

CPD Compliance Audit

Continuing Professional Development is one of the key cornerstones of the actuarial profession's ongoing commitment to maintaining its well deserved reputation for the highest standards of professionalism.

By ensuring that members remain up to date in their professional and industry knowledge, Professional Standard 1 re CPD plays a central role in achieving effective practice risk management. Its importance is reflected in the fact that non-compliance with the standard may be Actionable Conduct under the Disciplinary Scheme.

Recently, the Institute conducted an audit of members' compliance with PS 1. The response rate of 96.7% (77.3% within the original deadline) from the 300 members audited was excellent and the Institute thanks those who participated.

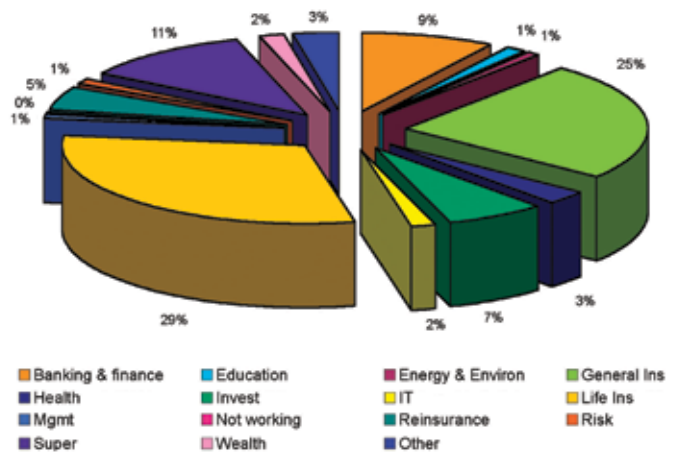
The final report of the audit was considered by Council at its November 2008 meeting. The following is intended to highlight the key outcomes and compliance issues for members and, in turn, promote higher levels of compliance.

About the audit

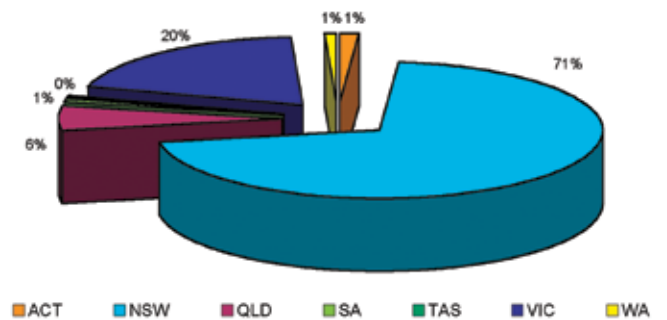
Prior to the audit commencing, an audit awareness campaign was run comprising: weekly audit countdown reminders in the Institute Information Bulletin over the course of nine weeks; articles in the May and June 2008 issues of Actuary Australia; reminders and relevant links to audit details on the Institute's website; and signage at the Institute's offices, as well as at the Financial Services Forum held in May 2008. A special page was created on the Institute's website providing members with access to full information concerning the audit.

As noted above, 300 members were randomly selected for the audit. The following graphs illustrate the demographics of the audit participants:

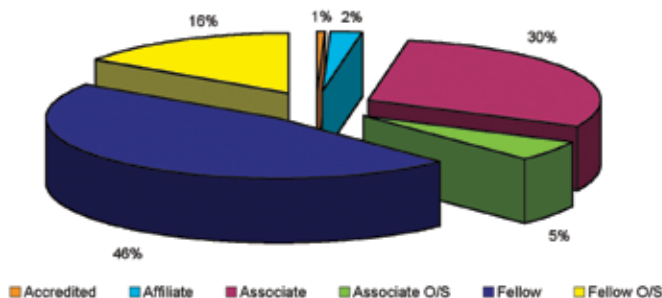
CPD Audit 2008 – Selected members by practice area



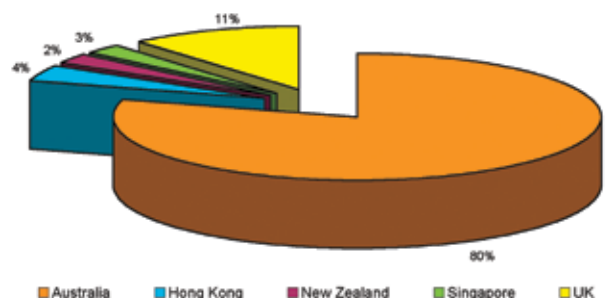
CPD Audit 2008 – Selected members by State



CPD Audit 2008 – Selected members by designation



CPD Audit 2008 – Selected members by country



Of the 300 members selected for audit, 20 members were randomly selected for a further, more detailed analysis as to the specific CPD activities undertaken by each such member and whether these met the requirements of PS 1.

Key compliance outcomes

Of the 300 members audited, 24 members (8%) were not in compliance. Essentially, there were four general categories of non-compliance:

- ▶ failure to provide CPD records, despite further requests;
- ▶ refusing to comply with the request for CPD records;
- ▶ inadequate record keeping; and
- ▶ insufficient number of hours of CPD.

The following table provides an overview of the non-compliance cases:

Category of non-compliance	Number of non-complying			% of category of non-compliance to total non-compliance
	Fellows	Associates	Affiliates	
Failure to provide CPD records, despite further requests	4	4	1	37.5%
Refusing to comply with the request for CPD records	1	1	1	12.5%
Inadequate record keeping	4	3	1	33.3%
Insufficient number of hours of CPD	3	1	-	16.7%
Total	12	9	3	24
% of total non-compliant members	50.0%	37.5%	12.5%	100.0%

As noted above, a breach of PS 1 may constitute Actionable Conduct under the Disciplinary Scheme. In addition, the Constitution empowers Council to do all things it thinks necessary or appropriate to uphold and enhance the standards of professional conduct of members and maintain and promote the good standing and reputation of the Institute and the actuarial profession in the interests of members and the public.

Given this, Council considered the above cases and resolved that further action in relation to most of the cases was warranted, namely:

- ▶ 9 members be given a further opportunity to provide their CPD records within a set timeframe, failing which they would be asked to explain why formal disciplinary action should not be taken against them;
- ▶ 1 member be asked to explain why formal disciplinary action should not be taken against him;
- ▶ 8 members be given a warning to improve their record keeping practices in future;
- ▶ 4 members be issued with a warning that they must take positive steps in future to improve their compliance with PS 1.

In all cases, non-compliant members will be audited again the next time an audit of PS 1 is conducted. Repeat violations of PS 1 would make a disciplinary action more likely.

Finally, a letter will be sent to the Senior Actuary of the non-complying members’ firms advising the number of members of their firm who were in breach of PS 1 and seeking their co-operation in raising awareness of, and compliance with, PS 1 amongst their colleagues.

Other issues

In addition to the non-compliance cases noted above, other issues arose out of the audit. Many of these were also observed during the 2007 compliance review. Some general discussion of these follows.

Contemporaneous record keeping

In a number of cases, it was apparent that CPD records had been reconstructed for the purposes of the audit. Although there is no requirement in PS 1 that members keep their CPD records up to date at all times, there is no doubt that doing so is a matter of good practice. It also helps avoid inadvertent breach of, say, the minimum number of CPD hours, as a member’s level of compliance is apparent at all times.

Exercise of judgment

Some members (including some who were not being audited) contacted the Institute with questions about whether a particular activity constituted CPD or not, or how many hours could be claimed as such. While the Institute is naturally happy to answer members’ queries at all times, the nature of the questions strongly suggested that the relevant members had either not read the standard or were unable to make the judgment calls required by clause 4.4 of PS 1. This may suggest that further amendment of the standard would be useful.

Retrospective applications for exemption

Some members, following receipt of the audit request, made applications for exemption from compliance with PS 1. In most of these cases, prospective applications would have been possible. Clause 4.7 of PS 1 is essentially silent on whether retrospective applications are permitted and, of course, denial of such an application would place a member in a difficult position. At the same time, circumstances can easily be imagined where a prospective application would not be possible.

The Professionalism Review Taskforce has considered this issue and intends, at this stage, to propose that PS 1 be amended to make it clear that retrospective applications can be made, but only where a member can show that there are exceptional circumstances such that a retrospective application should be allowed.

Members working outside 'actuarial practice'

A number of issues arose with respect to those members who were working outside of what might customarily be termed 'actuarial practice'. Some considered that they should not be required to comply with CPD-type obligations per se, as they were not practising as an actuary. In other cases, members were unsure about what sort of CPD they could claim, given their field of work.

The Professionalism Review Taskforce's view at the time of writing is that PS 1 should continue to apply to non-practising members, primarily on the basis that: (a) drawing a meaningful and clear distinction between "practising" and "not practising" was virtually unachievable; and (b) changes to the definition of CPD and broadening of the CPD categories would cater adequately for those members who might otherwise be considered as "not practising".

Overseas members and mutual recognition agreements

Some overseas members claimed that they did not need to comply with PS 1 by virtue of their membership of an overseas actuarial association and a mutual recognition agreement in place with that association.

In fact, the mutual recognition agreements currently in place deal only with, generally speaking, the recognition of Fellows of the other signatory association as Accredited Members of the Institute. They do not deal with ongoing arrangements in respect of CPD or exclude members from complying with the Institute's requirements.

The source of the confusion may be that, under the UK Institute's rules, if an individual is a Fellow in the UK and working in Australia, and is a member of our Institute, then the UK Institute does not require compliance with its CPD regime, so long as the member complies with the Australian regime. As a vice versa arrangement

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does not apply, this may have given rise to confusion on the part of Fellows of the Institute living in the UK.

Notwithstanding, if such a member is in compliance with the UK's CPD requirements, then demonstrating compliance to the Institute would simply be a matter of providing a copy of the records kept in compliance with the UK requirements.

General observations

Going forward:

- ▶ the Institute will continue to explore opportunities to enhance members' awareness and understanding of their CPD obligations (including further development of the CPD page on the Institute's website);
- ▶ as CPD obligations are now formally taught at the Professionalism Course, this is expected to lead to increasing levels of compliance with PS 1 amongst Fellows; and
- ▶ a copy of the final report on the audit of compliance with PS 1 has been provided to the Professionalism Review Taskforce to assist it in considering possible amendments to the standard raised by the above issues.

In conclusion, PS 1 plays an important risk management role, not only for members themselves, but also for the profession as a whole. As such, both the Council and the Institute are determined to see improved levels of compliance, so as to protect the public interest and to ensure that the profession's reputation is not brought into disrepute. ▲

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