

Views on the applicability of the internal audit standards and competencies for internal auditors: an African perspective

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ABSTRACT

Through its Research Foundation, the Institute of Internal Auditors has engaged in various studies to develop a common body of knowledge for internal auditors. These results were reported on from a global perspective; however, local context also has an influence, and there are country-specific forces that influence the application of the International Standards for the Professional Practice of Internal Auditing and the core competencies needed by internal auditors. Views expressed by internal auditing stakeholders from different countries on the application of the *Standards* and core competencies – including knowledge areas, tools and techniques, technical skills, and behavioural aspects – therefore exhibit distinctive characteristics depending on the country-specific context. This article presents an overview that highlights the African perspective and provides an introduction to and overview of the articles that follow in this special edition of the Southern African Journal of Accountability that use data extracted from the CBOK database to contrast the situation of internal audit in South Africa and the rest of Africa with that of other regions internationally. This article reports on the performance of a comparative analysis of the views of internal auditors on core competencies and the application of the Standards as presented in the Institute of Internal Auditors Research Foundation's 2010 CBOK study' response database. Being the first study that compares the views of internal audit stakeholders from an African perspective, it adds value by recognising that Africa consists of countries that are still developing, and highlights the regional similarities and differences of views held by internal auditors in South Africa, Ethiopia and other countries in Africa to those of selected developed countries, to show an African perspective on and appreciation of internal audit.

Key words

Internal audit competencies; professional knowledge; technical skills; behavioural skills; professional practice framework; international standards for the professional practice of internal auditing

Acronyms

ACCA	Association of Certified Chartered Accountants	IIA(SA)	Institute of Internal Auditors South Africa
CAE	Chief Audit Executive	IoD	Institute of Directors
CBOK	Common Body of Knowledge	IPPF	International Professional Practices Framework
CFIA	Competency Framework for Internal Auditors	MFMA	Municipal Finance and Management Act
CIA	Certified Internal Auditor	PFMA	Public Finance and Management Act
IAA	Internal Audit Activity	RSA	Republic of South Africa
IIA	Institute of Internal Auditors	UK	United Kingdom
IARF	Institute of Internal Auditors Research Foundation		

1 INTRODUCTION

The existence of a specific body of knowledge and a set of standards to guide the conduct of members within an ethical framework is a key element that identifies a profession. A profession is defined as a “disciplined group of individuals who adhere to high ethical standards and uphold themselves to, and are accepted by, the public as possessing special knowledge and skills in a widely recognised, organised body of learning derived from education and training at a high level, and who are prepared to exercise this knowledge and these skills in the interest of others” (ACCA 1997). Thus, it is critical that a professional body like the Institute of Internal Auditors (IIA) ensures the continued relevance and applicability of the specialist skills of its members by guiding them towards achieving a high ethical standard and by ensuring that their members possess the special knowledge and skills needed for professional practice as internal auditors. In order to give effect to this, it is important that the guidance provided by the International Standards for the Professional Practice of Internal Auditing (*Standards*) and the core competencies needed for the practice of internal auditing are frequently updated to accommodate any changes in the underlying economic environment and to ensure that the profession is able to retain its relevance (IIA 2010).

Internal auditors operate within the framework of the IIA’s code of ethics and the *Standards* that guide the practice of internal auditors (IIA 2010). As internal auditors operate in the context of an ever-changing business environment, the IIA frequently uses the Institute of Internal Auditors Research Foundation (IIARF) to study and update the IIA’s common body of knowledge (CBOK) using the views of members as well as key non-members so that it can then be used by the IIA to ensure the continued relevance of the

competencies of internal auditors and the applicability of the *Standards*.

This article is structured as follows: to contextualise the 2010 results, previous CBOK studies are briefly discussed in section 2, which gives an overview to the development of the CBOK through prior studies. Section 3 highlights the objective and significance of this article, and section 4 offers an explanation of the research methodology used. Section 5 contains a brief description of the demographics of the participating internal auditors from Africa. Section 6 discusses the applicability of the *Standards*, and section 7 analyses the African view of the core competencies of internal auditors. Section 8 concludes the discussion, summarises the major findings and highlights areas for future research.

2 LITERATURE REVIEW

In order to establish and maintain the relevance of the CBOK to the internal audit practitioners and their clients, the IIA has performed various studies (referred to as CBOK studies hereafter) over the decades, through their research foundation. The first CBOK study, performed by the IIA in 1972, resulted in the definition of the CBOK for the profession of internal auditing. This was expanded upon by the 1985 study which formalised the structure of the CBOK for practising internal auditors. The 1992 CBOK study identified the competencies and knowledge areas required for internal auditors to practise at different levels of experience, while the 1999 study focused on developing a competency framework for internal auditors (CFIA). This 1999 study identified critical competencies and values, and global practices, and assessed existing competencies of internal auditors (Abdolmohammadi, Burnaby & Hass 2006; IIARF 2007). These studies are summarised in Table 1 below.

Table 1: Summary of former CBOK studies

Year	1972 CBOK	1985 CBOK	1992 CBOK	1999 CFIA
Objective	To define CBOK for the profession of internal auditing	To establish the structure of CBOK for practising internal auditors	To identify the competencies and knowledge required for internal auditors to practise at various levels of experience	To identify critical competencies and values, and global practices, and to assess competencies
Findings	Identified the knowledge requirements for the CIA examination	Identified the knowledge, skills, experience and competencies required for internal auditors	Identified the knowledge requirements for CBOK; knowledge prerequisites at the various levels; the CIA examination; and professional development	Identified the need for increased involvement in risk strategies and control. Linked internal audit activities to value added to business. Emphasised movement from reactive to proactive approach.
Number of participating countries	1	2	2	21
Number of usable responses	75	340	1163	136

(Abdolmohammadi et al 2006; IIARF 2007)

The results of the 1999 CFIA study highlighted the fact that the scope and relevance of internal auditing needed to be updated and expanded. This resulted in

an updated definition of internal audit and a revision of the standards applicable to internal auditors as part of the continuous improvement of the professional

practices framework (Abdolmohammadi *et al* 2006; IIA 2007). This change was timely, as the importance of internal audit was being highlighted by the exposure of internal auditors of the Enron and WorldCom corporate disasters, which motivated the strengthening of corporate regulations, and subsequently resulted in the promulgation of the 2002 Sarbanes-Oxley Act (Abdolmohammadi *et al* 2006; Chambers & Payne 2008).

To ensure the continued relevance of internal auditing, further CBOK studies were performed by the IIA in 2006 and 2010 and were globally reported upon (IIARF 2007; Bailey 2010). The 2006 CBOK study used technology for the first time to expand the scope of the study to include the entire international membership of the IIA; this resulted in 9366 responses from 91 countries (Abdolmohammadi *et al* 2006; IIARF 2007). The 2006 CBOK report states the overall purpose as being the development of "the most comprehensive database ever to capture a current view of the global state of the internal audit profession" (IIARF 2007). This comprehensive CBOK database was further expanded upon after the 2010 CBOK study that resulted in 13 577 responses from more than 107 countries (Bailey 2010). As with the *Standards*, the global CBOK reports emphasised a standardised view of the competencies and capabilities of internal auditors, from a global perspective (IIA 2010; Bailey 2010). However, despite accelerating globalisation there are still significant differences between regions and countries given that there are a multitude of different cultures, legal systems and economic practices in use, and that these differences influence local views relating to internal auditing which did not come to light in the global report (Bailey 2010). This global focus essentially prevented any understanding of country-specific influences, and very little research with a developing economy or developing country as its focus has been published. The articles in this special edition attempt to address this gap by highlighting regional and country-specific views of the CBOK from African and South African perspectives.

3 OBJECTIVE AND SIGNIFICANCE OF THE STUDY

The objective of this article is to use a comparative analysis of the 2010 CBOK data to contrast the general (international) applicability of the *Standards* and core competences applicable to internal auditing with the specifically African perspectives by using the views of respondents to the 2010 CBOK study.

South Africa's business environment has developed country-specific characteristics such as a strong governance ethic, and an equity culture supported by an established stock exchange (Malherbe & Segal 2001) and an extensive body of governance guidance issued by the Institute of Directors (IoD) (IoD 1994; 2002; 2009). At the same time South Africa is, as a developing country, struggling with developmental issues. Due to this duality the results of a comparison between developing countries and developed countries/regions, as discussed in the remaining articles included in this special edition, might prove valuable

to South African internal auditors, as they highlight areas for future improvement or identify where additional value can be added. The focus of this article is to provide an African perspective by comparing the views on internal auditing expressed by respondents in Africa with those of other, more economically developed regions. As it represents an unexplored area in internal auditing, this article contributes to the internal audit body of knowledge for the African continent and may also be applicable to other developing economies elsewhere. An African perspective can assist in advocating internal auditing across the continent, and it should highlight the core competencies needed by internal auditors that can be used to enhance university programmes or professional development programmes.

This article undertakes a comparative analysis of the perceptions of the respondents in the 2010 CBOK study conducted by the IIARF, by contrasting specific countries' distinctive responses, in order to highlight factors that influence internal auditing on the continent. Specific factors studied include the applicability of the *Standards* and the core competencies of internal auditors, by considering the key knowledge areas, tools and techniques, technical skills, and behavioural aspects needed by competent internal auditors. The articles that follow in this special edition undertake regional comparisons between South Africa, the rest of Africa, Ireland and the UK, Australia, North America, and the global position.

4 RESEARCH METHOD

The IIA used a web-based survey instrument in 2006 and 2010 and directed its global membership and key non-members to it to gather data for the CBOK studies. In this special edition all the articles use (with IIA SA's permission) the IIARF's CBOK research database, a secondary source. The method used to analyse the data for this article is a comparative analysis that seeks to identify commonalities and differences between perceptions of South African respondents and those of respondents from the rest of Africa and from other selected regions who participated in the CBOK 2010 survey.

The CBOK 2010 survey generated 13 577 responses from IIA members and non-members from 107 countries. The main analysis in this special edition focuses on the 294 responses from South African participants in the study, and the 337 respondents from other countries in Africa.

The other countries in Africa as a region includes all the countries of continental Africa plus Mauritius, but excludes South Africa, as the research data is separately shown for South Africa.

This article focuses on African views and highlights and contrasts the South African and Ethiopian views with those of respondents from the other countries in Africa (grouped together as a third group), to attempt to define an African perspective. Table 2 details the number of African respondents, including Mauritius, by country.

Table 2: Respondents from African countries

Number of countries	Country	Number of respondents
1	Botswana	26
2	Cameroon	5
3	Congo	19
4	Egypt	3
5	Ethiopia	112
6	Ghana	30
7	Ivory Coast	7
8	Kenya	3
9	Malawi	7
10	Mauritius	32
11	Morocco	8
12	Mozambique	8
13	Nigeria	2
14	Senegal	3
15	South Africa	294
16	Tunisia	4
17	Uganda	12
18	Zambia	17
19	Zimbabwe	39

5 AFRICAN DEMOGRAPHICS

An analysis of the detailed demographics showing the number of responses to each specific question, from each of the different positions the respondents occupy in their organisations improves the analysis and interpretation of the data. This improved understanding, based on the number of respondents and their positions, can be used to interpret the robustness of their responses, and this adds insight

into the context within which the results should be interpreted. Specific questions in the CBOK survey were focused on people in specific positions, such as the Chief Audit Executive (CAE), who were considered to be best positioned to answer those questions. Details of the number of African respondents and their respective positions are shown in Table 3.

As regards the number of internal audit personnel who participated in the research, nearly half of the respondents came from South Africa (46.6% – 294 respondents), with Ethiopia second with 17.8% (112 respondents). The South African regulatory environment emphasises the role and contribution of internal audit in governance (see the Public Finance Management Act (PFMA) (RSA 1999) and the Municipal Finance Management Act (MFMA) (RSA 2003) as well as the recommendations in the various King reports on corporate governance (IoD 1994; 2002; 2009)), which could explain why internal auditing has evolved at a greater pace here than in other countries in Africa. This strong regulatory environment could also have contributed towards the higher participation rate of South African respondents in relation to the other African countries, and may also indicate a higher degree of involvement by the South African internal auditing profession in the development of the body of knowledge. This could motivate internal auditors in South Africa, as well as the Institute of Internal Auditors South Africa (IIA(SA)), to play a leading role in expanding internal audit practices in other countries in Africa.

Table 3: Number of respondents per position per country

Country	Total	CAE	Service provider partner	Service provider non-partner	Internal audit manager	Internal audit senior	Internal audit staff	Academic	Other
Botswana	26	6			4	5	8		3
Cameroon	5	2	1				1		1
Congo	19	2		2	3	4	1		7
Egypt	3				1		2		
Ethiopia	112	19	4	2	11	32	9	3	32
Ghana	30	10			6	10	3		1
Ivory Coast	7			1		2			4
Kenya	3				1		1		1
Malawi	7	1				4	2		
Mauritius	32	4	1	1	7	11	7		1
Morocco	8	3				3	1		1
Mozambique	8	1		2		1	2		2
Nigeria	2	1				1			
Senegal	3	1				1	1		
South Africa	294	61	12	4	76	60	59	3	19
Tunisia	4	1				2	1		
Uganda	12	7			1		3		1
Zambia	17	1			4	4	7		1
Zimbabwe	39	7			10	8	8	1	5
Total	631	127	18	12	124	148	116	7	79

Due to the low participation numbers from a large number of African countries, detailed analysis of all the information per country is not always meaningful. The information was therefore aggregated and analysed in three respondent groups. The groups were South Africa, Ethiopia, and the rest of Africa. Demographics for these respondent groups (the

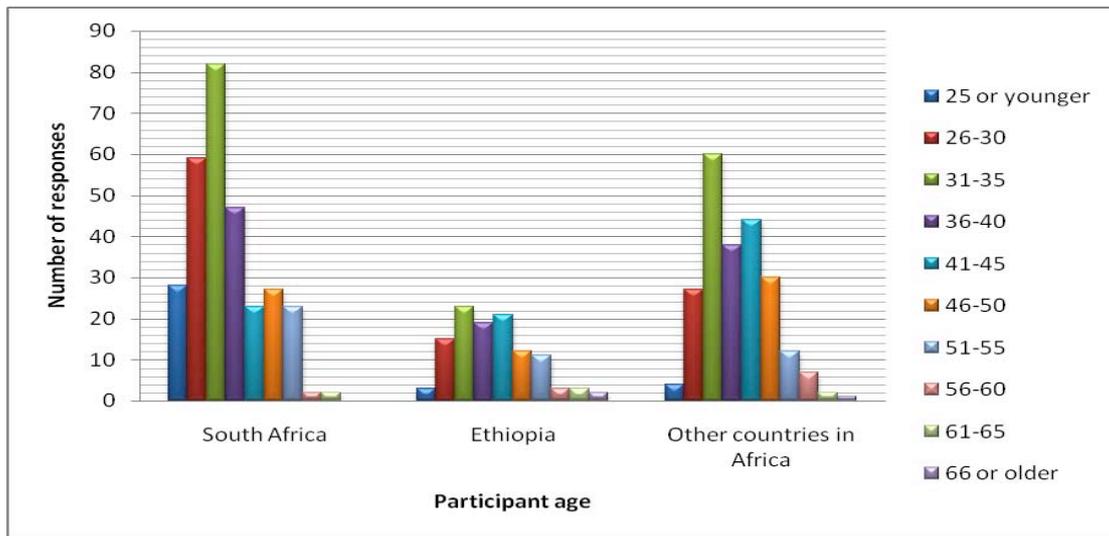
individual respondents' gender, age, and their highest level of formal education) are presented in order to offer a clear picture of the people involved in internal auditing on the continent.

Following a more traditional trend, for the continent as a whole 71% of the respondents are male, and only

29% female. In South Africa the figure is 60.5% male, in Ethiopia 79.5% are male, and for the other countries in Africa 78.7% are male. The greater percentage of females in South Africa's internal audit profession can be attributed to the successful encouragement and upliftment of previously disadvantaged groups in South Africa, specifically females, through employment equity legislation (RSA 1998). The age and education levels are presented in

more detail in Figures 1 and 2 below. In line with the relative youth of internal auditing as a discipline, the corresponding average age of the respondents is also fairly young (especially when compared with the external audit and accounting professions globally), with the largest representative age group of participants being that between the ages of 31 and 35 years, as indicated in Figure 1.

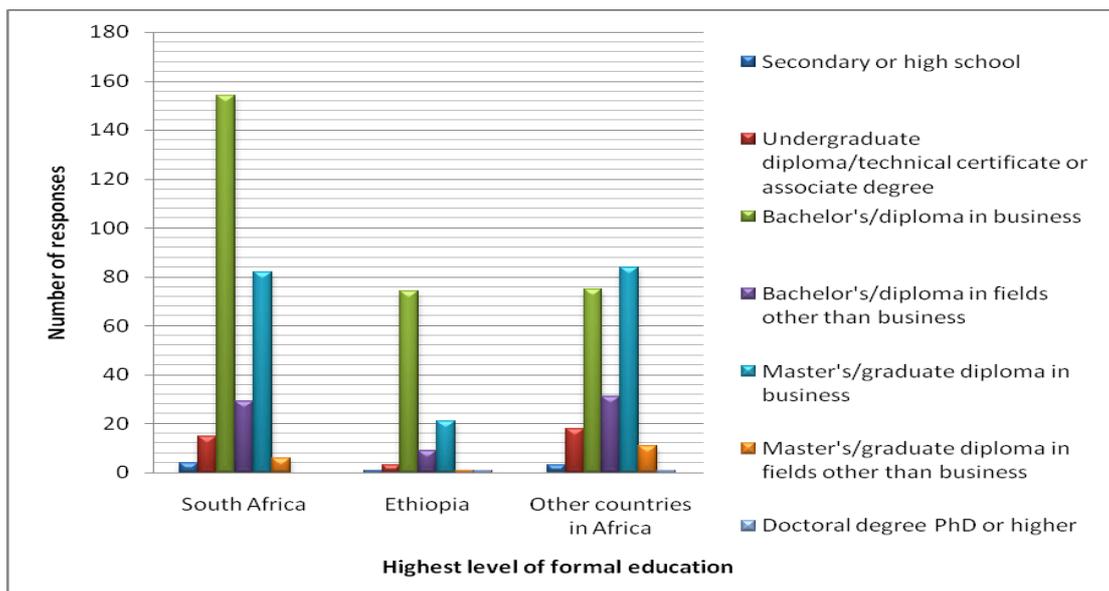
Figure 1: Participant age – number of respondents from South Africa, Ethiopia and the other countries in Africa



As a developing continent Africa is still struggling to establish universal access to education at all levels, and particularly at the higher education levels. This can cause challenges to attracting suitably qualified staff, even while the developing aspect of the continent is resulting in more educational opportunities for younger generations. Thus, as Figure 2 illustrates, most participants in South Africa and Ethiopia have a bachelor's degree or diploma in business, with a

master's degree or postgraduate diploma in business being the second most common qualification. In contrast, in the other countries in Africa more participants already have a master's degree or a postgraduate diploma in business, showing that despite their social and economic challenges the countries are able to attract qualified staff and that there is a strong preference for business qualifications for internal auditors.

Figure 2: Highest level of formal education – number of participants from South Africa, Ethiopia and the other countries in Africa



Overall, the demographics depict the respondents in general to be male, holding a business degree, and aged between 26 and 40 years. A correlation analysis was done to identify possible links between the age and the qualifications of the respondents, and their positions. The results of the analysis are presented in Table 4, and show a weak negative correlation between the respondents' age and their position in the organisation for all the country groupings, that is significant at the 0.01 level. There is a weaker negative correlation with a significance level of 0.05 between the position and highest qualification for South Africa. There are weak negative correlations for other countries in Africa between age and position, with weaker negative correlations between position and the highest qualification, with both being

significant at the 0.01 level. In contrast, other countries in Africa have a very weak positive correlation at the 0.01 level of significance between highest level of education and age. This implies that it is not necessarily the case that older people have better positions, or that people with better qualifications have better positions, as skill and competence is not determined by age or academic qualifications alone. It might also be an indication that the younger generation is starting to capitalise on improved educational opportunities, especially in South Africa and Ethiopia, as it manifests itself as those in lower positions having better educational qualifications than their more experienced, but less well educated (in formal terms) colleagues.

Table 4: Correlation analysis between age, level of education and position for respondents from South Africa, Ethiopia and other countries in Africa

South Africa		Your age	Your position in the organisation	Your highest level of formal education
Your age:	Kendall's tau_b	1	-.376**	.063
	Sig. (2-tailed)		.000	.190
	N	294	294	294
Your position in the organisation:	Kendall's tau_b	-.376**	1	-.124*
	Sig. (2-tailed)	.000		.011
	N	294	294	294
Your highest level of formal education	Kendall's tau_b	.063	-.124*	1
	Sig. (2-tailed)	.190	.011	
	N	294	294	294
Ethiopia		Your age	Your position in the organisation	Your highest level of formal education
Your age:	Kendall's tau_b	1	-.204**	.059
	Sig. (2-tailed)		.006	.453
	N	112	112	112
Your position in the organisation:	Kendall's tau_b	-.204**	1	-.148
	Sig. (2-tailed)	.006		.066
	N	112	112	112
Your highest level of formal education	Kendall's tau_b	.059	-.148	1
	Sig. (2-tailed)	.453	.066	
	N	112	112	112
Other countries in Africa		Your age	Your position in the organisation	Your highest level of formal education
Your age:	Kendall's tau_b	1	-.275**	.191**
	Sig. (2-tailed)		.000	.000
	N	225	225	225
Your position in the organisation:	Kendall's tau_b	-.275**	1	-.161**
	Sig. (2-tailed)	.000		.003
	N	225	225	225
Your highest level of formal education	Kendall's tau_b	.191**	-.161**	1
	Sig. (2-tailed)	.000	.003	
	N	225	225	225
** Correlation is significant at the 0.01 level (2-tailed).				
* Correlation is significant at the 0.05 level (2-tailed).				

Internal audit is used more by some industries than by others, as indicated in Table 5 below. Different industries have different regulatory and economic requirements that clearly influence the ability of or opportunities for internal auditors to add value. The most popular industry amongst respondents from the African continent was *Other*, with 139 responses, followed by the *Financial, banking, insurance and real estate* sectors, with 124 responses, and the *Public sector* in third place, with 104 responses. The

manufacturing sector is also prominent in its employment of internal auditors in Ethiopia, while the services sector has a strong appetite for employing internal auditors in South African and in other African countries. Different industries have different regulations, and it seems that the regulatory forces in the financial sector are more demanding and onerous, thus compelling the establishment of internal auditing functions in this sector throughout the continent. Further research will have to be done to determine

why not all the industries or economic sectors make use of internal auditing, and which regulatory forces

are effective in promoting the establishment of internal auditing in a particular industry or sector.

Table 5: Number of responses per industry for South Africa, Ethiopia and other countries in Africa

Country	Financial, Banking, Insurance, and Real Estate	Manufacturing & Construction	Public sector	Raw Materials and Agriculture	Service	Transportation, Communication, Electric, Gas, Sanitary services	Wholesale and Retail Trade	Other
South Africa	61	28	53	21	43	28	16	44
Ethiopia	18	13	11	3	7	11	2	47
Other countries in Africa	45	16	40	16	32	28	0	48
Total	124	57	104	40	82	67	18	139

The *Standards* play a guiding role for internal auditors, but this can be strengthened by corporate governance recommendations such as the recommending compliance with the recommendations of the King code of governance as it in turn encourages all entities who use internal auditing to comply with the *Standards* (IoD 2009). More detail on the application of the *Standards* is provided in the following section.

6 APPLICABILITY OF THE STANDARDS

The definition of internal auditing and the *Standards* form the foundation of the practice of internal auditing (IIA 2010). Despite the important role played by the *Standards* compliance is essentially voluntary: there are few countries with a legal requirement to enforce compliance with the *Standards*, and in those countries where there are legal requirements, they usually focus on the public sector. In South Africa this process is encapsulated in the PFMA and MFMA (RSA 1999; RSA 2003). In Ethiopia, Mihret and Yismaw (2007) describe the public sector requirements and prescribed standards as similar to those of the IIA. Another challenge faced by the IIA is that internal auditors operate in a fast-changing economic environment that continuously needs to adapt to the fact that core competencies are also rapidly changing (IIARF 2007). In that they assist with this process of continuous adaption, the results of the CBOK studies play an invaluable role in ensuring the continued relevance of the *Standards*. The questions on the *Standards* were directed at CAEs and, where applicable, the service provider partner. This resulted in a smaller overall response being given by the respondents holding those positions, as indicated in Figure 3 below. From their responses it appears that a lack of legal support will decrease the level of compliance, as only slightly more than half of the African respondents admitted to fully complying with the *Standards*. In South Africa 43 respondents indicated full compliance with the *Standards* and 30 indicated that they do not fully comply. In Ethiopia 6 respondents indicated full compliance and 16 indicated that they do not fully comply with the *Standards*. For the other countries in Africa the compliance/non-compliance issue showed an almost perfect 50/50% split, with 24 respondents indicating full compliance and 25 indicating they do not have full compliance.

Figure 3 shows the level of full and partial compliance or knowledge of compliance with individual standards. As space is at a premium only the Standard's number is reflected on the subsequent figures. The Standards

and their numbers are listed below in greater detail to enhance understanding of the figures.

Attribute Standards

- 1000 Purpose, Authority and Responsibility
- 1100 Independence and Objectivity
- 1200 Proficiency and Due Professional Care
- 1300 Quality Assurance and Improvement Program

Performance Standards

- 2000 Managing the Internal Audit Activity
- 2100 Nature of Work
- 2200 Engagement Planning
- 2300 Performing the Engagement
- 2400 Communicating Results
- 2500 Monitoring Progress
- 2600 Resolution of Senior Management's Acceptance of Risks (IIA 2010).

In Figure 3, Standard 1300 (Quality Assurance and Improvement Program) and Standard 2600 (Management's Acceptance of Risks) show the lowest levels of compliance across all countries in the continent. Despite the lack of legal enforcement of compliance with the *Standards*, the levels of compliance and partial compliance illustrated in Figure 3 are still remarkably high, especially when compared with the levels of non-compliance or uncertain compliance.

One of the factors contributing to non-compliance could be that the guidance component of the *Standards* is perceived to be less than adequate. To test this hypothesis the adequacy of the individual *Standards* was considered against the results presented in Figure 4. Generally, the individual *Standards*, like Standard 2600 (which showed the highest instances of non-compliance), also rated the highest of the *Standards* with inadequate guidance across all countries. The unexpected result was that South African respondents considered the guidance for Standard 2100 (Nature of the Work) to be inadequate. This is an area where the IIA(SA) could expand its continuing professional development programme to assist its members. This finding also calls into question the views of the respondents on their level of compliance, as they should question their ability to comply with standards where guidance might be lacking. This is an area that should be further researched. There were significantly more respondents who indicated compliance with the *Standards* and who considered the guidance of the *Standards* to be adequate as compared to those who did not comply with them, or considered the guidance of the *Standards* inadequate. More research will

have to be conducted to determine if cultural, communication or other challenges influence non-compliance with *Standards*, as well as to gain greater

clarity in understanding the perceptions of the adequacy of the guidance of the *Standards*.

Figure 3: Compliance with individual standards – number of responses for South Africa, Ethiopia and other countries in Africa

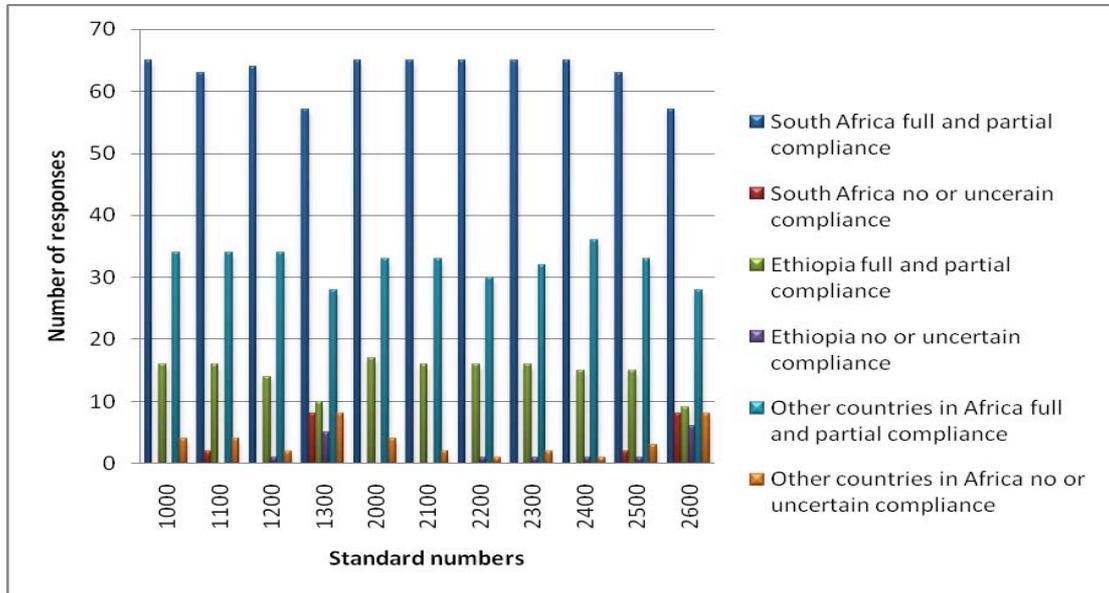
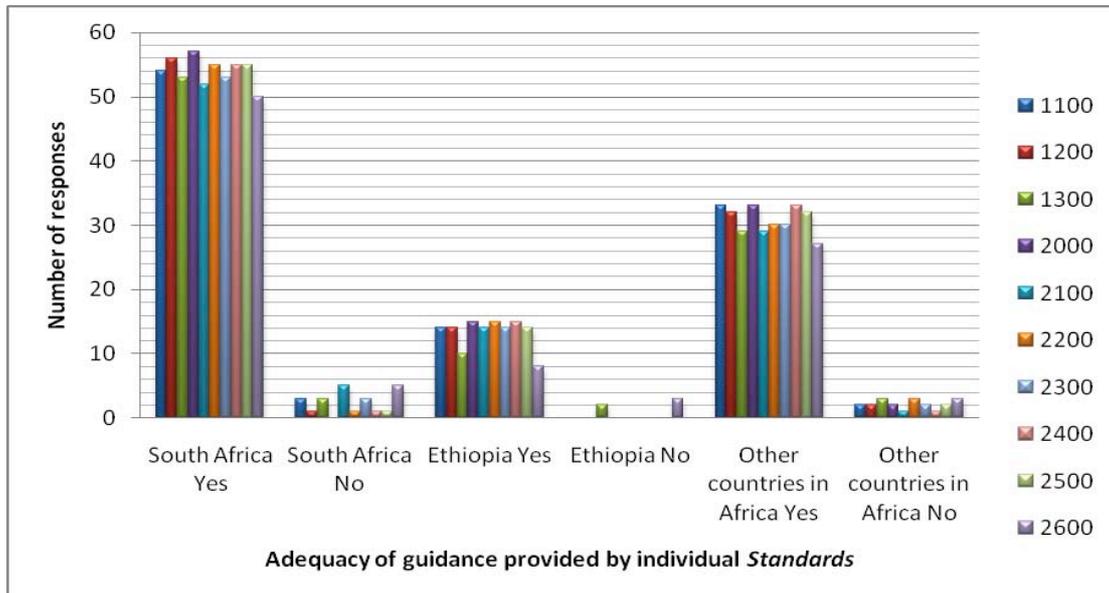


Figure 4: Adequacy of the guidance provided by individual Standards – number of responses for South Africa, Ethiopia and other countries in Africa



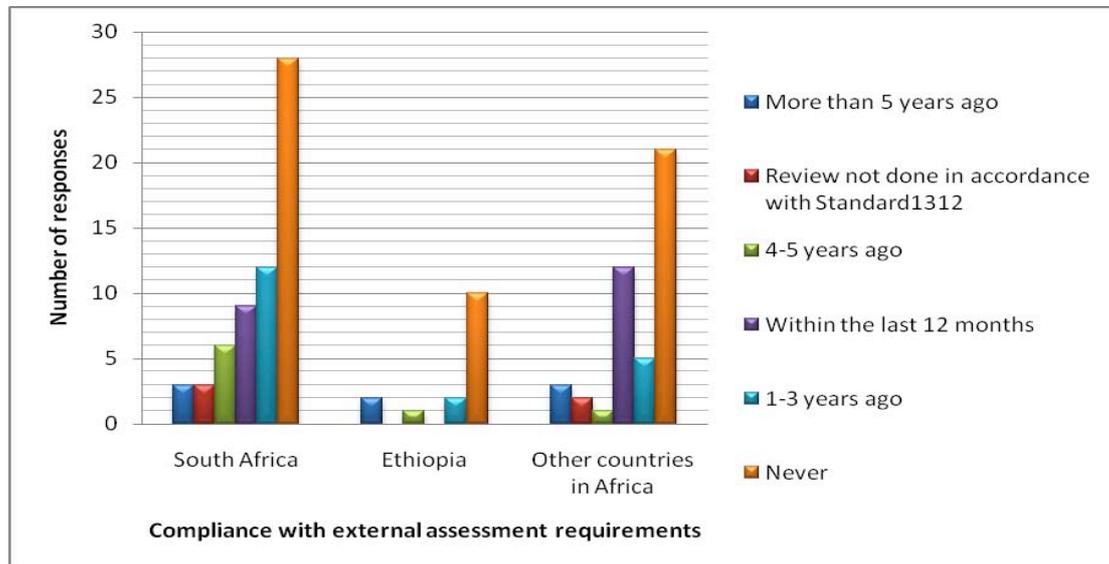
One of the requirements regarding quality assurance (specifically in Standard 1312, External assessments), is that the internal audit activity should undergo an external assessment every five years (IIA 2010). Previous research found that although some entities think they fully comply with the requirements of the *Standards*, their perceptions were not supported by the reality of their actions (Coetzee *et al* 2010). In situations where Internal Audit Activities (IAAs) do not have external assessments they simply do not fully comply with the *Standards*. An analysis of whether there is compliance with the requirement of Standard 1312 or not is shown in Figure 5.

Despite the fact that slightly more than half of the African respondents indicated that they fully comply with the *Standards*, more than half of the African respondents indicated non-compliance with Standard 1312, with 47% of the respondents indicating that they had never used an external review, 6% had had a review that was not in accordance with Standard 1312 and 3% were not sure. Overwhelmingly, the majority of respondents from South Africa, Ethiopia and the other countries in Africa have never used external quality assurance on their internal audit function. Thus the views of the participants on their level of compliance with the *Standards* remains

questionable, as their perception is that they fully comply with all the Standards, while their ignorance of the requirement, and failure to perform an external

quality assessment of their internal audit function resulted in non-compliance with Standard 1312.

Figure 5: Compliance with Standard 1312 – number of responses for South Africa, Ethiopia and other countries in Africa



A more detailed analysis of the application of the Standards appears in *The adequacy, use and compliance with Internal Auditing Standards – South Africa CBOK 2010*, which forms part of this special edition. This further analysis of the Standards revealed that the levels of compliance with the requirements of the Standards of the South African respondents improved between the 2006 and 2010 CBOK studies, and that the average level of compliance for South Africa is higher than the global average. In contrast, the average level of compliance for the rest of the African countries is lower than the global average. South African can therefore play a leading role in Africa in advocating continuing improvements in compliance with the Standards so as to one day achieve full compliance by all practitioners across the continent.

A more detailed analysis of compliance with the quality assurance requirements in the Standards is presented in the article *Professionalism apparent from South African internal audit functions' use of quality assurance standards*, which is part of this special edition. The article discusses the use by the internal audit profession of various techniques, including quality assurance and external assessments, to help to improve the standing of the internal auditing profession.

The Standards (specifically Standard 1200 on Proficiency and due care) and the Code of Ethics require internal auditors to be competent in their work and to have the required knowledge and skills, or core competencies (IIA 2010). These core competencies are discussed in more detail in the following section.

7 CORE COMPETENCIES

Core competencies include knowledge areas, tools and techniques, technical skills, behavioural aspects

and competencies needed for competent internal auditors to be able to perform their duties effectively. Each of these areas is discussed briefly below and in more detail in the articles that follow in this special edition.

The most important knowledge areas identified by internal auditors throughout Africa are *auditing*, followed by *internal auditing standards* and *enterprise risk management*. *Governance* and *technical knowledge specific to the industry operated in* are also among the top ten knowledge areas. In South Africa the top three knowledge areas are *internal auditing standards*, followed by *auditing*, and *enterprise risk management*. In Ethiopia and the other countries in Africa the top three knowledge areas are *auditing*, followed by *internal auditing standards* and *fraud awareness*. Fraud awareness is the 8th-ranked knowledge area for South Africa. The relative importance of the different knowledge areas for the three country groups is shown in Figure 6.

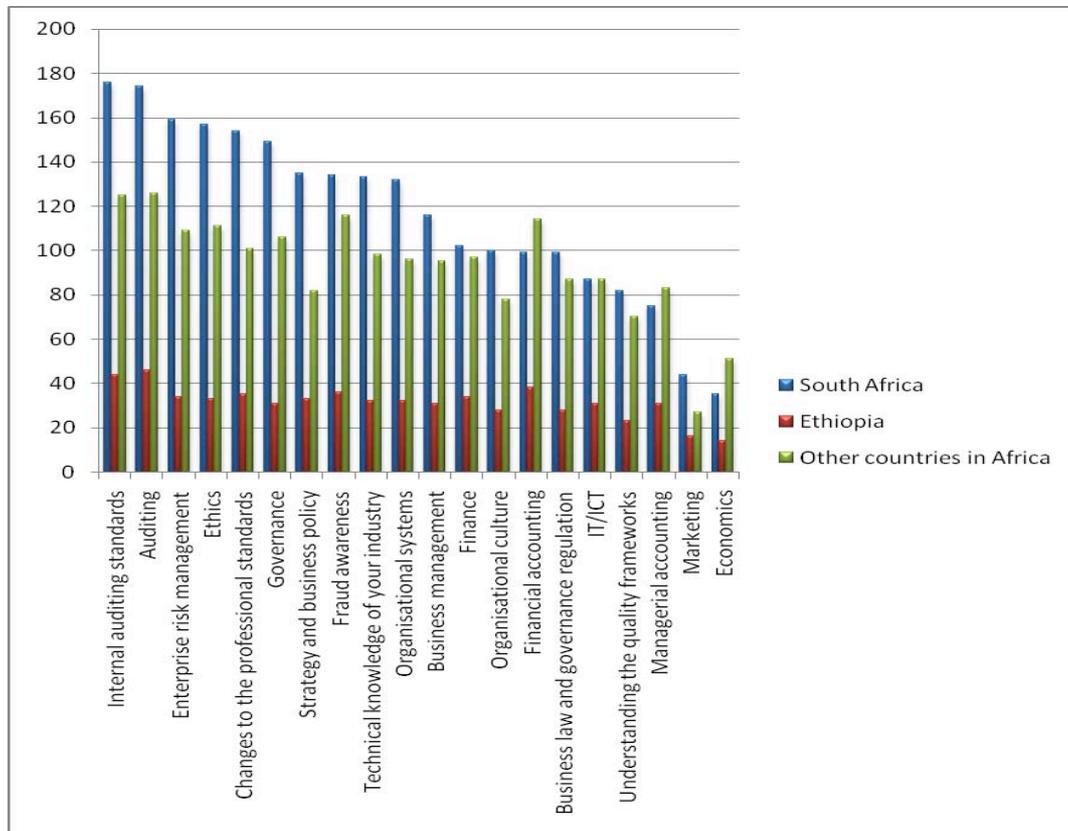
More detail on the importance of particular knowledge areas as perceived by respondents in the 2010 CBOK study is presented in the article titled *Knowledge areas covered by dedicated internal auditing programmes offered by South African public universities*. The data reveals that the perceived importance of knowledge areas of South African internal audit stakeholders does not significantly differ from those from the rest of Africa.

The most popular tool and technique currently used by internal auditors throughout Africa is the *risk-based audit*, followed by *analytical review procedures* and *statistical sampling*. The top three most popular tools currently used in South Africa are *risk-based audit*, followed by *other electronic communication* and *analytical review procedures*. Ethiopia follows the

same tendency as Africa, with the top three tools being *risk-based audit*, followed by *analytical review procedures* and *statistical sampling*. The top three tools in the other countries in Africa are *risk-based*

audit, followed by *analytical review procedures* and *other electronic communication*, the same tools and techniques as for South Africa but with a different sequence of importance.

Figure 6: Very important knowledge areas – number of responses for South Africa, Ethiopia and other countries in Africa



The high ranking of risk-based audit (as required by the *Standards*) is not unexpected in the light of the high level of compliance with the *Standards*. However, the low implementation levels of some of the more recently developed tools, such as the balanced scorecard, total quality management and process mapping, could be an indication that the internal auditors are not yet proficient in the use of these tools. This might be an indication that continuous professional training needs to place more attention on the less-used tools in order to improve familiarity and to develop an appreciation of their uses and advantages. The tools and techniques currently preferred in the three groups of African countries are presented in Figure 7.

A comparison with the other regions showed that South Africa compares well with other developed regions such as Australia and North America, especially in the use of the risk-based audit planning tool, and made more use of the quality assurance review tool than any other African country or region. The three most important technical skills currently used in Africa include *understanding the business, risk analysis and control assessment* and *identifying types of control*. In the case of South Africa the top three technical skills being used are *understanding the business, risk analysis and control assessment* and *governance, risk and control*, while in Ethiopia

the top three technical skills are *understanding the business, identifying types of control* and *risk analysis and control assessment*.

Statistical sampling is placed in the 14th position of importance for South African respondents as a technical skill, in sharp contrast to its 3rd place as a tool and technique for the whole of Africa. More research is needed to determine if the widespread use of statistical sampling as a tool was based on well-founded confidence in the ability of internal auditors to use it, or that its popularity, and the ability of internal auditors to use the tool effectively and efficiently, are at best hopefully linked. If the last possibility proves true it would result in a lowering of the rating of statistical sampling as a technical skill. However, it might also be an indication that statistical sampling software is readily available, and simple to use, thus requiring a lower level of statistical knowledge and interpretive skill from the internal auditor.

Statistical knowledge is not one of the formal knowledge areas, and unless supporting software is used to assist with the interpretation of statistical sampling results, a low understanding of the complex statistical mathematics behind statistical sampling might lead to inappropriate interpretations of the results of such sampling procedures. Future CBOK studies should probably include statistical sampling in

the formal knowledge areas, to help identify the link between the use of statistical sampling and the knowledge area supporting the use of it as an audit

tool and technical skill. The most important technical skills used by internal auditors for the three African country groups are shown in Figure 8.

Figure 7: Tools and techniques currently used – number of responses for South Africa, Ethiopia and other countries in Africa

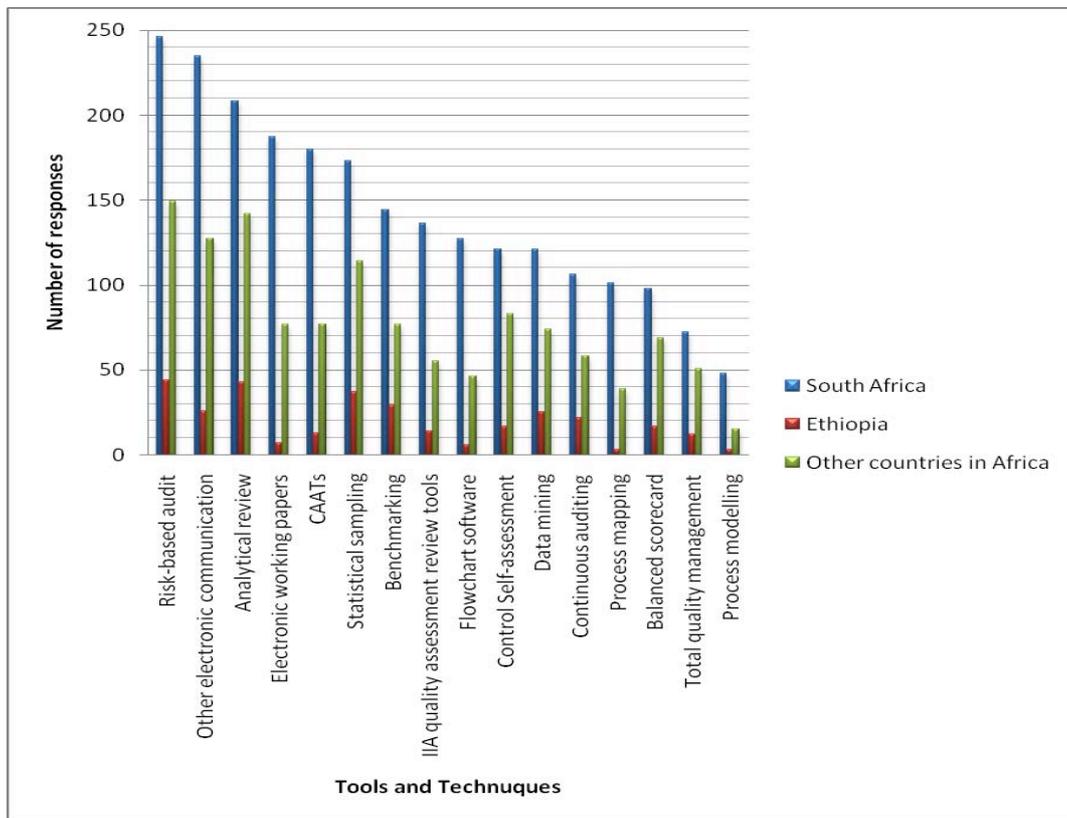
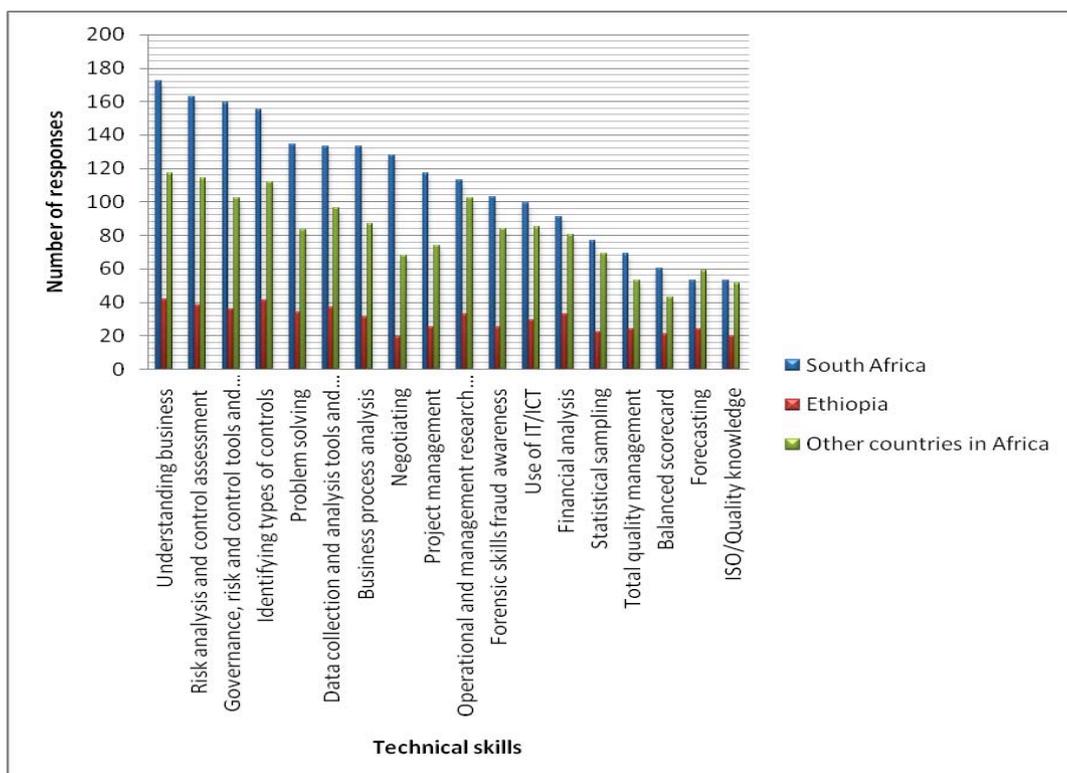


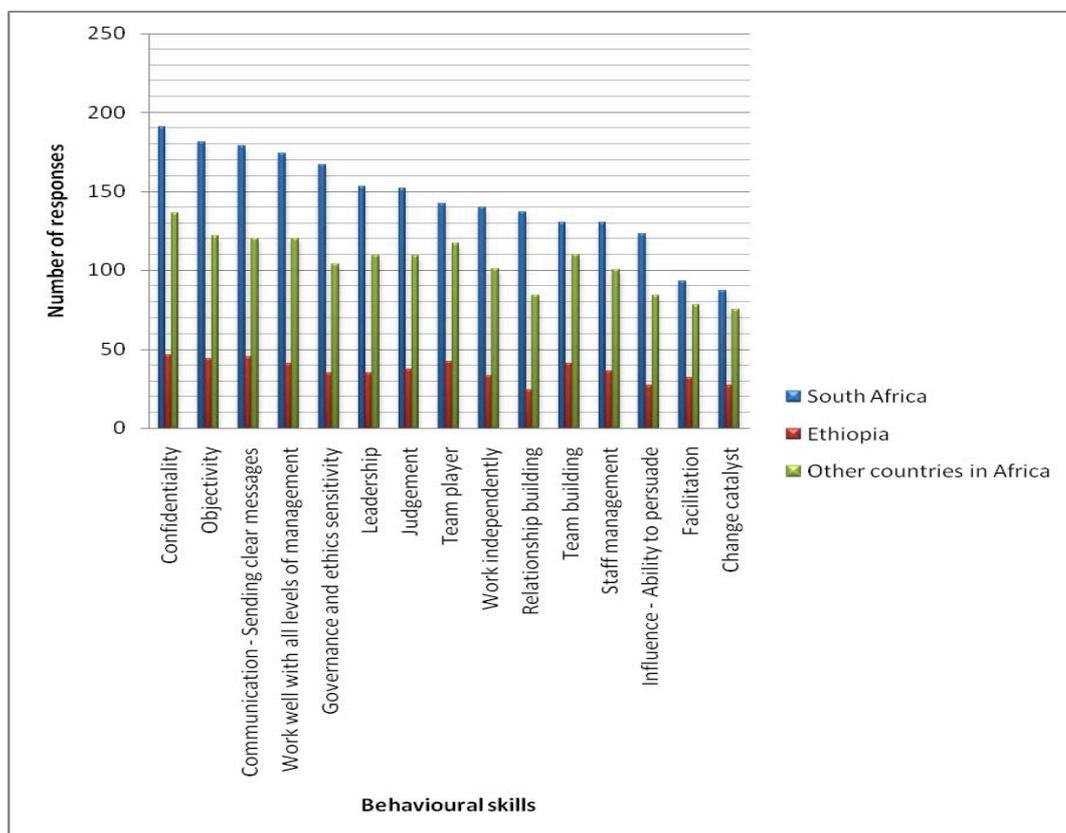
Figure 8: Very important technical skills – number of responses for South Africa, Ethiopia and other countries in Africa



The top three most important behavioural skills for the whole of Africa are *confidentiality*, *objectivity* and *communication*. The top three most important behavioural skills for South African respondents mirror the African view. However, the top three most important behavioural skills for Ethiopia follow a slightly different sequence, with *confidentiality* also in

the leading position, but followed by *communication* and then *objectivity*. The other countries in Africa also show *confidentiality*, *objectivity* and *communication* as the top three but have *working well with all levels of management* in joint third position. The ranking of all the most important behavioural skills for the three African country groups is shown in Figure 9.

Figure 9: Very important behavioural skills – number of responses for South Africa, Ethiopia and other countries in Africa



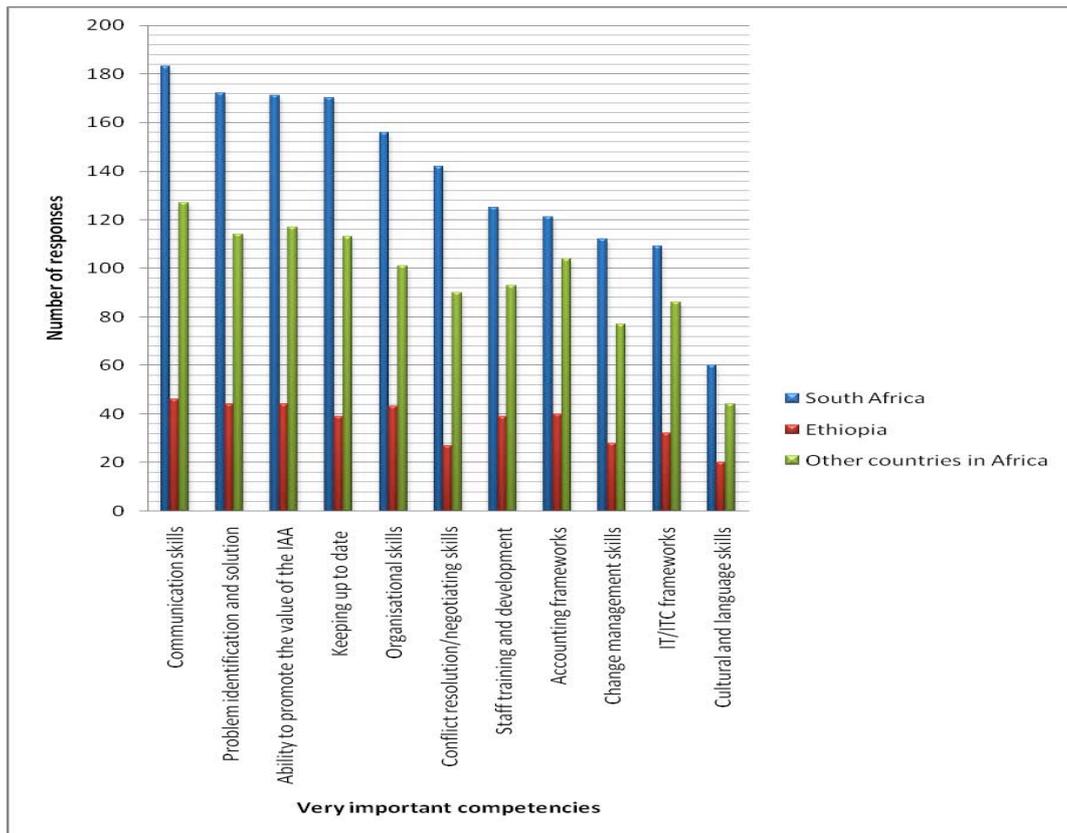
Although knowledge, tools and techniques, together with technical and behavioural skills, all contribute to competence, specific competency areas were also addressed in CBOOK. The three most important competencies identified by the whole of Africa are *communication skills*, *ability to promote the value of the IAA* and *problem identification and solution skills*. The top three competencies for South Africa are the same as for the continent but follow a different sequence, namely *communication skills*, *problem identification and solution skills* and *ability to promote the value of the IAA*. The top three competencies for Ethiopia are *communication skills*, with the *ability to promote the value of the IAA* and *problem identification and solution skills* in joint second place and *organisational skills* in fourth place. The other countries in Africa have the same top three competencies as for the continent as a whole, and in the same sequence, namely *communication skills*, *ability to promote the value of the IAA* and *problem identification and solution skills*.

Despite the cultural and language differences in Africa, cultural and language skills scored low as a useful competency. This is in striking contrast with the top ranking of communication skills as an important

behavioural skill. Another anomalous contrast is the fact that the promotion of the value of an IAA is in essence a marketing skill, as Figure 6 shows, marketing as a knowledge area is the lowest rated knowledge area. The very important competencies for the three African country groupings are shown in Figure 10.

More detailed analyses of the perceptions of general competencies, technical skills and behaviour skills held by internal auditors are presented in the three articles titled: *Internal audit competencies: skills requirements for chief audit executives in South Africa*; *Internal audit competencies: skills requirements for internal audit management in South Africa*, and *Internal audit competencies: skills requirements for internal audit staff in South Africa*. The studies on which these articles are based differentiate between three levels of internal auditors, namely staff, management and chief audit executives. The perceptions of global and South African leaders resulting in the definition of the five most important competencies and skills for these three levels of internal auditors were compared to relevant IIA guidance.

Figure 10: Very important competencies – number of responses for South Africa, Ethiopia and other countries in Africa



8 CONCLUSION

The objective of this article was to use a comparative analysis of the 2010 CBOK data to understand the applicability of the *Standards* and core competency framework required by internal auditing globally, as seen from an African perspective. Its source data was the views of respondents to the 2010 CBOK study from all participating African countries. As the South African respondents amounted to nearly half of the total for the continent, and given that the country has a strong regulatory and legal support framework for internal auditing through the PFMA, the MFMA and King reports, South Africa is in a position to play a leading role in the development of internal audit on the continent. The South African respondents' reportedly high compliance with the *Standards*, high rating of the importance of knowledge areas, high applications of internal audit-related tools and techniques, high rating of the importance of technical skills, behaviour skills and other competencies in relation with their counterparts from the rest of the African continent, further support the idea that South African internal auditors could play a supportive role in the development of the profession on the continent.

Slightly more than half of the respondents for the continent fully comply with the *Standards*. However, only approximately a third of them complied with the *Standards'* requirement that external quality assurance be used over a five-year cycle. This is a contradictory finding that might indicate that the perception of full compliance with the *Standards* is not supported by the reality. *Standards* with the lowest levels

of compliance for the continent are Standard 1300 (Quality assurance) and Standard 2600 (Management's acceptance of risk). Overall, the levels of guidance provided by the individual *Standards* were considered to be adequate.

Another important consideration when discussing *Standards* is that the core competencies applicable to internal auditors, especially in a business environment, are changing at an accelerating pace. The top three competencies identified in the 2010 study are communication skills, followed by the ability to promote the value of the IAA, and problem identification and solutions. Core competencies include knowledge areas, tools and techniques, technical skills, and behavioural aspects needed for competent internal auditors.

The top three knowledge areas identified by the continent's respondents are knowledge of audit, internal auditing standards and enterprise risk management. The top three tools and techniques for the continent are risk-based audit, analytical review and statistical sampling, while the top three technical skills for the continent are understanding the business, risk analysis and control assessment, and identifying types of control. Lastly, the top three behavioural skills for the continent are confidentiality, objectivity and communication.

Although much agreement was found between the views expressed by respondents from South Africa, Ethiopia and the other countries in Africa, the detailed analysis presented in this article supports the view

that internal auditors have to have a diverse skills set in order to be competent, and that country-specific considerations play a role. The choice of skills can be influenced by the legal and regulatory environment in which the internal auditor operates, as well as by the experienced gained performing audit functions.

Areas for further research have been identified throughout this article and are summarised again here.

Additional research that focuses on the national regulatory environments applicable to the different industries could be done in order to gain insight into what industry-specific forces lead some industries to make greater use of internal audit than do other industries. This may be influenced by regulatory forces aimed at a specific industry, or by other factors such as the average size of, or the complexity of local business in that particular industry.

Although cultural and language skills scored low as a competency, more research could be done to identify whether cultural or language differences in particular

are contributing factors in the instances of partial or complete non-compliance with Standards, as well as determining the perceptions of the adequacy of the guidance provided by the Standards.

The difference between the various areas where specific knowledge is required, and the use of that knowledge, needs to be further investigated. Although no information was gathered on statistics as a knowledge area, its application in the use of statistical sampling as a tool was shown to be in high demand. A similar contradiction is apparent between the low score for marketing as a knowledge area and the highly rated competency of an ability to promote the IAA, which requires the application of marketing principles.

An additional area awaiting research is to investigate how internal audit trainers can strengthen their training materials so as to emphasise the core competencies required in the performance of internal audit tasks and functions, especially by working together with the local IIA chapters and regional offices.

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