the AD’s compliance with required CPE, internal auditors’ training history will be recorded and maintained by the AD’s QA function. These records will be used as a tool to plan upcoming training activities necessary for individual internal auditors and the AD to adhere to professional standards and will also be maintained to support adherence with GAGAS and serve as a basis for QA. It is the responsibility of the individual auditor to provide support for attendance and successful completion to the QA staff. Support the auditor should provide includes the agenda/description of the training activity.

AD internal auditors will complete a total of 80 hours of CPE, 24 hours of which will be directly related to government auditing, the government environment, or specifically to municipal government every two years, with no less than 40 CPE’s achieved in any given year. The AD two-year period for the continuing education and training requirement will begin January 1<sup>st</sup> of odd number calendar years.

An example of the training log is reflected below:

**TABLE #21**

AuditorX Phd, CPA, CMA, CIA, CFE, CISA, CGAP, CFM - Asst City Auditor I							
Seminar Name	Date	CPE Hrs	CEU Hrs	Fraud Hrs	Govt Related	Organization	Location
Using Risk Assessment to Build Individual Audit Programs	03/12/09	8	N/A	N/A	No	IIA-Houston Chapter	Houston-The Houston Club
User Group for Webfocus - 4 hours	03/13/09	N/A	N/A	N/A	No	Info Builders Inc	10375 Richmond
EPE Training for Supervisors - 8 hours	03/26/09	N/A	N/A	N/A	No	City of Houston	E. B. Cape Center
IT Application Audits: What You Need To Know	04/06/09	1	N/A	N/A	No	IIA-Houston Chapter	Houston-The Houston Club
CPA - State of Texas - License ID # - xxxxxx - Expires 02/28/2010 (1 year renewal interval)							
Status verification - <a href="http://www.tsboa.state.tx.us/macros/OD007.ndm/MAIN">http://www.tsboa.state.tx.us/macros/OD007.ndm/MAIN</a>							
Special ID Control # - 0208358							
CPA - State of Wisconsin Credential # - xxxxxx - Expires December 2009 (2 year renewal interval)							
Credential verification - <a href="https://fce.w.gov/LicenseLookup/individual.do">https://fce.w.gov/LicenseLookup/individual.do</a>							
CPE requirements = 120 hours every 3 years, no less than 40 in any one year.							

CPE curriculum will be selected and scheduled to continually enhance the AD’s collective knowledge and the internal auditors’ individual professional knowledge and skills. Internal auditors are encouraged to provide input as to the training they feel would both benefit them individually, and the AD as a whole, in performing engagements.

**NOTE:** CEU in above table represents (Continuing Education Units) as not specifically credited by NASBA certified CPE’s.

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**PROFESSIONAL & ORGANIZATIONAL MEMBERSHIPS**

The AD maintains current memberships to the following Professional Organizations

- IIA
- Association of Local Government Auditors (ALGA)

And:

- Pays for continuing education and
- Fees/Dues associated with CPA licensure, CISA, and CFE Renewal

**ADEQUATE SUPERVISION**

Audits/Engagements must be adequately supervised to ensure proficiency, competency, due professional care, as well as sufficiency and appropriateness of evidence to properly support findings, conclusions, and recommendations. This process is reflected by the qualifications of AD staff and management, accurate and relevant job descriptions, in addition to timely and efficient review and approval, where necessary, (e.g. Audit/Engagement Plan and Audit/Engagement Program, etc.) of engagement documentation and deliverable(s).

**EXTERNAL SERVICE PROVIDERS**

Prior to contracting for external services, the CA will assess the independence, objectivity, competence, knowledge and skills of the external service providers (as measured against professional standards) necessary to the particular assignments/engagements to be performed. This could include obtaining the most recent results of their peer review.

**DECLINING PROJECTS**

The CA will decline project(s) if he/she determines that there is a lack of adequate staff and access to other resources (including financial) needed to execute its function and discharge its duties in accordance with professional standards and/or if impairment to independence exists.

**RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE**

**GAGAS**

Professional Judgment	3.60 – 3.68
Competence	3.69 – 3.71
Technical Knowledge	3.72 – 3.79, 6.45

**IIA Standards**

- 1200 Proficiency and Due Professional Care
- 1210 Proficiency
  - 1210.A1
  - 1210.A2
  - 1210.A3
  - 1210.C1

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- 1220 Due Professional Care
  - 1220.A1
  - 1220.A2
  - 1220.A3
  - 1220.C1
- 1230 Continuing Professional Development
- 2000 Managing the Internal Audit Activity
- 2340 Engagement Supervision

**GAGAS**

Guidance on GAGAS Requirements for CPE – GAO-05-568G

**IIA Practice Advisories**

- 1200-1 Proficiency and Due Professional Care
- 1210-1 Proficiency
  - 1210.A1-1 Obtaining External Service Providers to Support or Compliment the Internal Audit Activity
- 1220 – 1 Due Professional Care
- 1230 – 1 Continuing Professional Development

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**CHANGE HISTORY**

Chg #	Date	Section	Description/Reason
1	3/31/2016	Background, Para. 4 and HEAR Process	Revised to change EPE (Employee Performance Evaluation) to HEAR (Houston Employee Assessment and Review).
2	5/1/2017	CPE	Clarification regarding CPE requirement