

KREDITILSYNET

Norway

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Circular no. 16/2004 of 25th October 2004

Requirements regarding continuing education for auditors

Section 3-7, first paragraph, of the Act of 15th January 1999 no. 2 on auditing and auditors (Auditors Act), cf. section 2-1 and 2-2 of the Regulations of 25th June 1999 no. 712 on auditing and auditors (the regulations), stipulate requirements concerning obligatory continuing education for auditors who audit the annual accounts of entities which are subject to the statutory audit obligation.

Auditors' continuing education was checked during on-site inspections from and including 2003 and Kredittilsynet's off-site supervision in autumn 2003.

Given the experience that has been gained in connection with the checks of auditors' continuing education, Kredittilsynet believes it would be appropriate to provide more information in the form of this circular. The circular is being sent to all state authorised and registered auditors listed in the register of auditors.

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1. Requirements regarding continuing education

The auditor regulations stipulate further requirements concerning auditors' continuing education, cf. section 2-1 of the regulations. Auditors who audit the annual accounts of entities subject to the statutory audit obligation shall at any and all times be able to document that they have undergone 105 hours of continuing education in the course of the three previous calendar years. The continuing education shall consist of at least 21 hours of auditing, 21 hours of accounting and 21 hours of tax law. Up to 42 hours of the continuing education may comprise instruction, courses or lectures in auditing,

accounting and tax law, or in other subjects from the curriculum of auditor education in Norway.

The auditors' continuing education requirement of 105 hours during the course of the 3 preceding years as stipulated in section 2-1 of the regulations should be regarded as a minimum requirement.

There is no legal basis for granting exemptions from the continuing education requirement. Kredittilsynet may therefore not grant dispensations either with regard to the contents of the continuing education or the extent of the continuing education.

2. Auditors subject to the continuing education requirements

Pursuant to section 3-7, paragraph one; no. 1 of the Auditors Act, the requirement concerning continuing education applies to all auditors who audit the annual accounts of entities which are subject to the statutory audit obligation (statutory auditor). The requirement also applies to auditors who confirm information to public authorities (for example the tax authorities, the Brønnøysund Register Centre, local authorities, county authorities, chief administrative officers of a county, etc.), cf. section 1-1, paragraph three, second item of the Auditors Act.

Before auditors assume responsibility for an audit assignment or provide confirmation to public authorities, the ordinary continuing education requirement of 105 hours must be fulfilled. For example, an authorised auditor who has worked as an assistant auditor must fulfil the requirements concerning 105 hours of continuing education during the preceding three years before he or she can assume assignment as a statutory auditor.

3. Extent and content of the continuing education

Pursuant to section 2-1 of the regulations, auditors shall at any and all times be able to document that they have undergone 105 hours of continuing education in the course of the three previous calendar years. The provision implies that auditors must ensure that they undergo ongoing continuing education. The continuing education can be completed by:

- a. attendance at an ordinary programme of study within the curriculum of auditor education in Norway [1]
- b. attendance at a course in the curriculum of auditor education in Norway, cf. section 2-1, paragraphs three and four, of the regulations
- c. give or follow lectures in subjects within the curriculum of auditor education in Norway
- d. give or follow lectures on a continuing education course within the curriculum of auditor education in Norway
- e. another type of activity approved by Kredittilsynet

Of the 105 hours of continuing education, at least 63 hours shall be allocated to the three subjects of auditing, accounting and tax law, such that at least 21 hours is spent on each subject.

Auditing shall be understood to mean regulations and theory linked to auditor legislation, including good auditing practice and auditing methodology.

Accounting shall be understood to mean regulations and theory linked to accounting and bookkeeping legislation, including good accounting practice.

Tax law shall be understood to mean regulations related to taxes. Kredittilsynet considers that courses in excise duty law also fall within the field of tax law.

Up to 42 hours of the required continuing education can be supplemented within the aforementioned core subject areas or within "other" subjects forming part of the curriculum of auditor education in Norway. Kredittilsynet considers that what the regulations describe as "in the field of auditor education in Norway" corresponds with the Ministry of Education and Research's framework plan for three-year auditor education, last changed on 25th June 2003. The framework plan has been published on www.odin.dep.no.

According to the framework plan the ordinary auditing subjects are:

Financial accounting	Jurisprudence
Accounting theory	Tax law
Accounting management and accounting systems	Auditing
Accounting and budgeting in the public sector	Annual accounts and good accounting practice

The framework plan also lists other subjects in addition to the ordinary auditing subjects:

Business financial analysis	Economics
Business administration	Methodology

Kredittilsynet also states that other subjects (in addition to the subject areas of accounting, auditing and tax law) can be approved as "other" subjects, cf. section 2-1, paragraph four, of the regulations. However it is important to note that the continuing education must be of relevance to auditors who audit the annual accounts of entities subject to the statutory audit obligation, cf. Proposition no. 75 to the Odelsting (1997-98).

Examples of courses approved within other subjects pursuant to section 2-1, paragraph four, of the regulations:

- Bankruptcy law

- Patent law
- Inheritance and succession law
- Economics subjects that are relevant to understanding the execution of audits
- Business administration subjects

Examples of courses not approved within other subjects pursuant to Section 2-1, paragraph four, of the regulations:

- Marketing courses
- Personal development courses, mastering stress, motivational courses, etc
- General management courses (beyond company law areas)
- Networking courses
- Team building, group processes, etc

Kredittilsynet would like to stress that the introduction of obligatory continuing education primarily applies to the auditing related subjects. This means that courses in the administration of auditor offices, self-development, etc, that can be regarded as relevant to execution of business activities can nevertheless not be included when assessing whether or not the statutory continuing education is satisfactory.

Proposal to change the composition of the continuing education curriculum

The Norwegian Institute of Public Accountants has suggested to Kredittilsynet that ethics be included as part of the statutory composition of the continuing education curriculum. Kredittilsynet supports the proposal and has in connection with this proposed to the Ministry of Finance an amendment to section 2-1 of the regulations. The proposal implies that the auditing curriculum be expanded by up to 14 hours related to ethical principles guiding the auditor's professional tasks and duties. Correspondingly, "other" subject areas, cf. section 2-1, paragraph four, of the regulations, would be reduced by 14 hours. There is no proposal to change the total number of continuing education hours (105 hours). Kredittilsynet will publish information on www.kredittilsynet.no once the amendment to the regulations has been made.

About the approval of other types of activities

Pursuant to section 2-1, paragraph two of the Auditors Act, Kredittilsynet can approve other types of activity as relevant to continuing education. This could apply for example to:

- participation in a professional committee
- preparation of professional literature
- participation in other types of courses (beyond courses arranged by professional/traditional course providers in the market) [2]

The approval of any other type of activity would require an application for authorisation to be sent to Kredittilsynet. An exception applies however to participation in other types of courses, cf. last bullet point above.

4. Participation in continuing education courses and assessment of the courses' professional content

The amendment to the regulations of 19th December 2002 entails that continuing education courses no longer must be pre-approved by Kredittilsynet. Auditors are obliged to make their own assessment of whether or not courses offered by various course organisers satisfy the stipulated continuing education requirements.

According to Kredittilsynet, what section 2-1 of the regulations states as “attendance at a course” must be understood to mean participation in a course offered by a professional/traditional course provider in the market.

In order for participation in a course to be approved as obligatory continuing education, the courses must be of an adequate professional level. The auditor himself or herself must assess whether or not the course provider has the sufficient prerequisites to carry out continuing education courses for auditors and assess the contents of the course in relation to the subject areas stipulated in the regulations, cf. point 3.

5. Documentation of continuing education

Auditors themselves are responsible for ensuring that the continuing education can be documented.

Auditors shall assess whether or not the course documentation is sufficient in relation to the documentation requirements. An auditor must, at any given time, document completed continuing education with:

- Course certificate/confirmation of course participation from the course provider/university college, etc, including the number of hours of participation.
- Overview of the auditor's assessment of the professional content of the course according to subjects, pursuant to section 2-1, paragraphs three and four, of the regulations.
- Periodical overview of the total completed continuing education, as a minimum for the three preceding calendar years.

6. Consequences of insufficient continuing education

An auditor not fulfilling the continuing education requirements must step down as the statutory auditor for entities which are subject to the statutory audit obligation. Nor can

an auditor, from the moment the continuing education is insufficient, submit confirmations to public authorities.

Lack of fulfilment of the continuing education requirements implies that an auditor who undertakes assignments/submits confirmations is acting in contravention of section 3-7 of the Auditors Act.

Should Kredittilsynet find that an auditor is auditing the annual accounts of entities which are subject to the statutory audit obligation or submitting confirmations to public authorities without possessing the sufficient continuing education, Kredittilsynet will consider ordering him or her to withdraw as the statutory auditor for auditing clients. Orders to withdraw as the statutory auditor are given pursuant to section 4, paragraph one, no. 7, of the Act of 7th December 1956 on the Supervision of Credit Institutions, Insurance Companies and Securities Trading etc. (the Financial Supervision Act).

Lack of, or significantly insufficient fulfilment of, the continuing education requirements may also lead to withdrawal of the auditor's authorisation pursuant to section 9-1, paragraph three, no. 2, of the Auditors Act.

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Footnotes:

[1] Upon successful completion of advanced auditor education, the continuing education requirement is regarded as being fulfilled in its entirety.

[2] Assuming that the course satisfies the professional content requirements, cf. point no. 4, and that such participation does not amount to more than 20 hours of the total continuing education requirement, no special approval from Kredittilsynet is required.