

Looking to the Future for Internal Audit Standards

STANDARDS &
CERTIFICATIONS



Closer Look

Standards Updates, Usage, and Conformance

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About CBOK

SURVEY FACTS

Respondents	14,518*
Countries	166
Languages	23

EMPLOYEE LEVELS

Chief audit executive (CAE)	26%
Director	13%
Manager	17%
Staff	44%

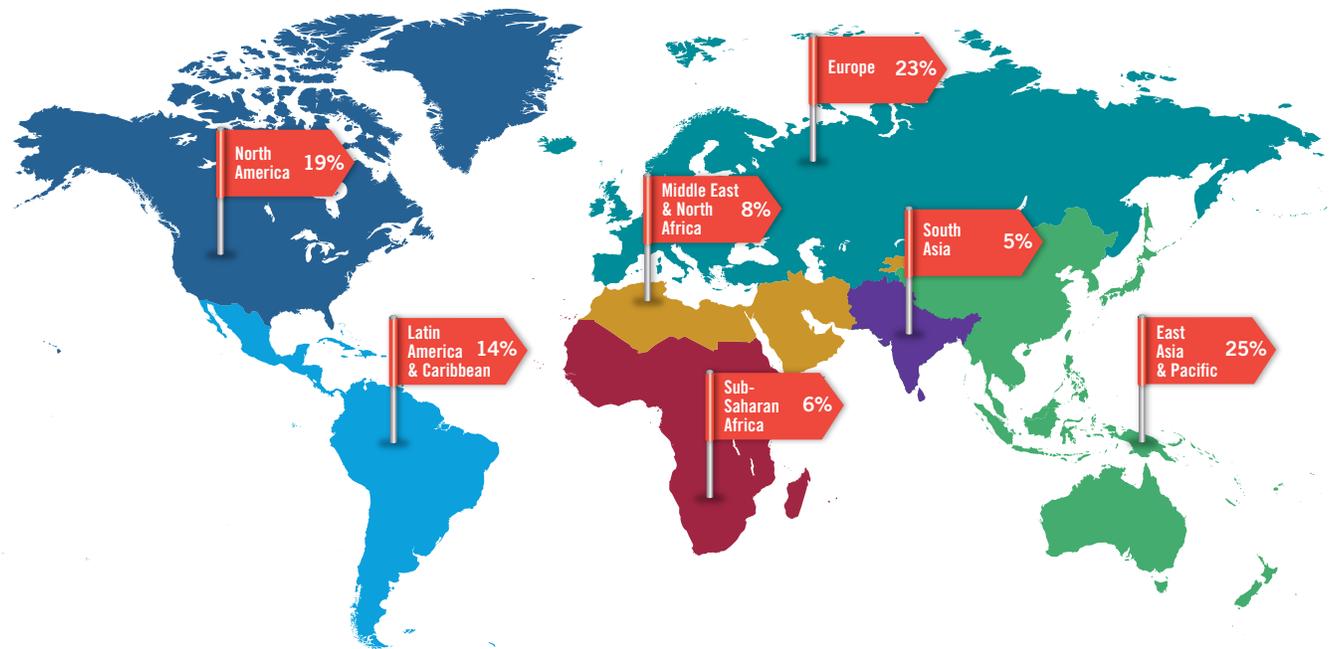
*Response rates vary per question.

The Global Internal Audit Common Body of Knowledge (CBOK) is the world's largest ongoing study of the internal audit profession, including studies of internal audit practitioners and their stakeholders. One of the key components of CBOK 2015 is the global practitioner survey, which provides a comprehensive look at the activities and characteristics of internal auditors worldwide. This project builds on two previous global surveys of internal audit practitioners conducted by The IIA Research Foundation in 2006 (9,366 responses) and 2010 (13,582 responses).

Reports will be released on a monthly basis through 2016 and can be downloaded free of charge thanks to the generous contributions and support from individuals, professional organizations, IIA chapters, and IIA institutes. More than 25 reports are planned in three formats: 1) core reports, which discuss broad topics, 2) closer looks, which dive deeper into key issues, and 3) fast facts, which focus on a specific region or idea. These reports will explore different aspects of eight knowledge tracks, including technology, risk, talent, and others.

Visit the CBOK Resource Exchange at www.theiia.org/goto/CBOK to download the latest reports as they become available.

CBOK 2015 Practitioner Survey: Participation from Global Regions



Note: Global regions are based on World Bank categories. For Europe, fewer than 1% of respondents were from Central Asia. Survey responses were collected from February 2, 2015, to April 1, 2015. The online survey link was distributed via institute email lists, IIA websites, newsletters, and social media. Partially completed surveys were included in analysis as long as the demographic questions were fully completed. In CBOK 2015 reports, specific questions are referenced as Q1, Q2, and so on. A complete list of survey questions can be downloaded from the CBOK Resource Exchange.

**CBOK
Knowledge
Tracks**

Future



**Global
Perspective**



Governance



Management



Risk



**Standards &
Certifications**



Talent



Technology



Contents

Executive Summary	4
1 The IPPF: Living Guidance for an Evolving Profession	5
2 Use of the <i>Standards</i>	6
3 Conformance to Individual Standards	11
4 Overcoming Barriers to Conformance	16
5 <i>Standards</i> Use in Small Audit Departments	19
6 Internal Audit Competency: Applying the <i>Standards</i> to Our Work	22
Conclusion	26

Executive Summary

This report provides an overview of results from the 2015 Global Internal Audit Practitioner Survey regarding The Institute of Internal Auditors' (IIA's) *International Standards for the Professional Practice of Internal Auditing*. The *Standards* represent minimum expected requirements that normally should be found in all internal audit functions. They provide a foundation for performing efficiently and effectively, and are intended for use wherever internal auditing is practiced. Yet despite the fact that conformance to the *Standards* is mandatory for all members of The IIA and for all Certified Internal Auditors (CIAs), the survey found significant levels of nonconformance. Almost half of surveyed chief audit executives (CAEs) report that they do not use all the *Standards*, and fewer still say that they are in conformance with the *Standards*.

An underlying objective of the *Standards* is to ensure that internal audit is effective, of high value, and of high and consistent quality. Nonconformance undermines this objective, and significant levels of nonconformance are detrimental to the image and reputation of the internal audit profession. Fortunately, the CBOK survey also found that significant progress is being made toward more consistent conformance.

The CBOK 2015 Global Internal Audit Practitioner Survey found:

- While use of the *Standards* is increasing, almost half of CAEs still report that they do not use all of the *Standards*.

- Auditors holding internal audit-related professional certifications use the *Standards* more often than auditors without such certifications.
- Members of The IIA use the *Standards* more often than nonmembers.
- *Standards* use is more likely in highly regulated industries than in less-regulated industries, and more likely in publicly traded organizations than in privately owned organizations.
- Use of all of the *Standards* is higher in the regions of North America, Europe, and Sub-Saharan Africa than in other parts of the world.
- More work may be needed in learning to apply the *Standards* and other elements of The IIA's International Professional Practices Framework (IPPF) effectively. Almost a quarter of internal auditors evaluate themselves as being below the competent level in applying the IPPF to their work.

Use of the *Standards* may be particularly challenging for internal auditors working at smaller internal audit departments. Auditors in one- to three-person departments use all of the *Standards* at a rate of 6% to 18% below the global average. Other reasons given for nonconformance include lack of board/management support, lack of perceived benefit compared to cost, and impacts on conformance caused by government regulations or standards.

1 The IPPF: Living Guidance for an Evolving Profession

The internal audit profession is richly diverse. It is conducted in highly varied legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. But while differences may affect the professional practice of internal auditing in each environment, the profession is guided by a common body of knowledge—a living reference that represents the collective knowledge and generally accepted procedures of successful internal audit practitioners.

The IPPF is a conceptual framework that organizes authoritative guidance promulgated by The IIA. It encompasses both mandatory and recommended guidance for the profession, and this guidance is changing as the profession of internal auditing evolves over time.

In July 2015, The IIA released a revised IPPF to better support internal audit practitioners in fulfilling their roles with an insightful, proactive, and future-focused perspective. Since that time, 11 additional enhancements have been proposed, and it is all but certain that the *Standards* and other guidance within the IPPF will continue to evolve in the future.

About the *Standards*

A mandatory component of the IPPF, the *Standards*, provides a foundation for performing internal auditing efficiently and effectively. Conformance to the principles set forth in the *Standards* is generally considered essential for the professional practice of internal auditing, and is mandatory for all IIA members and CIAs.

The purpose of the *Standards* is to:

1. Delineate basic principles that represent the practice of internal auditing.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

2 Use of the *Standards*

All true professions have rules and codes of conduct that establish minimum acceptable levels of performance. Individuals such as accountants, attorneys, and physicians are expected to conform to specific requirements. Among these groups, failure to conform to professional standards is considered unusual. But in this regard, internal auditing is different from many other professions. The practice of internal auditing varies considerably between organizations, in part because internal auditing is self-regulated and most internal audit stakeholders are internal to a single organization.

The CBOK survey found that, although use of the *Standards* is increasing, almost half of CAEs do not use all standards. Fewer still say they generally are in conformance. In internal auditing, use of professional standards is inconsistent, and conformance to the *Standards* cannot be taken for granted.

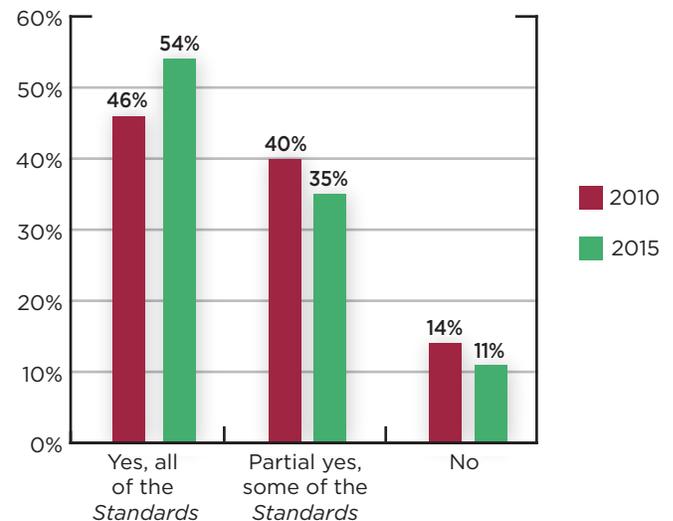
A decision not to use professional standards may add flexibility to internal audit practices, but that flexibility does not come without a price. Some people believe internal auditing will not be viewed as a true profession until internal auditors not only have mandatory rules, but also begin to follow those rules consistently. Failure to use professional standards may have unintended consequences, such as increased risk of audit failure or inefficient use of resources. In some jurisdictions, boards of directors face increased liability if internal auditors are not required to conform to the *Standards*.

It is not surprising therefore to note that use of the *Standards* is increasing rapidly. It seems likely that, as the profession matures, use of professional standards may soon become a requirement in internal auditing just as it is among most other professional groups.

KEY POINT: Use of the *Standards* is increasing, but almost half of CAEs report that they do not use all of the *Standards*.

CAEs who participated in the CBOK practitioner surveys used all of the *Standards* at 54% of organizations in 2015, compared to only 46% in 2010. As shown in **exhibit 1**, approximately 11% stated they did not use any of the *Standards* in 2015, compared to 14% five years earlier. In organizations where the *Standards* are used, internal audit practices may be guided by use of government auditing standards or other internal audit-related standards; however, almost half of CAEs reported that they do not use all of the *Standards*; so there still may be significant room for improvement in overall adoption rates.

Exhibit 1 Use of the *Standards* by Chief Audit Executive Organizations



Note: Q98: Does your organization use the *International Standards for the Professional Practice of Internal Auditing (Standards)*? CAEs only. 2010 n = 2,714; 2015 n = 2,513.

Oversight: Audit Committees' Impact on Use

KEY POINT: Internal auditors are more likely to use the *Standards* if the organization has an audit committee.

The presence of audit committees seems to have a positive impact on adoption of the *Standards*. Approximately 60% of CAEs at organizations with audit committees or equivalent oversight groups use all of the *Standards*; 32% use some of the *Standards*; and only 8% do not use the *Standards* at all.

Maturity: Audit Department Age versus *Standards* Use

KEY POINT: Where the *Standards* have not yet been adopted, CAEs should develop a plan to use and conform to all of the *Standards*.

Although The IIA's Code of Ethics states that internal auditors shall perform internal audit services in accordance with the *Standards*, it may take time before some newer internal audit departments use all of the *Standards*. The age of the internal audit function has a positive impact on use. Among internal audit departments less than 10 years old, 49% use all of the *Standards*, while 54%, 56%, and 63% use all of the *Standards* at departments that are 10-19 years old, 20-29 years old, and over 29 years old, respectively.

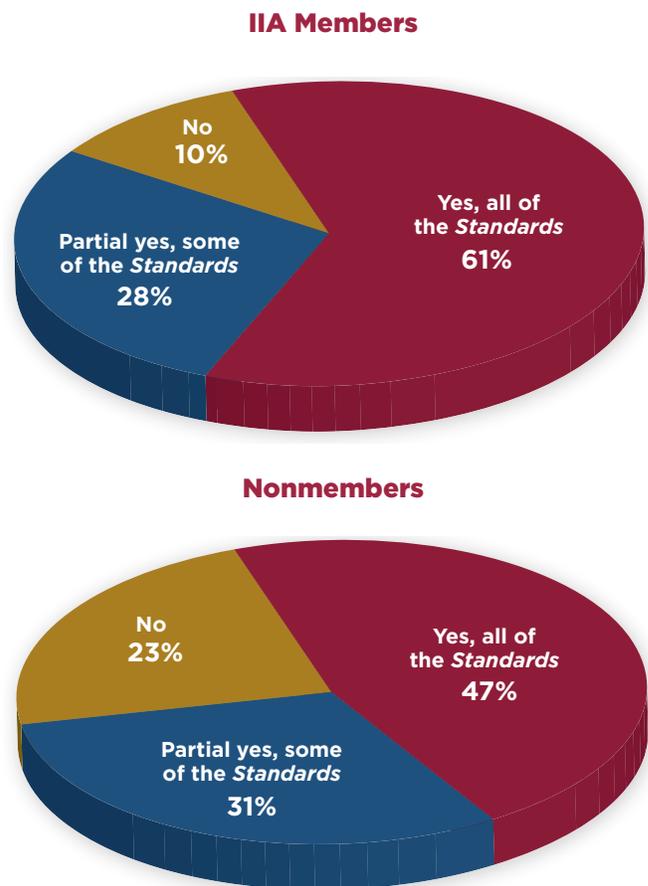
The *Standards* represent minimum expected requirements that normally should be found in all internal audit functions; however, in new internal audit departments, some CAEs may be reluctant to adopt the *Standards* in entirety because of initial implementation costs. At organizations where immediate use of all of the *Standards* is considered impracticable, CAEs may want to consider developing a plan to implement all of the *Standards* over a period of time, prioritizing and implementing the *Standards* that are expected to have the most beneficial impact first.

IIA Membership and Use of the *Standards*

KEY POINT: IIA members are significantly more likely than other internal auditors to use all of the *Standards*.

Internal auditors who are members of The IIA use all of the *Standards* more often than internal auditors who are not members. Approximately 61% of IIA members use all of the *Standards*, compared to 47% of nonmembers (see **exhibit 2**). This difference in usage might be attributed in part to a better awareness of the *Standards* by IIA members.

Exhibit 2 Use of the *Standards* by Internal Audit-Related Certification



Note: Q98: Does your organization use the *International Standards for the Professional Practice of Internal Auditing (Standards)*? IIA Members $n = 7,684$; Nonmembers $n = 1,501$.

Impact of Certification on Use of the Standards

KEY POINT: Internal auditors holding professional certifications are significantly more likely to follow the *Standards* than non-certified auditors.

Auditors holding professional certifications related to internal auditing tend to use the *Standards* more than those without certifications. As shown in **exhibit 3**, 64% of auditors with internal audit-related certifications use all of the *Standards*, compared to only 54% of auditors without these credentials. It is possible that use of the *Standards* can be enhanced when CAEs actively promote staff activities, such as attainment of professional certifications and involvement in professional membership associations.

The Standards in Academia

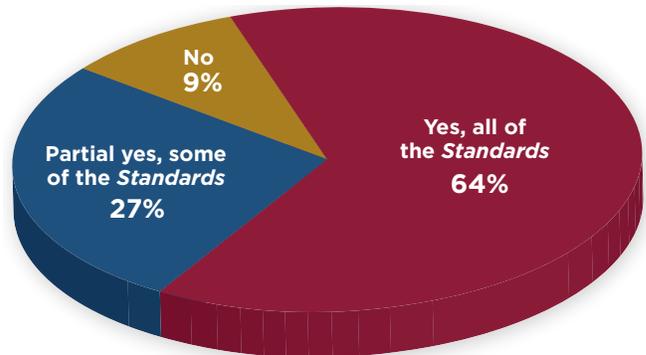
Although the *Standards* are universally recognized as an essential foundation for the practice of internal auditing, they are not yet consistently included in academic curricula designed for internal auditors. Auditors can help promote the awareness of the *Standards* by encouraging universities to include the *Standards* in their curricula, by speaking with internal audit professors or student groups about the *Standards*, and by encouraging textbook writers to include coverage of the *Standards* in upcoming revisions to textbooks.

“The *Standards* have only been included as a part of the academic curriculum and scope in recent years, and not by all universities. The *Standards* should be part of the topics to be covered in the universities. The university educators need to be educated on the need and the reasons why the *Standards* should be a matter of their concern.”

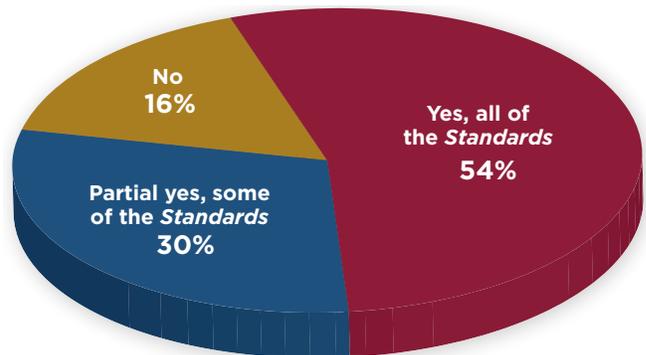
—Maritza Villanueva,
Corporate Internal Audit Manager,
Grupo Unicomer, El Salvador

Exhibit 3 Use of the Standards by Internal Audit-Related Certification

Internal Audit-Related Certification



No Internal Audit-Related Certification



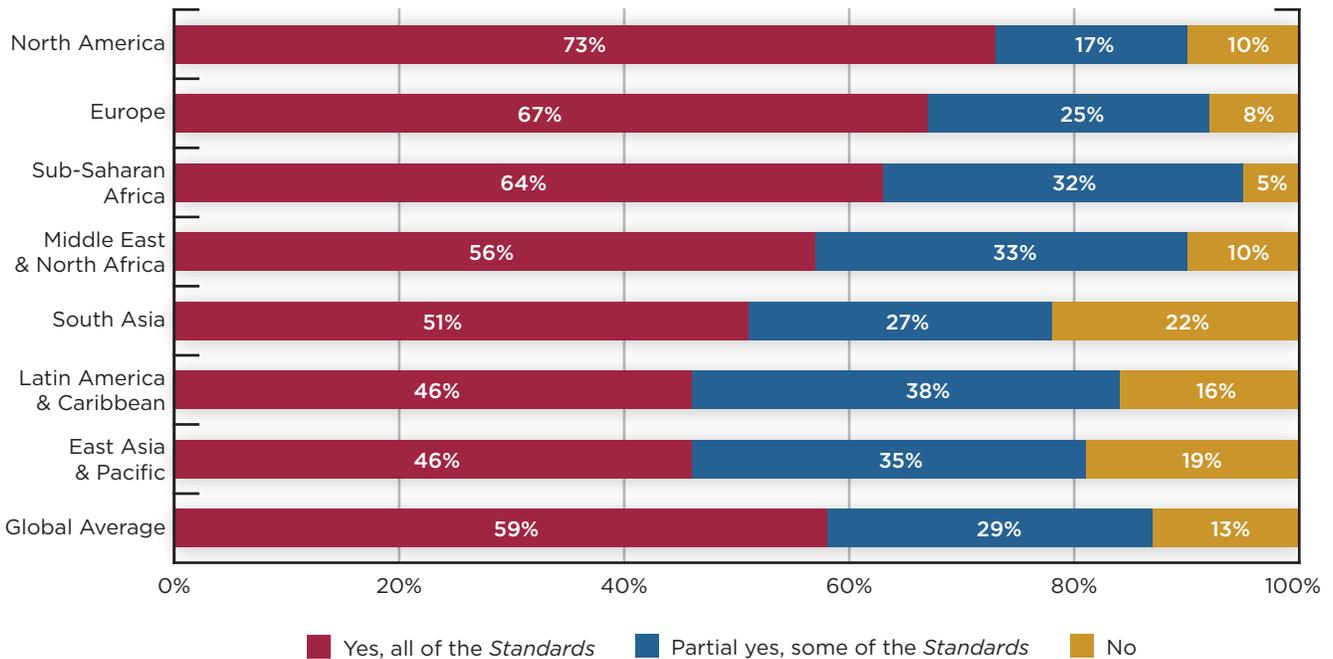
Note: Q98: Does your organization use the *International Standards for the Professional Practice of Internal Auditing (Standards)*? Certified $n = 4,506$; Non-Certified $n = 4,879$.

Standards Use throughout the World

KEY POINT: *Standards* use varies significantly between geographic regions.

Levels of use of the *Standards* vary significantly by global region. Use of all of the *Standards* is highest in the regions of North America (73%), Europe (67%), and Sub-Saharan Africa (64%). In part, this geographic variation may result from differences in how the profession is perceived in different parts of the world. As shown in **exhibit 4**, CAEs were most likely to state that they do not use the *Standards* in the regions of South Asia (22%), Latin America & Caribbean (16%), and East Asia & Pacific (19%).

Exhibit 4 Use of the Standards by Global Region



Note: Q98: Does your organization use the *International Standards for the Professional Practice of Internal Auditing (Standards)*? n = 9,268.

Standards Use by Industry Sector

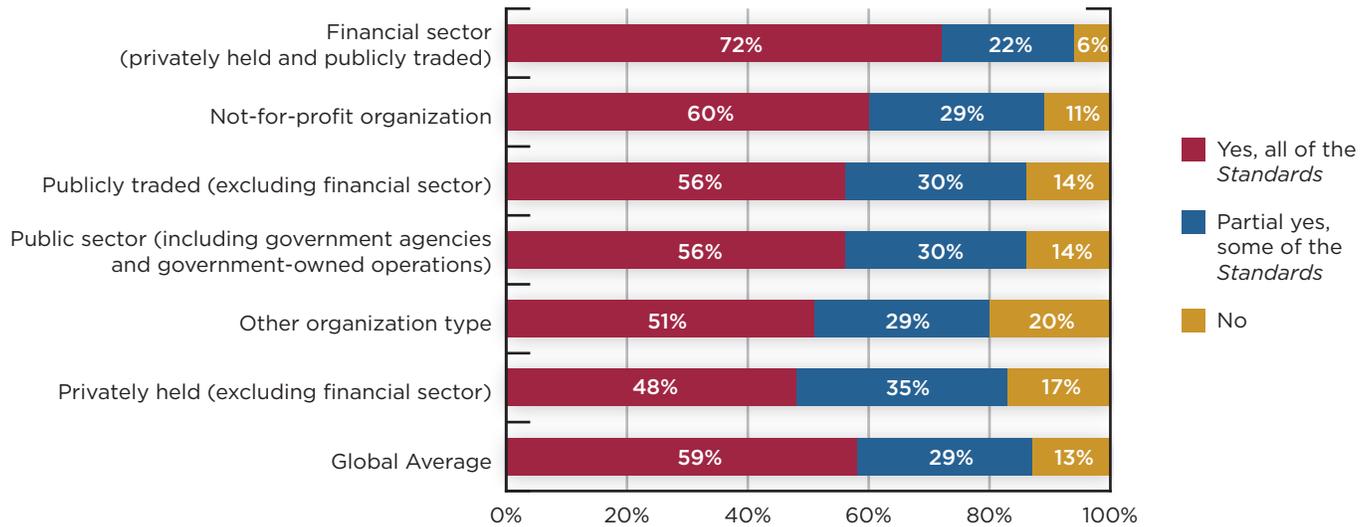
KEY POINT: Levels of use of the *Standards* tend to vary by industry and by whether or not an organization is publicly traded.

Use of all of the *Standards* is highest in the financial sector for both privately held and publicly traded organizations (see **exhibit 5**). In this highly regulated sector, organizations may be required to use the *Standards* or other similar benchmarks to evaluate internal audit performance; therefore, auditors in the financial sector may be particularly likely to use all of the *Standards*. As shown in **appendix A**, full conformance rates also vary by organization type.

Summary

For some auditors, full use of all of the *Standards* can be challenging. The CBOK survey results indicate that use of all of the *Standards* is more likely when adherence is supported by management and the audit committee, and when internal auditors enhance their knowledge of the *Standards* through active participation in professional membership associations and related certification programs.

Exhibit 5 Use of the Standards by Type of Organization



Note: Q98: Does your organization use the *International Standards for the Professional Practice of Internal Auditing (Standards)*?
 n = 9,385.

ACTION ITEMS FOR PROMOTING USE OF THE STANDARDS



1. Include a requirement in the internal audit procedures manual and in the internal audit charter that the department use and conform to all of the *Standards*.
2. Encourage internal audit department members to obtain audit-related professional certifications.
3. Require internal audit certifications for individuals holding higher ranks within the department.
4. Encourage members of the internal audit department to join The IIA and participate in IIA-sponsored activities.
5. Hire internal auditors who have completed internal audit programs at Internal Audit Education Partnership® universities, or who have completed other formal education in internal auditing.
6. Educate senior management and the audit committee regarding the potential benefits of conformance and the extent of *Standards* usage at other similar organizations.

3 Conformance to Individual Standards

Reported conformance to every individual standard is currently on the upswing, but rates of conformance vary significantly among individual standards. This section focuses on conformance to individual standards, evaluates specific reasons for nonconformance, and presents action items to help address nonconformance.*

Attribute Standards versus Performance Standards

KEY POINT: In general, full conformance to the Attribute Standards is more common than full conformance to the Performance Standards.

Full conformance by CAEs reportedly increased 5% to 8% for each standard during the years between the 2010 and 2015 CBOK surveys (see **exhibit 6**). Except for Standard 1300 – Quality Assurance and Improvement Program, full conformance with the Attribute Standards is more common than conformance with the Performance Standards. The Attribute Standards experienced smaller increases in full conformance between 2010 and 2015; but with the exception of Standard 1300, full conformance with the Attribute Standards was already significantly higher than conformance to the Performance Standards.

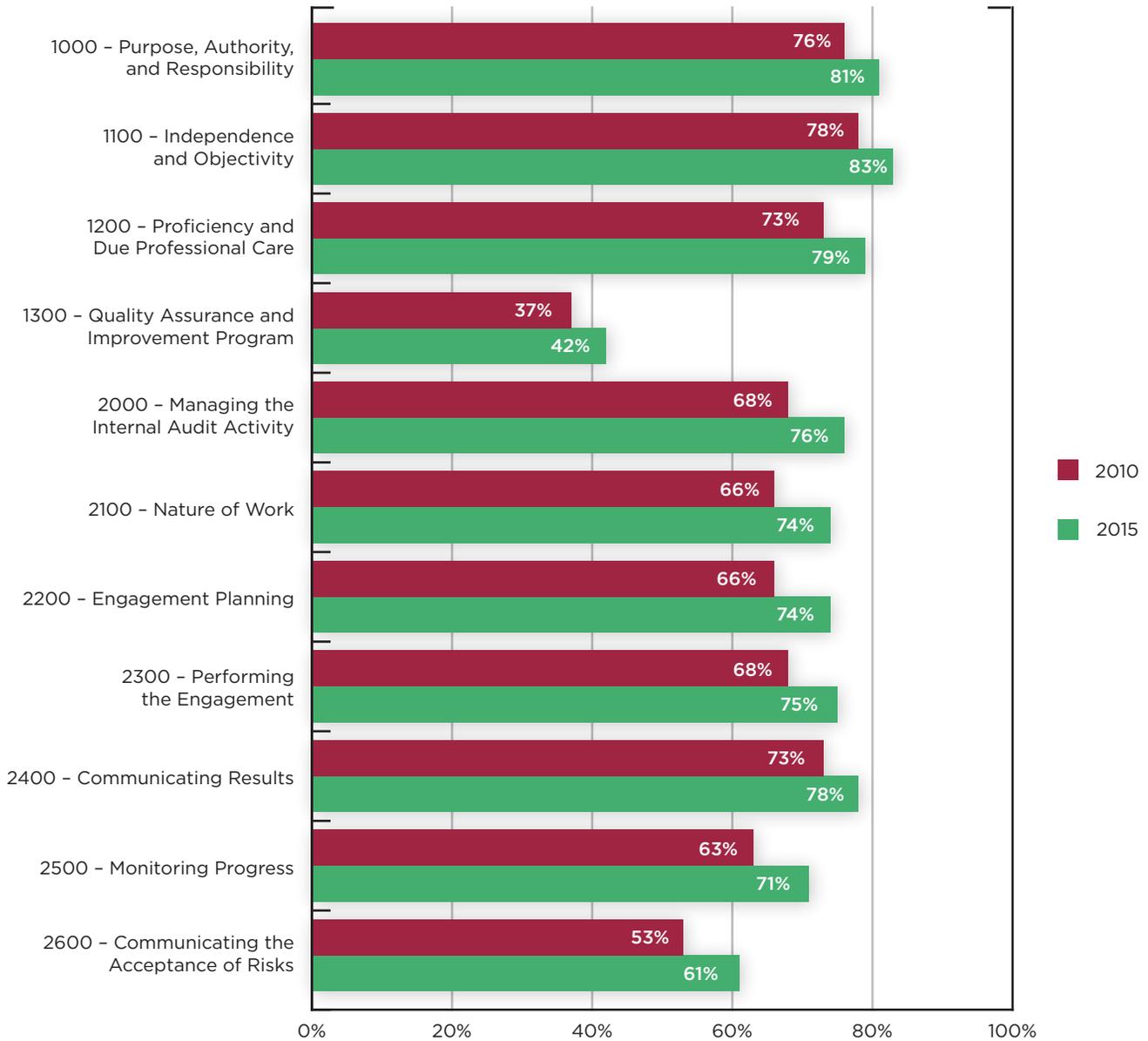
* *Note:* During the CBOK survey, respondents who stated that they used all or part of the *Standards* were asked whether or not they conformed fully to the *Standards*. If respondents stated that they did not use any of the *Standards*, they were not asked whether or not they were in full conformance with the *Standards*.

IIA Membership and Likelihood of Conformance

KEY POINT: Conformance to the *Standards* is generally higher among auditors who are members of The IIA.

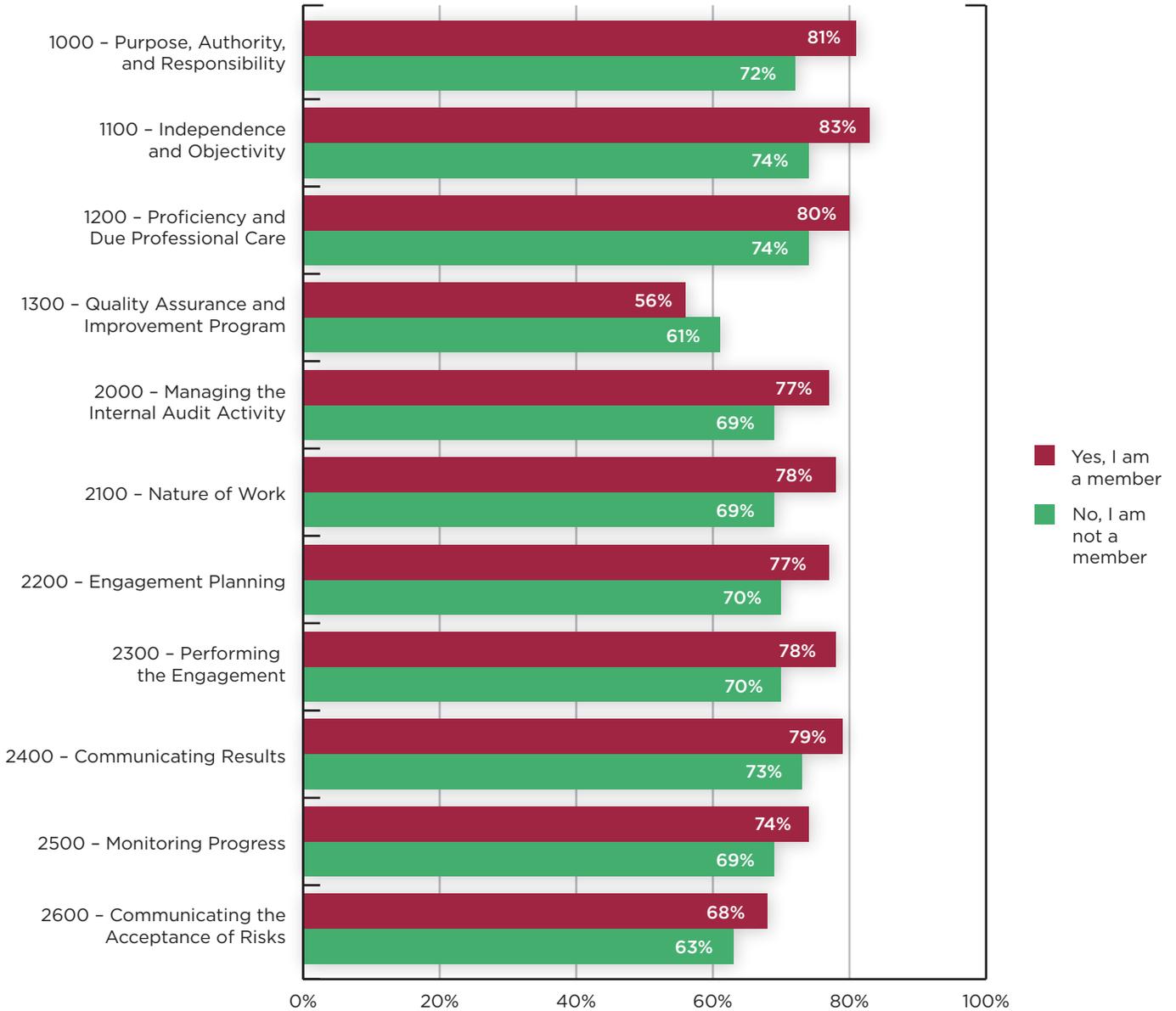
The IIA's Code of Ethics requires that internal audit services be performed in accordance with the *Standards*. It was no surprise therefore that except for Standard 1300 – Quality Assurance and Improvement Program, the rate of full conformance was higher among IIA members than among nonmembers (see **exhibit 7**). Except for Standard 1300, full conformance to the *Standards* is also higher among auditors with internal audit-related certifications than among those who do not hold certifications (see **exhibit 8**). It is interesting to note that IIA membership and attainment of internal audit-related certifications had a notably higher impact on use of the *Standards* than on conformance to individual requirements. Evidently, awareness of the *Standards* attained through association membership or through certification programs does not always result in improved conformance to specific requirements.

Exhibit 6 Full Conformance with the Standards by CAE Organizations



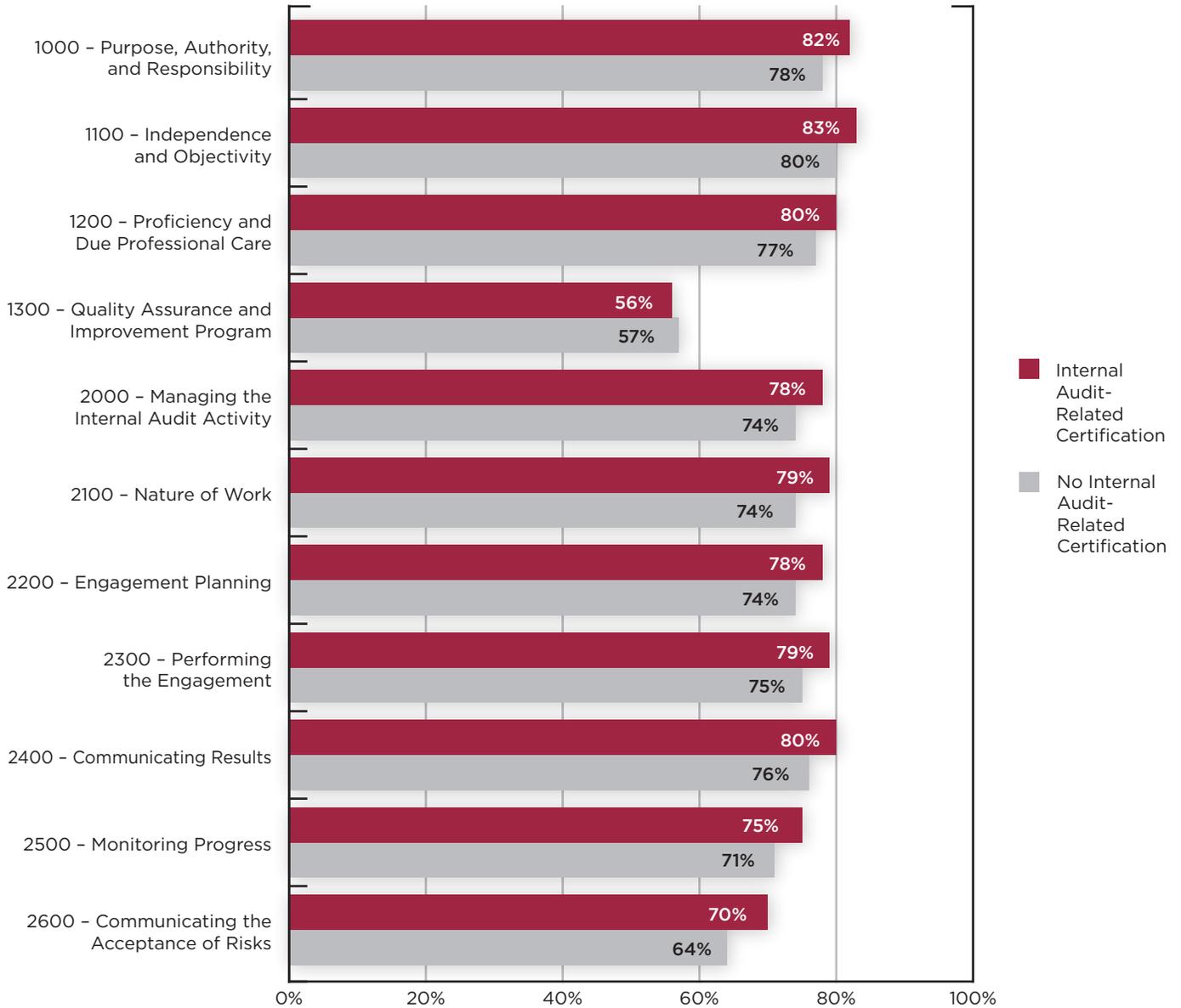
Note: Q99: Is your organization in conformance with the Standards? CAEs only. 2010 n = 2,041 to 2,090; 2015 n = 2,199 to 2,238.

Exhibit 7 Full Conformance with the Standards by IIA Members and Nonmembers



Note: Q99: Is your organization in conformance with the Standards? n = 7,729 to 7,903.

Exhibit 8 Full Conformance with the *Standards* by Internal Audit-Related Certification



Note: Q99: Is your organization in conformance with the *Standards*? Certified n = 3,519 to 3,591; Non-Certified n = 3,928 to 4,023.

The “Quality Gap”

KEY POINT: Of all of the *Standards*, conformance is lowest for requirements regarding quality assurance and improvement programs.

Of all of the *Standards*, conformance is lowest for Standard 1300 – Quality Assurance and Improvement Program. Conformance has improved during the past five years, but a majority of CAEs still report that they do not fully conform. Rates for both use of the standard and full conformance lag far behind the rates for other standards.

Due in part to the lower use of and conformance to Standard 1300, CBOK will issue a separate research report in 2016 with specific analysis and recommendations for this standard.

Management’s Acceptance of Risks

KEY POINT: Cultural differences may affect how CAEs address management’s acceptance of risk.

Appendices A and B show full conformance to each of the *Standards* by organization type and by region, respectively. Full conformance to Standard 2600 – Communicating the Acceptance of Risks is substantially lower in Latin America & Caribbean, Middle East & North Africa, and East Asia & Pacific than in other global regions (see **appendix B**).

It is possible that cultural differences regarding management’s acceptance of risks may affect conformance in some regions. At multinational organizations, it may be especially important to clarify and agree upon processes for resolving disagreements regarding audit recommendations and the mechanism by which the board is informed of potentially unacceptable risks to the organization that have not been addressed by management.

Summary

While overall conformance to the *Standards* is improving, conformance with individual requirements is inconsistent. CAEs may need to take additional steps to increase awareness of the *Standards* and promote full conformance.

ACTION ITEMS FOR IMPROVING CONFORMANCE TO INDIVIDUAL STANDARDS



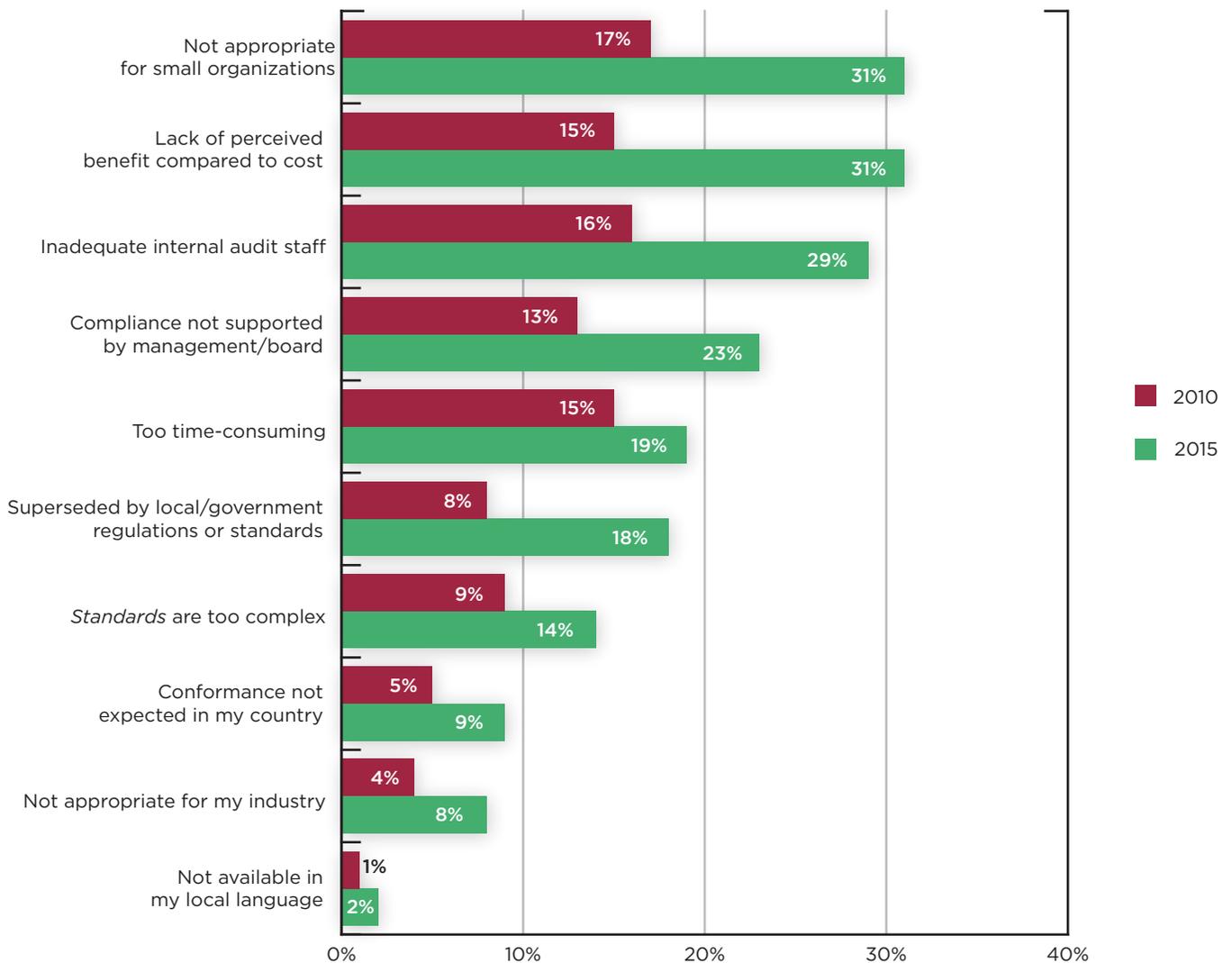
1. Review the *Standards* to assess the extent of the internal audit department’s conformance, and embed recurring conformance activities into the internal audit calendar.
2. Where necessary, include conformance with the *Standards* as a strategic objective when developing the internal audit department’s strategy, along with appropriate key performance indicators (KPIs).
3. As part of a robust quality assurance and improvement program, engage an independent third party to conduct an external quality assessment at least once every five years.
4. Agree on a process to resolve disagreements with management on internal audit recommendations and the mechanism by which the board is informed of unacceptable risks to the organization that have not been addressed by management.

4 Overcoming Barriers to Conformance

Although most internal auditors strive for conformance to the *Standards*, various barriers may inhibit full conformance. As shown in **exhibit 9**, the number of reasons cited for nonconformance is increasing. The top six reasons

can be broken into four categories: inappropriateness for small organizations, lack of perceived benefit compared to cost, lack of management/board support, and use of alternative professional standards or government regulations.

Exhibit 9 Reasons for Not Conforming with the *Standards* by CAE Organizations



Note: Q99a: What are the reasons for not conforming with all of the *Standards*? CAEs only. 2010 n = 1,548; 2015 n = 1,149.

Adequacy of Resources Affects Conformance

KEY POINT: Both at publicly traded companies and not-for-profit organizations, inadequate staff size is the top reason cited for nonconformance.

For internal auditors at publicly traded companies, the financial sector, and not-for-profit organizations, inadequate internal audit staff size was the top reason cited for not conforming to the *Standards*. This reason ranked high among all organization types, although the top reason for nonconformance among internal auditors at public-sector organizations was that use of the *Standards* was superseded by local/government regulations or standards (see exhibit 10).

The Cost-Benefit Relationship

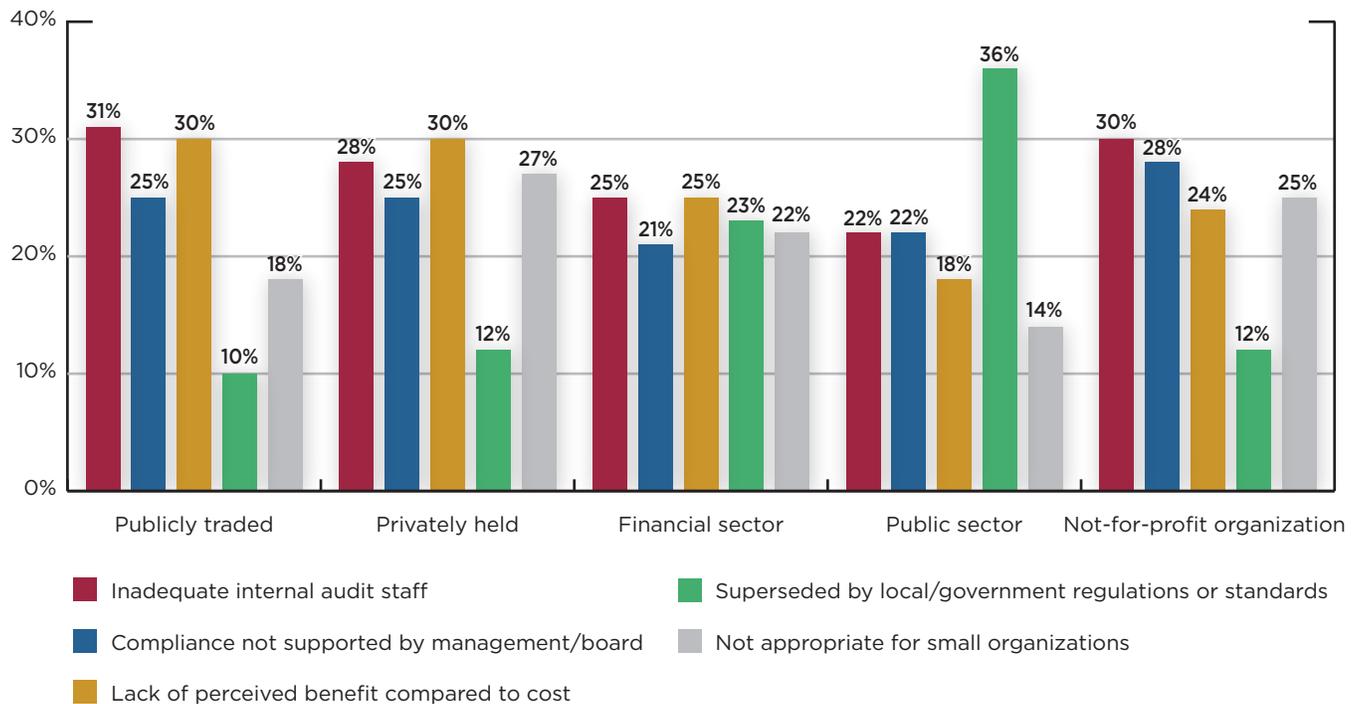
KEY POINT: The top reason cited for nonconformance at privately held companies was a perceived lack of benefit compared to cost.

The top reason cited for nonconformance at privately held companies was a perceived lack of benefit compared to cost. Although most internal auditors support conformance to the *Standards*, this reason ranked relatively high among all organization types.

“Adequate funding and support to fully adopt the *Standards* is an obvious inhibitor. Deliver presentations to the board/management outlining the benefits of adopting or partly complying with the *Standards*.”

—Russel Smith, Director Internal Audit, Metro North Hospital and Health Service, Australia

Exhibit 10 Reasons for Not Conforming with the *Standards* by Type of Organization



Note: Q99a: What are the reasons for not conforming with all of the *Standards*? n = 3,865.

Support by Senior Management and the Board

KEY POINT: Active support by senior management and the board can boost conformance to the *Standards*.

When conformance to the *Standards* receives active support from senior management and the board, internal auditors are more likely to achieve conformance. Unfortunately, however, this support may sometimes be limited because of low awareness levels among some management officials and boards regarding the value of the *Standards*.

“The level of knowledge is low among board members, but as a proposal, the IIA–Malawi Chapter intends to undertake some presentations to board members to ensure that they are aware of internal auditing standards and the relevance of adhering to the *Standards* by internal auditors,” says Paul Marango Nyirenda, president, The Institute of Internal Auditors Malawi.

ACTION ITEMS TO ADDRESS REASONS FOR NONCONFORMANCE



1. Present year-on-year results of internal assessments to senior management and the audit committee to highlight improvements in conformance with the *Standards*, and enlist their support in addressing conformance gaps.
2. Apply a fit-for-purpose and cost-effective approach to implementing the *Standards*, and rely on the organization’s internal resources where cost effective. For example, use internal auditors to deliver training and to simplify methodology templates and forms.
3. If cost is an issue, consider performing a self-assessment with an independent validation instead of a full external assessment.
4. Compare the requirements of the *Standards* to applicable government regulations to identify differences, and assess the level of additional effort needed to close any conformance gaps.

5 Standards Use in Small Audit Departments

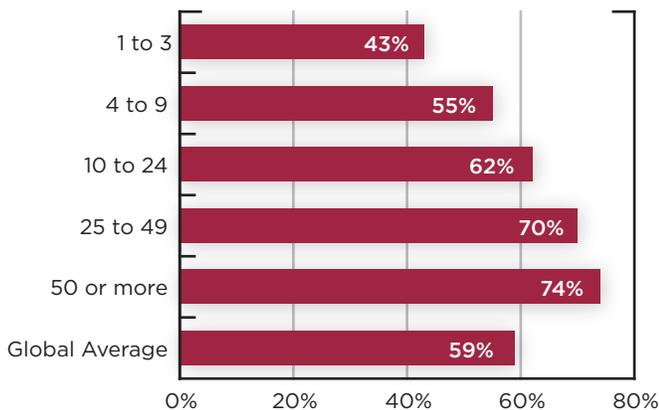
Internal Audit Staff Size and Standards Use

The *Standards* are designed to be appropriate in all internal audit departments regardless of size or working environment; but, internal auditors working in smaller audit departments may face special challenges in adhering to the rules. Smaller internal audit departments often lag behind their larger counterparts in using the *Standards*.

KEY POINT: Smaller internal audit departments lag behind their larger counterparts in using the *Standards*.

As shown in **exhibit 11**, use of all of the *Standards* decreases as the number of internal auditors in the internal audit department decreases, especially in departments of one to three auditors.

Exhibit 11 Use of All the Standards by Number of Full-Time Equivalent Employees in the Internal Audit Department



Note: Q98: Does your organization use the *International Standards for the Professional Practice of Internal Auditing (Standards)*? $n = 8,809$.

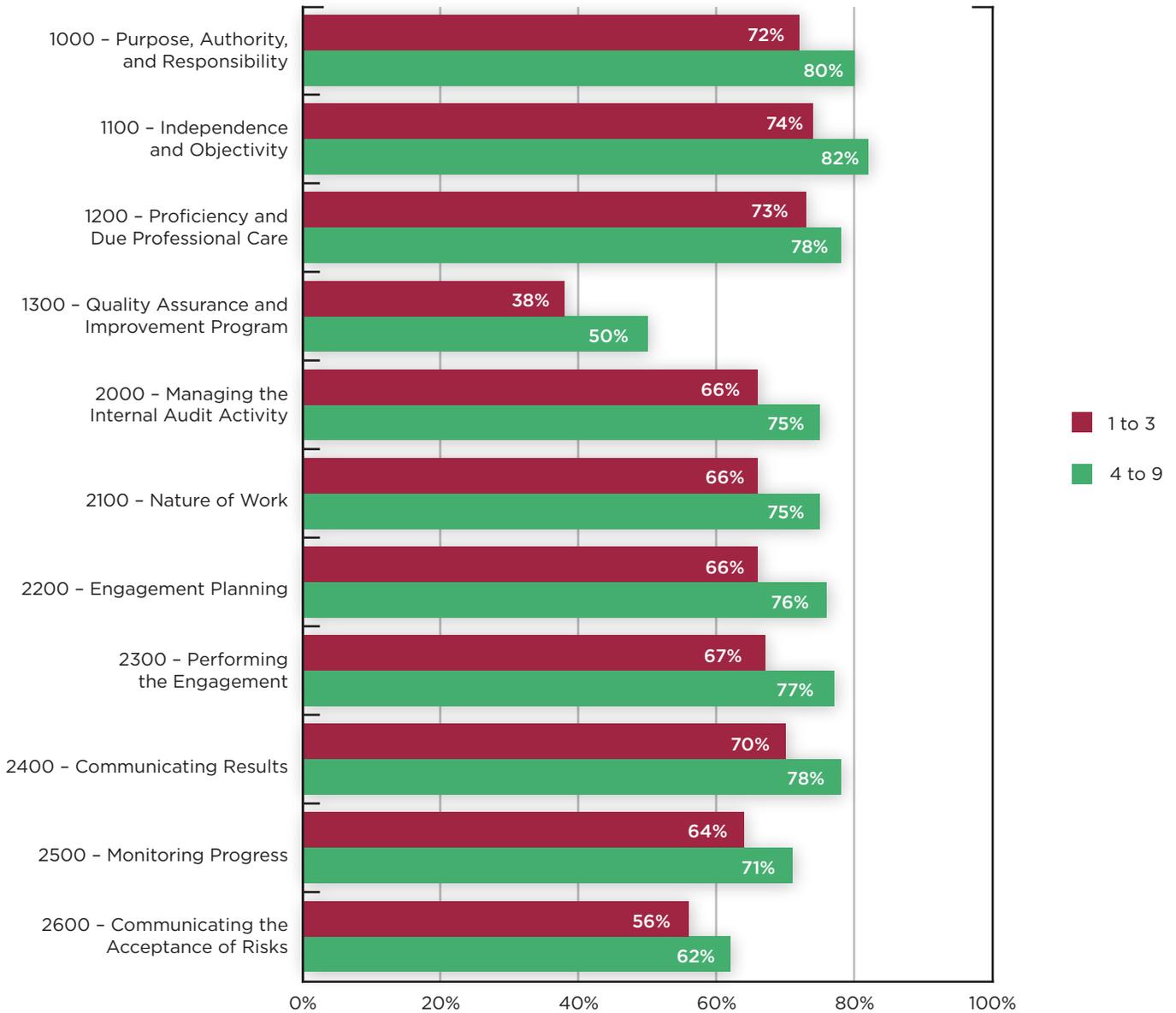
As shown in **exhibit 12**, rates of full conformance are significantly lower for each standard at internal audit departments with one to three employees than at larger departments.

Small-Department Perceptions Regarding Conformance

KEY POINT: Regardless of the size of their own internal audit departments, most internal auditors believe that the *Standards* are appropriate for smaller organizations.

Regardless of the size of their own internal audit department, most internal auditors believe the *Standards* are appropriate for smaller internal audit departments. But departments of one to three auditors are more than twice as likely as larger departments to consider the *Standards* inappropriate for small organizations (see **exhibit 13**). Small audit departments may have a more difficult time addressing the full range of financial, operational, and compliance risks with limited staff, and may believe that they do not have the requisite time or staffing to adhere to all *Standards* requirements. CAEs at small audit shops who want to adopt the *Standards* may be overwhelmed by the process of conforming to all of the *Standards*. These CAEs may want to take a maturity model approach for coming into conformance with the *Standards* over time.

Exhibit 12 Full Conformance with the *Standards* by Number of Full-Time Equivalent Employees in the Internal Audit Department



Note: Q99: Is your organization in conformance with the *Standards*? n = 7,437.

“For a small function in the process of moving up the maturity curve, you have to decide the cost benefit of having all of the *Standards* implemented in the first 18 months. My approach includes prioritization and a road map that entails striving for conformance over a two- to three-year period. Reassess and prioritize some of the *Standards* that may require significant investment, dedicated time, and resources.”

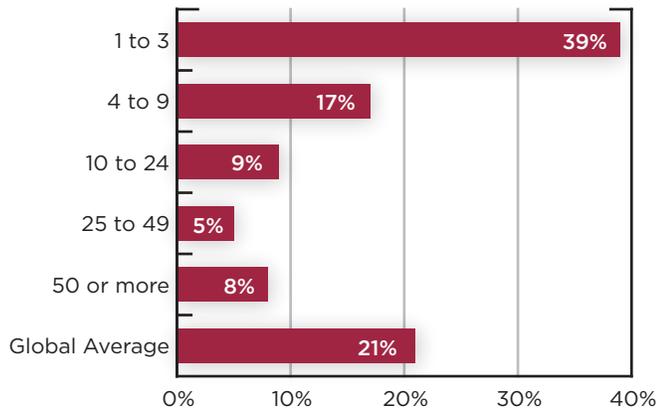
—Marisol Pantoja, Head of Internal Audit,
GATX Corporation, United States

ACTION ITEMS FOR SMALL AUDIT DEPARTMENTS



1. Seek guidance from CAEs at other small organizations who have achieved conformance to the *Standards*.
2. For CAEs who cannot immediately achieve conformance, perform a gap analysis to identify gaps in conformance and create a phased-in implementation schedule that enhances conformance while mitigating potential negative impacts on internal audit schedules and resources.
3. Implement The IIA’s Practice Guide, *Assisting Small Internal Audit Activities in Implementing the International Standards for the Professional Practice of Internal Auditing*.

Exhibit 13 “Not Appropriate for Small Organizations” Reason for Not Conforming With the *Standards* by Number of Full-Time Equivalent Employees in Internal Audit



Note: Q99a: What are the reasons for not conforming with the *Standards*? (Choose all that apply.) (Only for respondents who chose “Partial yes” or “No” for Q98.) All Respondents $n = 3,636$.

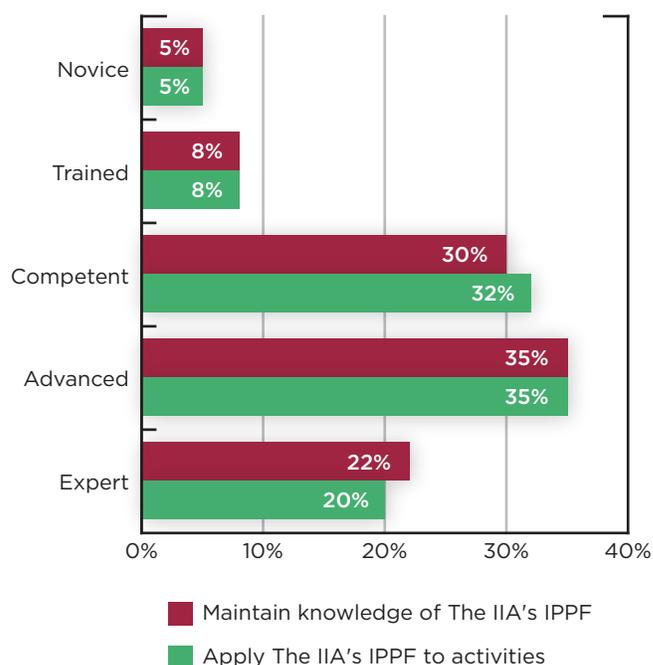
6 Internal Audit Competency: Applying the *Standards* to Our Work

KEY POINT: Almost a quarter of internal auditors consider themselves below the competent level in applying the IPPF to their work.

According to the CBOK survey, 87% of CAEs consider themselves competent, advanced, or expert in applying the IPPF to internal audit, while 8% rated themselves merely as trained (see **exhibit 14**). Competency ratings were lower for other internal auditors: overall, 24% of internal auditors rated themselves below the competent level in applying the IPPF to their work.

A strong understanding of the IPPF is closely related to the ability to provide essential internal audit services efficiently and effectively. These statistics may point to a need for training and development activities specifically designed to enhance familiarity with the IPPF and to aid in applying the IPPF to specific internal audit situations.

Exhibit 14 CAE Proficiency with The IIA's International Professional Practices Framework (IPPF)



Note: Q80: Estimate your proficiency for each competency using the following scale: (The IIA's International Professional Practices Framework group.) CAEs only. *n* = 2,479 to 2,566.

ACTION ITEMS FOR IPPF PROFICIENCY



1. Offer training for all new internal audit employees on the *Standards* and other guidance within the IPPF.
2. Encourage internal auditors to maintain or improve their knowledge of the IPPF through continuing education courses and certification programs.
3. Create a clear expectation that all members of the internal audit department should apply the *Standards* to their work, or if for any reason conformance is not practicable, contact their supervisor for advice.
4. Engage as many qualified members of the internal audit team as practicable in the department's internal assessment, pairing less experienced auditors with experienced co-workers during the internal assessment to increase their proficiency with the *Standards*.
5. Share internal assessment results with the entire audit team.
6. Encourage members of the internal audit team to participate in external assessments and in ongoing and periodic internal assessments, as appropriate. Have them share their experiences with other members of the internal audit department.

Appendix A

Full Conformance with the *Standards* by Organization Type

<i>Standard</i>	Financial sector (privately held and publicly traded)	Not-for-profit organization	Publicly traded (excluding financial sector)	Public sector (including government agencies and government-owned operations)	Other organization type	Privately held (excluding financial sector)	Global Average
1000 - Purpose, Authority, and Responsibility	87%	84%	80%	77%	75%	73%	80%
1100 - Independence and Objectivity	88%	87%	81%	77%	77%	77%	81%
1200 - Proficiency and Due Professional Care	85%	85%	78%	76%	76%	74%	79%
1300 - Quality Assurance and Improvement Program	65%	51%	56%	55%	58%	48%	57%
2000 - Managing the Internal Audit Activity	83%	81%	76%	72%	70%	69%	76%
2100 - Nature of Work	84%	80%	75%	73%	70%	69%	76%
2200 - Engagement Planning	83%	80%	76%	74%	72%	70%	76%
2300 - Performing the Engagement	83%	82%	76%	75%	71%	70%	77%
2400 - Communicating Results	84%	84%	78%	76%	73%	72%	78%
2500 - Monitoring Progress	81%	75%	72%	70%	70%	67%	73%
2600 - Communicating the Acceptance of Risks	77%	72%	66%	62%	64%	59%	67%

Note: Q99: Is your organization in conformance with the *Standards*? n = 7,782 to 7,954.

Appendix B

Full Conformance with the *Standards* by Global Region

<i>Standard</i>	East Asia & Pacific	Sub-Saharan Africa	South Asia	Middle East & North Africa	Europe	Latin America & Caribbean	North America	Global Average
1000 - Purpose, Authority, and Responsibility	72%	79%	80%	77%	83%	74%	91%	80%
1100 - Independence and Objectivity	74%	78%	87%	77%	83%	78%	91%	81%
1200 - Proficiency and Due Professional Care	69%	77%	82%	73%	81%	77%	90%	79%
1300 - Quality Assurance and Improvement Program	55%	51%	67%	51%	58%	47%	67%	57%
2000 - Managing the Internal Audit Activity	67%	73%	78%	75%	79%	68%	88%	76%
2100 - Nature of Work	67%	75%	74%	72%	78%	73%	89%	76%
2200 - Engagement Planning	67%	75%	78%	73%	77%	75%	88%	76%
2300 - Performing the Engagement	66%	75%	78%	73%	79%	73%	89%	77%
2400 - Communicating Results	69%	80%	81%	73%	79%	75%	90%	78%
2500 - Monitoring Progress	64%	71%	76%	66%	76%	69%	85%	73%
2600 - Communicating the Acceptance of Risks	58%	63%	73%	60%	69%	57%	83%	67%

Note: Q99: Is your organization in conformance with the *Standards*? n = 7,876 to 8,051.

Conclusion

Professional standards are of limited value if they are not adopted and used consistently. The *Standards* represent minimum expected requirements that normally should be found in all internal audit functions. But despite their global nature, many CAEs choose not to adopt the *Standards*, and even where the *Standards* are used, full conformance is not universal. Less than half of CAEs report that they are in conformance with the quality assurance and improvement program requirements in

Standard 1300; and almost a quarter of internal auditors rate themselves below the competent level in applying the IPPF to their work.

Fortunately, the CBOK survey found that progress is being made toward more consistent conformance. Based on current trends, it seems likely that as the profession matures, conformance to professional standards may one day be expected of all internal auditors, just as it is expected of other professional groups.

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