

Internal audit competencies: skills requirements for chief audit executives in South Africa

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ABSTRACT

The role that internal auditing plays within organisations is changing and the need for competent internal auditors who are able to address this change is also increasing. In South Africa internal auditing is recognised as a 'scarce skill' profession. Prior research addressed competencies in various disciplines, general competencies for internal auditors, and the role and function of chief audit executives, but little research has been done on the level of importance of the competencies requirements for the head of the internal audit function. This study aims to expand this knowledge area first by identifying the levels of importance of various competencies as presented in formal professional guidance. Thereafter, these levels are compared with the perceptions of South African and of global internal audit leaders of the importance of these required levels of competencies for chief audit executives. The article concludes that the terminology used in the various guidance documents of the IIA, and in studies performed by the Institute of Internal Auditors are inconsistent and therefore unclear and should be standardised. The majority of internal audit leaders do not have the same perception of the relative importance of the competencies for chief audit executives as those prescribed by the professional guidance. Furthermore, quality-related issues are not addressed effectively in the guidance which reveals significant differences in the levels of importance from those held by the various internal audit leaders. Other areas where significant differences exist are soft skills, areas focussing on the performance of the audit engagement, as well as operational and management research.

Key words

Internal audit competencies; internal audit competency framework;
chief audit executive competencies; internal audit leaders

Acronyms

CAE	Chief Audit Executive	IIA	Institute of Internal Auditors
CBOK	Common Body of Knowledge	IPPF	International Practices Framework
CFIA	Competency Framework for Internal Auditors	ISO	International Standards Organisation
CIA	Certified Internal Auditor	SA	South Africa
IACF	Internal Audit Competency Framework		
IIA Standards	International Standards for the Professional Practise of Internal Auditing		

1 INTRODUCTION

As a result of various financial scandals and other negative financial events including the current world financial crisis, the public's interest in governance-related aspects of business is now at its highest level in many years (Kirkpatrick 2009). According to leading organisations such as the New York Stock Exchange (cited in Harrington 2004), the United States of America Association of Corporate Directors (cited in Stačiokas & Rupšy 2005) and the Institute of Directors (IOD 2009) in South Africa, internal auditing is regarded as one of the cornerstones of effective governance in both the private and the public sectors. This is substantiated by the significantly increased emphasis that is being placed on the role of internal auditing in governance guidance codes and legislation in recent years (Coetzee 2010). The effect of this increased emphasis has resulted in a need for the internal audit profession to improve their visibility and to add value to their respective companies, government institutions and entities, (Abdolmohammadi 2009) hereafter referred to collectively as organisations (Du Plessis 2009). However, the internal audit profession as a whole, as well as internal audit functions within organisations, can only be as effective as the individual members they employ. The chief audit executive (CAE), as the head of the internal audit function, must assume a higher profile (Eldridge & Park 2005; Deloitte 2009) and provide assertive leadership to ensure that quality internal audit work is performed.

The profession is growing at a tremendous rate: globally, membership of the Institute of Internal Auditors (IIA) increased by 137.5% between 2000 and 2010 (LS Stanley, membership consultant at the IIA Global, e-mail communication), and in South Africa, over the same period, by 436.1% (IIA-SA 2010). However, in South Africa there is still a shortage of competent internal auditors, as acknowledged by the South African Sector Education and Training Authority (SETA) that recognises internal auditing as a 'scarce skill' (Fasset 2011). Another study, carried out by PricewaterhouseCoopers (PwC 2011), also identified internal auditor skills as highly sought-after and scarce. With the expanding scope of internal audit activities (IIA 2011:2), brought about by, amongst others, the decentralisation of management responsibilities and the increasing emphasis that is being placed on controls, further pressure is inevitably being placed on internal auditors to acquire new skills and to improve their existing ones. Although the number of internal auditors will have an effect on the quality of the work an internal audit function can perform, increasingly the competency levels of the individual internal auditors is being recognised as similarly important. It is thus of great importance that the CAE should have the right set of competencies, both in theoretical knowledge and in practical skills, to ensure that he/she firstly appoints the right mix of staff, and secondly, leads these individuals by good example, to perform quality work.

Past research on the competencies and skills required of internal auditors has been performed

mostly by the IIA (Abdolmohammadi, Burnaby & Hass 2006). This research has identified that the introduction of new technology, together with changes in the published IIA guidance, and the increase in the complexity of business operations, requires that internal auditors' knowledge and skills must be modified. Studies that investigate the competencies of the CAE cover a wide variety of topics, and include an investigation of the CAE profile as a driver for internal audit quality (Van Staden & Steyn 2009), the correlation between the CAE's personal and professional attributes and internal audit effectiveness, such as his/her membership of the IIA (Arena & Azzone 2009), the attributes of effective CAEs (Rittenberg & Anderson 2006), and how the CAEs' skills contribute to the credibility of the internal audit function (Mjoli 1997). However, far fewer studies have been performed to identify what these competencies should be or to establish the level of importance of each.

2 PURPOSE, SIGNIFICANCE AND LIMITATIONS

There is an extensive body of research on competency requirements in various disciplines and professions (Nguyen 1998; Van der Vleuten & Schuwirth 2005). However, in the field of internal audit competence, being a relatively new profession, research is understandably limited. This article aims to broaden the knowledge on the competencies needed by CAEs in the context of South African organisations within a global environment. To achieve this objective, formal guidance issued by the IIA, namely the Internal Audit Competency Framework (IACF), was compared to the perceptions of South African and global internal audit leaders (CAEs, service partners and academia) as to the relative importance of the required levels of competencies for CAEs as determined in a Common Body of Knowledge (CBOK) study performed by the IIA (IIARF 2010). In addition, the levels of competencies included in the IACF were refined by comparing these to the curriculum of the professional examination that tests competence. Subsequently, common levels of competencies for CAEs were suggested.

The results of the study will benefit internal audit leaders in determining whether their perceptions of competencies are in line with internal audit guidance. These results could also indicate to the IIA whether their formal guidance on competencies is in line with the perceptions of internal audit leaders and it could furthermore indicate whether the IACF is in line with current internal audit practice. Internal audit educators and trainers can also use the results of this study to improve curriculum content.

The concept of competency (also referred to as competence) has been explained by many authors in various fields/disciplines (Hoffmann 1999) and also refers to specific knowledge, skills and attitudes needed to perform a workplace function to a defined standard within real working environments (IFAC 2010). For the CBOK survey, the focus was on '...competencies and skills needed by internal auditors...' to effectively perform internal audit

engagements (Bailey 2010). For the purposes of this article, the terms 'competencies' and 'skills' are used with specific reference to general competencies, to technical skills and to behaviour skills as categorised in the CBOK survey (Bailey 2010). Competencies included under the heading of general competencies consist of the essential skills that internal auditors need in order to perform certain tasks. In respect of the behavioural skills category these include skills needed to manage an internal auditor's own actions in relation to others, which are assessed by generally accepted societal norms. With regard to the technical skills category Bailey (2010) refers to these skills as those needed in the application of subject matter or concepts within a specific field.

A limitation of the study is that the guidance which was used in the comparison of the competency levels for CAEs was limited to that of the internal audit certification curriculum. As the descriptions of competencies included in guidance documents varied, professional judgement was used to categorise the competencies that were compared. Based on the identified levels at which competencies should be mastered (as presented in guidance documents), and where competencies were differently categorised, this required some interpretation, and an average rate was determined for each competency. The fact that this article reports only on the results for South African organisations within a global context, and is further limited to the perceptions of internal audit leaders on the importance of competencies for CAEs, these could be regarded as limitations and the findings in the article should therefore be considered with this in mind. The perceptions of internal audit leaders of the importance of competencies required by internal audit staff and management are addressed in other articles in this special edition. The research results presented in this article should therefore be considered against the aforementioned limitations.

Areas for future research could include an in-depth study (possibly qualitative research), to determine the competencies required by CAEs, based on professional guidance publications, and accessing a more comprehensive database of members. The terminology differences should also be researched and, if possible, standardised.

3 LITERATURE REVIEW

This literature review discusses the evolution of the internal audit profession with specific reference to the internal audit competency framework and the competencies required by CAEs.

3.1 Internal auditing as a profession

Since the beginning of the 1900s, authors have highlighted the characteristics of internal auditing as a profession (Carr-Saunders 1928; Elliot 1972; Larson 1977). These include formal education and training, specialised knowledge and skills, adherence to ethical standards, service to the public, and association with a professional body. These characteristics also apply to the accounting profession,

which includes the audit profession (Rossouw, Prozesky, Prinsloo & Van Vuuren 2009).

When applied to the internal audit profession, all five of the aforementioned characteristics are applicable. Individuals aspiring to become certified members of the profession must comply with specific criteria such as being in possession of a bachelor's degree, having at least two years' uninterrupted practical experience in internal auditing or a related field (IIA 2012a), and the successful completion of the certification programme. Once compliance has been achieved, individuals are eligible to become members of a professional body with recognised ethical standards, the IIA, and are then able to use the designation Certified Internal Auditor (CIA). Internal audit professionals must adhere to the IIA's International Professional Practices Framework (IPPF) (IIA 2011), which highlights that internal auditors must render value-adding, independent and objective services to various stakeholders, be associated with a professional body, and serve the public at large.

As a profession, internal auditing is still new when compared to the traditional professions, such as the medical and legal professions. The IIA was formed in 1941 in the United States of America and its affiliate in South Africa, the IIA-SA was only established in 1961 (IIA 2012a). Internationally the IIA currently has over 170 000 members in more than 165 countries. The professional body has, since its inception, implemented several initiatives to promote the profession globally. These initiatives include the CBOK study, a certification programme and the IPPF. These formal IIA guidance initiatives are discussed next.

3.2 Internal audit competency framework

According to Mautz and Sharaf (1982), internal auditing was already a well-established and well-respected activity, but in the eighties there was little indication that it was well-defined or clearly directed. Since the above statement was made by Mautz and Sharaf, a great deal of effort has gone into developing, defining and directing the internal audit profession. These developments have been built on or flowed from the Statement of Responsibilities of Internal Auditing, prepared by the research committee of the IIA and approved by the board of directors at its meeting on 15 July 1947. The purpose of the Statement was to establish a set of guidelines that defined the proper role and responsibilities of the internal audit activity within an organisation (Flesher 1996). The Statement has been regularly updated, and in June 1999 the IIA's board of directors voted and approved a new set of guidelines, headed by a new definition of internal audit, that is now known as the Professional Practices Framework (IIA 2001). This has continued to be regularly updated and today the IPPF (IIA 2011) consists of six elements (chapters) providing guidelines on the role and responsibilities of the internal audit activity.

Similarly, to ensure that individual internal auditors keep up with the changes in their professional environments, the IIA developed a CBOK during

1972, which was updated in 1985, 1992, 1999, 2006 (Abdolmohammadi *et al* 2006), and most recently in 2010 (IIARF 2010). These studies attempt to identify, amongst others, the competencies and skills needed by practicing professional internal auditors, and are prepared in consultation with recognised internal audit practitioners. It became apparent that, in addition to the CBOK studies, a competency framework was needed (Anon 1998) to bring home to internal auditors the need to acquire new skills and competencies. In 1999, the IIA Research Foundation developed the Competency Framework for Internal Auditors (CFIA), to provide internal auditors with guidelines regarding their knowledge and the competencies needed to stay in touch with the changing business environment (McIntosh 1999). The CFIA focused on the skills needed by an individual to be an efficient internal auditor. This document was updated in 2006, incorporating that year's CBOK study's results, and a new competency framework, namely the Internal Audit Competency Framework or IACF (IIA n.d.(a)) was then issued by the IIA. The IACF addresses four broad aspects of internal audit: tools and techniques; knowledge areas; internal audit standards, theory and methodology; and interpersonal skills. The competencies are further divided into three levels, addressing the needs of new internal audit staff (having less than one year's experience, and junior internal audit staff), experienced internal auditors (audit senior supervisors and audit managers) and CAEs (directors and CAEs).

In order to understand fully the specific skills and competency requirements for internal auditors it is essential to examine the notions of competencies and skills. These concepts will be discussed next in the context of other formal IIA guidance.

3.3 Individual competency requirements

The IPPF includes guidance on competencies internal auditors need to have mastered in order for them to do their work in a professional and effective way. The IPPF consists of the definition of internal auditing, a code of ethics, the International Standards for the Professional Practice of Internal Auditing (hereafter referred to as *Standards*) and various practice advisories. The definition, code of ethics and the *Standards* comprise the mandatory guidance component of the IPPF which provides guidance on proficiency and skills requirements for internal auditors (IIA 2011). A selection of specific skills and competency requirements drawn from the mandatory guidance include proficiency, adding value, risk management, governance processes, integrity, objectivity, confidentiality and competency skills (IIA 2011).

The new CIA certification curriculum consists of three parts: Part 1 – internal audit basics; Part 2 – internal audit practice; and Part 3 – internal audit knowledge elements (IIA 2012b). The new three-part curriculum was compiled after a job analysis study in respect of the curriculum content of the CIA programme had been conducted by the IIA during 2011. Thereafter, the IIA's professional certifications board and the board of directors approved the new curriculum structure and the re-alignment of the examination

content. These changes will be implemented by July 2013 (IIA 2012b). The discussions in this study, and the content analysis of the IIA guidance, are based on the curriculum of the current four-part CIA programme as the empirical component of this study pre-date the release of the new three-part curriculum. The current four-part CIA curriculum (updated in 2004) on which this study is based consists of: Part 1 – the internal audit activity role in governance, risk and control; Part 2 – conducting the internal audit engagement; Part 3 – business analysis and information technology; and Part 4 – business management skills (IIA 2012b).

The aforementioned documents provide guidance to internal audit practitioners by identifying the appropriate knowledge, skills and attitudes required of internal auditors in order for them to perform their tasks effectively. In respect of the categorisation of the various competencies and skills contained in the CBOK 2010 study, the core competencies demanded of today's internal auditor are divided into three categories, namely: general competencies; behavioural skills, and technical skills (Bailey 2010). The following section provides a discussion of the competencies and skills requirements for practising CAEs.

3.4 Competency requirements for CAEs

The CAE, being the head of the internal audit function, not only sets the example for the rest of the staff to follow, but should also have the ability to attract, develop and maintain quality staff (Rittenberg & Anderson 2006). Many studies have been performed on the profile of a CAE (Van Staden & Steyn 2009), the role and responsibilities of such a position (Van Peurse 2004), the effect of the CAE on the quality of the work performed by the internal audit function (Dixon & Goodall 2007), the relationship of the CAE with the board of directors and the audit committee (Arena & Azzone 2009), and the ability to earn the respect of senior management and the audit committee (Sarens 2009), to name only a few. With regard to the competencies needed by the CAE to perform his/her tasks, the available literature is limited both in quantity and scope.

Individuals and organisations providing guidance on hiring the right CAE or advising on the role and responsibilities of such a position (Eldridge & Park 2005; Rittenberg & Anderson 2006; Sarens 2009; Deloitte 2009; AICPA 2010; Queensland Government 2012), agree that strong management and leadership skills are the most important ones. Other very important competencies and skills requirements that have been identified include independence and objectivity, communication skills, an ability to partner with management and the audit committee, understanding the business and its strategies and risk environment, and appointing and developing quality staff. Sarens (2009:4) and the American Institute of Certified Public Accountants (AICPA 2010:105) also address the importance of an educational qualification, work experience and professional certification.

In the South African context, only one study could be found that specifically addresses the profile of a CAE,

namely one by Van Staden and Steyn (2009). This study focuses on the overall profile of the CAE as a driver of internal audit quality, and thus does not specifically focus on CAE competencies and skills. However, the study does stress the importance that a CAE should hold a postgraduate academic qualification and a professional certification, and should have a minimum of ten years' internal audit experience. With regard to guidance, the IIA-SA has published a guide on resourcing for internal auditing (IIA-SA 2008/9), which makes use of the IACF to highlight the competencies required by, amongst others, the CAEs.

The literature review concludes that published research on the overall basket of competencies required by CAEs in order to perform their work with due professional care (IIA 2011) is limited. Furthermore, the level of importance of each competency is not addressed at all. This study aims to broaden the knowledge base on CAE competencies, and to reverse some of the shortcomings apparent in the literature.

4 RESEARCH METHOD

The empirical study reported on in this article consisted of two phases. Phase one is a comparative analysis of formal guidance related to the specific competencies and skills requirements of internal auditors. The IACF was compared to the curriculum of the 2004 CIA examination, which includes the IPPF. The reason why these documents were included in the analysis is that the IPPF includes the mandatory guidance for internal audit practice and the CIA examination are the globally recognised certification of competence for the profession (IIA n.d.(b)). The purpose of the comparative analysis was to determine a common level of competence in the categories of general competencies, behavioural skills, and technical skills, as prescribed by the above-mentioned regulatory bodies. As the descriptions of competencies included in the documents above vary, professional judgement was used to categorise the competencies prior to comparison. Based on the prescribed levels at which competencies should be mastered (according to these documents), an average rate was determined for each identified competency, which for the purposes of this article is referred to as its common level (refer to Table 1).

Phase two consists of a comparison of the common levels of competencies as determined in phase one, with the levels of competence needed in internal audit practice, as perceived by internal audit leaders. Leaders were asked to identify the five most important competencies and skills required by CAEs in order for them to be able to perform their tasks effectively. For the purposes of this article, the relative importance of these competencies was rated as being high (H), medium (M) or low (L), as perceived by South African and internationally practicing internal auditors. To achieve a meaningful comparison between the data and the common level of

competencies as determined in phase one, the latter were also rated as being of high, medium or low levels of importance. A similar study was conducted by Seol, Sarkis and Lefley (2011) based on the previous competency framework (McIntosh 1999).

The data used in the comparison is based on the results of the global survey performed by the IIA Research Foundation to establish the core competencies required for modern internal auditors (Bailey 2010). The IIA Research Foundation used a web-based survey instrument to collect the data from IIA members and non-member internal auditors on a global basis. In this special edition, all the articles use the CBOK survey data of the IIA Research Foundation as a secondary source. The data for South Africa (IIA-SA 2012) was extracted from the global survey data. The results of the CBOK 2010 survey contains the data collected from 13 577 respondents in 107 countries. In this article, only the perceptions of internal audit leaders have been used to determine the skills requirements for CAEs. Perceptions of global internal audit leaders (4 712 respondents) were compared with those of their South African peers (95 respondents).

5 FINDINGS

The results of the two phases of the empirical study are provided below.

5.1 Comparative analysis in phase one

The most recent CBOK study on core competencies (Bailey 2010) distinguishes between general competencies, behavioural skills, and technical skills, as discussed in the literature review. These competencies and skills were used as the point of departure for the comparison with the skills presented in the IIA's published guidance material. Not all the competence descriptors of the IACF were included in the comparison. However, 93.5% were addressed.

The results of the comparative analysis are contained in Table 1. The IACF legend was used to identify the levels of competencies. All the IIA guidance used for the analysis refers to competencies, which includes both knowledge and skills. However, the analysis revealed that the content of these documents differs substantially. Concepts and terminology describing competencies are not used consistently. In addition, the CBOK's classification of the competencies and skills within the three main categories is unclear and inconsistent. For example, negotiation skills are classified as both a general competency and as a behavioural skill. The research team attempted to clarify these discrepancies with the chairperson of the CBOK 2010 survey committee (MJA Parkinson, Chair of the Survey Committee, Australia, e-mail communication), but the explanations that were offered did not provide the desired degree of clarity. As described in section 2, these were identified as limitations of the study, and form the background against which the findings should be considered.

Table 1: Common levels of competencies for CAE

General Competencies	IACF (*)	CIA	IPPF (**)	Common level
Communication skills	4	3	4	3.7
Problem identification and solution skills	4	2	n/a	3
Ability to promote value of internal audit	4	2	n/a	3
Industry regulatory and standards changes	3	2	n/a	2.5
Organisation skills	4	4	n/a	4
Conflict resolution / negotiation skills	4	n/a	n/a	4
Staff training and development	4	n/a	n/a	4
Accounting framework tools and techniques	3	3	n/a	3
Change management skills	4	3	4	3.7
IT/ICT frameworks tools and techniques	2.3	2	2	2.1
Cultural fluency and foreign language skills	3.5	2	n/a	2.8
Behavioural skills				
Change catalyst	4	3	4	3.7
Facilitation	n/a	n/a	n/a	n/a
Influence – ability to persuade	4	2	n/a	3
Staff management	4	4	4	4
Team building/creating group synergy	4	2	n/a	3
Relationship building – building bonds	4	2	n/a	3
Work independently	n/a	n/a	n/a	n/a
Team player – collaboration/cooperation	4	2	n/a	3
Leadership	4	2	n/a	3
Judgement	n/a	n/a	n/a	n/a
Governance and ethics sensitivity (integrity)	4	2	n/a	3
Work well with all levels of management	n/a	n/a	n/a	n/a
Communication – sending clear messages, listening	4	3	4	3.7
Objectivity	4	4	4	4
Confidentiality	4	n/a	n/a	4
Technical skills				
Forecasting	4	2	n/a	3
ISO/quality knowledge	2	2	n/a	2
Balanced scorecard	4	2	n/a	3
Total quality management	2	2	n/a	2
Statistical sampling	3	2	n/a	2.5
Financial analysis tools and techniques	4	4	n/a	4
Use of IT/ ICT and technology-based audit techniques	3.5	2	n/a	2.8
Forensic skills/fraud awareness	3	3	3	3
Operational and management research skills	2.5	1	n/a	1.8
Project management	4	2	n/a	3
Negotiating	4	n/a	n/a	4
Data collection and analysis tools and techniques	3.5	2	n/a	2.8
Business process analysis	3.6	2	n/a	2.8
Problem solving tools and techniques	4	2	n/a	3
Identifying types of controls (preventative, detective, etc.)	4	4	n/a	4
Governance, risk and control tools and techniques	3.7	3	n/a	3.4
Risk analysis and control assessment techniques	4	4	n/a	4
Understanding business	4	2	n/a	3

(*)The IACF has two levels for the CAE and an average was calculated for these two levels

(**)The IPPF was not included in determining the average to calculate the common levels as too many were not applicable for the comparison

KEY: 1 = Awareness

2 = Basic competence and knowledge with support from others

3 = Independently competent in routine situations

4 = Independently competent in unique and complex situations

In general, as literature on the profile of the CAE suggests, he/she should have professional certification as a minimum requirement. The fact that in the CIA curriculum the majority of the identified competencies in Table 1 are rated at a lower competence level than the IACF competencies and skills for this position, suggests that CAEs should obtain the CIA qualification prior to becoming the head of the internal audit function. For ten (27.78%) identified competencies (organisation skills, accounting framework tools and techniques, self-management, objectivity, ISO/quality knowledge, total quality management, financial analysis tools and techniques, forensic skills/fraud

awareness, identifying types of controls and risk analysis and control assessment techniques) both the CIA curriculum and IACF place these at the same levels at which these should be mastered, while for thirteen (36.1%) of the identified competencies (problem identification and solution skills, ability to promote value of internal audit, influence, team building/creating group synergy, relationship building, collaboration/ cooperation, leadership, governance and ethics sensitivity, forecasting, balance scorecard, project management, problem solving tools and techniques and understanding business) the CIA curriculum and the IACF place these two levels apart,

while for the remaining thirteen (36.1%) identified competencies, the level differences are smaller.

5.2 Comparative analysis in phase two

During phase two, the common levels of competencies (refer to Table 1) were rated according to levels of importance, which were then compared to the perceived levels of importance for CAEs as

presented by internal audit leaders. To scale the importance of the common level of competencies, these levels were rated high (refer to Table 1 – Keys 3 and 4), medium (refer to Table 1 – Key 2), low (refer to Table 1 – Key 1) or not applicable (n/a). Similarly, the importance of the different competencies and skills within the three main categories were scaled as high (top third), medium (middle third) or low (bottom third).

Table 2: Comparison of the importance of common levels of competencies to perceptions of internal audit leaders for CAEs

General competencies	Common level		SA leaders (%)		Global leaders(*)
	Level	Rank	Mean	Rank	Rank
Communication skills	3.7	H	55.78	H	H
Problem identification and solution skills	3.0	H	36.37	M	M
Ability to promote value of internal audit	3.0	H	75.80	H	H
Industry regulatory and standards changes	2.5	M	65.26	H	H
Organisation skills	4.0	H	26.32	M	M
Conflict resolution / negotiation skills	4.0	H	44.21	H	H
Staff training and development	4.0	H	32.63	M	M
Accounting framework tools and techniques	3.0	H	06.32	L	L
Change management skills	3.7	H	32.63	M	M
IT/ICT frameworks tools and techniques	2.1	M	02.11	L	L
Cultural fluency and foreign language skills	2.8	M	02.11	L	L
Behavioural skills					
Change catalyst	3.7	H	24.21	M	L
Facilitation	n/a	L	22.11	L	L
Influence – ability to persuade	3.0	H	48.42	H	H
Staff management	4.0	H	28.42	M	M
Team building/creating group synergy	3.0	H	18.95	L	L
Relationship building – building bonds	3.0	H	21.05	L	M
Work independently	n/a	L	11.58	L	L
Team player – collaboration/cooperation	3.0	H	04.21	L	L
Leadership	3.0	H	69.47	H	H
Judgement	n/a	L	36.84	M	M
Governance and ethics sensitivity (integrity)	3.0	H	45.26	H	H
Work well with all levels of management	n/a	L	24.21	M	M
Communication – sending clear messages, listening	3.7	H	48.42	H	H
Objectivity	4.0	H	31.58	M	M
Confidentiality	4.0	H	47.37	H	H
Technical skills					
Forecasting	3.0	H	20.00	M	M
ISO/quality knowledge	2.0	M	12.63	M	L
Balanced scorecard	3.0	H	21.05	M	M
Total quality management	2.0	M	40.00	H	M
Statistical sampling	2.5	M	01.05	L	L
Financial analysis tools and techniques	4.0	H	12.63	L	L
Use of IT/ ICT and technology-based audit techniques	2.8	M	12.63	L	L
Forensic skills/fraud awareness	3.0	H	20.00	M	M
Operational and management research skills	1.8	L	37.89	H	H
Project management	3.0	H	42.11	H	H
Negotiating	4.0	H	50.52	H	H
Data collection and analysis tools and techniques	2.8	M	05.26	L	L
Business process analysis	2.8	M	18.95	M	M
Problem solving tools and techniques	3.0	H	31.58	M	H
Identifying types of controls (preventative, detective)	4.0	H	08.42	L	L
Governance, risk and control tools and techniques	3.4	H	36.84	H	M
Risk analysis and control assessment techniques	3.4	H	34.74	L	H
Understanding business	3.0	H	71.58	H	H

(*) – Global data only available in scale format
Refer to discussion for explanation of keys

The above comparison focuses on the relative importance of these competencies and skills for CAEs. This should be read in conjunction with the

articles in this special edition that focus on the competencies and skills for internal audit staff in general, and for internal audit management. For

example, when comparing the results relating to the general competencies (accounting framework tools and techniques), internal audit leaders perceived the need for this competency for both internal audit management and CAEs to be less important (low), while the IIA guidance (common level) indicates this competency to be very important (high). However, internal audit leaders perceive the required level for this competency for internal audit staff to be high, whereas the IIA guidance indicates this as a medium-level skillset. These differences in perceptions and importance ratings could result in the quality of internal audit services being compromised. This could be an area for further research.

For general competencies, the perceptions of internal audit leaders and the formal professional guidance are in agreement for only 27.3% of the competencies, with a material difference (high versus low) for 9.1% of the competencies. For the remaining 72.7% of the competencies, South African and global internal audit leaders' perceptions are in agreement. For behavioural skills, the perceptions of internal audit leaders and the formal guidance are in agreement for 46.7% of the skills, with a material difference (high versus low) for 13.3% of the skills. For the remaining 53.3% of the skills, South African and global internal audit leaders' perceptions display a high level of agreement (75%). For technical skills, the perceptions of internal audit leaders and the formal guidance are in agreement for only 22.2% of the skills, with a material difference (high versus low) for 16.7% of the skills. For the remaining 77.8% of the skills, South African and global internal audit leaders' perceptions are reasonably well in agreement (57.1%).

With specific reference to the importance of the common level of competencies for CAEs, the perceptions of South African leaders are in general agreement with those of their global peers: exceptions include change catalyst (SA > global); relationship building (global > SA); International Standards Organisation (ISO) and quality knowledge (SA > global); total quality management (SA > global); problem solving tools and techniques (global > SA); and governance, risk and control tools and techniques (SA > global) differing slightly, but risk analysis and control assessment techniques (SA – low and global – high) differ significantly. The findings on the two competencies addressing quality (both higher for SA) is in line with the findings on the South African organisations' adherence to the IIA Standards being higher than those of global organisations (IIA-SA 2012).

Those competencies and skills required in practice by CAEs, as perceived by internal audit leaders, that differ significantly from the common level of competencies indicated by the IIA guidance, include accounting framework tools and techniques (IIA > practice), change catalyst (IIA > global practice), team building (IIA > practice), relationship building (IIA > SA practice), team player (IIA > SA and global practice), financial analysis tools and techniques (IIA > SA and global practice), operational and management research skills (SA and global practice > IIA), identify types of controls (IIA > SA and global

practice), and risk analysis and control assessment techniques (IIA > SA practice).

6 CONCLUSION

This article aims to add to the knowledge of the competencies needed by CAEs in South Africa as it is positioned within a global economy. The literature review discussed the evolution of the internal audit profession, resulting in, *inter alia*, a practice framework, a competency framework and a prescribed curriculum for the professional internal audit examination, which could be regarded as IIA guidance for CAE competencies. The information on competencies included in these IIA guidance documents was compared and was reduced to a single list of identified competencies. Levels at which these should be mastered were taken from IIA guidance documents, and were used to calculate common levels for each of the identified competencies. These common levels were ranked according to levels of importance ascribed to them by the IIA, and compared to internal audit leaders' perceptions of the importance of these competencies for CAEs.

The first phase of the study found that the formal IIA guidance (IACF and CIA examination including the IPPF) addressing competencies for internal auditors was unclear and inconsistent in its explanations of competencies and/or skills. A uniform approach with regard to knowledge, skills and attitudes as competencies was not being followed. It is a matter of significant concern that the competencies and skills addressed in these various documents are not similarly valued and ranked. This is also substantiated by the study performed by Seol *et al* (2011). Seol's findings showed that the CIA curriculum is, for the majority of the identified competencies, rated at a lower competence level than the IACF competencies for this position. This suggests that the CIA qualification is not regarded by the internal audit profession as a final professional competence test to become the head of the internal audit function, and that further developments of CAE competencies (based on IACF requirements) are expected. This should be further investigated, taking into account the revised CIA examination curriculum.

Differences in levels at which the identified competencies should be mastered, according to IIA guidance, varied. For ten identified competencies, mainly with a high technical content or knowledge basis (including accounting framework tools and techniques, balance scorecard, statistical sampling, use of IT/ICT and technology based audit techniques, identifying controls and risk analysis and control assessment techniques) the levels agreed. Of the thirteen identified competencies where the levels at which they should be mastered varied by two levels, the majority were behavioural skills. A further area that is highlighted in this phase of the research is that the two common levels of competencies for CAEs that address quality issues are the lowest ranked (at level 2) of all the 44 competencies and skills listed. This is in line with the low adherence level by internal audit functions to the IIA's compulsory and formal guidance on the aspect of performing a quality review.

Regarding the results of the first phase, the first recommendation is that the IIA establishes a task team to align the various guidance documents to ensure consistency and clarity, as the current documents have been developed by different divisions, authors or committees, at different times. Secondly, it is recommended that the guidance indicating which competencies should be mastered at what level, should receive a higher level of importance. Future research could investigate how CAE competencies are developed through the progress of their education, training and experience, as well as attempting to identify the levels at which such competencies have been, and/or should be mastered.

The second phase of the study found that internal audit leaders mostly do not share the same perceptions of the importance of the common level of competencies that is contained in the IIA's published guidance for CAEs. A further matter for concern is that the collective perceptions of internal audit leaders as to the importance of a specific competency or skill for all three of the internal audit professional levels (staff, management and CAE) do not correlate with the common levels published by the IIA. This could result in staff members being unclear as to what their focus areas should be, or the quality of the audit being compromised as, for example, the CAE expects too much from his junior staff members.

Competencies and skills focussing on quality-related issues showed significant differences in their levels of importance for the various groups consulted. These competencies and skills are rated at a higher level of importance by South African leaders than by their global peers. This finding corresponds with the adherence of South African and global organisations to the IIA standards on quality reviews. The difference between the importance of the common levels of

competencies as indicated by the IIA and the perceptions of internal audit leaders obtains mainly in the area of the soft skills, with the exception of accounting and financial analysis tools and techniques, types of controls, and risk analysis and control assessment, that focus mostly on the performance of an audit engagement. This could be an indication that internal audit leaders assume that these activities are performed by lower level staff members, whereas the IIA assumes that it is the duty of the CAE to keep up to date with new developments, and direct his/her staff accordingly. Another skill where internal audit leaders and the IIA's perception on the level of importance differ significantly is operational and management research, with internal audit leaders viewing this skill as high and the IIA indicating a low level of importance. This could be an indication of the changing role of internal auditing within the organisation, which now includes consulting activities, and would require CAEs to perform more research.

With respect to the results of the second phase, it is recommended that the IIA perform research on why IIA standards on the implementation of a quality assurance improvement programme and guidance on quality issues are so poorly adhered to. Furthermore, the IIA should take note of the changing role of the internal audit function, specifically what is expected of his/her staff by the CAE in the performance of an internal audit engagement, as well as in operational and management research.

Areas for future research include the actual qualifications, experience and competencies of CAEs; the relevance of these to the performance of their work; the views of senior management and the board on the gaps that may exist relative to the competencies and skills required by CAEs; and the credibility of the CIA qualification in comparison with similar professional qualifications.

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