Internal audit competencies: skills requirements for internal audit management in South Africa

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ABSTRACT

Internal auditing is playing an increasingly important role within organisations. The growing demand for internal auditors, as business and corporate governance partners to organisational management, places a larger burden on internal audit managers in respect of the competence and skill requirements they need in order to meet their increasingly diverse and divergent responsibilities. In South Africa, internal auditing is regarded as a scarce skill profession. Published research addresses competencies in various disciplines and professions, including the general competencies required by internal auditors, and the role and function of internal audit managers. However, limited information is available with respect to the relative importance of specific competencies and skills required by internal audit managers.

The purpose of this article is to broaden this knowledge area firstly, by identifying the relative importance of various competencies included in IIA guidance pronouncements as being mandatory for internal audit managers. Then, secondly, these ranked IIA competencies are compared with South African and global internal audit leaders' perceptions of these competencies' relative importance.

The article concludes that the terminology used in the various IIA guidance pronouncements and the published reports on studies conducted by the Institute of Internal Auditors Research Foundation are ambiguous and should be standardised. Furthermore, it is believed that quality-related issues are not appropriately addressed in the guidance pronouncements. This article also identifies substantial differences in the levels of importance attributed to quality-related competencies by the various internal audit leaders. Other areas where significant differences exist are those of soft skills (areas focussing on the performance of the audit engagement) and of operational and management research.

Key words

Internal audit competencies; internal audit competency framework;
internal audit management; internal audit leaders

Acronyms

CAE	Chief Audit Executive	IIA	Institute of Internal Auditors
CBOK	Common Body of Knowledge	IIA (SA)	Institute of Internal Auditors
CFIA	Competency Framework for Internal Auditors		(South Africa)
CIA	Certified Internal Auditor	PTP	Professional Training Programme
GIA	General Internal Auditor	Standards	International Standards for the
IACF	Internal Audit Competency Framework		Professional Practice of Internal
IPPF	International Professional Practices Framework		Auditing
SA	South Africa		

1 INTRODUCTION

The internal audit universe is continuously changing (PwC 2010:5), transforming and evolving from fulfilling a watchdog function, with a focus on compliance audits, to one that now assesses financial controls for management, fulfils a business partner-type role, and is management's eyes and ears (Sawyer, Dittenhofer & Scheiner 2003). The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) requires of internal auditors that they become 'skilled partners' of the organisation's management, with the improvement of the governance and control systems as their main focus. This requirement has forced internal audit managers to find new ways to more effectively apply their knowledge and skills in managing the internal audit engagements (Baker 2011:32; IIA 2011:2). In performing internal audit engagements, internal audit managers should now approach the audit from a management point of view, deploying appropriately skilled staff to solve specific problems (Sawyer *et al* 2003:1243), without necessarily engaging with the detail of the audit him/herself. An explanation of the management task faced by internal auditor managers indicates that it has evolved by changing from a 'command and control' task to a 'learning' task (Collins 1999). As business partners to their organisations, internal audit managers should thus be in a position to provide an 'array of specialist practical skills' (in the form of highly trained technical specialists) in order to add value to the organisation (Pryal 2008:41). According to Harrington (2004), an expanded set of competencies is needed by internal auditors to cope with the massive change and complexity in both private and public sector operations. Oxner and Oxner (2006) agree, stating that internal auditors must demonstrate expertise in many areas, including control evaluations, operational reviews, and systems analyses. Ramamoorti (2003) concurs with the idea that internal auditors need a considerably enhanced repertoire of competencies, but that they also need to raise their organisational status and profile commensurately and to align themselves appropriately within their respective organisations.

This changing profile of the internal audit function has resulted in a change in competency expectations from the industry. In 2008, Ernst and Young (2008:12) concluded that internationally, internal auditors were being confronted by the challenge of adapting to an ever-changing and more challenging business environment that demands greater value, together with an increased focus on assessing strategic and operational risks, which in turn requires higher level skills and competencies from internal audit management.

According to leading business organisations such as the New York Stock Exchange (Harrington 2004:1), the United States of America's (USA) Association of Corporate Directors (cited in Stačiokas and Rupšys 2005:170) and the Institute of Directors in South Africa (SA) (IOD 2009), internal auditing is regarded as one of the cornerstones of effective corporate governance. The increasing frequency of internal auditors being included as corporate governance partners in their organisations (in fulfilment of the requirements of corporate governance codes and legislation), supports the argument that internal audit managers are required to possess more than mere technical or cognitive internal audit skills (Coetzee 2010:87-91; PwC 2010:5). The effect of this increased emphasis on being "corporate governance partners" and effective managers of increasingly complex and technical internal audit resources includes a heightening of expectations of the internal audit profession on the part of its stakeholders. However, despite these expectations, the contribution to corporate governance that the internal audit profession can make, will only be as valuable and effective as the proficiency (ability) and competence of the individual members of the profession.

The IPPF stresses the importance of the knowledge skills and the experience needed by internal auditors in order to do their work competently (IIA 2011:2). The required abilities (competencies and skills) of internal auditors (including internal audit managers) are divided into three broad categories, namely: general competencies (skills that are essential to perform all tasks); behavioural skills (managing one's own actions and interaction with others: these are assessed according to commonly accepted standards), and technical skills (applying subject matter or terminology in a specific field) (Bailey 2010:5, 11 & 17). The Institute of Internal Auditors (IIA), through the Institute of Internal Auditors Research Foundation (IIARF), is continuously engaged in research projects intended to update and improve the guidance provided to its members. Extensive research on competency requirements in various professions and disciplines has been conducted in the past years. (Bou-Raad 2000:185). However, as a relatively new profession, only limited published information is available in respect of internal audit competence requirements.

The concept of competency (also referred to as competence) has been explained by many authors in various fields/disciplines (Hoffmann 1999:275) and refers to specific knowledge, skills and attitudes needed to perform a work role to a defined standard, in a real working environment (IFAC 2010). For the purposes of the IIA's CBOK survey, the focus was on competencies and skills needed by internal auditors to effectively perform internal audit engagements (Bailey 2010:5). For purposes of this article, the terms *competencies* and *skills* are used with specific reference to general competencies, technical skills and behaviour skills as categorised in the CBOK survey (Bailey 2010:5). General competencies consist of the essential skills that every internal auditor needs in order to perform certain tasks (Bailey 2010:5). Behavioural skills are those intra- and inter-personal skills needed to manage an internal auditor's own actions, and those of his staff, and are assessed according to generally accepted norms (Bailey 2010:11). With regard to the technical skills category, Bailey (2010:17) identifies these as the individual skills needed to effectively apply particular subject matter or concepts within a specific field.

This article aims to add to the knowledge base on the competencies and skills required by internal audit management in the context of SA and within the global environment. To achieve this objective two major exercises were performed. Firstly, the perceptions of South African and global internal audit leaders (Chief Audit Executives [CAEs], service partners and academia) on the relative importance of the required competencies for internal audit management were compared against the formal guidance issued by the IIA, namely the Internal Auditor Competency Framework (IACF). Secondly, the prescribed levels of the competencies published in the IACF, were refined by comparing these with the curriculum of the Certified Internal Auditor (CIA) certification programme and with the IPPF. From an analysis of this three-way comparison of these three IIA guidance documents a common set of level competencies for internal audit management was developed.

The results of the study will benefit internal audit leaders in determining whether their perceptions on required competencies are in line with the formal internal audit guidance. These results could also serve as an indication to the IIA of the degree to which their formal guidance on competencies is or is not in line with the perceptions of internal audit leaders, and/or it could be an indication that the IACF is not in line with internal audit practice. Internal audit educators and trainers can also use the results of this study to improve the relevance and practical nature of their curriculum content.

The major limitations of the study include the following: firstly, that the published guidance used in the comparison of the competency levels for internal audit management was limited to that of the CIA programme curriculum, the IIA (SA) learnership programmes and the IPPF. Secondly, as the methodologies used to rate the different levels of competencies in the aforementioned guidance differ, it was necessary to exercise professional judgement to determine a common rating scale. An average rate was subsequently determined for each competency. Additional, slightly less significant limitations are the fact that this study reports on the results from South Africa, within a global context, and is limited to the perceptions of internal audit leaders on the importance of competencies for internal audit management. Furthermore, it is possible that the internal audit manager participants could have considered and rated the importance of skills and competencies based on their personal abilities and preferences, which could have resulted in them under-valuing the importance of some skills. The perceptions of internal audit leaders on the importance of the competencies required by internal audit staff and CAEs are addressed in other articles in this special edition.

2 LITERATURE REVIEW

This literature review discusses the evolution of the internal audit profession with specific reference to the IACF and individual competency requirements for internal audit management.

2.1 Internal auditing as a profession

Since the beginning of the 1900s authors have highlighted the characteristics of a profession (Carr-Saunders 1928:21; Elliot 1972; Larson 1977), which 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, of which the audit profession is a sub-set (Gloeck & De Jager 2009:2; Rossouw *et al* 2009:356). When considering the internal audit profession, all five characteristics are applicable.

Individuals aspiring to become certified members of the profession must demonstrate compliance with specific criteria. These include having obtained a bachelor's degree, having completed at least two years' uninterrupted practical experience in internal auditing or a related field (IIA 2012(b)), and the successful completion of the CIA certification programme. Once these criteria have been met, individuals are recognised as members of the professional body, the IIA, and are allowed to use the CIA designation. Internal audit professionals must adhere to the IPPF, which includes the IIA's code of ethics and the International Standards for the Professional Practice of Internal Auditing (*Standards*) (IIA 2011:1-152). The IPPF highlights the requirement that internal auditors must render a value-adding, independent and objective service to the enterprise's various stakeholders (IIA 2011:i).

As a profession, internal auditing is still new when compared to the traditionally recognised professions, such as medicine and law. The Institute of Internal Auditors Incorporated (IIA Inc.) was formed in 1941 in the USA, and its affiliate in South Africa, the IIA(SA) was only formally recognised in 1961 (IIA 2012(a)). Currently the IIA Inc. 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 establishing and promoting a Common Body of Knowledge (CBOK), the CIA certification programme, and the IPPF. These formal IIA guidance initiatives are discussed in the following sections.

2.2 Internal audit competency framework

According to Mautz and Sharaf (1982:11), internal auditing has been a well-established and well-respected activity for many centuries, but there is little indication that it was well-defined or clearly directed, prior to the establishment of the IIA Inc. in 1941. The first steps towards formalisation of the activity started with the publication of the Statement of Responsibilities of Internal Auditing (Statement), which was prepared by the research committee of the IIA and approved by the board of directors at its meeting on 15 July 1947 (Mautz and Sharaf 1982:11). The purpose of the Statement was to establish a set of guidelines that defined the proper role and responsibilities of the internal auditing function within an organisation (Flesher 1996:34). The Statement has been regularly updated since then, and in June

1999, the IIA's board of directors voted and approved a new set of guidelines, this time headed by a new definition in the form of the Professional Practices Framework (IIA 2001). This has also been regularly updated and today the IPPF (IIA 2011) provides extensive guidelines on the role and responsibilities of the IAA.

Similarly, to ensure that individual internal auditors keep up with the changes in their environments, during 1972 the IIA developed a CBOK, which has been updated in 1985, 1992 and 1999 (Abdolmohammadi *et al* 2006:811-821). The CBOK updates are the result of global research and discussion, the results of which are published as the CBOK studies. The latest is the CBOK 2010 study (IIARF 2010). These CBOK studies have attempted to identify, amongst others, the competencies and skills needed by practicing professional internal auditors, and are recognised for their usefulness by internal audit practitioners.

In addition to the CBOK studies, it was recognised that a competency framework was needed (Anon 1998) to guide internal auditors in acquiring new skills and competencies. In 1999, this was realised in the publication of the IIARF's Competency Framework for Internal Auditors (CFIA), which provided internal auditors with guidelines regarding their knowledge and the newer competencies needed in order to remain relevant in the changing business environment (McIntosh 1999:5). The CFIA focused on the skills needed by an individual person to be an efficient internal auditor. This document was updated using the 2006 CBOK study's results, and a new competency framework, namely the Internal Audit Competency Framework or IACF (IIA n.d.(a)), was issued by the IIA. The IACF is organised into four broad categories of competencies, namely 'tools and techniques', 'knowledge areas', 'internal audit standards, theory and methodology', and 'interpersonal skills'. Within each category the competencies are further subdivided into three levels, appropriate for new internal audit staff ('with less than one year internal audit experience' and 'internal audit staff'), experienced internal auditors (audit senior supervisor and audit manager), and CAEs (director and CAE).

In order to more fully understand the specific skills and competence requirements for internal audit managers, it is also essential to examine the notions of competencies and skills. These concepts are discussed in the context of other formal IIA guidance in the sections below.

2.3 Individual competency requirements

The IPPF of the IIA includes guidance on identifying and defining competencies for internal auditors in order for them to perform their tasks effectively and efficiently. The IPPF consists of the definition of internal auditing, a code of ethics, *Standards,* and practice advisories (IIA 2011:i). The definition, code of ethics and the *Standards* (the mandatory guidance component of the IPPF), all provide guidance on proficiency and the skills requirements of internal auditors. The specific skills and competency

requirements from the mandatory guidance fall under the headings (concepts) of, *inter alia*, proficiency, add value, risk management, governance processes, integrity, objectivity, confidentiality and competency skills (IIA 2011:i).

The updated curriculum of the CIA certification programme, which will be introduced in July 2013, consists of three parts: Part 1 – internal audit basics; Part 2 – internal audit practice; and Part 3 – internal audit knowledge elements (IIA 2012(b):ii). The three-part curriculum was approved after the performance of a job analysis study in respect of the curriculum content of the CIA programme which was conducted by the IIA during 2011. As a result, the IIA's Professional Certifications Board and its Board of Directors approved the new curriculum structure and the three-part syllabus. Unfortunately, the discussions in this article are of necessity, based on the curriculum of the still current four-part CIA programme as the new three-part curriculum was not available when the empirical component of this study was being prepared and the content analysis of the IIA guidance undertaken. The current four-part CIA programme curriculum (updated in 2004) on which the discussions of this study are based, consists of four parts: 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 2012(b):20).

The aforementioned IIA guidance pronouncements provide direction to internal audit practitioners on the knowledge, skills and attitudes required of internal auditor management. In respect of the categorisation of the various competencies and skills contained in the CBOK 2010 study, the core competencies required of today's internal auditor are divided into three categories, namely: general competencies; behavioural skills, and technical skills (Bailey 2010:5).

2.4 Competency requirements for internal audit management

Professional competency requirements for internal audit managers are provided in detail in the IACF. The IPPF refers to two specific types of services that internal auditors could provide, namely assurance and consulting services (IIA 2011:i). In order to be able to perform these types of internal audit services internal audit managers should possess general and behavioural skills, as well as technical skills. In order to successfully perform consulting services White (2007) states that an alignment of the skills required as both a consultant and as an internal auditor is required. Emerging from a history of compliance-type internal audit engagements, modern internal auditors have had to make a paradigm shift to successfully perform an increasingly varied menu of "other" types of internal audit engagements. This has resulted in their requiring new skills intended to provide competence to address various international developments, such as corporate governance codes and increasingly complex and prescriptive legislation (Pryal 2008:41-42). According to Pryal (2008:41-42), internal auditors are expected to improve their

knowledge of business management; risk assessment and risk management; information technology risks; corporate governance, and inter-personal skills.

The skills that internal audit managers should possess can be divided into two broad categories, namely: cognitive skills and behavioural skills (Seol *et al* 2011:219). Under cognitive skills Seol *et al* (2011:219) include technical skills, analytical/design skills and appreciative skills. As part of behavioural skills they included personal skills, interpersonal skills and organisational skills. The categorisation of the skills, according to Seol *et al* (2011), differs materially from the categorisation of skills presented in the CBOK 2010 survey results (Bailey 2010). Although the categorisation of skills by Seol *et al* (2011) appears to be more acceptable and logical than that of the CBOK 2010 study, the CBOK 2010 study results and their analysis that comprises this study are based on the categorisation in the CBOK 2010 study, which are compared to the IIA guidance pronouncements.

3   EMPIRICAL RESEARCH METHODOLOGY

The empirical study was conducted in two phases. Phase one was a content analysis of the skills requirements of internal auditors, contained in the IIA's formal guidance documents. In this analysis the IACF was compared to the syllabus content of the CIA examination, the IPPF, and the detail of the IIA (SA) learnership programmes. These documents were included in the comparison because the IPPF is the IIA's mandatory guidance for internal audit practice (IIA 2011), and the CIA programme (IIA n.d.(b)) is the globally recognised certification of competence for the internal audit profession. The IIA (SA)'s General Internal Auditor (GIA) level learnership or professional training programme (PTP) was included as it is the formal guidance blueprint for internal audit's workplace-based skills development programme for internal audit management in SA (Shellard 2010). The purpose of the comparative analysis was to determine a common level of required competence for internal audit managers in the categories of general competencies, behavioural skills, and technical skills as prescribed by the above-mentioned sources. From the prescribed levels at which the various guidance documents maintain these competencies should be mastered, an average rate of competency was determined for each identified competency and skill. For the purposes of this article, these are referred to as the 'common level' competency levels (refer to Table 1).

Phase two consisted of a comparison of the common levels of competencies, as determined in phase one, with the perceived levels of competencies needed in internal audit practice as reported by internal audit leaders. For the purposes of this study the importance of the competencies needed in internal audit practice was rated as high (H), medium (M) or low (L) for South African and for global internal audit management. To enable meaningful comparison between the data and the common levels of competencies, the latter were also rated as being of high (H), medium (M) or low (L) levels of importance. A similar study was

conducted by Seol *et al* (2011) based on the previous competency framework for internal auditing – the CFIA (McIntosh, 1999). Their methodology consisted of a factor analysis of the empirical data (perceptions of internal audit respondents on the importance of competencies) in an attempt to reduce the number of important skills. In comparison with the afore-mentioned study, this article reports on the latest competency framework – the IACF (IIA n.d.(a)) – as refined in phase one, as well as on the data gathered specifically from internal audit leaders during the CBOK 2010 study.

The data used in this comparison is based on the results of the global CBOK 2010 survey performed by the IIARF, to determine the core competencies required for modern internal auditors (Bailey 2010; IIARF 2010). The IIARF used an internet web-based survey instrument to collect the data from IIA members and from non-member internal auditors, across the world. In this special edition all the articles use the IIARF's CBOK 2010 survey data as a secondary source. The data for South Africa (IIA (SA) 2012) was extracted from the global survey data (IIARF 2010). The results of the CBOK 2010 survey contain the data collected from 13 577 respondents in more than 100 countries. For purposes of this article only the perceptions of internal audit leaders were used in determining the skills requirements for internal audit management. Perceptions of global internal audit leaders (4 712 respondents) were compared with those of their South African peers (95 respondents).

4   FINDINGS

The results generated by the two phases of the empirical study are provided in the following sections.

4.1   Comparative analysis in phase one

The CBOK 2010 study on core competencies (Bailey 2010:5-22) 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 of the different IIA guidance documents. As the competence descriptors used by the IACF differ slightly from those used in the CBOK 2010 study, for the same competencies, it was not possible to include all the competence descriptors of the IACF in the comparison: however, statistically speaking, 93.5% were addressed.

The results of the comparative analysis are recorded in Table 1. The IACF legend was used, and against this was rated the levels of the various guidance documents' competencies. All the IIA guidance used for the analysis refers to competencies of both knowledge and skills. However, the analysis revealed that the content of these guidance documents differs substantially. Concepts and terminology describing the competencies are not used consistently. In addition, the classification of the competencies and skills within the three main categories are unclear and inconsistent: for example, negotiation skills are classified as both general competencies and as

behavioural skills. The research team attempted to clarify these discrepancies with the chairperson of CBOK 2010 survey committee (MJA Parkinson, chairperson of CBOK 2010 survey committee, Australia, e-mail communication) but the explanations received did not shed the desired additional clarity. As mentioned in section 2, these issues were identified as limitations of the study and form the premise against which the findings should be considered.

Table 1: Common levels of competencies for internal audit management

General Competencies	IACF(*)	CIA and IPPF(**)	IIA (SA) PTP (GIA)	Common level
Communication skills	3.0	3.0	3.0	3.0
Problem identification and solution skills	3.5	2.0	n/a	3.0
Ability to promote value of internal audit	3.0	2.0	2.0	2.3
Industry regulatory and standards changes	2.0	2.0	n/a	2.0
Organisation skills	3.0	4.0	n/a	3.5
Conflict resolution / negotiation skills	3.0	n/a	2.0	2.5
Staff training and development	2.0	n/a	n/a	2.0
Accounting framework tools and techniques	3.0	3.0	n/a	3.0
Change management skills	3.0	3.0	n/a	3.0
IT/ICT frameworks tools and techniques	2.3	2.0	n/a	2.0
Cultural fluency and foreign language skills	2.5	2.0	n/a	2.3
Behavioural skills				
Change catalyst	3.0	3.0	n/a	3.0
Facilitation	n/a	n/a	n/a	n/a
Influence – ability to persuade	3.0	2.0	1.0	2.0
Staff management	2.3	4.0	n/a	3.0
Team building/creating group synergy	3.0	2.0	n/a	2.5
Relationship building – building bonds	3.0	2.0	2.0	2.5
Work independently	n/a	n/a	n/a	n/a
Team player – collaboration/cooperation	3.0	2.0	n/a	2.5
Leadership	3.0	2.0	n/a	2.5
Judgement	n/a	n/a	n/a	n/a
Governance and ethics sensitivity (integrity)	3.0	2.0	3.0	2.5
Work well with all levels of management	n/a	n/a	n/a	n/a
Communication – sending clear messages, listening	3.0	3.0	3.0	3.0
Objectivity	4.0	4.0	2.0	4.0
Confidentiality	4.0	n/a	n/a	4.0
Technical skills				
Forecasting	3.0	2.0	n/a	2.5
ISO/quality knowledge	2.0	2.0	n/a	2.0
Balanced scorecard	3.0	2.0	n/a	1.5
Total quality management	2.0	2.0	n/a	2.0
Statistical sampling	4.0	2.0	n/a	3.0
Financial analysis tools and techniques	3.0	4.0	n/a	3.5
Use of IT/ICT and technology-based audit techniques	3.3	2.0	n/a	2.7
Forensic skills/fraud awareness	3.0	3.0	n/a	2.7
Operational and management research skills	2.0	1.0	n/a	1.5
Project management	3.5	2.0	n/a	2.8
Negotiating	3.0	n/a	2.0	2.5
Data collection and analysis tools and techniques	3.5	2.0	n/a	2.8
Business process analysis	3.4	2.0	n/a	2.7
Problem solving tools and techniques	3.5	2.0	n/a	3.0
Identifying types of controls (preventative, detective, etc.)	4.0	4.0	3.0	4.0
Governance, risk and control tools and techniques	2.3	3.0	3.0	2.1
Risk analysis and control assessment techniques	4.0	4.0	3.0	3.3
Understanding business	3.0	2.0	3.0	2.7

(*)The IACF has two levels for the CAE and an average of these was calculated.
(**)The IPPF was not included in determining the average to calculate the common levels as too many were 'not applicable' for the comparison.
Key used in Table 1: *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.*

The results in Table 1 reveal that the five general competencies with the highest common competency levels are 'organisation skills' (3.5), 'communication skills' (3.0), 'problem identification and solution skills' (3.0), 'accounting frameworks, tools and techniques' (3.0) and 'change management skills' (3.0). For these skills the IACF ratings were perceived to be on a similar level. 'Communication skills' is the only one

where all of the various guidance documents share the same competency level as the common level. The relative values of the common level column compared to the IACF and CIA column show a close parallel. In stark contrast, the competency level ratings indicated in the IIA (SA) PTP (GIA), and the IPPF columns (with the exception of 'communication skills') show alarming differences from the ratings in the common level column. The IIA (SA) PTP (GIA) column shows that only three of the 11 skills presented as part of the general competencies category were identified as important.

In respect of behavioural skills, Table 1 indicates that 'objectivity' (4.0), 'confidentiality' (4.0), 'change catalyst' (3.0), 'staff management' (3.0), and 'communication – sending clear messages, listening' (3.0) are the five skills with the highest common competency level ratings. The 'communication – sending clear messages, listening' skill is rated on the same level in the common level column as in the columns representing the guidance documents. In other words, there is unanimity across all three sets of desirable skills as to the relative importance of this skill.

The five highest rated technical skills in the common level column of Table 1 are 'identifying types of controls' (4.0), 'financial analysis tools and techniques' (3.5), 'risk analysis and control assessment techniques' (3.3), 'statistical sampling' (3.0) and 'problem solving tools and techniques' (3.0). It is a matter for concern that only two of these five technical skills are included in the IIA (SA)'s GIA PTP curriculum. Equally concerning is the fact that of the 18 technical skills listed in Table 1, the IIA (SA)'s GIA PTP curriculum includes only four. In respect of the IACF and the CIA programme curriculums, the distribution of rankings of importance of technical skills is fairly similar.

Figure 1 provides a graphic illustration of the relative importance of the average competence levels per category of competency as per the IIA guidance summarised in Table 1. Figure 1 shows substantially lower average levels of competencies expected of internal audit managers by the IIA(SA)'s GIA PTP when compared to the IACF and the CIA and IPPF expected competency levels.

Figure 1: Comparison of the average competence levels of IIA guidance for internal audit managers
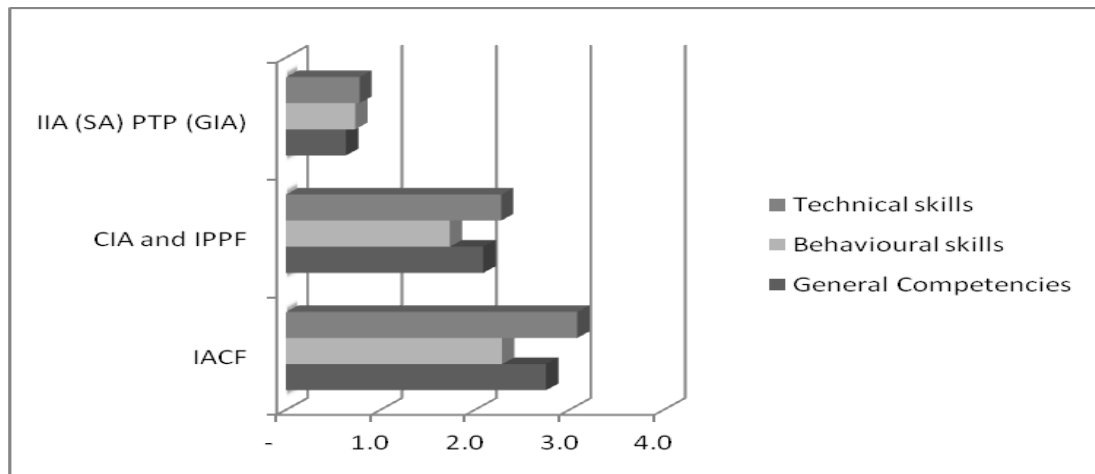
The following section provides a comparison of the perceptions of internal audit leader respondents in respect of the importance of the different competencies and skills within the three main categories as defined by IIA guidance sources.

4.2 Comparative analysis in phase two

During this phase the importance of the common levels of competencies (refer to Table 1) was compared to the levels of importance for internal audit management as perceived by internal audit leaders. To rate the relative importance of the common levels of competencies, these levels were rated as high (refer to Table 1 – Keys 3 and 4), medium (Table 1 – Key 2), or low (refer to Table 1 – Key 1 and 'n/a'). Similarly the importance of the different competencies and skills within the three main categories were rated as high (top third), medium (middle third) or low (bottom third) (refer to Table 2).

The above comparison focuses on the importance of the competencies and skills specifically for internal

audit management. Other articles in this special edition focus on competencies and skills for internal audit staff and for CAEs. For example, when comparing the results on general competencies: 'accounting framework tools and techniques', internal audit leaders' perceptions of this competency's importance for both internal audit management and CAEs rate it as less important (L), while the IIA guidance (common level) indicates that this competency is very important (H) for internal audit management. In contrast, internal audit leaders perceived this competency as high (H) for internal management, whereas the IIA guidance indicates it as being of medium (M) importance. These differences in perceptions and the associated importance ratings presented in Tables 1 and 2 suggest that the quality of assurance and non-assurance internal audit services are more risk-prone than one would like, as the competencies possessed by audit team members could be less than optimally appropriate for the task, because of the different emphases or degrees of importance the various

pronouncements carry. The emphasis given by internal audit managers could thus differ from the importance or emphasis intended in the IIA guidance

pronouncements, which in turn could distract the manager from ignoring all of them in favour of "following the evidence" in front of him/her.

Table 2: Comparison of the importance of common levels of competencies for internal audit management with the perceptions of internal audit leaders

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

* Global data is only available in scale format.
Key used in Table 2: *H = High; M = Medium; and L = Low.*

When considering the results of the responses in respect of the general competencies category as reflected in Table 2, only 'communication skills' and 'organisation skills' are unanimously rated as of high (H) importance for internal audit management by SA leaders, global respondents and combined IIA guidance. General competencies with substantial differences in the importance ratings between the three parties are indicated in Table 2. These are 'accounting framework tools and techniques', 'cultural fluency and foreign language skills', and 'IT/ICT

frameworks tools and techniques'. In respect of these competencies both SA leaders and global respondents rated them as low (L), while the IIA guidance, in significant contrast, rated them as being of either high (H) or medium (M) importance.

With regard to behavioural skills, Table 2 shows that 'communication skills', 'confidentiality', and 'staff management' are all rated as of high (H) importance by the three parties, while the ability to 'work independently' is rated as low (L) by the three parties.

For the competencies 'change catalyst' and 'objectivity' in the behavioural skills category, the IIA guidance regards them as highly (H) important skills for internal audit managers, while in contrast, SA leaders and global respondents perceived them as being less important.

The results of the comparative analysis recorded in Table 2 revealed that, in the technical skills category, 'problem solving tools and techniques' and 'risk analysis and control assessment techniques' are regarded by all three parties as being of high (H) importance to internal audit managers. IIA Guidance (the common level column) shows 'statistical sampling', 'identifying types of controls' and 'financial analysis tools and techniques' as highly important (H) technical skills for internal audit managers, but SA leaders and global respondents perceived these skills as being of low (L) importance.

When considering the averages of the importance ratings of each of the three categories of competencies and skills, based on the number of high (H) importance ratings in Table 2, it is evident that on average, general competencies (1.2) are regarded as more important skills for internal auditor managers to possess than are behavioural skills (1.0) and technical skills (0.9).

5 CONCLUSIONS AND RECOMMENDATIONS

The study on which this article is based reports on the competencies and skills required by internal audit management. The literature review discussed the evolution of the internal audit profession, leading ultimately to the development of a competency framework (the IACF). These competencies and skills included in this framework were refined by the researchers by incorporating other pertinent guidance issued by the IIA, in order to develop a more inclusive list of common levels of competencies. These competency levels were then compared to internal audit leaders' perceptions of the importance of the various competencies for the effective management of internal audit engagements.

The first phase of the study found that the formal IIA guidance pronouncements (IACF, CIA certification programme and the IPPF, as well as the South African GIA learnership programme) are significantly different in their explanations of the competencies and skills required by internal auditors. It is cause for concern that the competencies and skills addressed in these various documents do not share a common set of definitions. As a direct and serious consequence this conveys a message to internal audit managers that there is confusion as to their skills and competency requirements. This is substantiated by the study performed by Seol *et al* (2011:222) which revealed similar findings. It is therefore recommended that the IIA, as a key priority, establish a task team to achieve consistency and clarity in and between the various guidance pronouncements, as it is apparent that the guidance documents in their current forms were developed by

different divisions, authors and committees, for different purposes and at different times, all with an apparent minimum of reference to preceding publications.

Supporting the findings in the first phase, the second phase of the study also found substantial differences in the importance ratings of the various skills expected of internal audit management between the views of the CBOK 2010 respondents (SA leaders and global) and the importance ratings provided in Table 2 in respect of IIA guidance pronouncements (the common level column). Perceptions of importance held by internal audit leaders (SA and global) correspond, but together differ substantially from the importance ratings provided by the IIA guidance. These differences could result in confusion for internal audit managers as to what skills and competencies they should possess or obtain. A further concern is that universities offering academic programmes in internal audit (or those aspiring to do so) could emphasise skills in their curriculums based on the IIA guidance, skills which are perceived by the internal audit leaders (the real world practitioners of internal auditing) to be of lesser importance.

Soft skills such as 'communication', 'organisation skills', 'negotiating', 'facilitation', and 'leadership' were perceived as being of more importance by internal audit leaders than that indicated by the combined IIA guidance. The IIA guidance places a higher importance rating on technical-type skills such as 'statistical sampling' and 'financial analysis, tools and techniques' than did the internal audit leaders.

As an overall summary of the situation, it appears that it is more important that internal audit managers possess general competencies than behavioural and technical skills. This finding is indicative of the importance of higher skills and competency requirements that internal audit managers should possess in order to manage their internal audit staff and the internal audit engagements, rather than skills directly related to performing the details of internal audit engagements *per se*. The exception to the above findings is in respect of 'communication skills'. All respondents – including IIA guidance – rated 'communication skills' as high (H). Inter-personal skills are thus important skills for internal auditor managers to have.

On the basis of the results of the study, it is recommended that the various IIA guidance pronouncements be disseminated, aligned and updated, taking full account of the perceptions of the CBOK 2010 respondents of the importance of the competencies and skills required by internal audit managers. Conversely, internal audit managers should also become more aware of the IIA guidance's ratings of key skills and competencies. It is important for internal audit managers, when managing internal audit staff and internal audit engagements, that when planning the skills development of their internal audit staff, it should be done according to properly aligned and unambiguous IIA guidance pronouncements.

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