The profile of the chief audit executive as a driver of internal audit quality

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The profile of the average chief audit executive was determined. This profile was then related to the profile requirements for the prospective chief audit executive, as well as chief audit executives' perceptions of the internal audit quality of their internal audit functions. The results of the study are based on responses to questionnaires completed by 30 chief audit executives of larger South African listed companies. The study found that the average chief audit executive holds a postgraduate academic qualification, obtained professional certification in either external or internal auditing or both, is a member of the Institute of Internal Auditors, has more than five years of internal auditing experience, has been a chief audit executive for more than five years, has worked for his or her current employer for approximately five years and receives an annual remuneration in excess of one million rand. Furthermore, the study found that the profile of the average chief audit executive closely relates to that required of the prospective chief audit executive and positively relates to perceived internal audit quality of internal audit functions. The results of this study provide high level evidence that the profile of the chief audit executive has a positive impact on internal audit quality. Audit committees can use these results as a benchmark when appointing future chief audit executives and the Institute of Internal Auditors can use them in efforts to enhance the professionalism of internal auditing.

Key words: Chief audit executive profile, internal audit quality, audit committee.

INTRODUCTION

Background

In the wake of declining or negative company revenue growth, management's and stakeholders' stance on expenditure has become more critical. This includes the cost of having an internal audit function (IAF). Especially in the current economic climate, chief audit executives (CAEs) are hard pressed to demonstrate to management and stakeholders the value that their IAFs deliver to their entities (Sarens, 2009: 3). In the 2009 report in the series entitled “State of the internal audit profession study”, PricewaterhouseCoopers (2009: 21) reiterates Sarens’s statement by warning that “Perhaps the enduring challenge facing internal audit leaders is the need to continually demonstrate and communicate their function’s real value to the audit committee and management”.

Sarens (2009: 3) reasons that one way to prove the value added by the IAF is to provide evidence that internal audit quality has a positive impact on the quality of corporate governance. Corporate governance principles, see for example the King Report on Corporate Governance for South Africa (King 3) (IOD, 2009: 97-98), emphasise the role of internal auditing in corporate governance and the necessity for internal auditing to be afforded the level of status in the entity that would ensure an effective IAF.

Abbreviations: CAE; Chief audit executive. CIA; certified internal auditor. IAF; internal audit function. IIA; institute of Internal Auditors. IIA Standards; international standards for the professional practice of Internal Auditing.
The CAE sets the tone at the top of the IAF (Roth, 2003) and plays an instrumental role in adding value to the entity’s corporate governance processes (Abodolmohammadi, 2009:28; Allen, 2008; Julien and Richards, 2008:44; Jackson, 2007:40; Rittenberg and Anderson, 2006:54; Bookal, 2002; Richards, 2001; Scarbrough, Rama and Raghunandan, 1998). Furthermore, the CAE is strategically placed to demonstrate and communicate to management and the audit committee the value added by the IAF to the entity, by providing them with evidence of the IAF’s compliance with acknowledged drivers of internal audit quality (Jackson, 2007: 42). The CAE’s profile should thus be conducive to fulfilling these critical roles.

Identification of research problem

The findings of the recent CBOK study (IIARF, 2007) revealed that worldwide most IAFs have difficulty finding internal auditors with the appropriate profile. Sarens (2009: 4) reiterates the importance of the CAE’s profile when stating that “a major challenge for future research is to come up with an internal auditor profile that matches the needs of an IAF that wants to play a value-adding role in monitoring and improving risk management and internal control processes”. Sarens (2009:4) then justifies the need for this kind of research by stating that such an internal auditor profile could, inter alia, be used to test whether it is positively related to internal audit quality.

Related research

Previous research did not attempt to construct the profile of the CAE of a value adding IAF. However, recent international research supports the assumption that the CAE’s profile is positively related to internal audit quality, without constructing the current profile of the average responding CAE. Arena and Azzone (2009) conducted a study in Italy to identify organisational drivers of internal audit effectiveness. They used the IAF’s level of compliance with International Standards for the Professional Practice of Internal Auditing (IIA Standards) and the percentage of recommendations suggested by the IAF and actually implemented by auditees as indicators of internal audit effectiveness (Arena and Azzone, 2009:48,49). They report that, inter alia, the CAE’s affiliation with the Institute of Internal Auditors (IIA) and the IAF’s relationship with the audit committee are related to internal audit effectiveness (Arena and Azzone, 2009:49,50).

South African studies on the relationship between the profile of the CAE and internal audit quality is very limited and outdated. The closest linked study is that of Mjoli (1997), published twelve years ago, who researched perceptions of the role of internal auditing and its added value within a South African context. Mjoli (1997:83 and 84) reports, inter alia, that the skills profiles of internal auditors contribute to the credibility of an IAF. It is thus obvious that research into the profile of the average South African CAE and the relevance of that profile as a driver of the IAF’s internal audit quality is needed.

Overview of the current research study

The current research study used a questionnaire completed by 30 CAEs of larger South African listed companies to construct the profile of the average CAE and to determine the minimum profile requirements that responding companies set for prospective CAEs. These profiles were then related to each other and to CAEs’ perceptions of the internal audit quality of their IAFs.

The current study uses a selection of drivers, including those related to the profile of the CAE that impacts on and reflects internal audit quality, as a starting point. Those drivers were deduced from literature on internal auditing.

Benefits of current research study

The results of the current research study may be useful to CAEs of listed companies in South Africa when reporting to management and audit committees on the value that the CAE’s profile add to their entities’ corporate governance. The results could also provide audit committees with a bargaining tool to convince management of the IAFs need for greater support financially and in terms of status. Such support could facilitate the appointment of a CAE with the appropriate profile to drive internal audit quality. The Institute of Internal Auditors (IIA) could use these results as benchmark to measure the current education and training requirements of CAEs and could use the results as guideline when planning any required changes.

Structure of this research paper

The following section provides a discussion of the research methodology, the design of the research instrument and the limitations of the current study. Thereafter, the results of this study and a discussion of those results are presented. Finally the overall conclusions of this study, including suggestions for future research, are provided.

RESEARCH METHODOLOGY, DESIGN OF THE RESEARCH INSTRUMENT AND LIMITATIONS OF THIS STUDY

The current research paper in relation to the comprehensive study

This paper forms part of a special edition of the African Journal of...
Business Management dedicated to a number of research papers resulting from a comprehensive South African study on the standing of and demand for internal auditing within 30 top South African listed companies. The research methodology used in the comprehensive study is explained in the foreword to this special edition. The current research paper focuses on a small component of the results of the comprehensive study and the research methodology of the former is outlined below.

Sample

The sample selected for this paper was 30 CAE respondents (CAEs) of larger South African listed companies. In some instances less than 30 responses were received, as indicated in the results below. In order to prevent confusion, results are also presented as a percentage of the actual number of responses received.

Research instrument

Overall design and theoretical grounding of the research instrument

A questionnaire was used to obtain CAEs’ responses to questions that dealt with aspects of each of the three overall drivers of internal audit quality. The research methodology followed in the current research is aligned with the findings and suggestions for further research of other scholars. Sarens (2009:3) identifies three overall drivers of internal audit quality, namely the characteristics of the individual internal auditors working in the IAF, the intensity of the relationship between the IAF and the board of directors, audit committee and senior management and the auditing methodology and auditing techniques used by the IAF.

These overall drivers of internal audit quality were used as the starting point for the current paper and were expanded through the use of the drivers of internal audit quality that were identified by other researchers. In terms of the characteristics of the individual internal auditors working in the IAF, the current paper focuses on those related to the profile of the CAE. The current paper also focuses on compliance with IIA Standards as evidence of the auditing methodology and auditing techniques used by the IAF.

The questionnaire design and the use of responses

The following discussion under each of the next three subheadings links the existing literature on drivers of internal audit quality to the specific questions included in the questionnaire and indicates how responses to those questions were used in the research.

Profile of the CAE

Sarens (2009:4) argues that educational background, previous work experience, professional certification, training and development programmes, behavioural skills, technical skills and competencies are the profile attributes of internal auditors that affect internal audit quality. The impact of different attributes of the CAE’s profile on internal audit quality is also highlighted by other studies. Arena and Azzone (2009:45) report a positive relationship between the CAE’s membership of the Italian charter of the IIA and internal audit effectiveness. Van Peursem (2004 and 2005) reports that line managers often believe that internal auditors do not have enough knowledge to provide useful help and consequently, they do not take internal audit’s recommendations into account.

Requirements for effective corporate governance reiterate the importance of the CAE’s profile. In this regard the King 3 (IOD, 2009:97, 98) makes several references to the need for a quality internal audit team that has the appropriate technical and business skills.

Professional standards applicable to external auditors state that the decision to rely on internal audit’s work should take into account internal auditors’ technical competence, including their membership of a relevant professional body and technical training and proficiency, as well as the entity’s policies for hiring and training internal auditors (SAICA, 2008). Roth (2003) proves that the latter requirement is well founded by reporting that 75% or more of internal audit staff members of IAFs that add the most value to their entities are certified.

Regarding the current paper, CAEs had to indicate their profiles by selecting appropriate responses to eight questions about their academic qualifications, fields of specialisation in highest academic qualifications, professional certification, IIA membership, number of years of internal auditing experience, number of years employed as a CAE, number of years employed by the current employer and annual remuneration packages. These responses were used to construct the profile of the average CAE. CAEs also had to answer a question about the minimum profile requirements for prospective CAEs. This question contained open-ended parts related to academic qualifications, professional certification, years of experience in an IAF and remuneration package offered. These responses were used to determine the average minimum profile requirements for the prospective CAE and were then matched to the current profile of an average CAE.

Relationship of IAF with board of directors, audit committee and senior management

Sarens (2009:3, 4) states that the intensity of the relationship between the IAF and the board of directors, audit committee and senior management is reflected in the proportion of meeting time spent by the board of directors or the audit committee on internal audit topics and the extent of the board of directors, audit committee and senior management’s input into internal audit planning and the follow up of internal audit findings and recommendations. Other researchers share these views. Arena and Azzone (2009: 54) conclude that a close link between the IAF and the audit committee has a positive impact on internal audit effectiveness since it is “…proof of the commitment of the organization to auditing … leading line managers to be more active in implementing their suggestions”. Carcello, Hermanson and Raghunandan (2006:79) find that internal audit budgets are higher when they are reviewed by the audit committee and conclude that this indicates that audit committee support of internal auditing is associated with a stronger IAF. James’ study (2003:322) provides evidence that IAFs who report to the audit committee are perceived as more able to deter financial statement fraud and more likely to report detected fraud than IAFs who report to senior management. Rittenberg and Anderson (2006:52) highlight that it is important for the CAE to be perceived as a trusted advisor to both the audit committee and to senior management.

Although the IAF and the audit committee are two different bodies participating in corporate governance processes, they share the objective to monitor and evaluate the internal control systems, while the audit committee is also tasked with overseeing internal auditing (IOD, 2009:63, 64, 93). The CAE is required to attend all audit committee meetings and should provide those meetings with a written assessment of the effectiveness of governance, risk and the control environment as well as a report on how management has).
repaired or mitigated any governance deficiencies (IOD, 2009: 97). International external auditing standards (SAICA, 2008) suggest that audit committee involvement in the activities of the IAF and implementation of recommendations of the IAF by management is indicative of the reliability of internal audit work.

In the current research, CAEs were required to indicate their level of agreement with six statements on the relationship between their IAFs, boards of directors, audit committees and senior management (Table 2). The responses to these statements were used to assess perceived internal audit quality, which was then related to the average CAE’s profile.

Compliance with IIA Standards

Sarens (2009:4) states that the auditing methodology and auditing techniques used by the IAF are reflected in whether the IAF uses an internal audit operating manual and a risk-based audit plan, how frequently the IAF updates the internal audit plan, whether the IAF facilitates risk and control self-assessments, conducts auditee satisfaction surveys, uses computer-assisted audit techniques, complies with IIA Standards, has a quality assessment and improvement programme in place and has recently been subjected to an external quality assessment. All of the latter methodologies and techniques are grounded in compliance with IIA Standards.

The IIA (2008) regards its Standards as the authoritative source for the practice of internal auditing and the IIA’s Code of Ethics require all who perform internal audits to comply with these Standards. Abdolmohammadi (2009:29) states in this regard that “… one would expect that CAEs who are also members of the IIA would fully use and fully comply with the Standards. Failure to do so would indicate a challenge to the strength of the Standards as a unified set of rules for the practice of internal auditing worldwide.”

Effective corporate governance (IOD, 2009:93) requires that IAFs adhere to IIA Standards. International external auditing standards (SAICA, 2008) suggest that the proper planning, supervision, review and documentation of internal audit points to the reliability of such work. These standards further state that the existence and adequacy of audit manuals, work programmes and internal audit documentation affect the reliability of internal auditors’ work. All these aspects of internal audit work referred to by international external auditing standards are addressed in IIA Standards. An IAF’s compliance with IIA Standards thus affects external auditors’ reliance on their work.

For the current paper, responses to questions on whether or not IAFs comply with five statements that reflect compliance with IIA Standards were used to determine the average level of IAFs’ perceived compliance (Table 3). The responses to these statements were used to assess perceived internal audit quality, which was then related to the average CAE’s profile.

Limitations of this study

The limitations of the comprehensive study on which the current paper is based, are set out in the foreword to this journal. It is appropriate to emphasise here that because the comprehensive study focused on 30 larger South African listed companies it may be inappropriate to make generalisations based on the findings of the research. The current paper did not attempt to define internal audit quality, to identify the drivers of internal audit quality or to assess the impact of the CAE’s profile on all the known drivers of internal audit quality. Furthermore, the current paper did not determine the impact of the profile of a specific CAE on the internal audit quality of that CAE’s IAF.

RESULTS

The results of this study are presented on the basis of the three overall drivers of internal audit quality used for this study, namely the profile of the CAE, the IAF’s relationship with the board of directors, audit committee and senior management and the IAF’s compliance with IIA Standards.

Profile of the CAE

Responses indicate that auditees regard academic qualifications and professional certification as important attributes of CAEs’ profiles. A total of 66.7% (20) CAEs hold a postgraduate academic qualification, of which approximately half hold a master’s degree (10) or a doctoral degree (1). At least 60% (18) of CAEs’ highest academic qualification included specialisation in external and/or internal auditing. Professional certification as an external auditor is the most prevalent among CAEs, with 46.7% (14) holding the Chartered Accountant (South Africa) (CA (SA)) certification, while 30% (9) hold the Certified Internal Auditor (CIA) certification. A mere 13.3% (4) of CAEs do not hold any professional certification. In contrast with the latter finding, 79.3% (23) of CAEs are members of the IIA.

CAEs’ years of experience in internal auditing, years employed as a CAE and years employed by their current employers are reflected in Table 1. 69% (20) of CAEs have more than five years of internal auditing experience, of which 41.4% (12) even have more than ten years of internal auditing experience. On the other hand, 58.6% (17) of CAEs have been employed as a CAE for a maximum of five years while only one has been a CAE for more than 15 years. 50.1% (13) of CAEs have been employed by their current employer for five years or less while 26.9% have been employed by their current employer for between five and ten years and 23% for more than ten years.

CAEs earn a wide range of remuneration levels with 66.7% of them earning a total cost to company in excess of one million rand per annum, 23.3% between five hundred thousand and one million rand per annum and 10% below five hundred thousand rand per annum. On the basis of the above results, the following profile of the average CAE was constructed. The average CAE

- holds a postgraduate academic qualification
- holds professional certification in either external or internal auditing or both
- is a member of the IIA
- has more than five years of internal auditing experience
- has been a CAE for more than five years
- has worked for the current employer for approximately five years
Table 1. CAE experience and tenure with current employer.

<table>
<thead>
<tr>
<th>Profile attribute</th>
<th>0 - 2 Years</th>
<th>&gt; 2 - 5 Years</th>
<th>&gt; 5 - 10 Years</th>
<th>&gt; 10 - 15 Years</th>
<th>&gt; 15 Years</th>
<th>Total number of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. %</td>
<td>No. %</td>
<td>No. %</td>
<td>No. %</td>
<td>No. %</td>
<td></td>
</tr>
<tr>
<td>Experience in internal auditing</td>
<td>2 6.9</td>
<td>7 24.1</td>
<td>8 27.6</td>
<td>4 13.8</td>
<td>8 27.6</td>
<td>29</td>
</tr>
<tr>
<td>Employed as a CAE</td>
<td>8 27.6</td>
<td>9 31.0</td>
<td>7 24.1</td>
<td>4 13.8</td>
<td>1 3.5</td>
<td>29</td>
</tr>
<tr>
<td>Employed by current employer</td>
<td>10 38.5</td>
<td>3 11.6*</td>
<td>7 26.9</td>
<td>3 11.5</td>
<td>3 11.5</td>
<td>26</td>
</tr>
</tbody>
</table>

*Rounding

Table 2. Relationship of IAF with board of directors, audit committee and senior management.

<table>
<thead>
<tr>
<th>Indicator of relationship</th>
<th>Do not agree</th>
<th>Agree to a lesser extent</th>
<th>Agree</th>
<th>Agree to a large extent</th>
<th>Strongly agree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendations made by the IAF are implemented by management</td>
<td>0 -</td>
<td>0 -</td>
<td>0 -</td>
<td>12 41.4</td>
<td>17 58.6</td>
<td>58.6</td>
</tr>
<tr>
<td>The IAF is included in management meetings</td>
<td>0 -</td>
<td>0 -</td>
<td>3 10.3</td>
<td>20 69.0</td>
<td>6 20.7</td>
<td>69.0</td>
</tr>
<tr>
<td>The IAF is included in board meetings</td>
<td>1 3.5*</td>
<td>2 6.9</td>
<td>3 10.3</td>
<td>14 48.3</td>
<td>9 31.0</td>
<td>48.3</td>
</tr>
<tr>
<td>The CAE is often consulted by or meets regularly with the chairperson of the audit committee</td>
<td>0 -</td>
<td>0 -</td>
<td>2 6.9</td>
<td>16 55.1*</td>
<td>11 38.0</td>
<td>55.1</td>
</tr>
<tr>
<td>The IAF is able to influence key management decisions on matters within its expertise</td>
<td>1 3.7</td>
<td>2 7.4</td>
<td>2 7.4</td>
<td>8 29.6</td>
<td>14 51.9</td>
<td>29.6</td>
</tr>
<tr>
<td>The IAF is held by the board and top management to have a significant role in enhancing good corporate governance</td>
<td>3 10.4</td>
<td>1 3.4</td>
<td>2 6.9</td>
<td>1 3.4</td>
<td>22 75.9</td>
<td>75.9</td>
</tr>
</tbody>
</table>

Sample size 29, except for # it is 27
*Rounding

Table 3. Compliance with IIA standards.

<table>
<thead>
<tr>
<th>Statement tested</th>
<th>Agree</th>
<th>Disagree</th>
<th>Not applicable</th>
<th>Total number of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are internal audit engagements conducted in accordance with IIA Standards?</td>
<td>28 96.6</td>
<td>0 -</td>
<td>1 3.4</td>
<td>29</td>
</tr>
<tr>
<td>Do you have an internal audit methodology?</td>
<td>28 96.6</td>
<td>0 -</td>
<td>1 3.4</td>
<td>29</td>
</tr>
<tr>
<td>Have you performed a quality self-assessment with independent validation in the last five years?</td>
<td>17 58.6</td>
<td>7 24.1</td>
<td>5 17.3*</td>
<td>29</td>
</tr>
<tr>
<td>Was an external quality assessment performed during the last five years?</td>
<td>19 65.5</td>
<td>6 20.7</td>
<td>4 13.8</td>
<td>29</td>
</tr>
<tr>
<td>Does your IAF have a comprehensive training programme?</td>
<td>21 70.0</td>
<td>5 16.7</td>
<td>4 13.3</td>
<td>30</td>
</tr>
</tbody>
</table>

*Rounding
receives an annual remuneration in excess of one million rand

CAEs had to indicate the minimum requirements for prospective CAEs. 77.3% (17 out of 22) of CAEs indicated that a prospective CAE should at least hold a postgraduate academic qualification. When it comes to professional certification, the CA(SA) was indicated as a minimum requirement for prospective CAEs by 35% (7 out of 20) of CAEs while another 30% (6 out of 20) indicated that either CA(SA) or CIA (6 out of 20) is required. Only 10% (2 out of 20) of CAEs indicated that the CIA is an absolute requirement, while only one CAE indicated that certification as a CIA or a certified information systems auditor or a certified fraud examiner is required. 27.8% (5 out of 18) of CAEs stated that prospective CAEs should at least have five years of internal auditing experience while 66.7% (12 out of 18) stated that ten or more years of internal auditing experience are required. CAEs perceptions on the expected minimum annual remuneration package of a prospective CAE varied between R670 000 and R1 600 000, with the most likely paid amount ranging between R800 000 and R900 000 (38.5% or 5 out of 13 respondents).

The following minimum profile requirements for the prospective CAE were identified; the person
- should hold a postgraduate academic qualification
- should hold professional certification in either external or internal auditing or both
- should have at least ten years of internal auditing experience
- should receive an annual remuneration of between R800 000 and R900 000

**Relationship of IAF with board of directors, audit committee and senior management**

CAEs’ perceptions of the relationship of their IAFs with their companies’ boards of directors, audit committees and senior management are reflected in Table 2. From Table 2 it is clear that approximately 80% of CAEs agreed to a large degree or strongly agreed with each statement that reflects a strong relationship between the aforementioned parties.

**Compliance with IIA Standards**

Table 3 reflects CAEs responses to various questions dealing with their IAFs’ compliance with IIA Standards. Most CAEs (96.6% or 28 out of 29) perceived that their IAFs perform internal audits in accordance with IIA Standards. However, when compliance with individual aspects of IIA Standards was tested, levels of perceived compliance ranged between 56.7% and 96.6%. A small number of CAEs indicated that IIA Standards and their requirements incorporated in the current study are not applicable to their IAFs.

**RESULTS AND DISCUSSION**

**Profile of the CAE**

No previous research results were available on the profile of the average CAE. The fact that the current study found that the average CAE holds a postgraduate academic qualification can be linked to the fact that such an average CAE also holds some kind of professional certification. The latter deduction is based on the fact that professional certification requires a prescribed minimum level of academic education. The current study found that the average CAE holds either professional certification as a CA (SA) and/or a CIA, while the sample included one and a half times as many CAEs who hold certification as a CA (SA) than those who are CIAs. Rittenberg and Anderson (2006:51) as well as Prawitt, Smith and Wood (2009:1275) report that it is considered best practice by auditees to appoint CAEs that hold either internal or external auditing certification. The predominance of external auditing certification among responding CAEs and expected of prospective CAEs is in line with the finding of other studies that report that auditees regard such certification as more important than certification as a CIA (Cooper, Leung and Mathews, 1996). Auditees’ preference for CAEs who hold external auditing certification could be related to a shortage of CAEs with appropriate profiles or to the fact that external auditors are seen to possess technical expertise superior to that of CIAs.

The above mentioned types of certifications held by responding CAEs are reflected in the fact that they have specialised in either external auditing or internal auditing in their highest academic qualifications and are indicative of the emphasis placed on auditing education and certification by auditees. Auditees included in the sample of the current study thus appear to follow the suggestion of Rittenberg and Anderson (2006:51) that CAEs with strong technical accounting and auditing skills should be employed to improve IAF effectiveness.Arena and Azzone (2009: 56) conclude that although IIA membership is open to all individuals involved in internal auditing and related fields, the CAE’s participation in the IIA may be a sign of the IAF’s inclination to be involved in professional training and competency development. The fact that the current study found that almost 80% of responding CAEs are members of the IIA could thus be seen as a positive attribute of their profiles.

The current study’s finding that the average responding CAE has been employed by the current employer for
approximately five years, with almost 40% of them having been employed in this way for two years or less, is a cause for concern. Roth (2003) concludes that a “deep knowledge of the organization, including its culture, key players, and competitive environment” is one of four factors that will help internal auditors add the most value to their companies. PricewaterhouseCoopers (2009: 13) as well as Rittenberg and Anderson (2006: 51) stress that the accumulated knowledge and experience of CAEs who are deeply familiar with the entities in which they have spent their careers will be a key asset to IAFs when having to address the reality of new, value-destroying risks their auditees face while demonstrating their IAFs value to management. Jeffrey (2008: 19) echoes the importance of the need for staff of successful IAFs to have the ability to clearly understand the strategic goals and operations of the company. The finding of the current study appears particularly negative when compared to that of PricewaterhouseCoopers’ study (2009: 15) which reports that 79% of the 700 CAEs that responded to its survey have eight or more years of experience in the entities that they are employed by and to Leung and Cooper’s finding (2009: 872) that CAEs that responded to their survey regard an understanding of the business as the most important technical skill of internal auditors. The short tenure of responding CAEs with their current employers may be indicative of a severe shortage in the number of available professionals who are regarded as eligible for appointment as CAEs by auditees. The latter shortage may be causing CAEs to “hop” from one employer to the next in response to ever increasing remuneration packages offered by auditees to attract the best available CAEs. Should the latter situation prevail, it will be counterproductive to the enhancement of the internal auditing profession’s standing.

The fact that the current study found that responding CAEs earn a wide range of remuneration levels may be further evidence of auditees’ attempts to attract and retain the best available CAEs by offering ever increasing remuneration packages.

The minimum profile requirements for prospective CAEs agree to the constructed profile of an average CAE in terms of academic qualification and professional certification.

However, the average CAE has more than five years of internal auditing experience while at least ten years of such experience is required of a prospective CAE. Despite the latter apparent stricter experience requirement for a prospective CAE, the average CAE currently receives a larger annual remuneration than what a prospective CAE can expect. The fact that responding CAEs’ indicated that the expected minimum remuneration package that will be offered to a prospective CAE may fall into a wide range of remuneration levels reflects the wide range of expected minimum requirements related to academic qualifications, professional certification and years of internal auditing experience, for their appointment.

### Relationship of IAF with board of directors, audit committee and senior management

The findings of the current study on the IAF’s relationship with the boards of directors, audit committees and senior management of auditees are positively related to internal audit quality. These findings thus provide support that the constructed profile of the average CAE has a positive relationship with internal audit quality.

### Compliance with IIA standards

The fact that in the current study an average of 93.3% of responding CAEs indicated that their IAFs conduct internal audit engagements in accordance with IIA Standards while they perceived their IAFs’ compliance with aspects of these standards related to quality assurance and improvement to be much lower is a cause for concern. Although the latter finding suggests that compliance with IIA Standards is regarded to be important to IAFs at the overall level, reasons should be found for the lower level of compliance with individual aspects of these standards as non-compliance with them affect internal audit quality negatively. These results are however in line with the findings of other researchers. Abdolmohammadi (2009:29) found that 86.5% of IIA member CAEs in Anglo-culture countries do not use IIA Standards with a significant minority of them that do not comply with Attribute Standard #1300 (Quality Assurance and Improvement). Abdolmohammadi (2009:40) reports that most CAEs who comply with IIA Standards hold internal audit certification.

### Conclusion

The current study used responses from CAEs to construct the profile of the average CAE and to determine the minimum profile requirements for prospective CAEs. These profiles were then related to each other and to their relationship with CAEs’ perceptions of the internal audit quality to their IAFs. The study found that the average CAE of a larger South African listed company holds a postgraduate academic qualification, obtained professional certification in either external or internal auditing or both, is a member of the IIA, has five years of internal auditing experience, has been a CAE for five years, has worked for the current employer for approximately five years and receives an annual remuneration in excess of one million rand. It was also determined that the profile of the average CAE is closely related to the minimum profile requirements for prospective CAEs, ex-
cept that prospective CAEs are required to have more years of experience in internal auditing and can expect to receive a lower annual remuneration. Further, auditees prefer certification as an external auditor above certification as a CIA.

The study further identified that the profile of the average CAE is positively related to the perceived internal audit quality IAFs.

### Suggestions for future research

Future research could determine the profile of the IAF as a whole in relation to the profile of the CAE and internal audit quality. Such results could then be used by the IIA in efforts to improve the professionalism of internal auditing.

Future research into auditees’ reasons for giving preference to certification as an external auditor when appointing CAEs rather than to appoint CIAs, should also be conducted. Auditees’ preference for CAEs who hold external auditing certification could be related to a shortage of CAEs with appropriate profiles or to the fact that external auditors may be seen to possess technical expertise superior to that which CIAs are perceived to possess. Should it be found that the latter reason cause auditees to prefer CAEs who are external auditors, a detailed comparison of the competency frameworks for the two professional certifications should be done to enable the IIA to make appropriate changes to its competency framework for internal auditors.

Future research on the reasons why CAEs do not seem to remain with their employers should also be conducted. Should the reason be a shortage of CAEs with the appropriate profiles, the IIA could intensify its efforts in enhancing the internal auditing profession as the profession of choice under scholars choosing a career in auditing.

Auditees’ attitude to and actual compliance with IIA standard should be researched. The results of such research could be used by the IIA when designing training programmes for its members.

### REFERENCES


